

**ADELAIDE HILLS COUNCIL
ORDINARY COUNCIL MEETING
Tuesday 26 March 2019
CONFIDENTIAL AGENDA BUSINESS ITEM**

RELEASED 22 OCTOBER 2019

Item: 19.1

Originating Officer: Richard Fox, Senior Property Projects Officer

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Sale of land at the former Onkaparinga Woollen Mills site at Lobethal

For: Decision

1. Sale of land at the former Onkaparinga Woollen Mills site at Lobethal – Exclusion of the Public

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except:

- CEO, Andrew Aitken
- Director Infrastructure & Operations, Peter Bice
- Director Development & Regulatory Services, Marc Salver
- Director Corporate Services, Terry Crackett
- Director Community Capacity, David Waters
- Executive Manager Governance & Performance, Lachlan Miller
- Manager Property Services, Natalie Westover
- Senior Property Officer, Richard Fox
- Property Projects Officer, Nick Taarnby
- Minute Secretary, Pam Williams

be excluded from attendance at the meeting for Agenda Item 19.1: Sale of land at the former Onkaparinga Woollen Mills site at Lobethal in confidence.

The Council is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified above, be excluded to enable Council to consider the report at the meeting on the following grounds:

Section 90(3)(d) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party and would, on balance, be contrary to the public interest.

Accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

2. Sale of land at the former Onkaparinga Woollen Mills site at Lobethal – Confidential Item

SUMMARY

The purpose of this report is to gain the approval of Council for the sale of the two remaining land parcels in the northern secondary plan of division as part of the divestment strategy for the former Onkaparinga Woollen Mills site at Lobethal.

RECOMMENDATION

Council resolves that:

- 1. The report be received and noted**
 - 2. A notice pursuant to the First Right of Refusal clause in the Lease to Monsteda Pty Ltd be served in writing offering to enter into a contract for the Sale and Purchase of Pieces 302 and 303 in the draft community plan attached as Appendix 3, at a price of \$950,000 subject to the following conditions:**
 - a. Deposit by the Registrar-General of the primary and secondary community plans as attached in Appendices 2 and 3.**
 - b. Finance approval for the purchaser.**
 - 3. If Monsteda does not agree to the purchase or is unable to gain finance that the land be sold in an open market process consistent with Council's *Disposal of Land Policy*.**
 - 4. A notice pursuant to the First Right of Refusal clause in the Lease to Jedmar Pty Ltd be served in writing offering to enter into a contract for the Sale and Purchase of proposed Lot 304 in the draft community plan attached as Appendix 3 at a price of \$580,000 subject to the following conditions:**
 - a. Deposit by the Registrar-General of the primary and secondary community plans as attached in Appendices 2 and 3.**
 - b. Finance approval for the purchaser.**
 - 5. If Jedmar does not agree to the purchase or is unable to obtain finance approval, the land be sold in an open market process consistent with Council's *Disposal of Land Policy*.**
 - 6. The CEO has delegation to finalise negotiations with Monsteda Pty Ltd and Jedmar Pty Ltd for the preparation of a Contract for Sale and Purchase on terms that are industry standard for this type of transaction.**
 - 7. The Mayor and CEO be authorised to sign all necessary documentation, including affixing the common seal, to effect the sale of Pieces 302 and 303 and Lot 304 in the draft secondary community plan attached as Appendix 3.**
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2.1 GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal 3 A Prosperous Economy
Strategy 3.4 We will implement the Adelaide Hills Business and Tourism Centre (Old Woollen Mill) Masterplan to stimulate local job creation, boost tourism and create a vibrant cultural hub.

The divestment strategy for the former Onkaparinga Woollen Mills site flows directly from the Masterplan for the site and is an essential component of facilitating the success of businesses and the future social, cultural and economic health of Lobethal.

➤ Legal Implications

Not applicable

➤ Risk Management Implications

The recommended sales will assist in mitigating the risk of:

Lack of strategic direction/commitment by Council to the former Onkaparinga Woollen Mills site leading to community/business concern and resultant prejudicial actions.

