

DISPOSAL OF LAND - 90 MERSEY STREET, INVERCARGILL

To: Infrastructure Committee

Meeting Date: Tuesday 7 February 2023

From: Heather Guise – Property Portfolio Manager

Approved: Michael Day - Group Manager - Finance and Assurance

Approved Date: Wednesday 1 February 2023

Open Agenda: No

Public Excluded Agenda: Yes

Reason(s) for the Public Excluded

| 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 |

Purpose and Summary

Council has received an offer from Paul Alexander Johnston (as Agent) via deadline treaty process to purchase the land at 90 Mersey Street, Invercargill.

Recommendations

That the Infrastructure Committee:

1. Receive the report "Disposal of Land – 90 Mersey Street, Invercargill".
2. Recommends to Council that the offer of \$315,000.00 for the land located at 90 Mersey Street, Invercargill be accepted and authorises the disposal of the land.
3. The Chief Executive be given delegated authority to negotiate the sale and enter into the Agreement for Sale and Purchase presented to this Committee.

Background

Following presentation of an offer to purchase the land at 90 Mersey Street, Invercargill in the sum of \$215,000 at its meeting on 22 November 2022, the Infrastructure Committee resolved that Council staff place the land on the open market and bring offers back to the Committee for consideration.

The property was consequently marketed through Harcourts Real Estate via deadline treaty sale process. Agency costs associated with the sale, including advertising and commission (3.5%), equate to \$11,524 plus GST.

One offer has been received from Paul Alexander Johnstone (as Agent) for the sum of \$315,000.00 plus GST with a settlement date of 20 working days following the Agreement becoming unconditional. The Agreement is subject to consent of the Invercargill City Council being granted.

Council's Manager - Strategic Asset Planning has requested that a single vehicle crossing remain on the land limiting access to the property and not creating a thoroughfare and this is acknowledged by the Purchaser in Further Term of Sale (Clause 21.1).

The land has been identified as previously containing contaminants due to having had underground fuel storage tanks. An exclusion of liability for Council regarding the contamination is acknowledged by the Purchaser in Further Term of Sale (Clause 22.1).

A copy of the Agreement for Sale and Purchase, including offer and Further Terms, is annexed as Appendix 1 (A4259316).

Status of the Land and Current Use

The land has a freehold status and forms part of Council's current Investment Property portfolio.

Property details for the land are as follows:

| | |
|-------------------|---------------------------|
| Legal description | Lot 1 DP 14274 |
| Area | 960 m ² |
| Tenure | Fee Simple |
| Record of Title | SL11C/10 |
| Registered Owners | Invercargill City Council |

The land was previously the site of a fuel station before having all tanks, infrastructure and any contaminated material removed. Since then, the land has remained vacant.

An aerial photograph showing the parcel of land (outlined in blue) is annexed as Appendix 2 (A4259504).

Issues and Options

Analysis

This land has been identified by Officers as land suitable for disposal as it is vacant and provides no income contribution to the Investment Property portfolio, while incurring costs in the form of rates payable on the property.

Options

| Option | Advantage | Disadvantage |
|---|---|---|
| <p>Recommend that the offer received be accepted and that Council dispose of the land.</p> <p>This is the preferred option because it removes ongoing costs to Council, helps encouraging economic growth within the City and generates a gross revenue to Council of \$315,000 plus GST on land that has no strategic value</p> <p>Preferred option</p> | <p>The Purchaser has the ability to optimise the value of the property, including development of the land and growing their business.</p> | <p>There are no disadvantages to Council.</p> |
| <p>Decline the offer and retain the land.</p> | <p>Status quo remains with no increased advantage to Council.</p> | <p>Is in conflict with encouraging appropriate commercial and economic development within the City.</p> |

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. The property has been marketed in a public forum allowing for any competing offers to be made.

Implications and Risks

Strategic Consistency

The disposal 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 financial implications of this transaction will be to reduce the Investment Property net debt by the value of the net consideration received. This property is currently vacant, and is creating no financial return for Council. The ongoing property holding costs such as rates (\$2,779 per annum), however, will be an ongoing saving. Net proceeds of sale will be added to the Investment Property net debt account.

Legal Implications

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

Risk

The land has been identified as previously containing contaminants due to having had underground fuel storage tanks which is acknowledged by the Purchaser in the Agreement for Sale and Purchase. There are no other risks identified with disposal of the land.

Next Steps

Staff will carry out the actions as directed by Council.

Attachments

1. Appendix 1 – Agreement for Sale and Purchase of Real Estate (A4259316).
2. Appendix 2 – Aerial photograph of the land (A4281895).