

# LATE REPORT NO. 1 EXTRAORDINARY COUNCIL MEETING 2 NOVEMBER 2017

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## LAND ACQUISITION - FORMER MASTERS HOME IMPROVEMENT SITE, TAREE

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File No. / ECM Index    Land Acquisitions

Date of Meeting         2 November 2017

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### REASON FOR CONFIDENTIALITY

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the Local Government Act 1993, which permits the meeting to be closed to the public for business relating to the following:

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business

It is considered that it would be contrary to the public interest for this matter to be discussed in an open meeting. The disclosure of information such as valuation ranges and negotiated prices prior to acceptance may disadvantage Council in ensuring that only a reasonable price is paid for land and that ratepayers are not impacted by Council having to pay a premium.

### SUMMARY OF REPORT

This report deals with the potential acquisition of Lot 1 in Deposited Plan 1185504 being the former "Masters Home Improvement Site" ("the Site") located at the corner of Manning River Drive and Biripi Way, Taree NSW 2430. The site comprises an area of approximately 3.7ha consisting of a high clearance warehouse facility (9,910 sq. metres) with polished concrete floors, fully air conditioned (Fusion system) and 281 on grade car parking spaces and associated infrastructure.

### SUMMARY OF RECOMMENDATION

That Council:

1. Acquires Lot 1 in Deposited Plan 1185504 being the former "Masters Home Improvement Site" located at the corner of Manning River Drive and Biripi Way, Taree NSW 2430 in accordance with the offer made to the vendor in the amount of [REDACTED] (plus GST); and
2. Delegates authority to Council's General Manager to finalise negotiations in respect of this acquisition provided they are in accordance with the information contained in this report; and
3. That the land be classified as "Operational Land" in accordance with the Local Government Act, 1993; and
4. That the Common Seal of Council be affixed to all necessary documents in respect of this acquisition.

### FINANCIAL/RESOURCE IMPLICATIONS

Funding for the acquisition will be from loan borrowings repayable over a 20 year term. The estimated loan servicing costs on a loan of [REDACTED] are between [REDACTED] per annum (based on a loan rate of 3.5%-4%).

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#### LEGAL IMPLICATIONS

Council will be required to enter into a "Contract for sale and purchase of land".

Council has the power to acquire land under Section 186 of the Local Government Act 1993 for the purpose of exercising any of its functions.

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#### BACKGROUND

The former "Masters Home Improvement Site" located at the corner of Manning River Drive and Biripi Way, Taree NSW 2430 was one of many Masters' sites advertised for sale or lease via expression of interest (EOI) with offers closing on 10 August 2017. The agents acting for the vendors is Cushman Wakefield Property.

Prior to the election of the Council, MidCoast Council submitted an EOI indicating Council's interest in acquiring the site at a purchase price of [REDACTED] subject to a formal resolution of the elected Council after September of 2017.

The site comprises an area of approximately 3.3ha consisting of a high clearance warehouse facility (9,910 sq. metres) with polished concrete floors, fully air conditioned (Fusion system) and 281 on-grade car parking spaces.

The site is being proposed to be used for a central administration headquarters for MidCoast Council.

The rateable value of the site is \$1.21 million and was last sold for \$1.75 million in June 2013 when it was acquired for the development of the Masters Home Improvement Centre.

#### DISCUSSION

This report is not intended to discuss in detail the merits or otherwise of a central administration facility for MidCoast Council but rather deals with the actual acquisition process in respect of the site. The details in respect of the fit out of the site will be the subject of a further report to Council. However, an examination of the facility by Atlas Urban Consultants during an onsite visit with Council's senior executive has confirmed that the site is suitable to be fitted out as an administration facility for up to 400 staff along with the various civic facilities, meeting rooms, amenities etc that MidCoast Council requires.