Inherent Risk	Residual Risk	Target Risk
Extreme (4B)	High (3B)	Low (2D)

These sales will continue the mitigation of risk at the former Onkaparinga Woollen Mills site by selling two further sites.

➤ Financial and Resource Implications

The funds for the divestment at the former Onkaparinga Woollen Mills site are included in the budget. There will be gross revenue of \$1,530,000 from the sale of the land subject to this report in the secondary division of this part of the northern site.

➤ Customer Service and Community/Cultural Implications

Not Applicable

➤ Environmental Implications

Not applicable

➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

The former Onkaparinga Woollen Mills site, the Masterplan and the divestment strategy have been the subjects of extensive consultation over several years, but no further consultation was carried out for the development of this report, other than with valuers and the prospective purchasers.

Consultation on the development of this report was as follows:

<i>Council Committees:</i>	Not Applicable
<i>Advisory Groups:</i>	Not Applicable
<i>Administration:</i>	Not Applicable
<i>Community:</i>	Not Applicable

2.2 BACKGROUND

Imagery of the former Onkaparinga Woollen Mills site at Lobethal following the divestment of the Southern Site is depicted in **Appendix 1**, with buildings numbered. This report relates to buildings 4, 5 and 7.

The Woollen Mills were the major employer at Lobethal but closed in 1993 after about 120 years of operation. At the time of closure the owners, Jamison Equity Ltd, were unable to pay \$475,000 owed to the South Australian Government. Following a series of negotiations between the parties, the State Government forgave the debt provided that Jamison Equity transferred the site to the then District Council of Onkaparinga for no monetary consideration. It should be noted that the transfer of the property to the Council contained a condition that:

“The subject properties would be conveyed to the Council upon its undertaking to carry out the express wish of the Government to apply the property (and the proceeds from any partial realisation) solely for the economic development purposes of Lobethal and other adjacent areas within the District Council boundaries.”

This agreement remains the basis on which strategic decisions about the former Onkaparinga Woollen Mills site have been made.

Over the course of about 20 years the site slowly evolved from being a business incubator site, hosting a range of small businesses that came and went, to a site on which a smaller number of long-term tenants had established successful enterprises. Several of the tenants wanted the certainty of ownership in order to make further significant capital investments at the site. A divestment strategy was adopted by Council to facilitate this process, with the Council meeting of 22 March 2016 resolving as follows.

19.1.1 Adelaide Hills Business & Tourism Centre (AHBTC) Divestment Strategy – Confidential Item

MINUTE PARTIALLY RELEASED 4 JULY 2016
FULLY RELEASED 4 AUGUST 2016

Moved Cr John Kemp S/- Cr Malcolm Herrmann	66
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Council resolves:

1. That the report be received and noted
2. To endorse the inclusion of funding into the Draft 2016/17 Annual Business Plan and Budget to enable the progression of the Divestment Strategy.
3. That a Development Application to obtain conditional approval for the community titling of proposed Lot 201 be submitted.
4. That in relation to current Lessees that:
 - a. RIPE be advised that Council will be allowing the Adelaide Hills Craft Brewery Pty Ltd an option to purchase Building 2 and that if purchased the Adelaide Hills Craft Brewery Pty Ltd will be RIPE's Lessor until the current Lease, including renewal, expires on 1/06/2018
 - b. Robert Johnson be advised that the Lease of Building 3C will not be renewed after 31 March 2017 and that the premises will be leased to the Adelaide Hills Craft Brewery Pty Ltd.
 - c. Adelaide Hills Craft Brewery Pty Ltd be advised that:
 - The Right of First Refusal Clause to purchase currently leased premises, as appears as Appendix 5, will be included into the Leases of Buildings 3A and 3B
 - Building 3C will be included into its leased area from 1 April 2017. The Right of First Refusal Clause will then also apply to Building 3C.
 - It is unlikely that the Council will accept an offer to only purchase Buildings 3A, 3B and 3C without also including Building 2.
 - d. Udder Delights Group Pty Ltd be advised that the Right of First Refusal Clause to purchase currently leased premises, as appears as Appendix 5, will be included into the Leases of Buildings 15, 16, 17, 18 and 19.

