



northern
beaches
council

CONFIDENTIAL

AGENDA

PROPERTY STEERING COMMITTEE

Notice is hereby given that a meeting of the Property Steering Committee will be held in the Councillors Room, Manly on

WEDNESDAY 21 SEPTEMBER 2022

Commencing at 12.30pm for the purpose of considering matters included in this agenda.

Voting Members of the Committee

Cr Michael Regan (Chair)
Cr Ruth Robins
Cr David Walton
Mr Stephen Horne
Mr Gavin Carrier

Council Officers (non-voting)

Mr Ray Brownlee PSM	Chief Executive Officer
Mr Jeff Smith	Director Corporate & Legal
Mr Jorde Frangoples	Director Transport & Assets
Mr Campbell Pfeiffer	Executive Manager Property
Mrs Kristie Debney	Manager Property Commercial & Tourist Assets
Mrs Sara Crighton	Acting Executive Assistant Director Transport & Assets

Quorum

A majority of voting committee members.

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4.0 SPECIAL AGENDA ITEMS

ITEM 4.1	PROPOSED SALE OF COUNCIL LAND - LOT 1 DP 130467 AND LOT 2 DP 873792 BANGAROO STREET NORTH BALGOWLAH
REPORTING OFFICER	MANAGER, PROPERTY, COMMERCIAL & TOURIST ASSETS
TRIM FILE REF	2022/543072
ATTACHMENTS	1 Independent Consultant Report - Desktop Feasibility and Option Evaluation Report

SUMMARY

PURPOSE

To consider the available options for the following lots located in North Balgowlah:

- Lot 1 DP 130467
- Lot 2 DP 873792

More specifically, to decide if Council should sell the land as is with DA consent, undertake the subdivision and infrastructure works and sell the land as three (3) separate residential lots or consider other pathways such as a Seniors Living development.

EXECUTIVE SUMMARY

Council owns the subject property which currently has a DA allowing the site to be subdivided into three (3) separate residential lots. This DA lapses on 6 June 2023. Council must decide if it will take the englobo site to market or carry out the subdivision works itself and market the resultant three residential lots.

The risks to Council are greater should it decide to carry out the site subdivision and take the subdivided lots to market itself. Specifically, Council is exposed to risks associated with price volatility in the residential housing market, construction cost inflation and the risk of negative public perception of it acting as a developer.

Financial return to Council is expected to be [REDACTED] higher should it carry out the subdivision works itself and take the subdivided residential lots to market, which is considered to be adequate compensation for the additional risk exposure.

Social and Environmental impacts of proceeding with either option are expected to be low.

RECOMMENDATION OF MANAGER, PROPERTY, COMMERCIAL & TOURIST ASSETS

That the Property Steering Committee:

1. Note the findings of the independent expert report considering the risks and outcomes of the following scenarios:
 - a. sale of the subject property as a single concern with the DA plan of subdivision
 - b. enacting the subdivision of the subject property and the subsequent sale of three (3) resultant residential lots

2. In consideration of independent expert report, endorse a report to Council recommending to complete the subdivision works and sell the resultant residential lots. The additional expected return under this scenario is considered to adequately compensate Council for the additional level of risk involved.
-

REPORT

BACKGROUND

In 2006, The former Warringah Council resolved to reclassify and rezone the subject site. This was gazetted in July 2008 and the rezoning of the land occurred with the adoption of the 2011 Warringah LEP.

In June 2016, development consent was granted for a three (3) lot residential subdivision with the remaining creek-line riparian zone adjacent to Burnt Bridge Creek (Council Community Land zoned RE1 Public Recreation) to be retained by Council. This DA was due to expire in 2021, however in 2020 the Department of Planning, Environment and Industry extended the life of all valid consents as of 25 March 2020 for an additional two years, meaning that the consent will lapse on 6 June 2023.

Whilst the original Council resolution considered disposal of the site following receipt of development consent, further consideration should be given to whether Council should carry out the works required to complete the site subdivision and realise the additional value unlocked in doing so. An additional option of developing the site as a Seniors Living development was raised at the July Property Steering Committee meeting.

To provide further analysis on this matter Council engaged Sagent Pty Ltd from Council's Property panel to perform a desktop feasibility on the options (as attached). This report recommends

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TIMING

Council needs to progress the matter in the immediate future, as the subdivision works, regardless of whether they are carried out by Council or the englobo site is sold for a third party to subdivide, must commence prior to 6 June 2023 to ensure the Development Application does not lapse.

