

**RELEASED**  
**C280223/7360**

**ITEM NUMBER: 17.1**

## **CONFIDENTIAL REPORT**

### **SALE OF LAND PROPOSAL**

*Pursuant to Section 83(5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:*

- b. Information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and would, on balance, be contrary to the public interest.**

CONFIDENTIAL

**Recommendation – Exclusion of the Public – Section 90(3)(b) Order**

- 1 That pursuant to Section 90(2) of the *Local Government Act 1999* Council hereby orders that the public be excluded from attendance at this meeting with the exception of the Chief Executive Officer and Staff in attendance at the meeting in order to consider Report No: 238/18 – Sale of Land Proposal in confidence.
2. That in accordance with Section 90(3) of the *Local Government Act 1999* Council is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 238/18 – Sale of Land Proposal on the following grounds:
  - b. pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business, or to prejudice the commercial position of the Council

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

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Item No: **17.1**

Subject: **SALE OF LAND PROPOSAL**

Date: 10 July 2018

Written By: General Manager Business Services

General Manager: Business Services, Mr R Bria

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### **SUMMARY**

Council has now received an updated proposal from CESA regarding the potential purchase of part of the Holdfast Bay Community Centre (HBCC) land to support CESA's conversion of the Marymount College site to a Reception to Year 6 primary school with a co-located Early Learning Centre.

The CESA updated proposal is to purchase 2,100 square metres (40.2%) of the 5,225 square metre total HBCC site for \$2.536m and Council to purchase from CESA 300 square metres of land that abuts the eastern side of the HBCC land (break out zone) for \$0.268m.

CESA as can be demonstrated have increased their offer for part of the HBCC land substantially from their initial offer in April 2018 to an offer that provides a 31.3% premium above our valuation. The Administration believe this provides a fair value for the land if the Council wishes to sell the land.

Upon further investigation of the site by council officers and in discussions with HBCC, it can be seen that the HBCC infrastructure is in reasonable condition with a useful life of another 15 years before major infrastructure work is required. Therefore the priority of upgrading the HBCC in an infrastructure sense is seen as a lower priority. Also in the discussions with the HBCC representatives they were not in favour of Council selling any part of the land to CESA, however believe a new community centre would provide increased flexibility and opportunities for the centre. With the lower priority of the infrastructure requirement for the HBCC, the development of a HBCC Master plan should be deferred until an appropriate time in the future, preferably within the next 5 years.

It is recommended that CESA be advised that Council at this time is not prepared to sell any part of the HBCC land and that CESA be thanked for their interest and the development of a Masterplan for the HBCC which is included in the 2018/19 budget be deferred.

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**RECOMMENDATION**

1. That the report be received.
  2. That the Chief Executive Officer advise CESA that the Council is not prepared to sell any part of the HBCC land at this time and thank them for their proposal.
  3. That the proposed development of Holdfast Bay Community Centre Masterplan allocated in the 2018/19 budget be deferred until an appropriate time in the future when the infrastructure planning is required.
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**COMMUNITY PLAN**

Community: Building a healthy, active and resilient community  
Community: Celebrating culture and diversity  
Community: Providing welcoming and accessible facilities  
Community: Fostering an engaged and contributing community  
Economy: Supporting and growing local business  
Environment: Using resource efficiently  
Culture: Being financially accountable

**COUNCIL POLICY**

Not Applicable.

**STATUTORY PROVISIONS**

Not Applicable.

**BACKGROUND**

Council owns 5225 square metres of land on the corner of King George Avenue and King Street, Hove, which is known as the Holdfast Bay Community Centre. This parcel of land is not designated as community land under the Local Government Act.

To assist in Council determining what to do on the HBCC site, the 2018/19 draft budget includes an allocation to develop a Master Plan for the site.

Catholic Education South Australia (CESA) presented to the Council in a workshop on 13 February 2018 on their proposed Hove education development including the potential for Council to sell land to CESA adjacent top their site. Since that time the CEO and Senior Officers have had a number of meetings on various issues, so that a formal proposal could be developed and be put to Council for direction.

A report was put to Council on 22 May 2018 in regards to the formal offer received from CESA 15 May 2018. The CESA proposal was to purchase 2,245 square metres (43%) of the 5,225 square metre total HBCC site for \$2.1m and CESA to transfer 300 square metres of land that abuts the eastern side of the HBCC land (break out zone) into Council ownership. The initial proposal is attached for your information.

*Refer Attachment 2*

Council resolved on 22 May 2018 (CL220518/1169) to:

*"1. That the report be received.*

*2. That based on information in the attached report 176/18, Council supports the CESA proposal in principle and authorises the Chief Executive Officer to negotiate with CESA on the specific details of the proposal with the following conditions:*

*(a) That Council would like the input of the Holdfast Bay Community Centre stakeholders*

*(b) That further investigation be made in relation to the valuation/price point.*

*(c) That the CESA be advised that to proceed, Council wishes previous reports to be made public with the removal of any sensitive information to facilitate an open discussion with the public.*

*(d) That administration work up a potential design/costing for a community centre."*

## **REPORT**

After the Council meeting on the 22 May 2018, Council officers met with CESA representatives to move forward on Council's resolution. As a result, Council has now received an updated proposal from CESA regarding the potential purchase of part of the Holdfast Bay Community Centre (HBCC) land to support CESA's conversion of the Marymount College site to a Reception to Year 6 primary school with a co-located Early Learning Centre.

In summary the updated CESA proposal is to purchase 2,100 square metres (40.2%) of the 5,225 square metre total HBCC site for \$2.536m and Council to purchase from CESA 300 square metres of land that abuts the eastern side of the HBCC land (break out zone) for \$0.268m.

*Refer Attachment 1*

### **Land Valuation/Price**

There have been two valuations on the site, one commissioned by us (Sam Christodoulou) and one by CESA (M3 Property) which were provided to Council in the last Council report. Sam Christodoulou valued the site at \$960 per square metre whilst M3 Property valued the site at \$892 per square metre. At the last Council there were questions raised in regards to the valuations which were forwarded to our Valuer, Sam Christodoulou. His response to those queries is attached.

*Refer Attachment 3*

CESA in its updated proposal has provided a 25% premium on the valuation provided from by our valuer Sam Christodoulou and they have discounted the “breakout zone” land by 7% on Sam’s valuation.