- e. **Monsteda Pty Ltd be advised that the Right of First Refusal Clause to purchase currently leased premises, as appears as Appendix 5, will be included into the Leases of Buildings 4, 5C, 5D and 7.**
 - f. **The relocation of Simon Greenleaf's winery to, and lease of, the rear of Building 21 and portion of Building 22, be negotiated with Simon Greenleaf.**
 - g. **Subject to the above successful relocation of Simon Greenleaf winery from Building 5A, further discussions be held with Jedmar Pty Ltd regarding the leasing of both Buildings 5A and 5B**
 - h. **If the above negotiation with Jedmar Pty Ltd is successful then a Right of First Refusal Clause to purchase, as appears as Appendix 5, be included in the future Lease of Buildings 5A and 5B.**
 - i. **Tillbrook Estate be offered an incentive to vacate Building 17 by 14 June 2017.**
 - j. **Henstock Pty Ltd be advised that an option to purchase Lot B in Appendix 4 to this report will be negotiated if the Council desires to sell the premises.**
 - k. **Action be initiated to sell Lots C, D and E on the Southern Site in Appendix 4 to Blisstrade Pty Ltd and / or adjoining landowners.**
 - l. **The Chief Executive Officer be delegated the authority to finalise the above matters.**
5. **The Mayor and Chief Executive Officer be authorised to finalise and sign all necessary documentation to finalise all transactions proposed in this set of recommendations.**

The divestment strategy is not merely the sale of Council owned property, but rather the fulfillment of the original agreement with the South Australian Government to apply the property for the economic development of Lobethal and surrounding areas.

The nature of the site has meant that a large amount of property work has been necessary to enact these resolutions.

Moving forward, the Northern Site has greater complexity than the now sold Southern Site, being subject to the *Heritage Places Act 1993* and requiring both primary and secondary divisions of the land pursuant to the *Community Titles Act 1996* in order to achieve saleable parcels of land. These divisions have necessitated substantial electrical, plumbing and fire systems upgrades. Since the resolutions of March 2016 there has also been an emphasis on aligning leases and lease plans with the proposed sales.

In summary, the current position is as follows:

- All resolutions relating to the Southern Site have been completed, with settlement having been achieved in August 2018
- Development approval for the primary and secondary divisions of the Northern Site was finalised in November 2018
- A contract has been executed for the sale of Lot 301 at a price of \$860,000.

- The business growth of Udder Delights has led to an expansion of its footprint at the former Onkaparinga Woollen Mills site and the January 2019 meeting of Council resolved to expand its First Right of Refusal option to include the expanded area.
- While the secondary division of the northern part of the Northern Site has received development approval, the secondary division of the remainder of the site has additional complexities in relation to fire walls and service separations that mean the ability to sell the land within the first right of refusal plan to Udder Delights is not planned to occur until the 2019/2020 financial year.
- The relocation of Simon Greenleaf as envisaged proved to be impractical. Building 22 is constructed above the western branch of the Onkaparinga River. Preliminary investigations showed that although the concrete floor was suitable for commercial or light industrial purposes, it was not suitable for the weight and vehicle movements associated with wine making and storage. The costs to replace the concrete floor to a standard suitable for this purpose make the option financially unviable.
- Jedmar Pty Ltd, which leases Building 5b within proposed Lot 304, has indicated that it wishes to nominate Simon Greenleaf, who leases Building 5a within proposed Lot 304, as the purchaser, which it may do pursuant to its first right of refusal. This means that the first right of refusal notice will be given to Jedmar Pty Ltd, which will then assign its rights to Simon Greenleaf, who will contract directly with Council for purchase of Lot 304.

