



City of Nedlands

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# ***Council Business Case***

***Lot 150:***

***11 Sayer Street, Swanbourne***



**D75.11 – Attachment 1**

Council Business Case, Lot 150, House  
Number 11 Sayer Street Swanbourne

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## 1.0 INTRODUCTION (EXECUTIVE SUMMARY)

The purpose of this business case is to determine the future of the vacant residential dwelling and land that is held in fee simple by the City at Lot 150, 11 Sayer Street, Swanbourne.

Lot 150 Sayer Street is situated on a sloping freehold 1,012m<sup>2</sup> North-South facing block. The property borders Reserve 47257 to the north, which is vested to the City by way of Management Order for the purpose of "Public Recreation". The land to the east and west boundaries comprise of Reserve 19842 and Reserve 19283 respectively. Both of these areas of land are vested to the City by way of Management Order for the purpose of "Parklands and Recreation". South of the property is a bitumen surfaced Sayer Street and the Allen Park Heritage precinct.

The City has previously leased the property on a periodic tenancy to a member of staff as part of the employee's salary package for the period 1993 to 2009. The weekly rental was set at \$140 per week based on the feedback from real estate agents at that time and taking into account the on-call status of the employee. The property has been vacant since the latter half of 2009. The freehold block is surrounded by tree lined reserves in a secluded area.

### ***Background***

11 Sayer Street (Lot 150), Swanbourne is a residential property that the City owns in fee simple being Lot 150 on Deposited Plan 222332 and being the whole of the land contained within Certificate of Title Volume 1070 Folio 925.

The property comprises of a single storey dwelling that was constructed in 1928 and resides on a 1,012m<sup>2</sup> block of land. The land is zoned Residential R25 under the City of Nedlands current Town Planning Scheme No. 2.

The subject house is a timber framed single level asbestos and jarrah weatherboard construction with an iron clad roof on timber and masonry footings with timber and concrete floors. The main residence has an area of 80m<sup>2</sup>. The property contains a medium sized master bedroom and two small bedrooms. The kitchen features "L" shaped cupboards and benching, single bowl stainless steel sink, walk in pantry and a four burner gas stove. The lounge room can be accessed from all of the bedrooms and the kitchen. The bathroom and laundry area is combined and incorporate a toilet, bath, shower and sink. This area is not accessible from within the house and is accessed from a separate external doorway. In addition, there is a 12m<sup>2</sup> front porch and an attached rear timber framed iron clad patio area of 23m<sup>2</sup> with concrete paving and retaining wall.

The property is serviced by all of the main utility providers.

Two garden sheds are located within the premises and the entrance driveway is constructed of bitumen and gravel hardstand which ceases at a detached timber framed iron clad double carport.

The overall general condition of the property is poor with all internal rooms constituting a dated interior construction and fit out.

Picture 1 - Main dwelling: Lot 150, 11 Sayer Street, Swanbourne



**Picture 2 - Entrance /driveway leading to Lot 150, 11 Sayer Street, Swanbourne:**



**Picture 3 - Rear of Lot 150, 11 Sayer Street, Swanbourne:**



## **Locality**

Lot 150, 11 Sayer Street is located within the western coastal suburb of Swanbourne, an established beachside residential suburb approximately 10 kilometres north-west of the Perth Central Business District (CBD). Swanbourne is bounded by the rifle range and Cottesloe Golf Club to the north, Lake Claremont and Stirling Road to the east, the Fremantle railway line and North Street to the south and the Indian Ocean to the west.

Surrounding development predominantly comprises a mixture of late 1970's-1980's single level modest presented brick residencies ranging to present day modern, large two storey executive style residencies that incorporate views of the Perth City skyline and the Indian Ocean.

