

10.4. Acquisition of 12-16 Cabarita Place, Merimbula

This report provides detail about the land acquisition of 12-16 Cabarita Place, Merimbula. To be known as the Bega Valley Regional Learning Centre.

Group Manager Strategy and Business Services

Background

10 At the Council meeting of 10 September 2014, Council was asked by the former board of Auswide Projects Ltd to consider acquiring its premises located at 12-16 Cabarita Place, Merimbula.

At the time Auswide Projects Ltd had not yet gone into voluntary administration. It was envisaged that Council could offer to purchase the site at a value that was equal or close to the value of the liabilities held by the organisation to avoid Auswide going into liquidation. This value would potentially have been well below the deemed value of the facility.

Council considered the importance of having a vocational centre in the region and, with the pending closure of Auswide as a training provider, the potential loss of the training facility to a different use, and resolved that it would pursue further information in relation to the acquisition with a further report to be returned to Council once information was obtained.

20 At the Council meeting of 12 November 2014 Council considered a further report on the status of the 12-16 Cabarita Place, Merimbula acquisition.

By that time, Auswide Projects Ltd had entered into voluntary administration with Deloitte Australia. All negotiations were ceased with Deloitte to protect the integrity of their creditors.

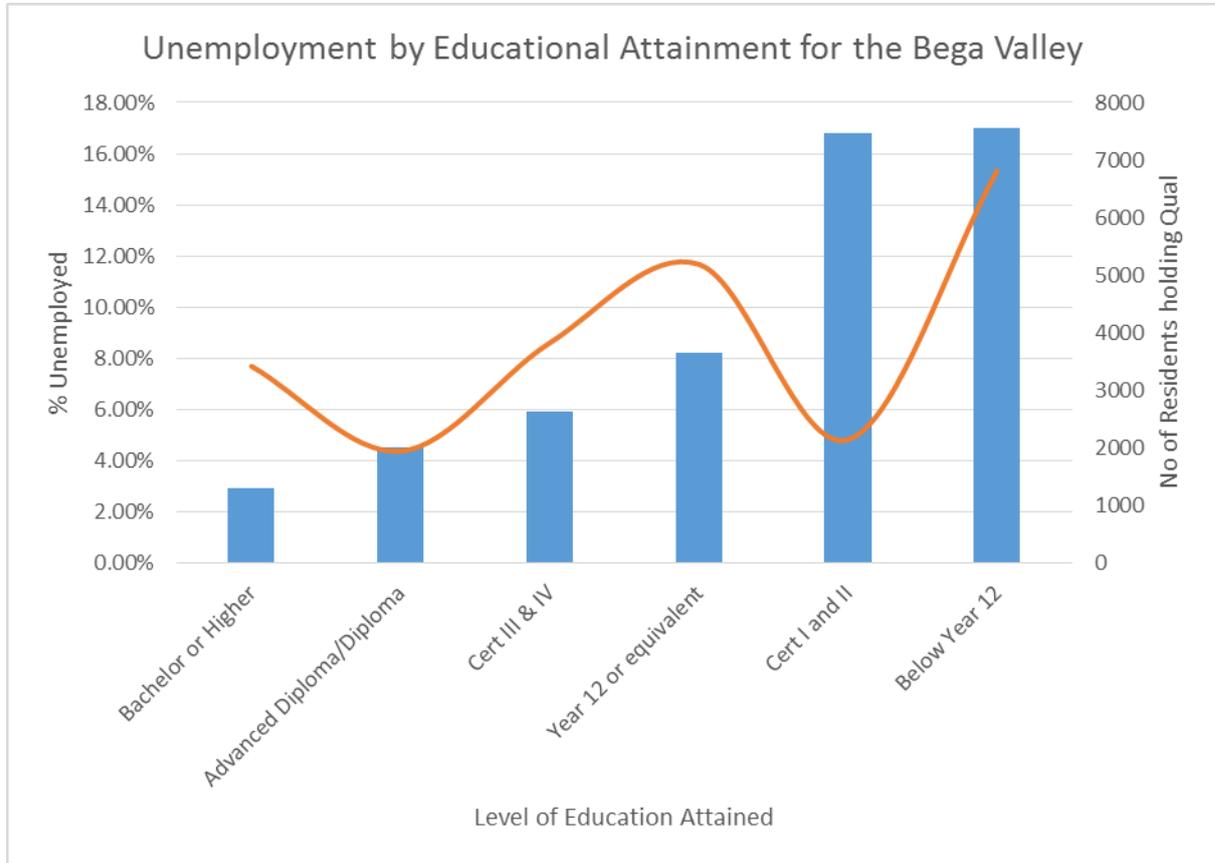
Deloitte Australia indicated that they would be disposing of the asset via public Expression of Interest.