The primary division is shown in **Appendix 2** with the lots referred to in this report being from the secondary community division, as shown in **Appendix 3**. For reference, Buildings 2 and 3 are contained within Lot 301 in the secondary division, Buildings 4, 5C and 5D are contained in Piece 302, Building 7 is within Piece 303 and Buildings 5A and 5B are contained in Lot 304.

2.3 ANALYSIS

The value for the first right of refusal notices are derived from valuations carried out by M3Property on behalf of Council. M3Property has a detailed knowledge of the former Onkaparinga Woollen Mills site over several years.

In the case of Pieces 302 and 303, the value provided by M3Property was \$1,075,000. This has been adjusted down by \$125,000 to \$950,000 to take into account capital works to the base building that have been performed by the Lessee.

The prospective purchaser for lot 304 has accepted the M3Property valuation of \$580,000 as no capital works to the base building had to be taken into account.

Council is now in a position to complete the sale of the remainder of the secondary division land, and thus complete the second stage of the divestment strategy.

2.4 OPTIONS

Council has the following options:

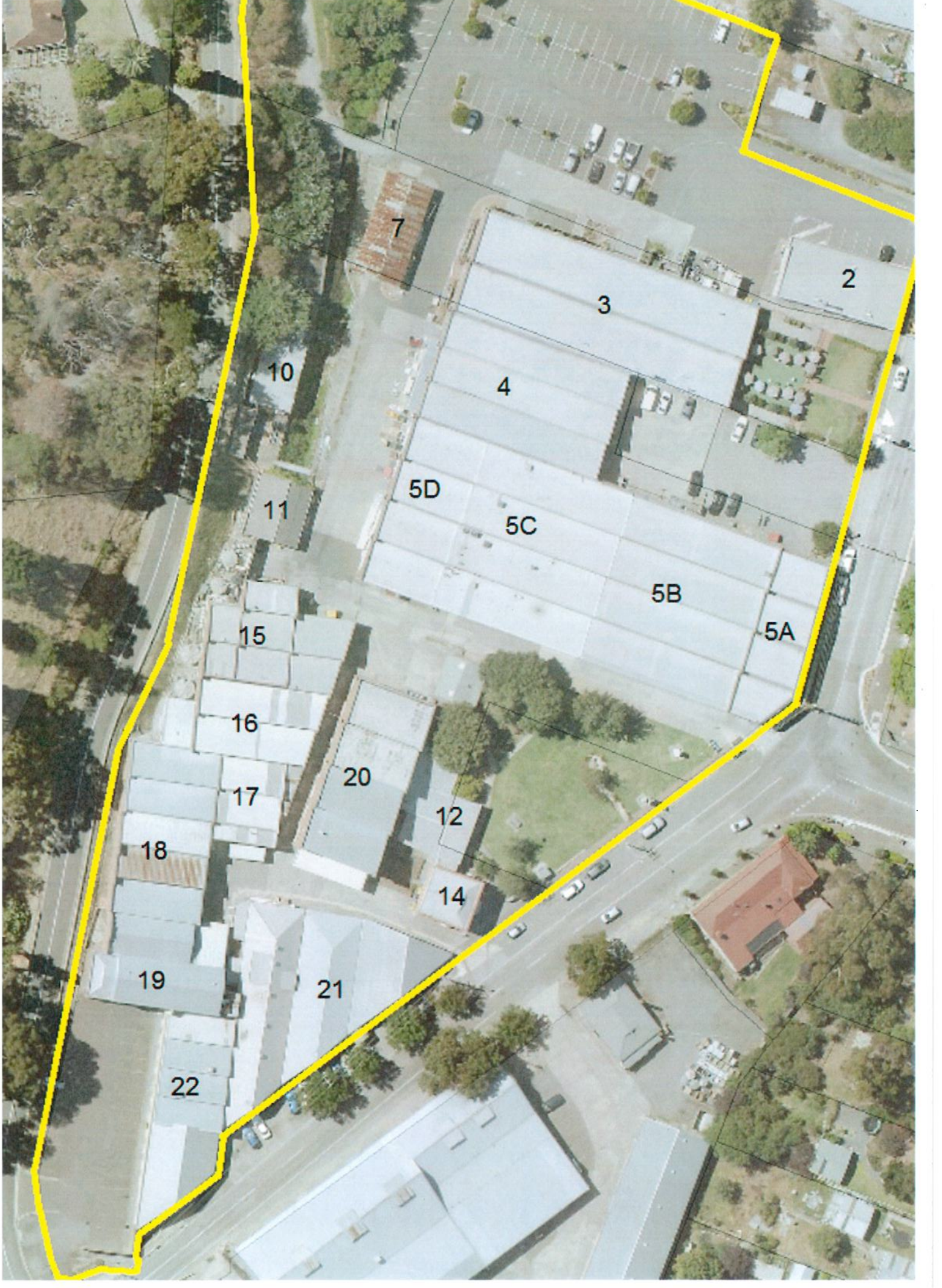
- I. Endorse the recommendations, which will progress the Masterplan and divestment strategy. (Recommended)
- II. Not endorse the recommendations, which will halt the divestment strategy and may result in Lessees reconsidering their long-term commitment to the site. (Not Recommended)