Further extension of this timeframe by Dept of Planning & Environment is considered highly unlikely. See Governance and Risk section below for further detail around the implications of the current DA lapsing.

LINK TO STRATEGY

This report relates to the Community Strategic Plan Outcome of:

- Good governance - Goal 19 Our Council is transparent and trusted to make decisions that reflect the values of the community
- Good governance - Goal 20 Our Council is proactive, and efficiently and effectively responds to, and delivers on, the evolving needs of the community

FINANCIAL CONSIDERATIONS

Sale of the englobo site will see an estimated return to Council in the order of [REDACTED]

Sale of the subdivided lots will see an estimated net return to Council in the order of [REDACTED]. It should be noted that the higher estimated return should Council complete the site subdivision itself comes at a higher level of risk (see Governance and Risk section of this report below for further detail). However, the additional estimated return of [REDACTED] [REDACTED] is seen as adequate to compensate it for the additional level of risk.

SOCIAL CONSIDERATIONS

Social impact of englobo site sale or sale of individual subdivided sites is expected to be minimal.

ENVIRONMENTAL CONSIDERATIONS

Environmental impact of englobo site sale or sale of individual subdivided sites is expected to be minimal as this was considered and conditioned through the subdivision DA.

GOVERNANCE AND RISK CONSIDERATIONS

The primary risk to Council at present is that the without substantial commencement of subdivision works taking place on site prior to June 2023, the current DA allowing the subdivision will expire. This will preclude council from carrying out the subdivision and will negatively impact the value of the site should Council pursue an englobo site sale as a prospective purchaser will price in the cost and risk of obtaining a new DA should they wish to pursue subdivision. This risk is present regardless of whether Council decides to pursue an englobo site sale or decides to carry out the subdivision itself.

The risks to Council are greater should it decide to carry out the site subdivision and take the subdivided lots to market itself. The residential housing market has been negatively impacted by rising interest rates in recent times which is expected to continue in the near term. Further weakening of residential house prices will negatively impact lot sale prices, diminishing the return to Council.

Further, inflationary pressures have been prevalent in the construction sector, with materials and labour both seeing rapid cost increases in the wake of the pandemic due to supply chain shortages and widespread disruption in the labour market. Increased cost in completing the works necessary to subdivide the site will have the impact of diminishing the return to Council.

Finally, Council carrying out the subdivision could lead to negative public perception of it acting as a developer. However, the impact of this is expected to be low given the small scale nature of the project and the relatively low profile nature of the site.

**Desktop Feasibility Study – potential uses for land – Lot 1
DP 130467, Lot 2 DP 873792 Bangaroo St., North Balgowlah**

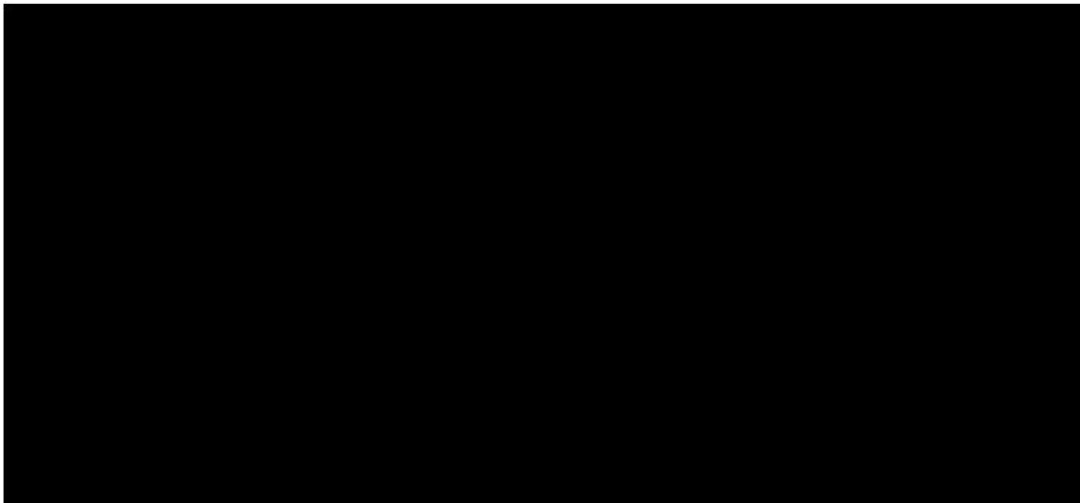
for

Northern Beaches Council

Prepared by Sagent Pty Limited
9 September 2022

Executive Summary:

A desktop feasibility study was carried out in respect of the site at 2 Bangaroo Street, North Balgowlah to establish a preferred option for Northern Beaches Council to proceed to realize value from its land holding.