30 Council took this time to consider the value and viability of the asset to the community. A business case was prepared and provided to Council. Council had been advised that in addition to the cash value of the asset there was a primary mortgage over the property held by NSW State Training Services valued at \$556,200 that required the facility be used primarily for a training venue. Any acquirer would need to pay out this mortgage in addition to any value they paid to Deloitte Australia for the acquisition of the property. Rather than consider paying out this mortgage Council approached NSW State Training Services to ascertain if a transfer of the mortgage could be negotiated. NSW State Training Services reviewed Council's proposal and entered discussions in relation to transferring the mortgage to Council to continue the venue's use as a training facility.

Council undertook a commercial valuation of the property with a value returned conservatively at \$2.1m.

40 The business plan produced by staff for Council focused on the lack of alternate professional training venues in the region. Council considered the demand within the region for such a facility where training providers from across a broad area could deliver training. Council made contact with over 50 registered training organisations with an advertised presence in the region and 46 responded positively that if a suitably priced premises was available they would consider hiring those facilities to deliver training. In addition four responded requesting that they be considered as potential anchor tenants in the facility if Council chose to acquire the site.

50 A key consideration for Council was research by the Federal Department of Employment that identified a direct correlation between the level of education attained by an individual and their corresponding employment outcomes. In summary, the lower the level of education attained by an individual the higher the chances of them being unemployed. While this may seem obvious, the relative unemployment rates for those with no vocational education increases dramatically.



The business plan also noted that the major job growth areas for the region over the next 10 years or so would come in industries that required vocational qualifications.

The business plan noted that the region had limited properties that could service this market and that it was unlikely that any private organisation would have access to capital to allow it to undertake a similar program.

60 Council resolved to formally express an interest in the acquisition of 12-16 Cabarita Place, Merimbula to be classed as operational land to be used for a regional vocational training facility. Council authorised a cash offer of no more than \$1,000,000 plus GST with the value of the mortgage to be transferred to Council and not paid out. It was considered that at this value, the net costs to Council should be able to be recouped through potential rental returns and the hire of the facility and the risk that Council would have to contribute to the operating costs of the facility would be small.

An expression of interest was lodged with Deloitte Australia to this effect.

At the Council meeting of 18 March 2015 a report was presented to Council advising that while Council expression of interest was accepted by Deloitte Australia the value of the offer was not considered to be high enough to warrant the sale.

70 Council reconsidered its position against the business plan from the November 2014 meeting and resolved to increase its bid to no more than \$1.4m plus GST with the mortgage to be transferred and not paid out.

At the Council meeting of 12 November 2014, Council authorised staff to negotiate with Deloitte Australia in order to acquire Lot 210 DP 1181811, 12-16 Cabarita Place, Merimbula locally known as the former Auswide site.

At the Council meeting of 18 March 2015, Council authorised staff to increase its bid for the acquisition of 12-16 Cabarita Place, Merimbula to a maximum value of \$1.4 million plus GST.

Council subsequently offered a bid of \$1.293m plus GST with the mortgage value of \$556,250 transferred and not paid out. The mortgage would reduce over a period of three years until it is extinguished with a zero value in 2018. A substantial amount of furniture and fittings were also included in the sale.

80 Council was subsequently informed that subject to NSW State Training Services agreement to the transfer of the mortgage to Council, Deloitte Australia would accept this offer.

While the process of negotiating and agreeing to this mechanism has taken close to six months the acquisition of 12-16 Cabarita Place has commenced with the contracts exchanging on 18 August 2015. Settlement will occur on 29 September 2015.

During this period Council will be working with NSW State Training Services on finalising agreements with registered training organisations to develop and deliver training programs in the region from the centre.

90 Council will also commencement the process of rezoning the property from its current zoning of R3 Medium Density Residential to a more appropriate zoning of B2 Local Centre to allow for more flexible delivery of services and uses.

Council has also received a number of approaches from community organisations seeking a more long term home. Council will give consideration to these requests and report back to Council as to the possible occupants of the facility.