2.5 APPENDICES

- (1) Northern Site of the former Onkaparinga Woollen Mills site
- (2) Primary division of the Northern Site
- (3) Secondary division of part of the Northern Site

Appendix 1

*Northern Site of the former
Onkaparinga Woollen Mills site*



7

2

3

10

4

11

5D

5C

5B

5A

15

16

20

17

12

18

14

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21

22

Appendix 2

Primary Division of the Northern Site

PRIMARY COMMUNITY DIVISION

ADELAIDE HILLS COUNCIL

NORTHERN SITE

Dev No 473/C050/16

ALLOTMENTS 88 & 90 in F4620
 ALLOTMENTS 220, 221 & 222
 IN D117912
 HUNDRED OF ONKAPARINGA
 IN THE AREA NAMED
LOBETHAL

PIECES SCHEDULE

ONE LOT COMPRISES	TOTAL AREA
201* AND 202*	8904m ²

* ASTERISK DENOTES PIECE IDENTIFIER ONLY

SHEET 1 OF 4 SHEETS

REV 7- AMENDED PLAN 23/7/18

PORTION OF THE COMMON PROPERTY MARKED X IS TOGETHER WITH A FREE AND UNRESTRICTED RIGHT OF WAY OVER THE PORTION MARKED E HEREON

PORTION OF THE COMMON PROPERTY AND LOT 205 DRAINAGE RESERVE MARKED C IS SUBJECT TO AN EASEMENT TO THE COMMONWEALTH OF AUSTRALIA VIDE T3589822