The table below shows the chronology of the offers from an initial draft offer that was made by CESA to Council officers in April 2018 which was not seen as appropriate to bring to Council as it was below our valuation. As the table shows CESA have increased their offer substantially and have now proposed a net amount of \$2.268m which provides a 31.3% premium over our valuation. The current offer based on our own valuation provides a fair value for the sale of the land.

|                               | CESA initial draft offer of<br>17 April 2018 |      |        | CESA offer of 22 May 2018 |      |          | CESA offer of 27 June 2018   |      |           | COHB Valuation<br>(S. Christodoulou) |      |        |
|-------------------------------|--|------|--------|---------------------------|------|----------|------------------------------|------|-----------|--------------------------------------|------|--------|
|                               | \$   | Sqm  | \$/sqm | \$                        | Sqm  | \$/sqm   | \$                           | Sqm  | \$/sqm    | \$                                   | Sqm  | \$/sqm |
| Purchase of HBCC land         | 1,760,000                                    | 2465 | 714.00 | 2,423,907                 | 2245 | 1,079.69 | 2,536,000                    | 2100 | 1,207.62  | 2,016,000                            | 2100 | 960.00 |
| Sale of land (Break out Zone) | 250,000                                      | 300  | 833.33 | 323,907                   | 300  | 1,079.69 | 268,000                      | 300  | 893.33    | 288,000                              | 300  | 960.00 |
| Net proceeds to Council       | 1,510,000                                    | 2165 | 697.46 | 2,100,000                 | 1945 | 1,079.69 | 2,268,000                    | 1800 | 1,260.00  | 1,728,000                            | 1800 | 960.00 |
|                               |  |      |        |                           |      |          | COHB Valuation               |      | 1,728,000 |                                      |      |        |
|                               |  |      |        |                           |      |          | Amount above COHB valuation  |      | 540,000   |                                      |      |        |
|                               |  |      |        |                           |      |          | Premium above COHB valuation |      | 31.3%     |                                      |      |        |

### Discussions with Holdfast Bay Community Centre stakeholders

Within the CESA proposal it acknowledges that CESA had discussions with HBCC representatives, Mr Tim Looker and Ms Marion Modra in December 2017 in regards to the aspiration of the HBCC and also those of CESA. Their documentation states that the discussions were positive and HBCC were interested in the potential to connect directly with a new Catholic Early Learning Centre and primary school, and also for new community centre facilities to be constructed. CESA are willing to have further discussions with HBCC as they have had been encouraged by the positive approach taken by the HBCC representatives to date.

After the last Council report discussions were held with Council Officers and Mr Tim Looker and Ms Marion Modra in regards to the CESA proposal. From these discussions it appears that these representatives were not in favour of the sale of any land at HBCC, however the YMCA representative was more convinced by the benefits of what a new purpose built facility can provide and the possibility of negotiating a hire arrangement with CESA to access their facilities at off peak/OSH times.

In a recent review of the current building stock at HBCC by council officers, it was found that our estimates of the state of the building may have been overly conservative in the past. The council officer’s view is that the current buildings may have another 15 years of useful life in them following recent maintenance work. This would imply that spending further resources at HBCC is not a current priority and that the planned Master Planning work allocated in the 2018/19 budget should be deferred until an appropriate time in the future, preferably within the next 5 years.

### **Potential design/costing for a community centre**

CESA and their architect in January 2018 met with representatives of the HBCC to inspect the community centre facilities. At that time it was acknowledged that the current layout of the community centre ties up a large amount of space unproductively. From these discussions CESA's architect designed a community centre layout that would take into consideration all current available space (1160 sqm) and put it into a two storey community centre building. This would provide the same amount of space, however would be configured in a more flexible design. This design was only one option, however was designed to show how the current HBCC can be redesigned on a far smaller footprint.

*Refer Attachment 4*

CESA estimated the cost of construction of the new community centre would be around \$6m, however using council's design and construction methodology and basing costs around the Kauri build it would be more likely a \$4m build for the centre and associated carpark and landscaping. These costs are very rough estimates to provide an indicative construction cost.

### **Conclusion**

CESA as can be demonstrated have increased their offer for part of the HBCC land substantially from their initial offer in April 2018 to an offer that provides a 31.3% premium above our valuation. The Administration believe this provides a fair value for the land if the Council wishes to sell the land.

Upon further investigation of the site by council officers and in discussions with HBCC, it can be seen that the HBCC infrastructure is in reasonable condition with a useful life of another 15 years before major infrastructure work is required. Therefore the priority of upgrading the HBCC in an infrastructure sense is seen as a lower priority. Also in the discussions with the HBCC representatives they were not in favour of Council selling any part of the land to CESA, however believe a new community centre would provide increased flexibility and opportunities for the centre. With the lower priority of the infrastructure requirement for the HBCC, the development of a HBCC Master plan should be deferred until an appropriate time in the future, preferably within the next 5 years.

It is recommended that CESA be advised that Council at this time is not prepared to sell any part of the HBCC land and that CESA be thanked for their interest and the development of a Masterplan for the HBCC which is included in the 2018/19 budget be deferred.

### **BUDGET**

There is no allocation in the budget for the sale of this property. Therefore the sale proceeds would improve the operating budget position. However these funds could be used to redevelop the HBCC site if so resolved.

The 2018/19 budget includes an initiative of \$30k to commence the development of a Masterplan for the HBCC. If deferred this amount will improve the 2018/19 operating surplus.

**LIFE CYCLE COSTS**

Nil at this stage.

CONFIDENTIAL



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Dear Justin

## **RE RENEWAL OF EDUCATION AND COMMUNITY FACILITIES AT HOVE**

### **Proposed arrangement between City of Holdfast Bay and Catholic Education South Australia**

I refer to your email of 23 May, notifying us of the decision taken by council on this matter at its meeting of 22 May. We are pleased that Council supports in principle the proposal we submitted and look forward to working with the council administration and other stakeholders as appropriate to achieve final approval.

In response to the specific conditions associated with Council's in principle support:

#### **a) That Council would like the input of the Holdfast Bay Community Centre stakeholders**

Whilst we anticipate the Council administration will coordinate a process for stakeholder engagement, we are willing to participate and assist as appropriate.

As background on this issue, we met with the community centre's Mr Tim Looker and centre manager, Ms Marion Modra on 20 December 2017 and discussed the community centre's aspirations and also those of Catholic Education. Mr Looker and Ms Modra informed us that the facilities were tired, rotting and in need of replacement. They were very interested in the potential to connect directly with a new Catholic Early Learning Centre (ELC) and primary school, and also for new community centre facilities to be constructed.

We met with community centre representatives again on 5 January 2018 and inspected the community centre facilities with an architect. It was acknowledged that the current layout of the community centre facilities ties up a large amount of space unproductively. The community is effectively locked out of much of the space, whereas a more efficient building form could improve functionality for the community centre and at the same time enable new community activities to be introduced. The focus of our discussion was for the new services to include a Catholic ELC.