Whilst the discussion in respect of a central administration facility may need further discussion, the opportunity to acquire this site when it arose in August 2017 was considered to represent very good value to MidCoast Council. The likely cost to acquire and fit out the facility are estimated at a considerably lesser price than acquiring a "greenfield" site and constructing a new facility. It is estimated that the cost to acquire and fit out this site would range between [REDACTED] as opposed to upwards [REDACTED] to acquire a new site and the construction of a new facility - provided that a suitable alternative site can be found. To continue with a campus model would require a complete refit of the existing offices which may cost [REDACTED]. The sites location at Manning River Drive and access to the NBN (the main cables run along Manning River Drive) offers significant benefits to the organisation.

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Following Council's initial EOI submission, the agents acting for the vendor advised Council that they had alternative offers in respect of the site. Enquiries with the agent indicated that the vendor was expecting to realise in the range of \$6 million to \$10 million in respect of the site. The agent further advised that the vendor had invested approximately \$25 million into the sites development. During the course of negotiations as late as Monday, 30 October, the agent indicated that they had progressed with an alternate buyer to the stage where they were close to exchanging contracts. Subsequently, following further negotiations, an offer was made to purchase the site at [REDACTED]. Again this offer was subject to being endorsed by a formal resolution of Council.

Council officers have engaged First State Property Valuers to provide an independent valuation in respect of the site and all improvements (including the building, car parking and associated infrastructure). The valuation is attached to this report as Annexure 'A'.

The agent has now provided Council with advice that Council's offer is acceptable and has forwarded a draft contract of sale for consideration and review by Council. At the time of writing this report the draft contract has not been fully reviewed but it will not be executed until fully reviewed by Council's legal representatives.

Council would fund the acquisition and any future fit out costs from loan borrowings over a 20 year period given the likely long term life of the building and associated infrastructure. In the event of consolidating the various offices into a central administration facility at this location then obviously Council will also need to consider its options in respect of the various existing administration facilities - this would be the subject of further reports to Council.

In the event of the offer being accepted by the vendor, (following councils review of the contract) and if Council concurs to the acquisition, then it will be necessary for Council to endorse the offer and formally resolve to acquire "the Site" and enter into a legally binding contract for the acquisition. Council should also resolve that the General Manager be delegated to finalise negotiations for the acquisition of "the Site" in accordance with the offer.

In addition it is appropriate to classify the land (if acquired) as "Operational Land" in accordance with the provisions of the Local Government Act, 1993.

**CONSULTATION**

It is also noted that Council's General Manager has held high level discussions with the Mayor and Council in respect of the benefits of this site for a central Council administration facility.

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#### COMMUNITY IMPACTS

The impacts on community across MidCoast Council are wide ranging. It is intended these will be fully explored with all stakeholders prior to recommendations being put back to Council regarding future use of the building.

#### ALIGNMENT WITH COMMUNITY PLAN/OPERATIONAL PLAN

There are no specific actions in Council's Operational Plan as the opportunity to acquire this site was not foreseen when the plans were developed. The proposed acquisition and use of the site is a consequence of the merger of three General Purpose and one County Council. Council currently operates under the three former area Community Strategic Plans. All former Community Strategic Plans contained Governance and Leadership Objectives and Strategies which focus on efficient, effective services which are targeted at meeting current and future customer/community needs.

#### TIMEFRAME

The vendor is extremely keen to have the matter settled as quickly as possible and it is anticipated that settlement could take place in December 2017.

#### BUDGET IMPLICATIONS

Funding for the acquisition of "the Site" will be from loan borrowings repayable over a 20 year term. The estimated loan servicing costs on a loan of [REDACTED] are between [REDACTED] per annum (based on a loan rate of 3.5%-4%). The loan repayments can be serviced from the lease income received from the Woolworths supermarket in Tuncurry which is currently directed into reserve.

#### RISK CONSIDERATION

The risk in acquiring this land is that ultimately a decision is made not to proceed with a central administration facility - either at this site or at all. Hence, Council will then need to manage the site as a commercial facility and seek a commercial return or divest itself of the asset in the future.

#### RECOMMENDATION

That Council:

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