This Executive Summary is to be read in conjunction with the balance of this Report and with reference to the briefing documents provided to us.

1. Background:

Lot 1 DP 130467 and Lot 2 DP 873792, Bangaroo Street, North Balgowlah are two parcels of land owned by Northern Beaches Council. Council has development consent to subdivide the land into three (3) residential blocks and a residual creekline public reserve under development consent DA2015/1156. The size of the land (excluding the creekline corridor) is 3,011sqm comprising Lot 1 - 724 sqm, Lot 2 - 928sqm and Lot 3 - 1359 sqm (including an access handle of 228m²). The land is zoned R2 – Low Density Residential under the Warringah LEP 2011 and the development consent was extended for 2 years from its original expiry date such that it is valid until 6 June 2023.

2. Reference Documents:

The Council has provided the following briefing documents as reference for this study:

- Quotation Request Form;
- Development Consent;
- Approved Plans;
- Stormwater Relocation Outline Plans; and
- Market Valuation by FVP Consultants dated 14 July 2022.

The abovementioned July '22 valuation is a key input into this report and has been relied upon for subdivided lot sale prices as an input into the residual land value.

3. Scope of Work:

Council is seeking a brief desktop feasibility study on two development options available for the site that could likely result in a highest and best use outcome. These options are to either:

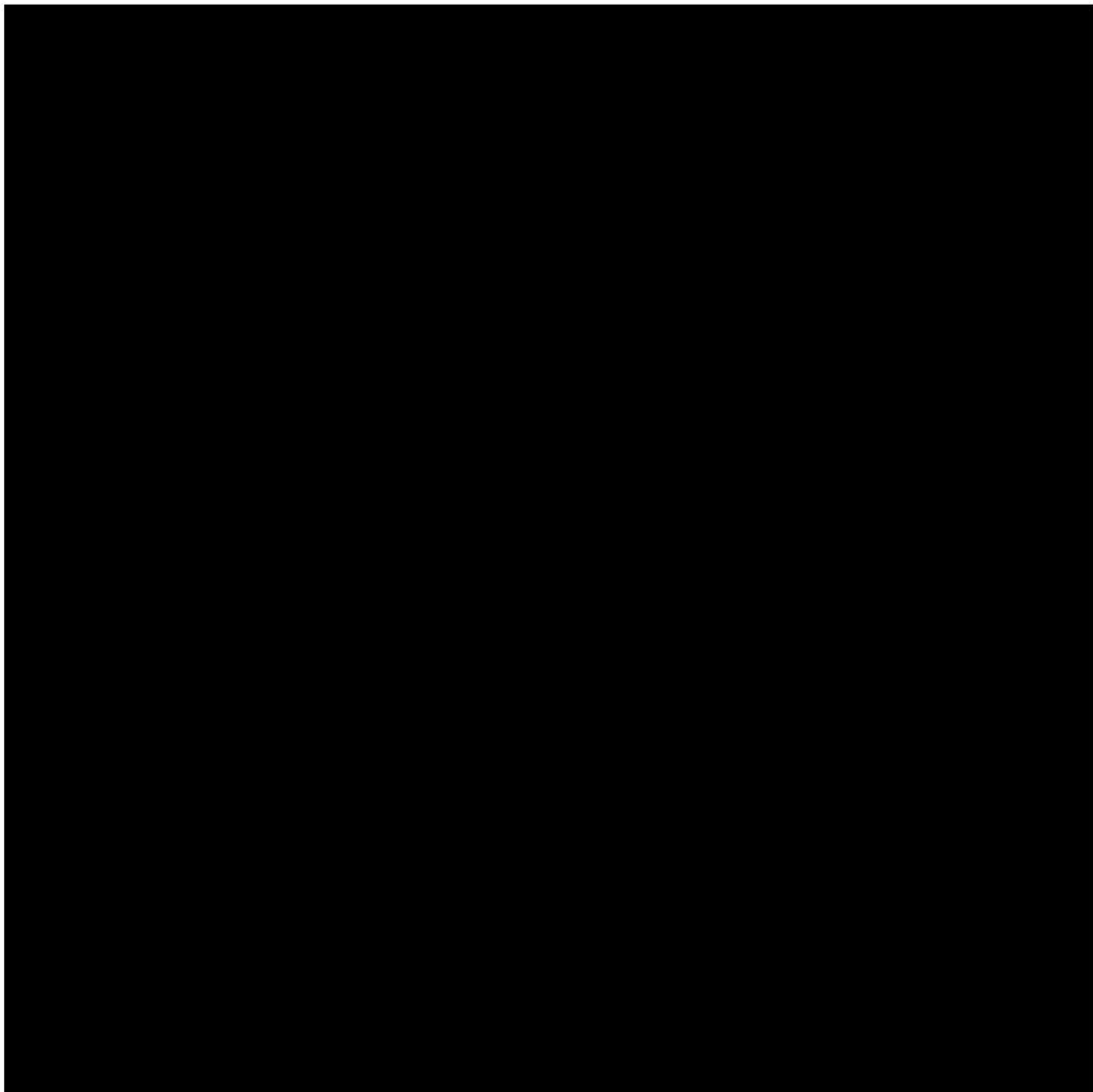
- Sell “as is” as a single lot having regard to the highest and best use, be that residential, seniors living development, etc); or
- Do the necessary infrastructure works, complete the subdivision, and sell the three lots individually.