We discussed a range of programs on which the two organisations could collaborate to expand and improve services for the community, and there was a sense of excitement from both parties that our respective aims and objectives were closely aligned. Both parties agreed that an ELC would provide a valuable community service, complement existing community centre programs and enable new services to be offered. It was also agreed that the architect would assist in investigating the feasibility of co-locating an ELC and new community centre facilities on the community centre land. The outcomes of this meeting informed subsequent discussion with the council administration, design work and concept drawings that were provided to the council administration.

We have been encouraged by the positive approach taken by the community centre representatives to date and would welcome the opportunity to engage with them and the council administration to

further discuss the redevelopment of the site; facilities design; community service opportunities; or any other matters of importance to the parties and to the community. We look forward to hearing more about what process the council administration proposes for this consultation.

**b) That further investigation be made in relation to the valuation/price point.**

This issue has been discussed at length with the council administration. Our understanding during discussions prior to our proposal being submitted was that council and CESA would obtain independent valuations from qualified valuers as a basis for determining a fair value. Whereas council's valuation was higher than that obtained by CESA, we accepted that some variance is to be expected and offered an amount that was 12.5% higher than council's independent valuation and 17% above the average of the two.

It was surprising to learn that an elected member had subsequently provided a further estimate of value that was some 9.4% higher than council's independent valuation and that it was now suggested we should pay that higher amount plus a premium of 15% above that. This equates to a premium of 25% above council's independent valuation.

We have discussed the process and the valuations with the council administration and after much deliberation have increased our offer to match the most recently suggested price. Unfortunately this has forced us to further reduce the area we are seeking to purchase, to keep the net cost within our available funds.

Our amended offer is that:

- CESA purchase 2 100 square metres of community centre land from council for a purchase price of \$2.536million; and
- Council purchase approximately 300 square metres of land owned by CCES Inc on behalf of Catholic Education South Australia for a purchase price of \$0.268million.

These amounts align exactly with the values suggested by the elected member after the council meeting of 22 May. The suggested value of \$1 050 per square metre plus 15% has been applied to land to be purchased by CESA, and the same value has been discounted by 15% for the land to be purchased by the council.

An amended drawing of the areas involved is provided for your reference.

Our previous proposal was pending approval by the SA Commission for Catholic Schools, which approval has now been given.

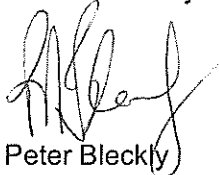
- c) That the CESA be advised that to proceed, Council wishes previous reports to be made public, with the removal of any sensitive information, to facilitate an open discussion with the public.**

We are comfortable to have information we have provided to council made publicly available, subject to council specifying which documents it wishes to disclose. A preliminary review of documents provided indicates that only one sentence in one document should be redacted.

- d) That Administration work up a potential design/costing for a community centre**

As mentioned, we have provided concept drawings for one possible design solution but there are many other possibilities. We are willing to work with council administration as it develops these designs and cost estimates, to the extent that the council thinks it appropriate.

Yours sincerely

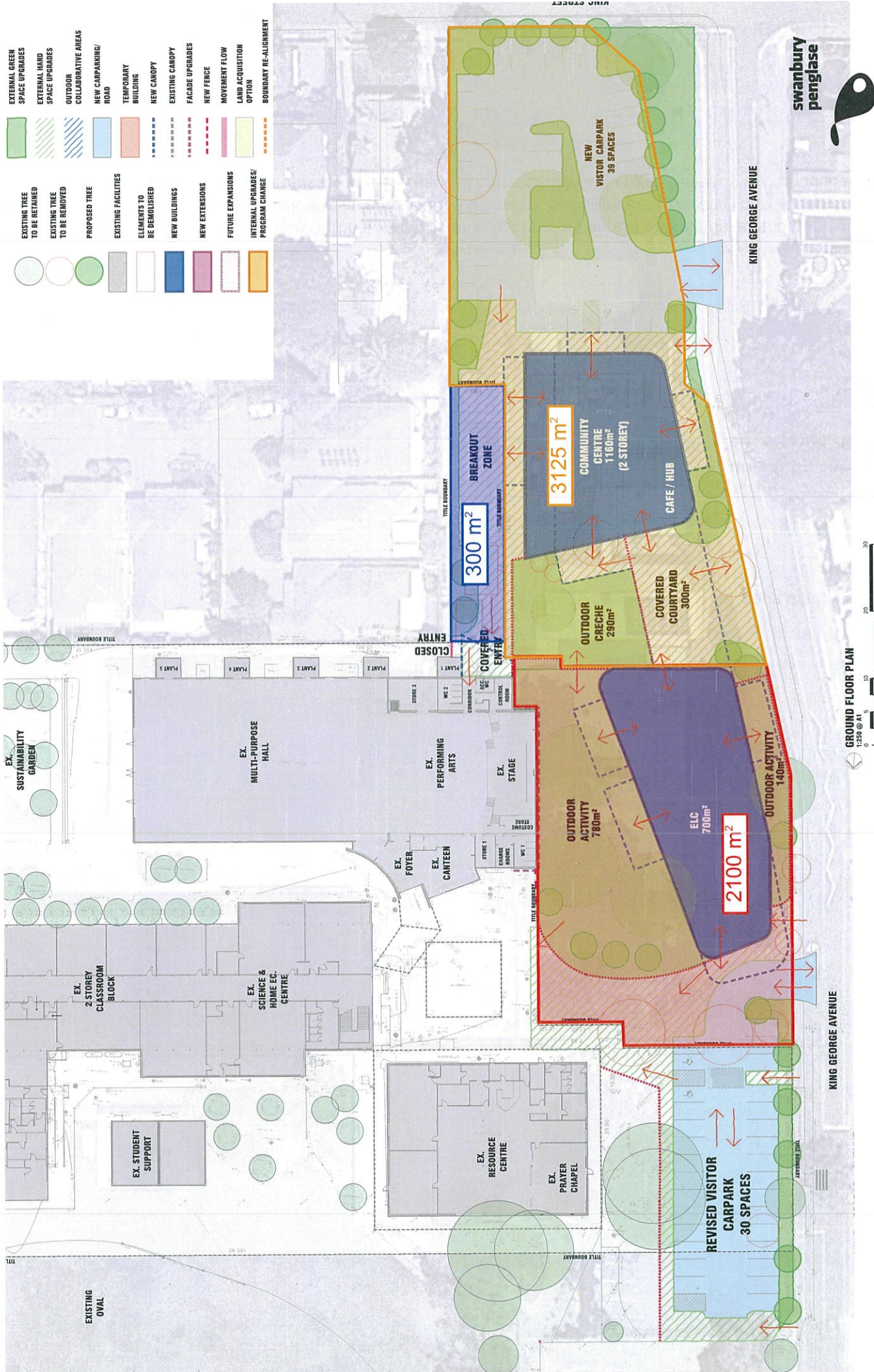
A handwritten signature in black ink, appearing to read 'Peter Bleckly', written in a cursive style.

