

ADELAIDE HILLS COUNCIL MEETING
Tuesday, 9 April 2013
CONFIDENTIAL AGENDA BUSINESS ITEM

Item: 17.1
Originating Officer: Tim Hancock
Subject: Sale of Asset - Morialta Barns, Norton Summit
File No: 16.30.8
SMP Goal: 4: Well Managed and Maintained Community Infrastructure
SMP Key Issue: 4.1: Infrastructure Planning & Maintenance

1. Sale of Asset - Morialta Barns – Exclusion of the Public

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S/- Cr

Pursuant to Section 90(3) and (3)(b) (1) of the Local Government Act 1999, an order be made that the public, with the exception of appropriate Council staff – CEO, Andrew Aitken, Director Engineering, Tim Hancock, Director Planning & Development Services, Marc Salver, Director Finance, Tim Piper and Minute Secretary, Pam Williams be excluded from attendance at the meeting in order to receive, discuss or consider in confidence any information or matter relating to Section 90(3):

(b) Information the disclosure of which –

- (i) 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**

2. Sale of Asset - Morialta Barns – Confidential Item

2.1 SUMMARY

The Morialta Barns was transferred from the State Government to the East Torrens Council. Due to the property's lack of alignment with Council core business, the property was removed from the Community Land Register and Council resolved to sell the property at its meeting held on 12 June 2012.

Advertising for the sale of the property by tender commenced in various publications on 17 July 2012. A shortlist of 6 tenderers presented their proposals to a staff tender evaluation panel in December 2012.

The highest ranking proposal from the evaluation process is for a residence, bed and breakfast (B&B) and walking tour business to operate together with renovation of the main buildings.

The property is listed on the State Heritage register and an encumbrance to comply with the heritage requirements will be incorporated into the sales agreement.

2.2 GOVERNANCE

➤ Strategic Management Plan

SMP Goal 4: Well Managed and Maintained Community Infrastructure
SMP Goal 4: Key Issue 4.1: Infrastructure is planned, maintained & managed to meet the community's social, economic, environmental and financial needs

➤ Legislation

Local Government Act 1999 – 15.11.210, Division 6 – Disposal and alienation of local government land, 201- Sale or disposal of local government land

➤ Sustainability

- Economic
- Social
- Environmental
- Governance

➤ Budget

Not applicable, sale of this asset is anticipated to generate net income.

➤ Consultation

Public consultation has been conducted in accordance with the requirements for revocation of the community lands classification. No substantial objections to the proposal to sell the property were received during the public consultation process.

2.3 BACKGROUND

At its meeting on 12 June 2012 Council resolved to sell the Morialta Barns property:

1. *the classification of Community land in respect to Morialta Barns at Lot 10 Colonial Drive Norton Summit, being the whole of the land in Certificate of Title Volume 5401 Folio 912, be revoked from the Community Land Classification under Section 194 of the Local Government Act*
2. *the said property be offered for sale by way of registrations of interest to be lodged following a 3 month period of marketing the property*
3. *the recommended submission in relation to sale be brought back to Council to approve the sale process and determine the form of sale and any associated conditions and benchmarks in terms of work schedule and financial investment as determined by Council*
4. *the Mayor and Chief Executive officer be authorised to affix the seal and sign any documentation that is required to achieve a sale of the property*

This was due mainly to the relatively poor condition of the buildings which will require substantial capital expenditure to renovate, together with the lack of core business alignment of the site and buildings.

The Morialta Barns property was transferred to the East Torrens Council from the State Government prior to its amalgamation with Adelaide Hills Council. Since taking over the property Adelaide Hills Council has undertaken various minor but strategic building works using Federal Government funding schemes to put on new roofs, repair walls etc.

The Morialta Barns property is listed on the South Australian State Heritage Register and any development of the site will need to be carried out in accordance with the State Heritage requirements.

2.4 DISCUSSION

Registrations of Interest (ROI) were called in July 2012 for the sale of the property.

An encumbrance was developed as part of the ROI that requires the purchaser to commit to and deliver against agreed timelines and works. This encumbrance ensures that the asset is refurbished in 5 years or transferred back to Council.

10 submissions to buy the property were received with prices offered ranging from \$250k-\$525k. A shortlist of 6 proposals was developed by a tender evaluation panel made up of 4 staff selected across key council functions. The shortlisted candidates were invited to present their proposal to the evaluation panel in December 2012. The submissions were scored against weighted evaluation criteria to determine the most suitable proposal. The submission offering \$525k was subsequently withdrawn as they purchased an alternative property in the meantime.

The key evaluation criteria and their relative applied weightings were as follows:

- Capacity - 30%
- Price – 30%
- Heritage capability - 10%
- Sustainability - 10%
- Innovation - 10%
- Accessibility - 5%
- Settlement period - 5%

The panel saw an interesting range of submissions, all of which had great potential, however most lacked current operational skills or other requirements.

