

**14.1** **OPPORTUNITY TO REPLENISH THE STRATEGIC  
PROPERTY FUND**

**EXECUTIVE MEMBER:** **CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND  
CORPORATE SERVICES**

**PREPARED BY:** **ANTHONY SAVENKOV, HEAD OF PROPERTY PROJECTS**

**1. PURPOSE**

- 1.1 To seek approval to commence the statutory process under Section 189 of the *Local Government Act 1989*, notifying the public of an Intention to Sell a surplus property at 8 York Street, St Kilda West (the “Property”), and considering the responses to that notice.



*Photo above: the front of the Property from York Street.*

**2. EXECUTIVE SUMMARY**

- 2.1 8 York Street is a Council property worth well over \$2M that has sat empty for several years, and intermittently empty for several years before that.



## ORDINARY MEETING OF COUNCIL 4 MARCH 2020

- 2.2 It is a former neighbourhood kindergarten, of the 70s era.
- 2.3 The building is based on an obsolete operating model – it is too small to be functionally or economically viable for a contemporary children’s centre.
- 2.4 Any existing right to use the land for a children’s centre has expired.
- 2.5 The Property’s land size and development potential render it unattractive for future service delivery, and it has no apparent value to Council in terms of strategy delivery.
- 2.6 Council’s fleet of operating children’s centres is currently subject to a service review. However, this former centre is put forward separately, given that:
  - the relevant service team has confirmed that the Property is redundant to its delivery needs; and
  - continuing to hold it, despite its poor prospects, is an ongoing financial burden and opportunity cost.
- 2.7 Selling underperforming assets helps fund the development of higher performing ones. In this case it also enables more productive development of the site than its current use.
- 2.8 Prior to determining whether to sell a real estate asset, Council is required by statute to give public notice of intention to sell and to hear any submissions in response.
- 2.9 Should Council ultimately determine to sell the Property, Officers would do this through an open market process.
- 2.10 Should the Property ultimately be sold, the proceeds are allocated to the Strategic Property Fund. In this way the value realised by disposing the asset is preserved for future reinvestment in Council’s property portfolio.

### 3. RECOMMENDATION

That Council:

- 3.1 Resolves that the statutory processes under the *Local Government Act 1989* (“Act”) be commenced to consider the sale of 8 York Street, St Kilda West, and authorises relevant Officers to carry out the administrative procedures necessary to enable Council to carry out its functions under section 223 of the Act.
- 3.2 Resolves to hear and consider any submissions received in response to public notice published pursuant to sections 189 and 223 of the Act.

### 4. KEY POINTS/ISSUES

#### The Property

- 4.1 York Street is a quiet, leafy residential street of St Kilda West.
- 4.2 At number 8 on that street single storey, brick veneer building, with a light weight cladded rear.