Peter Bleckly

**Senior Adviser, Planning and Development  
Catholic Education South Australia**

27 June 2018

Enc site plan showing proposed land divisions



- EXISTING TREE TO BE RETAINED
- EXISTING TREE TO BE REMOVED
- PROPOSED TREE
- EXTERNAL GREEN SPACE UPGRADES
- EXTERNAL HARD SPACE UPGRADES
- OUTDOOR COLLABORATIVE AREAS
- NEW CARPARKING/ROAD
- TEMPORARY BUILDING
- NEW CANOPY
- EXISTING CANOPY
- FAÇADE UPGRADES
- NEW FENCE
- MOVEMENT FLOW
- LAND ACQUISITION
- OPTION
- BOUNDARY RE-ALIGNMENT
- EXISTING FACILITIES
- ELEMENTS TO BE DEMOLISHED
- NEW BUILDINGS
- NEW EXTENSIONS
- FUTURE EXPANSIONS
- INTERNAL UPGRADES/PROGRAM CHANGE



GROUND FLOOR PLAN  
1:250 @ A1

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Dear Justin

## RE RENEWAL OF EDUCATION AND COMMUNITY FACILITIES AT HOVE

### Proposed arrangement between City of Holdfast Bay and Catholic Education South Australia

Further to our discussions regarding the potential purchase of land by Catholic Education South Australia from Holdfast Bay council, I provide the following proposal for consideration by your elected members. I believe the proposal addresses all of the key issues we have discussed to date, but please let me know if you require anything further at this stage.

#### Proposal

Pending approval by the SA Commission for Catholic Schools, it is proposed that the Holdfast Bay Council approves:

1. The transfer of approximately 300 square metres of land owned by Catholic Education South Australia (CESA) and identified in Attachment 1 to the Holdfast Bay Council in exchange for 300 square metres of land currently owned by Holdfast Bay Council at the northern end of the property currently occupied by the Holdfast Bay Community Centre;
2. The purchase by CESA of 1 945 square metres of Community Centre land from Council for a price of \$2.1million; and
3. An undertaking by both parties (CESA and Holdfast Bay Council) to work together in the design of new facilities and programs for the Holdfast Bay Community Centre, to optimise outcomes for the community, council and McAuley Community School.

#### Background

The South Australian Commission for Catholic Schools (SACCS) is responsible for governance of Catholic schools in the Archdiocese of Adelaide and the Diocese of Port Pirie. The Marymount College site on King George Avenue at Hove and all developments relating to that site are under the jurisdiction of SACCS.

In November 2016, SACCS released its *New Vision for Catholic Schools in the South West*. The vision entails several actions aimed at strengthening the already strong network of Catholic schools throughout South West Adelaide. In regard to the Brighton/Hove area, the Vision includes:

1. Transfer of students from Marymount College, Hove to Sacred Heart Middle School campus at Mitchell Park from the end of 2018;
2. Conversion of the Marymount site to a Reception to Year 6 primary school with co-located Early Learning Centre, with both to open in 2020; and
3. Closure of St Teresa's School, Brighton at the end of 2019.

In February 2017, staff of Catholic Education South Australia (CESA) met with council officers to outline the SACCS vision and discuss the existing shared use agreement for Mawson Oval, which is owned by the City of Holdfast Bay and used by Marymount College during school times. In March 2017, there was a further meeting to discuss planning issues relevant to the proposed school redevelopment.

On behalf of SACCS and the Catholic Church Endowment Society (CCES), which owns the school property at Hove, CESA then prepared a master plan for redevelopment of the Hove site. The redevelopment proposal has been approved by SACCS and the Catholic Archbishop of Adelaide. Consequently, CESA is committed to investing \$22million to redevelop the Hove site, with site works planned to commence in September 2018 and the new school and ELC to open at the start of 2020.

Early in the master planning process, CESA was approached by representatives of the Holdfast Bay Community Centre to discuss CESA's plans for the school development and the Centre's plans for its own future. CESA briefed the council CEO regarding the approach and met with representatives of the community centre. The discussion identified a range of ideas and opportunities for cooperation between the parties with a view to the school benefiting from existing and potentially expanded community centre programs, and the community centre benefiting from increased exposure to young children and parents coming onto the school site.

The Community Centre identified the poor condition of its existing facilities as a challenge to its operations and CESA identified that the community centre also impacts perceptions of the school. It was realised that if the community centre facilities could be replaced with contemporary, integrated facilities, a large portion of its land would be surplus to requirements and could potentially enable an expansion of the school's footprint. From CESA's perspective, this offers benefits through increased space, opportunities to manage traffic in different ways and improvement of the school's presentation to King George Avenue. From the community centre and council's perspective, it was thought that collaboration with CESA could involve a land sale that would assist council to fund the much-needed redevelopment of the community centre facilities and also create a broader, richer community service offering at Hove than it could if working in isolation from CESA.

CESA met with the Chief Executive and senior council staff to discuss a potential cooperative arrangement that would enable these opportunities to be realised. Council staff stated that they do need to upgrade the community centre facilities but had not settled on a strategy for doing so. At a workshop on 13 February 2018, CESA briefed elected council members on the proposed Hove development including the potential for council to sell land to CESA.

Since then, options have been discussed further between senior staff of council and CESA and both parties have obtained valuations for the property currently occupied by the Community Centre. Council has clarified that the community centre property is not on the community land register.

The vision for the new school at Hove makes explicit that it will be *a school of the community, in the community and for the community*. CESA is keen to develop broad and deep relationships throughout the community and discussions with the operator of the Holdfast Bay Community Centre, whilst preliminary at this stage, have indicated substantial potential for both organisations and the local community to benefit from the two facilities being designed to support a cooperative long term relationship.

In April 2018, the Chair of SACCS announced that the name of the new primary school will be McAuley Community School.

### **Land value and purchase price**

The total parcel of Community Centre land is approximately 5 225 square metres. The school site includes an approximate 300 square metre finger of land that abuts the eastern side of the community centre land, which has been used almost exclusively by the community centre for many years.