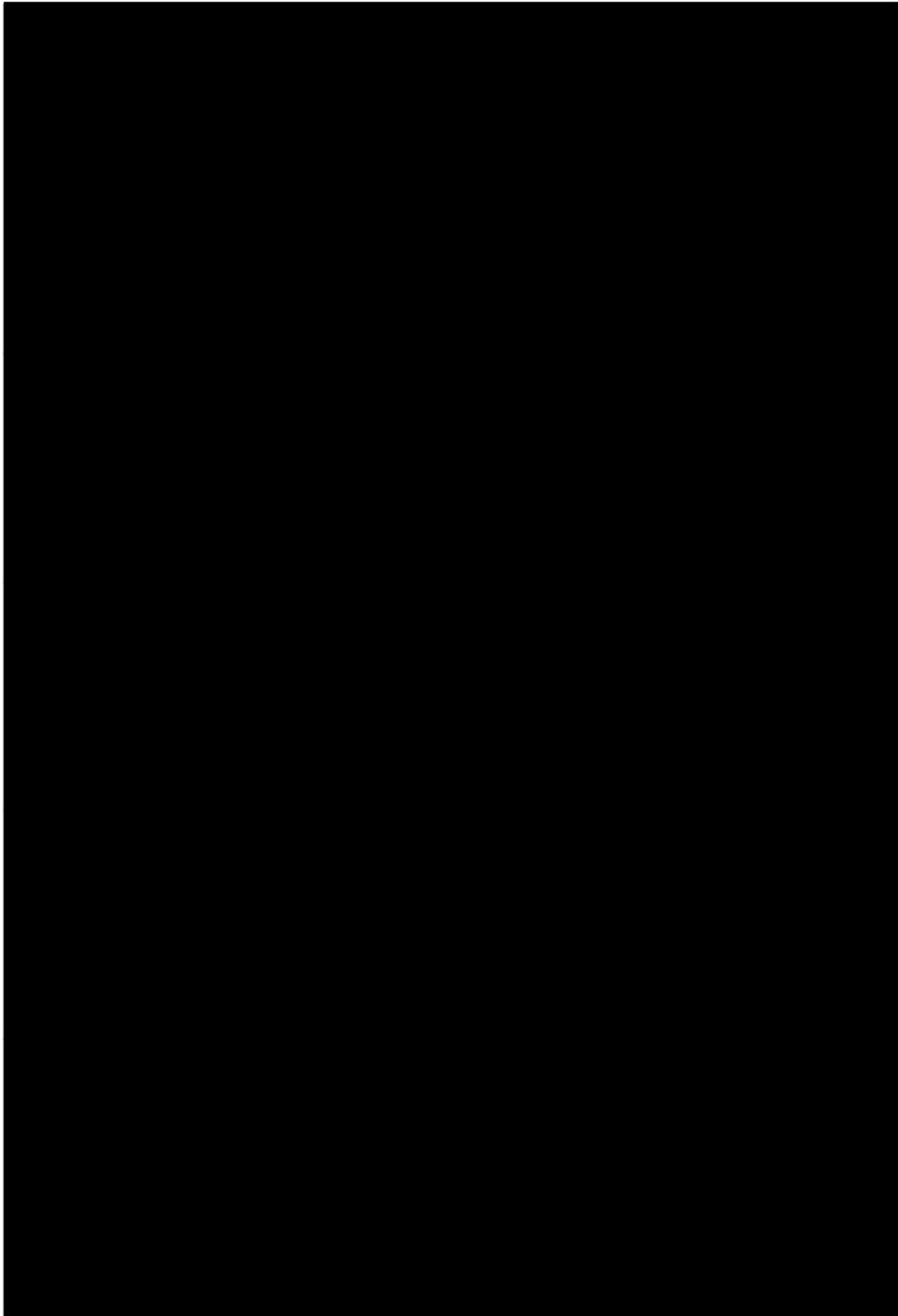
Council have stated that consideration should be given to the size, location, and zoning of the land as well as the existing development consent. For example, could the land be subdivided into a greater number of residential parcels, or used for the provisions of Seniors Housing under SEPP (Housing) 2022, or would it likely be the best return to Council to construct the infrastructure approved under the DA and sell the three lots as approved?