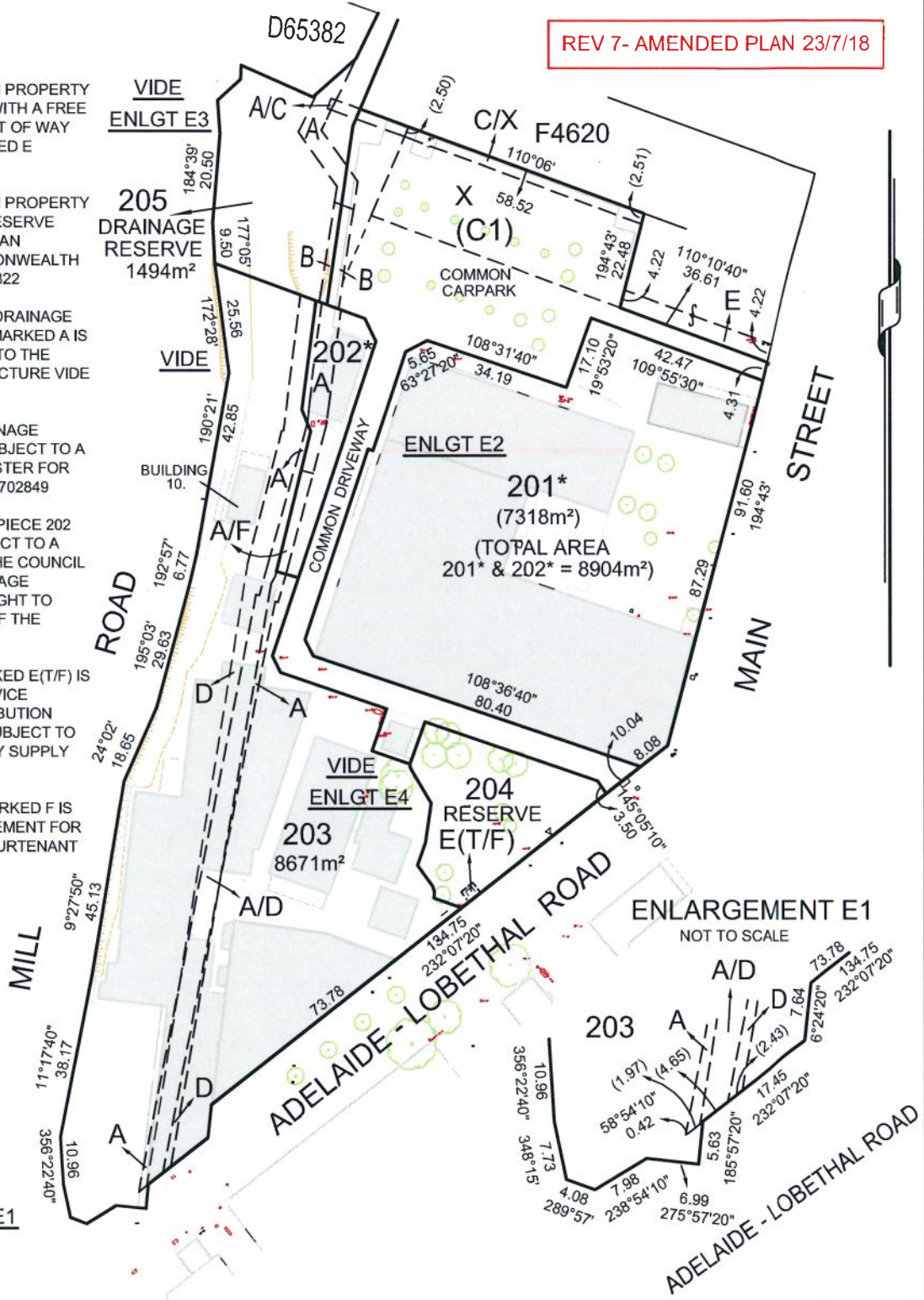
PORTION OF LOT 203, 205 DRAINAGE RESERVE AND PIECE 202 MARKED A IS SUBJECT TO EASEMENTS TO THE MINISTER FOR INFRASTRUCTURE VIDE T3094085

PORTION OF LOT 205 DRAINAGE RESERVE MARKED B IS SUBJECT TO AN EASEMENT TO THE MINISTER FOR INFRASTRUCTURE VIDE T2702849

PORTION OF LOT 203 AND PIECE 202 MARKED D IS TO BE SUBJECT TO A SERVICE EASEMENT TO THE COUNCIL FOR THE AREA FOR DRAINAGE PURPOSES LIMITED IN HEIGHT TO BELOW THE UNDERSIDE OF THE CONCRETE FLOOR ABOVE

PORTION OF LOT 204 MARKED E(T/F) IS TO BE SUBJECT TO A SERVICE EASEMENT TO THE DISTRIBUTION LESSOR CORPORATION SUBJECT TO L8890000 FOR ELECTRICITY SUPPLY PURPOSES