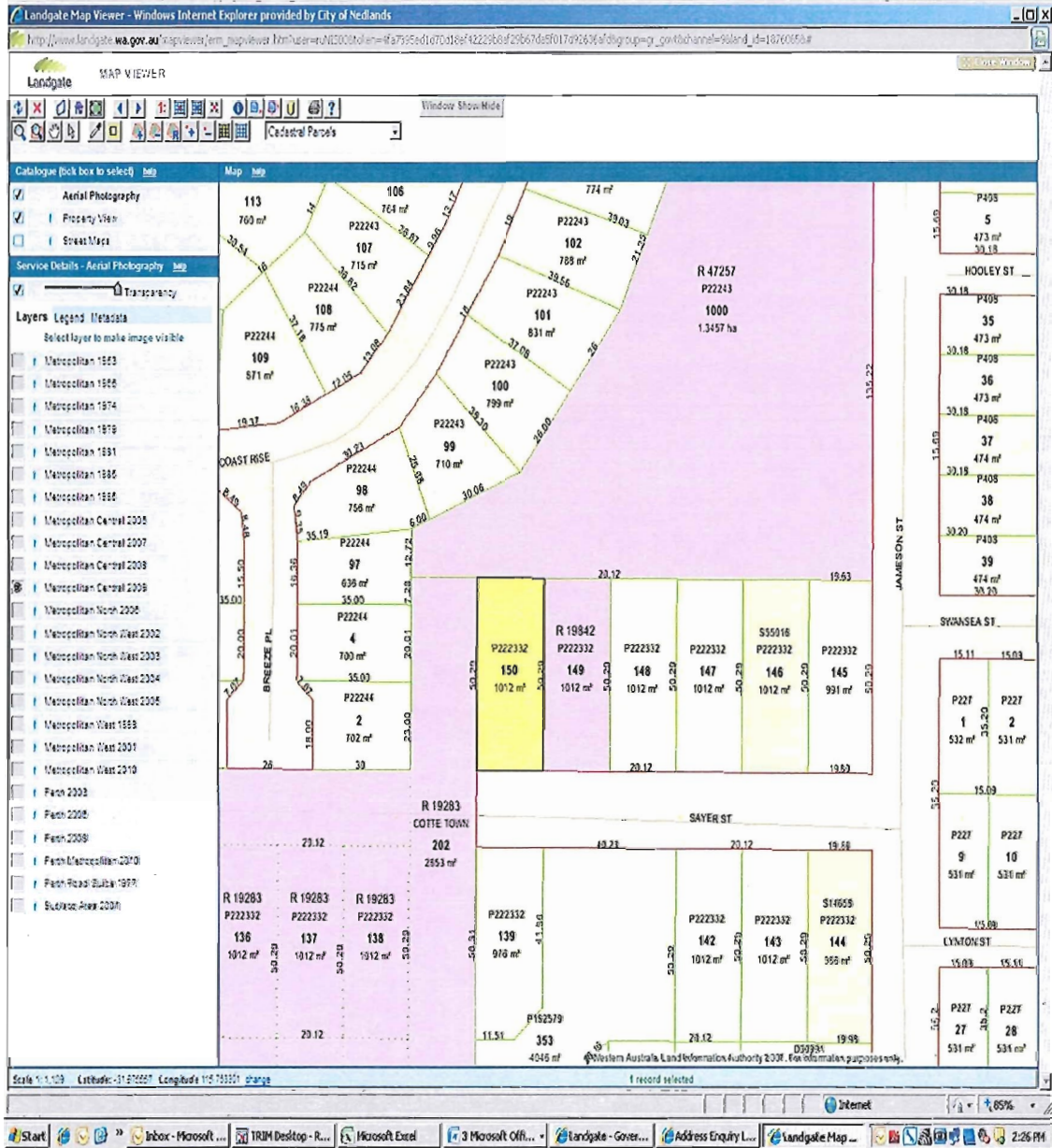
Both primary and secondary schools are provided within the nearby locality which includes Swanbourne Primary School, Swanbourne Senior High School and Scotch College.

There is an abundance of amenities within close proximity to the subject property including shopping precincts, a surf club, and a restaurant/cafe. Swanbourne Crown Reserve 7804 is vested to the City by way of Management Order for the purpose of "Parks & Recreation" and is otherwise known as Allen Park. This "A" class reserve contains a bridge club along with a number of sporting facilities including two pavilions, tennis courts, football pitches, cricket wickets and rugby pitches that are utilised by various sporting entities. The reserve also contains a Heritage precinct which contains buildings of historical and cultural significance. These buildings house literary, art and craft and environmental organisations who operate directly from these facilities in order to preserve the area's history and heritage. Swanbourne is served by Swanbourne train station and numerous bus routes that are operated by the Public Transport Authority.

The Australian Special Air Service Regiment barracks and Campbell Barracks are both located within the suburb which also occupies coastline north of Cottesloe and south of City Beach.