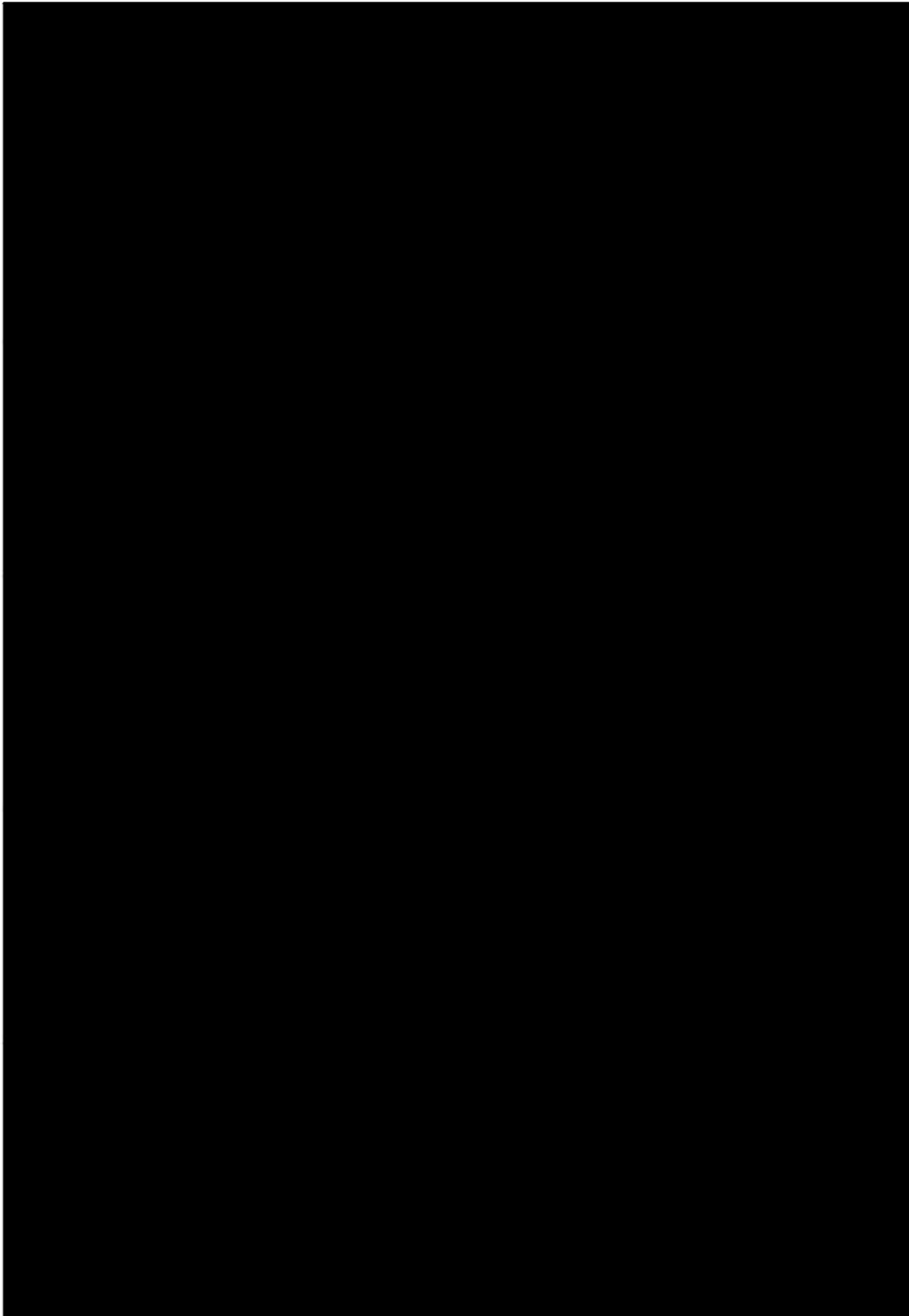
This Report is to cover:

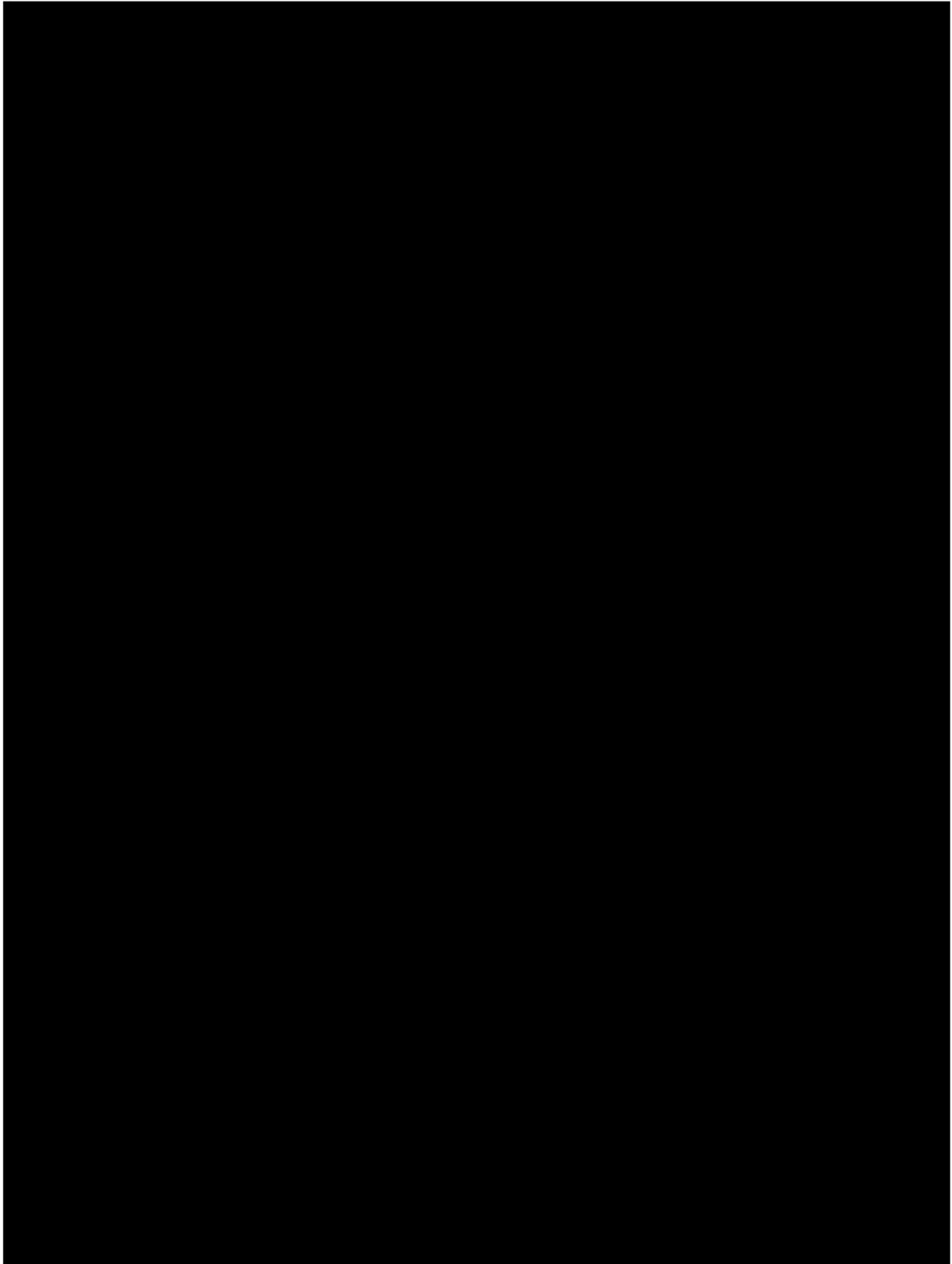
- Analysis on the 2 options, being:

- sell 'as is' single lot (having regard to highest and best use, be that residential, seniors living development etc); and
- council to do infrastructure works, complete the subdivision, and sell three lots individually;
- Supporting financials and a summary of inputs / assumptions;
- Pros and Cons of each option (considering intent of highest and best use resulting in maximum return to Council);
- Recommended Option;
- Risks related to recommended option; and
- Any specific timeframes or conditions around success of implementing recommended option.