Issues

Legal

Council will execute the funding deed with NSW State Training Services once the property acquisition is settled in late September.

100 The Funding Deed and Contract of Sale have been proofed by external legal providers to ensure that Council is entering into the agreements with full knowledge of its obligations and responsibilities.

Policy

A planning proposal will be prepared and reported to Council to amend the zoning of the property.

Asset

When acquisition processes are complete the process to classify the land as Operational land under Section 31 of the *Local Government Act 1993* will be commenced.

Social / Cultural

The purchase of the property and continued provision of training services will have positive social outcomes for the township of Merimbula and surrounding region.

110 **Economic**

Education is a key focus of Council Economic Development Strategy. Council's research shows that there will be significant job growth in the health sector as we transition to an older population. Couple this growth with the backfilling that will be required to keep the businesses

currently operated by that aging demographic and it is reasonable to conclude that there will be good job prospects into the future if people are skilled to undertake them.

Council sees itself as a long term facilitator of educational services in the region, through Primary, Secondary, vocational and tertiary training opportunities.

Strategic

120 Continuing to deliver or facilitate the delivery of training from the facility remains a priority. However, this provision could be expanded to include further services – which are predominately focussed on the community.

Numerous organisations have expressed their interest in utilising the site for the hire of office space/rooms for general conferencing, training and meeting facilities.

Entities such as Sapphire Coast Tourism and South East Arts have approached Council recently looking for assistance with accommodation. This facility could accommodate a number of community groups with minimal impact on the operational nature of the site. Council's own Community Services team, part of Council's Community, Relations and Leisure Group, could also operate out of this facility, assuming this location assisted them in delivering their services to their clients.

130 Council has requested the General Manager consider implementing a Placed Based Services model in the Shire's towns and villages. This site would make an ideal location to offer such services for the Merimbula/Pambula area. Regardless of whether or not staff were located permanently at the facility, reception, bill payments, library drop offs, advice services and many other activities could all be offered from this site with minimal impact on the operational nature of the site.

Council has recently asked staff to consider the need for a regional technology park. While a number of sites could be considered, this site has DA approval to construct a third storey which could easily be adapted to suit this purpose.

Financial

140 Council believes that the combination of the borrowing costs and the operating costs of the facility can be met by the hiring fees generated from the use of the facility. A more detailed operating plan will be drafted in the coming months.

Funding source		Amount
Borrowings	\$	1.293 million
Mortgage – NSW State Training Services	\$	556,000

Resources (including staff)

Once occupied, the management of the facility will require staff resources.

Council's business plan for the facility includes the provision to employ an officer onsite to directly promote and manage the facility as a whole – including administration of bookings, payments, advertising and building maintenance.

150 A number of registered training organisations requesting anchor tenant status have offered to provide this service if they receive tenancy, this will be considered as the business plan and negotiations are undertaken.

Conclusion

The property gives the community a much needed public training and conferencing facility.

Signing the deed from NSW State Training Services demonstrates a commitment from Council in ensuring the vocational education and training needs of the community are met.

All of the previously confidential reports and attachments can now be made public.

Going forward, the facility will be named and referred to as the Bega Valley Regional Learning Centre.

Attachments

Nil

Recommendation

1. That Council note the exchange of contracts on Lot 210 DP 1181811 (12-16 Cabarita Place, Merimbula).
2. That upon acquisition, Council classifies the acquired property as operational land (following a 28 day public submission period) pursuant to Section 31 of the Local Government Act 1993.
3. That a detailed operating plan (including transition to opening) for the use of the facility be drafted and presented to Council.
4. That Council declassify the reports and resolutions in relation to the acquisition of Lot 210 DP 1181811 (12-16 Cabarita Place, Merimbula) from the Closed Session meetings of:
 - 10 September 2014 Item 20.1 Merimbula Land: Redevelopment Options;
 - 12 November 2014 Item 22.1 Merimbula Land: Redevelopment Options; and
 - 18 March 2015 Item S.1 Merimbula Land: Redevelopment Options.
5. That Council engage the services of a planning consultant to prepare a planning proposal to rezone Lot 210 DP 1181811 at Merimbula from R3 Medium Density Residential to B2 Local Centre and that the proposal be forwarded to the NSW Department of Planning and Environment for Gateway Panel determination.
6. That Council authorise the Mayor and General Manager to execute the necessary documents.