It was initially proposed that CESA purchase approximately 2 465 square metres of community centre land from council and that council purchase the 300 square metre allotment from CESA.

Two valuations have been obtained for the land. CESA engaged valuers M3 Property Strategists, who valued the relevant portion of land at \$892 per square metre. Council engaged valuer Sam Christodoulou, who valued the land at \$960 per square metre.

The average of the two valuations is \$926 per square metre.

CESA believes both valuations are on the high side, because they do not take into account the following:

1. Mains water is supplied to the land from Colton Street via CESA-owned property and the nearest mains supply stops south of the property on King George Avenue. Subdivision and sale to a third party would involve a costly mains extension along King George Avenue which would impact sale price.
2. Sewer services are also provided from Colton Street via CESA-owned property and the nearest service is on King Street, well to the south. Extension of the sewer main to provide service to the northern end of the land in question would involve high cost to either a developer or private buyer and again impact sale price.
3. The easements associated with any alternate supply routes for water and sewer will impact the flexibility of how the land can be used and hence also the value.
4. The 'temporary' buildings on the allotment hold no value to any likely purchaser and are not fit to be relocated. Further, they contain asbestos which will be costly to remove.
5. The presence of three regulated trees on the land may impact how the land can be used and therefore how much a third party buyer is willing to pay.

Further, CESA believes a lower price is warranted because:

- CESA has initiated the proposal, funded and resourced preliminary investigations and concept design and provided all materials to council free of charge;
- A sale to other parties would involve council in substantial staff costs and outgoings to subdivide, list, market and sell the property to an alternate buyer;
- The proposal enables council to realise savings in construction costs by reducing the scope and cost of the design because of improved access to school facilities into the future;
- CESA would commit to promoting the community centre café to the school community rather than building its own café, as it would need to do if it cannot purchase the land and guarantee proximity between the two. Based on experience at other schools, the financial benefit to the community centre and to council will be substantial and ongoing.

- The cooperative arrangement provides substantial opportunity for the community centre to increase its reach in the community and to benefit financially from that increased reach, again with ongoing financial benefit to the council and improved services for the community.
- CESA is a not for profit organisation taking substantial risk by investing \$22million into the project. CESA is also investing \$12million into upgrades at St Mary's Memorial School at Glenelg, Stella Maris School at Seacombe Gardens and Christ the King School at Warradale in 2018. The financial commitments in this area are testing the limits of Catholic Education's resources, using \$7million of Commonwealth capital grants funds in 2019 and involving approximately \$20million of new loans. To provide context, CESA receives \$5.5million in capital funding grants per annum to allocate between its 103 schools.
- Catholic Education is a good citizen of Holdfast Bay. McAuley Community School will deliver vastly improved educational opportunities for children in the Holdfast Bay council area and will contribute positively to the local community as well as being an attractant to residents.

Notwithstanding the above, council staff have advised that elected members are unlikely to approve a sale price that is less than an independent valuation and may require a premium above.

CESA does not expect nor seek any favours from council in the proposed land sale. McAuley Community School will be a genuine community school that contributes positively to the community, and CESA is approaching the entire development with a view on how the school can best add value to the community. Whilst the project is stretching CESA resource limits, it is committed to paying a fair price to demonstrate its commitment to the community and to ensure there is no inference of favouritism in the transaction.

On that basis, CESA's proposal is based on a price of \$1 080 per square metre, which is a premium of 17% above the average of the two valuations obtained.

Given the relatively high square metre rate, CESA has reduced the area of land it proposes to acquire from 2 465 square metres to 2 245 square metres in order to make the cost affordable.

## **Benefits to council**

### From the school redevelopment

1. A major project of \$22million that will provide business and economic activity in the area during construction.
2. The provision of a distinctive new, innovative early learning centre and primary school with a focus on community building – a new offering in the Holdfast Bay council area which will benefit existing ratepayers and attract new residents to the area and add to property values.
3. Cost savings, generated on account of the fact that CESA has initiated discussions, prepared concept drawings and cost estimates for the new community centre facilities and car parking, and provided those details to council at no cost. It has proposed a solution to a long standing problem for council and is willing to work collaboratively to optimise the outcomes for both parties and in particular the local community.
4. Greater exposure for programs offered by the community centre and which could be offered in the future – for example Occupational Therapy, speech pathology, immunisation programs, fitness programs, café, play group, socialisation programs, intergenerational activities, shared storage and use of camping gear, kayaks, etc.



5. Potential to reduce the scope and build cost of the community centre renewal by negotiating for CESA's ELC to deliver programs for young children currently delivered through the community centre.
6. Potential to reduce the scope and build cost of the community centre renewal by making more use of the school's Polding Centre and Performing Arts Centre after school and in school holidays.
7. Opportunity to incorporate the Under 50s Club into the new community centre and sell the Brighton Road site (subject to clarification of ownership of that site).
8. Opportunity to reduce the scope and build cost of the Brighton Sports Complex by reducing the 'community' spaces provided in the design of those buildings and instead utilising what will be genuinely integrated, flexible spaces at Hove.

#### From the land sale arrangement

1. A net cash injection of \$2.1million, which will assist substantially in funding a redevelopment of the dilapidated community centre facilities.
2. The existing dilapidated and disconnected buildings of the community centre can now be replaced with new, integrated, flexible facilities, providing a vast improvement in service to local ratepayers and how the City of Holdfast Bay presents itself to its community.
3. Retention of the 'community' use of the land by being incorporated into the school site and enables the community to utilise the entire parcel more productively.
4. The development of a close working relationship with CESA, McAuley Community School and the new Catholic ELC. Cooperation in the sale of land will continue the current positive relationship and set the tone for the parties to collaborate in the design of the school and new community centre facilities. Designing facilities in knowledge there will be a close physical and operational connection ongoing will create vastly better outcomes through optimal orientation and design of each facility. If the land is instead sold to a third party, or if there is uncertainty about whether or who the land might be sold to, CESA would have to design the school assuming the land is not available and that the two entities may be physically separated. School facilities would be designed to avoid reliance on the community centre. For example, the school would need to incorporate a café into the existing school canteen for parent use rather than relying on the community centre café. This will reduce the number of visitors, café patrons and exposure for the community centre compared to what can be achieved if the land is sold to CESA.
5. Spaces that would ideally be shared between the school, ELC and community centre (for example play space located between the ELC and community centre café) could be provided for and delivered, but only if the school has the land and can design to provide these spaces.
6. Improved operational relationship to leverage programs such as those identified at point 4 under 'From the school redevelopment' above.
7. The proposed 'swap' of 300 square metres will provide the community centre with a deeper parcel of land that will enable more flexible design and facilities that connect more effectively between indoors and outdoor spaces for the benefit of activities such as men's shed, children's and outdoor education programs and potentially other services that could benefit from increased flow to outdoor spaces. The 300 square metre parcel includes two sheds that are well suited to some of the community centre's existing programs. The value of these sheds is not recognised in either of the valuations received.