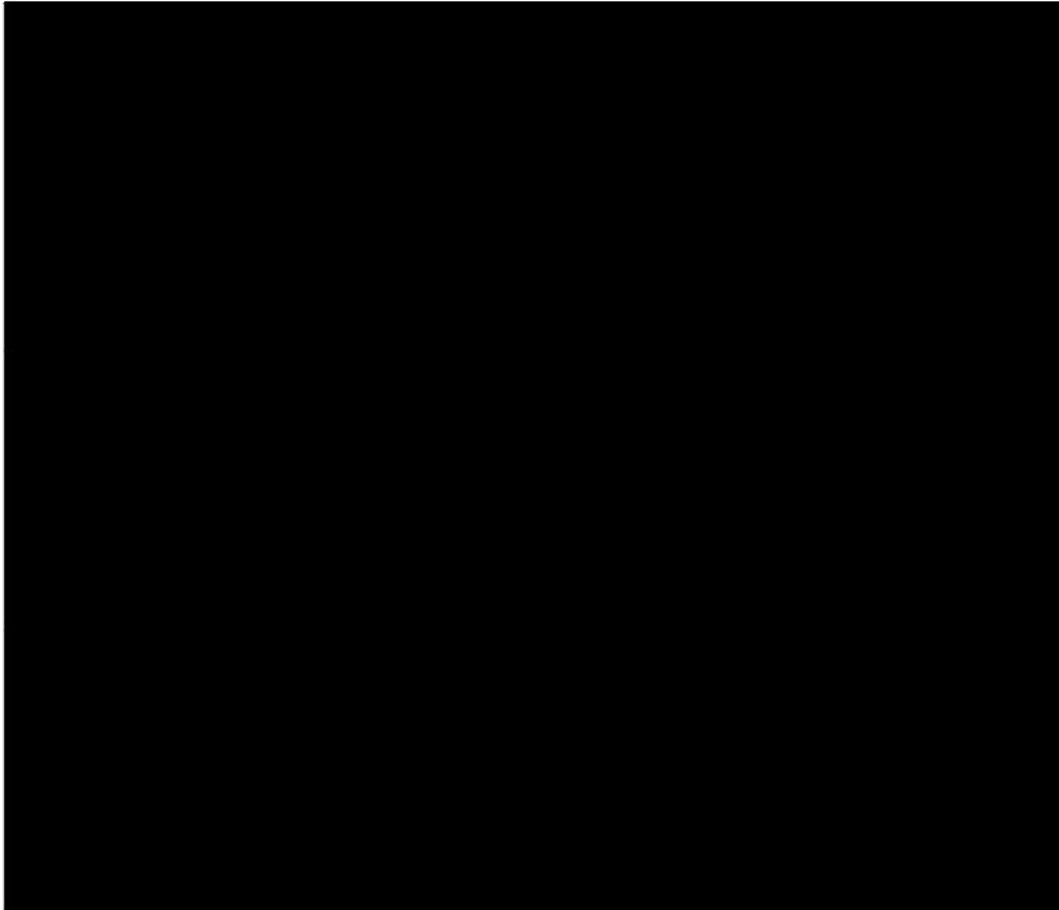








7. Conclusion



Greg Incoll

Sagent Pty Limited

Disclaimer:

The factual matters stated in this Report are, as far as I am aware, true. The opinions expressed by me in this Report are genuinely held by me. This Report contains reference to all matters that I consider significant.

This report has been prepared solely for the purpose of consideration of land disposal options by Northern Beaches Council. It is not intended that this Report be used or relied upon for any other purpose. Neither I, nor Sagent Pty Limited, its employees or agents, accept any liability or responsibility for any loss suffered by any party as a result of the publication, reproduction, or other use of this Report.

Annexure A: Residual Land Value Summary