The panel's scores were summarized to produce a ranking of the submissions into a summary table. The highest ranking submission was also deemed unanimously as the most likely to succeed. This preferred submission is currently operating a successful B&B (now sold) and a olive grove of note in the Hills.

The proposal of the preferred offer is to restore the Barns as a residence together with four B&B units to complement a walking trail business utilising the Heysen Trail linkage. The financial offer is the equal highest and the offerer has indicated they accept the Council encumbrance to renovate the buildings in accordance with State Heritage requirements and within 5 years of the purchase.

The bid from Tenderer E (refer to Appendix 1) is inviting but requires a long settlement and has considerable uncertainty and risk due to the enormous scale and complexity of the proposed multi property development. We requested Tenderer E to reduce the risk exposure and try to make the proposal more appealing but issues of water supply, waste disposal, access, financial investment required and fire danger risks make it less appealing.

Tenderer E, who proposed a 6 star development, was unable to provide sufficient details of their proposal in a reasonable timeframe and there were conditions associated with the offer, primarily a contractual option to purchase the property in conjunction with similar options for a number of adjoining properties. Refer to Appendix 1 for the tender evaluation summary table for the shortlisted tenderers.

2.4A OPTIONS

The main options available to Council are;

1. Do nothing and continue to own and manage the asset; this will necessitate Council to spend substantial capital amounts in order to preserve the buildings. There is no strong connection between the property and Council's strategic plan or core business
2. Sell the asset to the preferred tenderer; this will facilitate renovation of the Morialta Barns in accordance with State Heritage requirements and will enhance tourism in the local economy.

2.5 RECOMMENDATION

That

- **Council proceeds with the sale of Morialta Barns to Steve and Fiona Butcher for the amount of \$400,000**
- **The contract conditions include provisions that the buildings are renovated in accordance with State Heritage requirements and that the renovation works are completed within 5 years of the purchase**
- **Council considers re-investing a portion of the proceeds from this sale back into a local project as part of the 2013/14 budget deliberations**
- **The Mayor & CEO be authorised to affix the seal and sign any documentation that is required to achieve a sale of the property**

2.6 APPENDIX

- (1) Tender Evaluation Summary Table for Shortlisted Tenderers

3. Sale of Asset – Morialta Barns – Period of Confidentiality

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S/- Cr**

That having considered this matter in confidence under section 90(3) and 90 (3) (b) of the Local Government Act 1999, the Council, pursuant to section 91(7) of the Local Government Act 1999, orders that the documents, reports and minutes pertaining to this matter, including discussions and considerations, be retained in confidence until the sale has been finalised, but not longer than 12 months, pursuant to section 91(9).

That, pursuant to section 91(9)(c) of the Local Government Act 1999, the Chief Executive Officer be authorised to release documents at the conclusion of the period of confidentiality.

Appendix 1

Tender Evaluation Summary Table

Tender evaluation summary table for shortlisted tenders

Tender Title: Morialta Barns Sale											
Average weighted scores from tender panel members for each weighted criterion											
	Capacity	Heritage considerations	Sustainability	Innovation	Access	Settlement period	Price				
	Ability to complete the development within the scheduled time period and financial capacity	Management skills, technical experience, provision of required tender data, satisfactory credit rating, financial stability, proven experience in this service.	Principles of environmental sustainability	Something unique and achievable	Community access /Heysen Trail linkage.	How long to get our \$\$	\$				
Tenderer	30% weighting	10% weighting	10% weighting	10% weighting	5% weighting	5% weighting	30% weighting	Amount	Overall Average Score	Rank	Summary Comments
B	90	28	28	30	19	14	78	375,000	285	4	No experience in the proposed industry. Would hire staff to run the operations. Would be family home. Proposal not well developed, still at vision stage. High risk of not being achieved.
Fiona & Steve Butcher	120	35	38	35	23	20	85	400,000	355	1	B&B, four star style accommodation, long experience in the industry. Experience with heritage properties. A good fit to the local area and the Heysen Trail.
C	90	33	30	33	18	20	26	250,000	248	5	Would initially store beer in the buildings until capital raised and design done. Micro brewery concept is a good fit. \$1.5million capital proposed. Has no experience in the proposed industry. Would hire staff and prefers to do deal with brewer.
D	90	30	33	35	18	18	81	385,000	303	2	Somewhat plausible proposal due to lack of credible connection within the industry, limited practical experience with this type of business. Not qualified in cookery. Would hire all staff.
E	75	33	33	35	14	13	85	400,000	287	3	Grand master plan not supported by evidence of feasibility, finance, developer and operators being committed to the project. Non conforming bid due to only offering option on the property.
Maximum Achievable Score	150	50	50	50	25	25	*	-	350 + Weighted Price Score	-	

* Weighted price score is determined by the following formula:

$$P = (2.5 + 5 (\$T - \$M) / \$M) \times \text{Weighting}$$

where: \$T = Tender price
\$M = Mean price