

# FREEHOLDING OF LAND – 116 OTEPUNI AVENUE, INVERCARGILL

**To:** Infrastructural Services Committee

**Meeting Date:** Tuesday 1 March 2022

**From:** Heather Guise – Senior Council Land and Compliance Advisor

**Approved:** Michael Day - Group Manager - Finance and Assurance

**Approved Date:** Friday 18 February 2022

**Open Agenda:** No

**Public Excluded Agenda:** Yes

## Reason(s) for the Public Excluded (choose – can be more than one)

Section of the Act	Subclause and Reason under the Act	“Plain English” Reason	When Report Can Be Released
7 – Other reasons for withholding official information	(2)(i) - Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Council can carry on commercial negotiation without disadvantage to either party	Upon completion of the sale transaction and transfer of land

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## Purpose and Summary

Council has received an offer from Robak Investments Limited to purchase the freehold of the land leased by the Company at 116 Otepunu Avenue, Invercargill.

## Recommendations

That the Infrastructural Services Committee:

1. Receives the report “Freeholding of Land – 116 Otepunu Avenue, Invercargill”.
2. Recommends to Council that the offer of \$63,000.00 for the freeholding of the land located at 116 Otepunu Avenue, Invercargill be accepted and authorising the disposal of the land.
3. The Chief Executive be given delegated authority to negotiate the sale and enter into an Agreement for Sale and Purchase.

## Implications and Risks

### Strategic Consistency

The freeholding of this land is in line with Council strategic outcomes, enabling Invercargill's economy to grow and diversify; and the continued use of this property meets any requirements of the District Plan.

### Financial Implications

The land forms part of Council's Investment Property portfolio with a minor annual rental return to Council. Net proceeds of sale will be available for development of Council's existing lands as per the Local Government Act 2002.

### Legal Implications

The land is held in fee simple with no endowment status or encumbrances requiring special legal consideration prior to Council resolution to dispose of the land and there is no requirement to seek Ministerial approval.

### Risk

There are no risks identified with disposal of the land.

## Background

Council has received a request by Robak Investments Limited (the Lessee) to purchase the freehold of the Council owned land at 116 Otepunu Avenue occupied by the Lessee for the sum of \$63,000 plus GST (if any). A copy of the offer is annexed as **Appendix 1**.

An aerial photograph showing the parcel of land in question is annexed as **Appendix 2** and outlined in blue.

### Status of the Land and Current Use

The land has no endowment status and forms part of Council's Investment Property portfolio as an Industrial Lease (Trading).

Property and lease details for the land are as follows:

Legal Description	Lot 2 DP 5826
Area	506m <sup>2</sup> (more or less)
Tenure	Fee Simple
Record of Title	SLA4/556
Registered Owners	Invercargill City Council
Lease	L10234732.1
Leasehold Record of Title	721892
Lessor	Invercargill City Council
Lessee	Robak Investments Limited

Term	21 years with perpetual right of renewal
Commencement Date	1 March 2003
Rent Reviews	7 yearly
Current Rental	\$2,812 per annum (plus GST).

Council's interest in the land has been assessed at \$60,000 plus GST (if any) by way of registered valuation by TelferYoung dated 4 February 2022. TelferYoung Executive Summary page of the valuation is annexed as **Appendix 3**). A copy of the full freeholding valuation can be made available on request.

The Lessee's offer of \$63,000 plus GST (if any) as attached (**Appendix 1**) is greater than the assessed freeholding value and therefore it is recommend that an unconditional Agreement for Sale and Purchase be entered into on this basis, with a proposed settlement date of 30 April 2022.

## Issues and Options

### Analysis

Investment Property supports appropriate industrial, commercial and economic development through the purchase, sale and/or lease of land and disposal of the land will enable Invercargill's economy to grow and diversify.

### Options

Option	Advantage	Disadvantage
Freehold the land to the Lessee <b>Preferred option</b>	The Lessee has the ability to optimise the value of the property, do what they want/need to do to the building and grow their business	Annual rental income will reduce.
Retain the land and continue with perpetual lease	The current 4.6% annual rate of return is received by Council	Is in conflict with encouraging appropriate commercial and economic development within the central business district

## Community Views

As disposal of the land will not materially affect the community and change the use of the land, it is considered that public consultation is not required in this matter.

## Next Steps

Following Council approval for disposal of the land, an unconditional Agreement for Sale and Purchase is entered into between Council and the Lessee.

## **Attachments**

1. Letter of Offer from Lessee – Robak Investments Limited (A3804096).
2. Aerial photograph showing land for disposal (A3804092).
3. Executive Summary of TelferYoung Freeholding Valuation (A3804103).