CESA has also conveyed to council staff that if council agrees to sell the land to CESA and proceed with building the new community centre facilities in 2019, CESA may be able to assist by providing space in the school's large multipurpose buildings and by drawing on its fleet of transportable classrooms while construction is in progress. This could potentially enable council to maintain community centre operations at Hove throughout the construction process rather than having to close the centre for twelve months or relocate. This offers obvious benefits to the community and could save council up to \$300 000, subject to how many transportable rooms are needed and available at the time.

## **Design implications**

Given the tight timeframes and uncertainty around the purchase of the land, CESA is proceeding with a design that incorporates an ELC into the school's administration building rather than as a standalone entity as remains the longer term vision as presented to elected members in the workshop on 13 February 2018.

The school administration building is being designed to enable the ELC area to be reconfigured for school use at a later date. The plan is that as school enrolments increase and the buildings approach capacity, the ELC will move out and the school will expand into the space vacated by the ELC in the administration building. A new building will be constructed for the ELC on the land currently under negotiation, ie located between the school and the new community centre facilities and designed so as to optimise the relationship between the three entities. This would realise the vision presented to elected members on 13 February and is anticipated to occur by approximately 2025.

If the sale to CESA is approved, the land would in the first instance be developed to support people and vehicle movements and as garden and recreation space accessible by the community, and designed to enable smooth interaction between the ELC, school and community centre pending construction of the standalone ELC.

As a contingency, the school buildings are being designed to enable future expansion without relying on the ELC moving out. If the land purchase does not proceed, the ELC will remain in the administration building and any school expansion will be within the existing school site. A café will be incorporated into the existing school canteen to provide a convenient place for parents to gather and socialise. A fitness centre may also be incorporated into the school's performing arts building adjacent the cafe.

From a financial perspective, experience in other schools demonstrates that it would be more lucrative for CESA to own and operate the café and fitness centre activities in house. In order to achieve the best possible community services precinct, however, it makes sense to allow the community centre to run those services and leverage the school's visitor numbers and active support.

CESA is willing to support that approach if the overall precinct is designed so as to make the school comfortable to commend the community centre facilities and programs to its families, and if those facilities are easy to access and of a suitable quality. CESA requires the land to ensure ongoing convenience of access and to provide for the ELC relocation detailed above.

Ideally, the land purchase will proceed and all of the facilities can be designed and built to optimise relationships, movement and the leveraging of programs between school, ELC and community centre for mutual benefit of all three entities, as well as for council and the broader community.

## Risks

Timing is important. CESA's design effort is currently on the three main buildings that will be constructed in 2019 and the outdoor spaces including car parks and student pick up and drop off zones. The design solutions will be materially impacted by the availability or otherwise of the land that is the subject of this proposal, and a decision on the sale is therefore important for the design of those spaces and for planning approvals.

The café design is currently on hold, pending the outcome of this land sale proposal. It will need to be reactivated by about September 2018 if the purchase does not proceed or remains unclear at that time.

There is a very small risk that CESA and council could reach agreement on the terms of a sale and then find that SACCS does not approve it. This risk is minimal, given that SACCS has been fully briefed on the negotiations taking place and its Finance and Infrastructure Subcommittee has endorsed the proposal to purchase (subject to price). We are seeking approval of SACCS to purchase the land and the proposal is on the SACCS meeting agenda for 22 May 2018.

## Conclusions

Council's facilities at the Holdfast Bay Community Centre, Hove are dilapidated and in need of urgent redevelopment.

CESA has briefed council on its vision for an exciting new community precinct at Hove, which would be realised through collaboration between council and CESA.

Redevelopment of the school site at Hove will deliver substantial benefits to ratepayers in the Holdfast Bay council area and raise the profile of the council in the western suburbs.

The proposed land sale and collaboration with CESA in the planning and design of facilities and programs will enable council to leverage off the school development and substantially improve the quality, breadth and reach of programs and services for the community.

CESA intends to be a net contributor to the local community and does not expect an unfair advantage from council.

CESA wishes to purchase land from council and will pay a fair price informed by independent market valuations. Two valuations have been obtained and whilst CESA believes both to be unreasonably high, it nonetheless proposes to pay a premium of 17% above the average of the two valuations received to avoid any inferences of preferential treatment.

The proposed sale to CESA would realise \$2.1million for council and would substantially reduce its net cost of redeveloping the site.

A decision not to sell the land to CESA, or to defer a decision until after the school design is settled, would potentially compromise outcomes for the school, the community centre, Holdfast Bay Council and ratepayers.

If the land sale is approved in time to enable new community centre facilities to be constructed in 2019, CESA is willing to investigate opportunities to provide space and accommodation to minimise disruption to community centre operations while the build is under way, with a potential saving to council of \$200 000 and \$300 000.

## Proposal

Pending approval by the SA Commission for Catholic Schools, it is proposed that the Holdfast Bay Council approves:

1. The transfer of approximately 300 square metres of land owned by Catholic Education South Australia (CESA) and identified in Attachment 1 to the Holdfast Bay Council in exchange for 300 square metres of land currently owned by Holdfast Bay Council at the northern end of the property currently occupied by the Holdfast Bay Community Centre;
2. The purchase by CESA of 1 945 square metres of Community Centre land from Council for a price of \$2.1million; and
3. An undertaking by both parties (CESA and Holdfast Bay Council) to work together in the design of new facilities and programs for the Holdfast Bay Community Centre, to optimise outcomes for the community, council and McAuley Community School