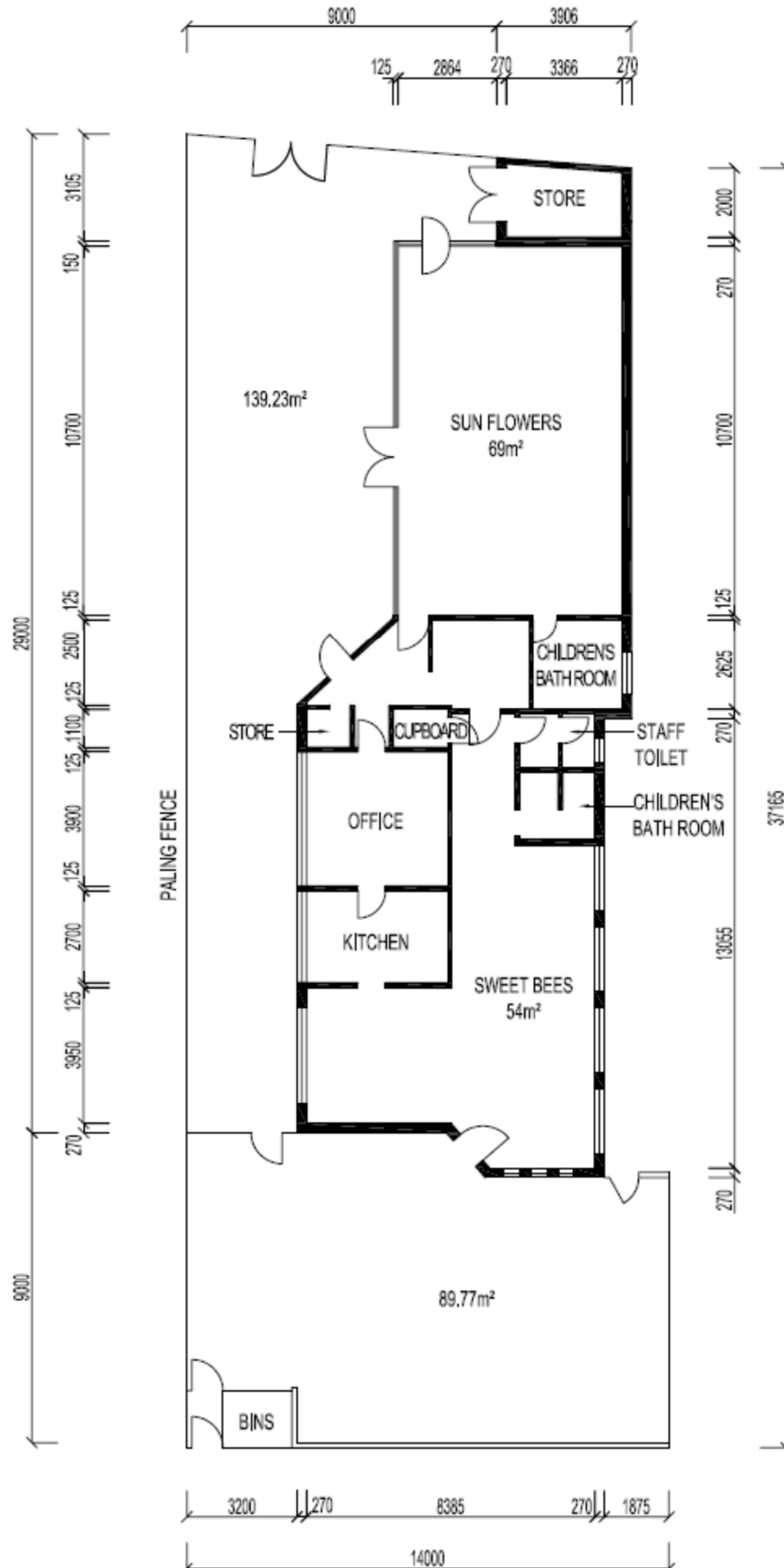
## ORDINARY MEETING OF COUNCIL 4 MARCH 2020

- 4.3 A casual observer could easily mistake it for a house. However, it was designed as a kindergarten.
- 4.4 The building of 195 m<sup>2</sup> sits on land of 534 m<sup>2</sup>.
- 4.5 The building is vacant. Has been for four years.
- 4.6 The Property is owned by Council.

### **Former use**

- 4.7 The facility was built as the West St Kilda kindergarten.
- 4.8 It had capacity for thirty five kids – twenty at the rear, fifteen at the front.
- 4.9 The front had also instead been used as a parental child & health centre, and later for occasional child care.
- 4.10 With limited customer capacity, functional challenges, and facing daunting capital investment, the facility was closed.
- 4.11 Several times subsequently it was used as an interim facility whilst others were renewed – for instance the North St Kilda Children’s Centre. The last temporary tenant, Middle Park Kindergarten, left the Property in 2015.

# ORDINARY MEETING OF COUNCIL 4 MARCH 2020





*Photo above: view from rear – looking north east along the side boundary.*

### **Nature of obsolescence**

- 4.12 The building is in moderate condition.
- 4.13 The facility does not meet current prescribed child care requirements – for instance, not having an administration area or meeting room.
- 4.14 The bathrooms are very small.
- 4.15 By contemporary standards, the site is small for this use.
- 4.16 A building report commissioned in 2015 identified over one hundred non-compliance issues needing to be remedied should the building be reopened. Some of these have since been undertaken, as the Property was still considered a “backup” children’s centre.
- 4.17 The Property delivers an operational loss. It earns no rent, though incurs operating and holding costs. These include: gardening at \$5,200 a year; security at \$2,466; the fire



## ORDINARY MEETING OF COUNCIL 4 MARCH 2020

levy of \$421; insurance of \$587. Maintenance and renewal on the building has averaged approximately \$15,000 yearly over the past five years.