PORTION OF PIECE 202 MARKED F IS TO BE SUBJECT TO A EASEMENT FOR SUPPORT PURPOSES APPURTENANT TO ALLOTMENT 203



IMPORTANT NOTE
 THIS PLAN WAS PREPARED AS A CONCEPT COMMUNITY DIVISION AND SHOULD NOT BE USED FOR ANY OTHER PURPOSE. THE DIMENSIONS SHOWN HEREON ARE SUBJECT TO SURVEY AND THE REQUIREMENTS OF COUNCIL AND OTHER RELEVANT AUTHORITIES. LOT BOUNDARIES SCALED FROM ODOB PLANS FROM LTO AND DETAIL SURVEY PROVIDED BY THE ADELAIDE HILLS COUNCIL.
 NO RELIANCE SHOULD BE PLACED ON THE INFORMATION ON THIS PLAN FOR ANY FINANCIAL DEALINGS INVOLVING THIS LAND. THIS NOTE IS AN INTEGRAL PART OF THE PLAN.

management & plans - **BARTLETT** Drafting & Development
 PO Box 297 WELLAND SA 5007
 Ph 0418 815 197 Fax 8241 5050 Email - gary.bartlett@bigpond.com

survey - **PYPER LEAKER** Surveying Services Pty Ltd
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ref GB2199/PL7597 | Dwg GB2199DA CP1 | Date 23/7/2018 | Rev 7

Appendix 3

Secondary Division of part of the Northern Site

SECONDARY COMMUNITY DIVISION

ADELAIDE HILLS COUNCIL

NORTHERN SITE

Dev No 473/C051/16

LOT COMPRISING PIECES 201 & 202

PT CT 5897/519 (LOTS 87 & 90)
CT 5169/516 (LOT 88)
CT 5549/242 (LOT 101)
PT CT 5897/516 (LOT 201)