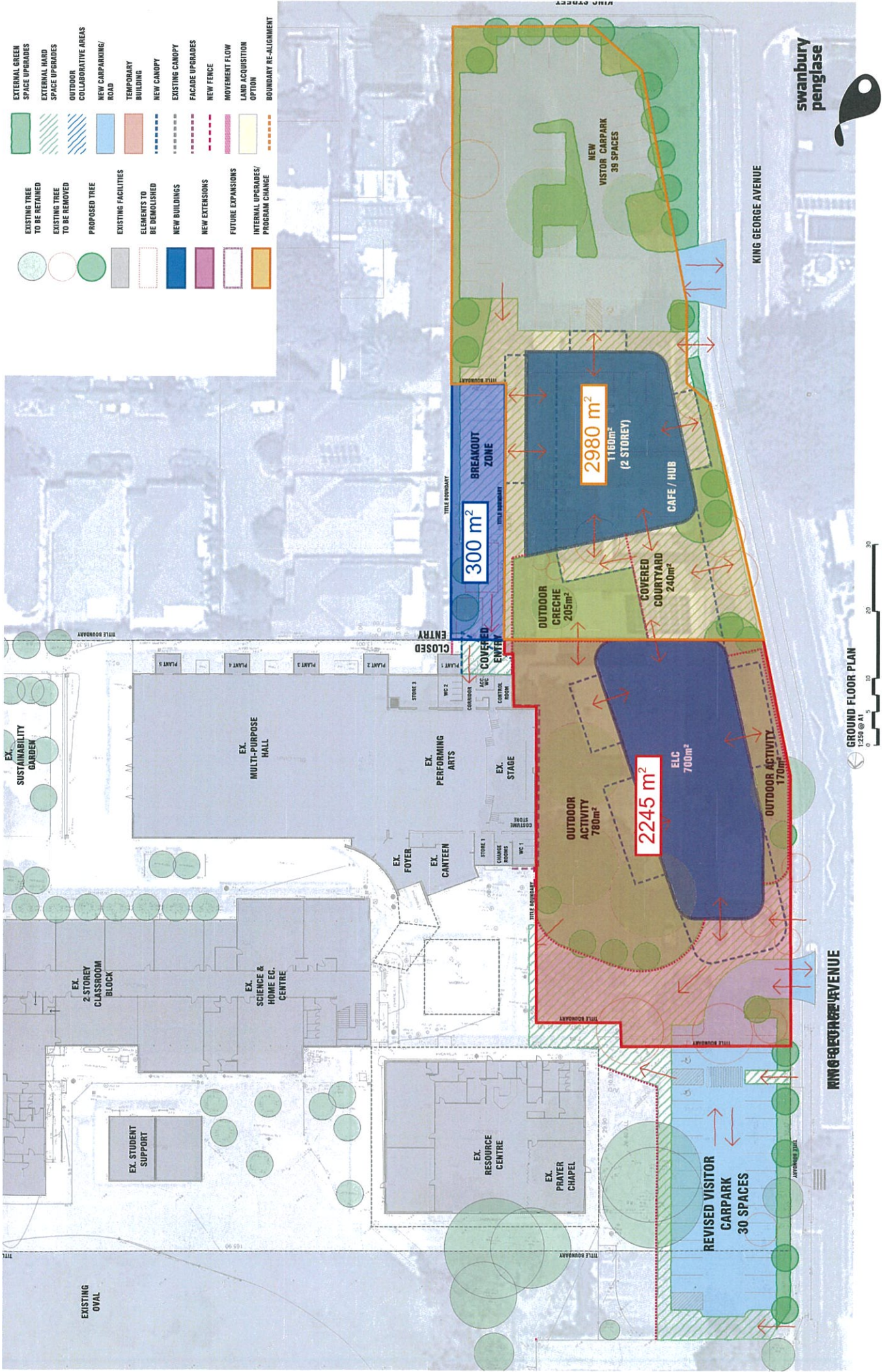
Yours sincerely



Peter Bleckly  
**Senior Adviser, Planning and Development**  
**Catholic Education South Australia**

15 May 2018

enc site plan showing proposed land divisions



- |  |                                 |  |                              |
|--|---------------------------------|--|------------------------------|
|  | EXISTING TREE TO BE RETAINED    |  | EXTERNAL GREEN SPACE UPDATES |
|  | EXISTING TREE TO BE REMOVED     |  | EXTERNAL HARD SPACE UPDATES  |
|  | PROPOSED TREE                   |  | OUTDOOR COLLABORATIVE AREAS  |
|  | EXISTING FACILITIES             |  | NEW CARPARKING/ROAD          |
|  | ELEMENTS TO BE DEMOLISHED       |  | TEMPORARY BUILDING           |
|  | NEW BUILDINGS                   |  | NEW CANOPY                   |
|  | NEW EXTENSIONS                  |  | EXISTING CANOPY              |
|  | FUTURE EXPANSIONS               |  | FACADE UPDATES               |
|  | INTERNAL UPDATES/PROGRAM CHANGE |  | NEW FENCE                    |
|  | BOUNDARY RE-ALIGNMENT           |  | MOVEMENT FLOW                |
|  |                                 |  | LAND ACQUISITION OPTION      |
|  |                                 |  | BOUNDARY RE-ALIGNMENT        |

**GROUND FLOOR CONCEPT PLAN  
PROPOSED HOVE COMMUNITY CENTRE**



**SAM CHRISTODOULOU F.A.P.I.**

Grad. Dip. Town Planning

Our Ref: SC/CE/4061

ABN 45 362 691 173

1 June 2018

PROPERTY VALUER  
REAL ESTATE CONSULTANT

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Attention: Mr Steve Hodge

Dear Mr Hodge,

**RE: QUERIES OF COUNCILLOR BRADSHAW**  
**HOLDFAST BAY COMMUNITY CENTRE**  
**VALUE OF LAND CONTENT:**

I refer to your email of 25 May 2018, wherein questions relate to use of Historic Sales and the percentage increase in land prices in the area, with respect to the above matter.

**Firstly: Historic Sales**

Valuers primarily base their opinion on comparable sales as the best source of evidence of market value. However, directly comparable sales can be scarce.

Of vacant land values, obviously, location, and position in location, is important as is the date of sale, and then other factors are considered, inter alia, specific attributes of the land, eg. size, area, shape, contour, and the legal and economic issues such as zones, policy area, land use, allowable densities, supply and demand.

Valuers will collate sales evidence and where direct comparison sales, in place, and time, are not present values, the valuer may look at comparable locations, demographics, and general other market movements and activities in the area. Sometimes a mosaic of property values are assembled in the valuer's mind who will grade values e.g., say from within City of Holdfast Bay, with the subject land being the centre piece say from the beach to King George Avenue, and from King George Avenue to Brighton Road; and to the immediate north and south of the subject property having regard to the immediate surrounding land uses. A valuer would also consider properties immediately adjacent the 'search area', and in the penumbra area.

Now in recent years i.e., past three years there have been no single large parcels of land directly comparable with the subject property in the immediate locality sold engloblo. But the MP3 valuer did consider the Chopin Road sale comprising 5,099 square metres (a large parcel) sold in January 2015, but this sale is in a different kind of location and, is the subject of high density aged care development and therefore the intensity of land use alone is not comparable.