### **Council need**

- 4.18 Council's Family, Youth and Children unit has confirmed that the Property is unfit for purpose and surplus to their needs.
- 4.19 Officers have considered alternative uses for the Property.
- 4.20 The location, zoning and size of the Property strongly limits its potential for community use.
- 4.21 Council has no operational need for the Property in the foreseeable future.
- 4.22 Council appears to have no strategic use for the Property.
- 4.23 For instance, its hypothetical yield is too small to be efficiently development for community housing, and is not well situated to be useful for open space.

### **Children's services planning**

- 4.24 In City of Port Phillip there are over forty kindergartens and child care centres, a portion of which are operated and/or owned by Council. Additionally, there are a few registered family day care centres, and many in-home carers (e.g. nannies, au pairs).
- 4.25 The Property currently makes no contribution to the combined capacity or delivery of these services. Additionally, its *potential* contribution is limited – for instance, as a family day care centre, and then only with remodelling.
- 4.26 Further, the Property is no longer considered a realistic standby/transitional facility for children's services. Its functionality, including capacity, is deficient.
- 4.27 Council is undertaking a review of its children's services. As a surplus property 8 York Street has little relevance to the property strategy outcomes of that service review and is therefore being put forward separately with this paper.

### **Opportunity to sell**

- 4.28 It is proposed that the Property be sold. This will help ensure that capital is available when it is required for upcoming property portfolio development, that development subject to Council prioritisation and approval.
- 4.29 However, prior to determining whether to sell the Property, Council should notify the public of its intention to sell it, and hear and consider submissions responding to that notice.

## **5. CONSULTATION AND STAKEHOLDERS**

- 5.1 In complying with its statutory obligations, Council would invite and consider public submissions on its intention to sell this Council property.
- 5.2 The potential sale of the Property would be on the open market and publicly advertised, as expected under the *Local Government Best Practice Guideline for the Sale, Exchange and Transfer of Land*.



# ORDINARY MEETING OF COUNCIL 4 MARCH 2020

## 6. LEGAL AND RISK IMPLICATIONS

- 6.1 To sell or exchange the Property, Council must comply with section 189 of the *Local Government Act 1989 (Vic)*. Under this section Council is required to give prior public notice of its intention to sell, and hear any submissions under section 223 of the Act prior to determining whether to sell.

## 7. IMPACTS

### Financial impact

- 7.1 Sale of the Property is anticipated to release substantial community funds. It will also save about \$10k yearly on holding costs.
- 7.2 Our current approach is to place the proceeds of such sales into the Strategic Property Reserve for use in the acquisition or upgrade of Council property.

### Environmental impact

- 7.3 The recommendation of this paper is not considered to give rise to environmental implications.

### Community impact

- 7.4 Selling underperforming assets helps fund the development of higher performing assets. This directly impacts Council's operational productivity and the effectiveness of its service delivery.
- 7.5 It is also likely to improve neighbourhood amenity – given that the Property has been vacant for several years.

## 8. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 8.1 The proposed sale of this redundant property falls under direction 6 – Our commitment to you.

## 9. IMPLEMENTATION STRATEGY

### 9.1 TIMELINE

- 9.1.1 If Council approves the recommendation of this report, Officers will immediately commence the Intention to Sell process – one anticipated to take approximately four months.
- 9.1.2 Subject to the outcome of that process, marketing and sale of the Property may follow – requiring several months, plus a settlement period.

### 9.2 COMMUNICATION

- 9.2.1 City of Port Phillip actively manages its property portfolio.
- 9.2.2 Selling underperforming property assets helps fund the delivery of higher performing ones.



## ORDINARY MEETING OF COUNCIL 4 MARCH 2020

### **10. OFFICER DIRECT OR INDIRECT INTEREST**

10.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

**TRIM FILE NO:** 20/17/04

**ATTACHMENTS** Nil