IN Dev No 473/C050/16

SHEET 1 OF 1 SHEETS

HUNDRED OF ONKAPARINGA

IN THE AREA NAMED

LOBETHAL

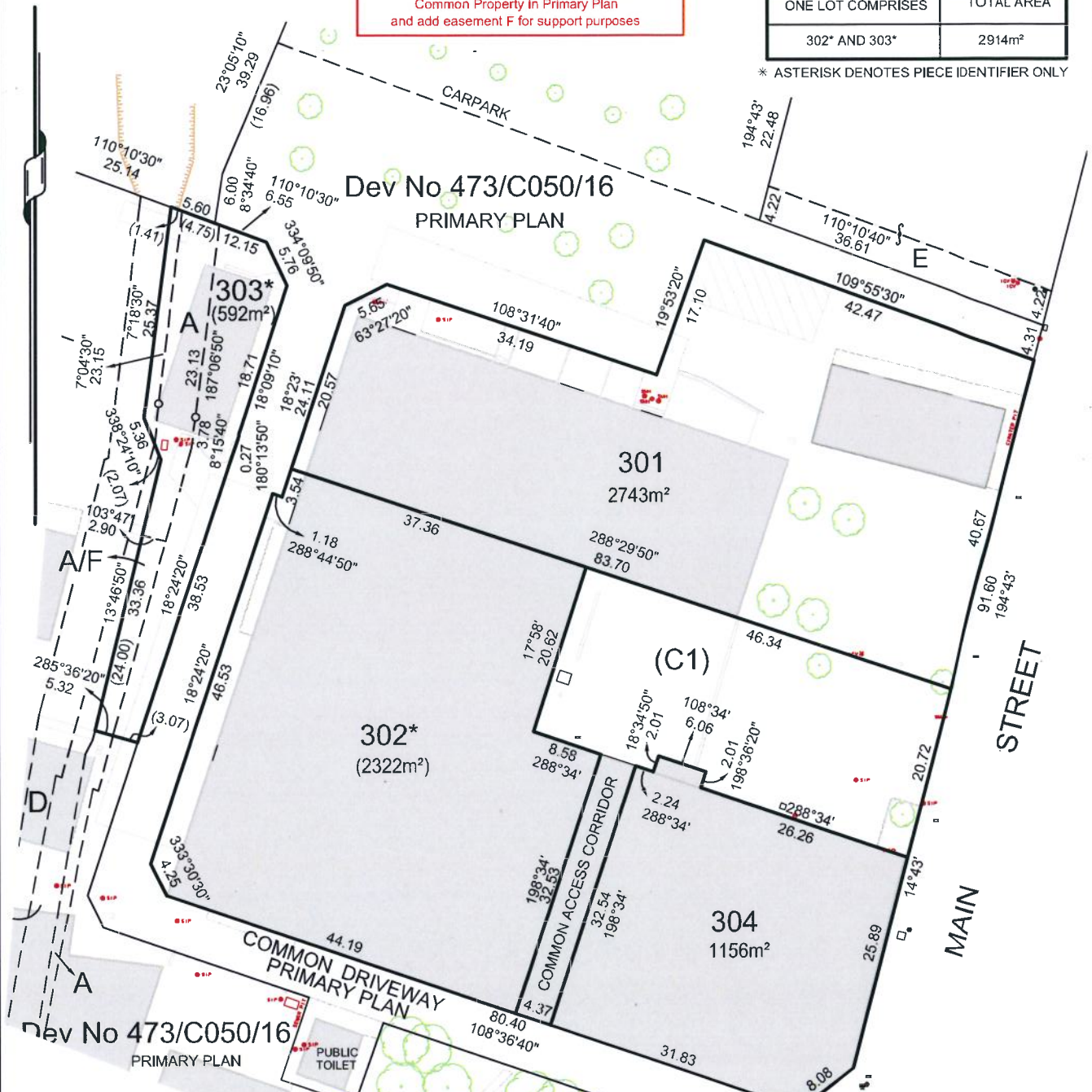
REV 4 - AMENDED PLAN 23/7/18

amended to show Public Toilets merged into the Common Property in Primary Plan and add easement F for support purposes

PIECES SCHEDULE

ONE LOT COMPRISES	TOTAL AREA
302* AND 303*	2914m ²

* ASTERISK DENOTES PIECE IDENTIFIER ONLY



PORTION OF PIECE 303* MARKED A IS SUBJECT TO EASEMENTS TO THE MINISTER FOR INFRASTRUCTURE VIDE T3094085

PORTION OF PIECE 303 MARKED F IS SUBJECT TO A EASEMENT FOR SUPPORT PURPOSES APPURTENANT TO ALLOTMENT 203 IN PRIMARY PLAN



IMPORTANT NOTE
THIS PLAN WAS PREPARED AS A CONCEPT COMMUNITY DIVISION AND SHOULD NOT BE USED FOR ANY OTHER PURPOSE. THE DIMENSIONS SHOWN HEREON ARE SUBJECT TO SURVEY AND THE REQUIREMENTS OF COUNCIL AND OTHER RELEVANT AUTHORITIES. LOT BOUNDARIES SCALED FROM DCB PLANS FROM LITS AND DETAIL SURVEY PROVIDED BY THE ADELAIDE HILLS COUNCIL.
NO RELIANCE SHOULD BE PLACED ON THE INFORMATION ON THIS PLAN FOR ANY FINANCIAL DEALINGS INVOLVING THIS LAND. THIS NOTE IS AN INTEGRAL PART OF THE PLAN.



LAND DIVISION DEVELOPMENT PLAN
CONSENT
CONDITIONS & NOTES APPLY
DA: 473/17/5
DA: 473/DC51/16

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ref GB2199/PL7597 Dwg GB2199DA CP2 Date 23/7/2018 Rev 4

3. Sale of land at the former Onkaparinga Woollen Mills site at Lobethal – Period of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council's decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 19.1 in confidence under sections 90(2) and 90(3)(d) of the *Local Government Act 1999*, resolves that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* that the report, related attachments and the minutes of Council and the discussion and considerations of the subject matter be retained in confidence until the earlier of settlement of Pieces 302 and 303 and Lot 304 or 12 months.

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.