However the MP3 valuer correctly compared 2016 vacant land sales to establish value of each of the north and south smaller portions of the subject land, as requested. The use of the larger divisible vacant land sales from 2016 to 2018 is valid when comparing vacant land, the north and south portions of the subject land in the absence of any other information. The valuer would have adjusted those pieces of sales evidence to take into account prevailing conditions when applying those comparisons to the subject land.

Having commenced the valuation approach initially on comparable sales, the valuer also indicated that a variety of valuation approaches were considered but used two classic principal approaches of valuation viz., Direct Comparison and Hypothetical Development, methods of valuation.

With respect to the Direct Comparison approach the valuer has had regard to sales of broadly similar properties etc. having regard to prevailing market conditions. Thus we can say the historic sales set the base or foundation for the valuer's assessment of value which would then have been adjusted for the prevailing conditions having regard to amongst other things 'profitability'.

To take into account prevailing market conditions the valuer would have considered current sales information of various properties sold, so as to understand demand, and the mosaic of property values of different residential land sizes and permitted land use in their discrete positions of the subject locality.

This understanding should have led the valuer to the hypothetical method of valuations where the valuer can determine the end values of lands divided out of the larger land parcel of Lot 108, having regard to costs and profit risk required ie. of a re-development allowable in the open market that meets the highest and best economic use of the land.

The valuer having considered this method elected to withdraw from this methodology due to the uncertainty factor, as being a less reliable methodology of valuation in this instance.

The valuer then reverted to valuation by direct comparison using the sales available at the time. If only those sales were considered without taking into account the prevailing conditions then that might be acting in a conservative manner; 'conservative' meaning the only given evidence. Whilst, the valuer appears to have done just that, he also made it clear that the prevailing conditions of the present market were considered.

It is obligatory on the valuer to look at the historic sales so long as they are relevant in the present market, and the analyses of the historic sales have been adjusted and then applied to reflect the prevailing conditions. I think the valuer has done this.

**Secondly, percentage increase in land prices in the area:**

The second question relates to the percentage increase in land prices in the area.

This I expect implies over a period of the past three years, and in comparable locality-positions.

The vacant land sales I have found indicate those land values have increased but not significantly and not evenly, however, on the other hand it may seem that values have dramatically increased because of relatively high prices of newly developed dwellings in the

subject general locality and more towards the beach, e.g., in Somerton Park and King Street (west). Whilst these sales have a 'pull' on vacant land values, that 'pull' has not been reflected with the same significance in the immediate vicinity, of the subject land.

The subject land in my opinion is inferior to King Street (west), and is more influenced by the development of Townsend House and the proximity of the adjacent school, particularly along King George Avenue.

Having considered these factors, the percentage increase in vacant land values for standard 700 square metre allotments in the subject locality and in the same vicinity as the subject property has been estimated to have been increasing by an average of 3% per annum over the past three years.

However, the average of 3% per annum increases over the past three years has been influenced by examples of sudden land value jumps in any one single year of 7%, 8% and 14%, but these sales have generally occurred in Somerton Park of the English public schools named streets which have significantly high quality beach side residential development occurring.

In my opinion in the immediate subject locality vacant land price increases have generally been modest. On the other hand this may be contrasted with land price jump from a lower base, of properties immediately east of Brighton Road.

In my opinion (a) the MP3 valuer's approach and use of 'historic sales' is sound, and (b) the vacant land prices in the immediate location east of King George Street Hove has been moderate over the past three years, assessed to be limited to 3% per annum, at the present time.

This opinion does not constitute or address a structural, boundary, termite or wood rot, geotechnical or contamination soil or asbestos surveys.

This opinion is for the use only of the person to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of this opinion.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any affect on the valuation.

This statement is a requirement of the Professional Indemnity Policy cover.

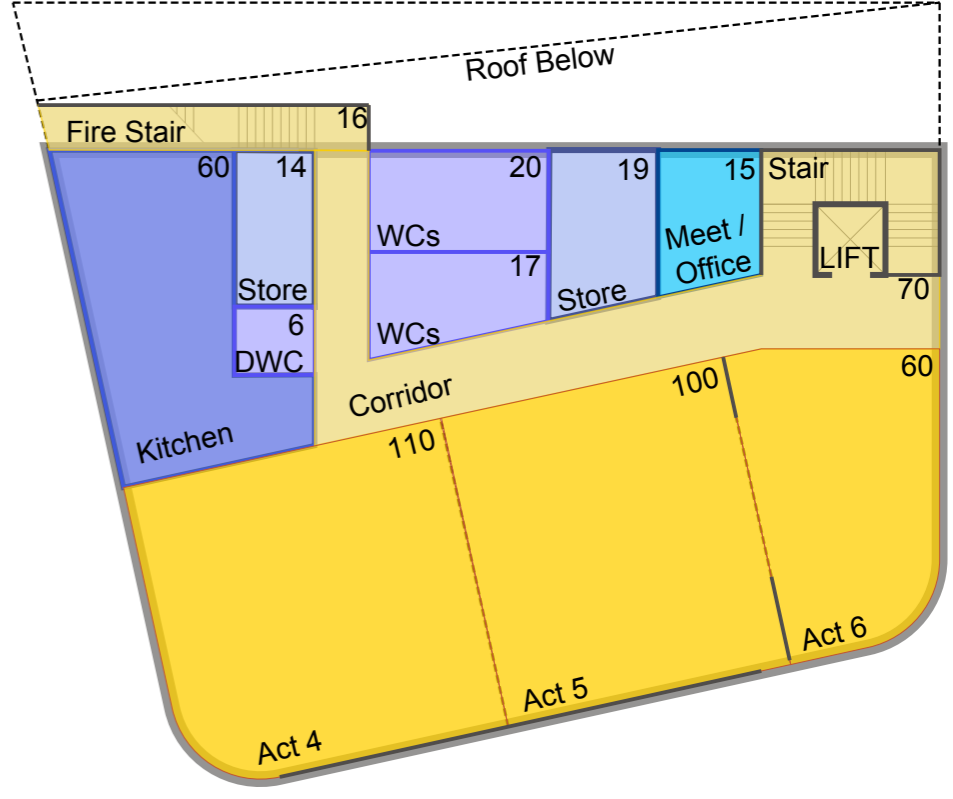
Yours faithfully

**S. CHRISTODOULOU** F.A.P.I.  
Property Valuer Consultant





**GROUND FLOOR PLAN**  
1:250 @ A3



**FIRST FLOOR PLAN**  
1:250 @ A3

**swanbury  
penglase**  
architects of  
human space