### 1.3 Locality Map: Lot 150, 11 Sayer Street, Swanbourne

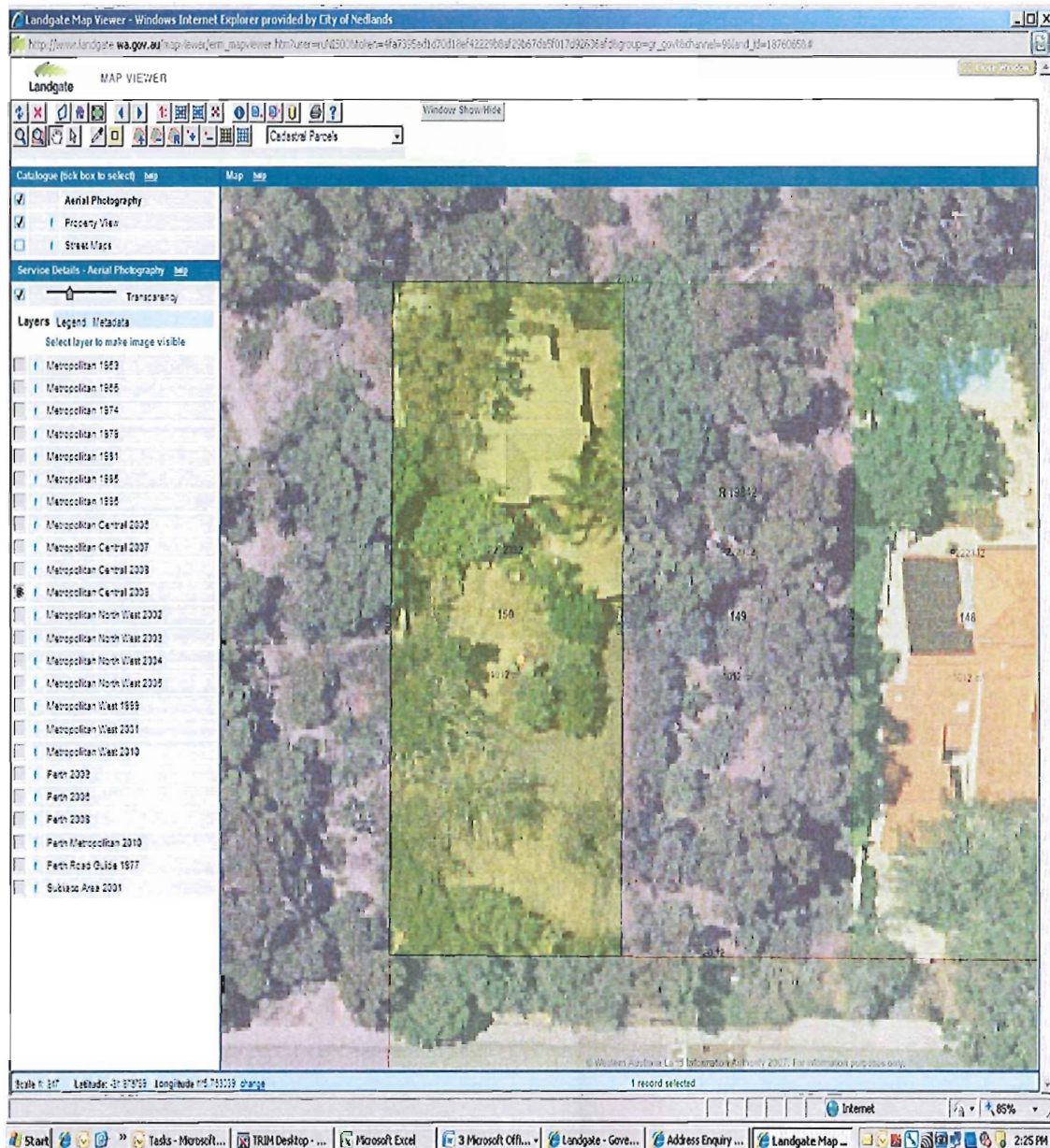
Map 1 - Lot 150 illustrated in bright yellow ink:





## 1.4 Aerial Map : Lot 150, 11 Sayer Street, Swanbourne

Map 2 - Lot 150, illustrated in yellow shaded area:



## **2.0 PURPOSE OF THE BUSINESS CASE**

The residential building and associated structures located on Lot 150, 11 Sayer Street, Swanbourne are vacant and in a state of disrepair. The aim of this document is to investigate and assess the various options in regards to the future of the site in order for a suitable and satisfactory outcome to be planned and put into place that incorporates the best interests of the City and the local community.

The purpose of this business case is to:

- Address the wide range of options that have to be considered to address the future of the subject premises;
- Summarise the strengths and weaknesses or implications of each option;
- Discard all but the most feasible options on the basis of preliminary analysis;
- Report on all significant options considered, and why any were rejected;
- Elaborate on the preferred option;
- Highlight the consequences of not proceeding.

City administration aims to present a comprehensive business case that incorporates an appropriate outcome that assesses all objectives and goals and takes into consideration achievability, necessary actions, goals and objectives, resources and budgetary requirements.

## **3.0 OVERVIEW**

Lot 150, 11 Sayer Street comprises land and a vacant residential dwelling that is owned in fee-simple by the City and free of any encumbrances. The land is a regular shaped sloping lot. The site dimensions incorporate a southern frontage to Sayer Street of 20.13 meters, eastern and western boundaries of 50.29 meters each and a northern boundary of 20.12 meters. The lot contains an established garden and its perimeter boundary is evident with an asbestos fence line.

The subject property has been vacant since the latter half of 2009. No maintenance or upkeep has been undertaken at the property since this time. The buildings on site are considered sub-standard and the toilet and laundry area do not service the main formal living area adequately. The buildings do not meet current Australian building standards. There are no hard wired smoke alarms or residual current devices within the buildings as required under current legislation.

The subject premise is zoned Residential R25 under the City of Nedlands current Town Planning Scheme No.2. The R25 zoning allows for a minimum lot area of 320 m<sup>2</sup> and an average lot area of 350 m<sup>2</sup>.

City administration commissioned AVP Valuers to value the land and buildings on the basis of their *Market Value* and *Market Rental Value*. AVP Valuers prepared a valuation report dated 14 April 2010 for the purpose of determining current Market Sale Values and current/potential future Market Rental Values in relation to assisting the City to determine a suitable future outcome for the subject site.

The AVP Valuers valuation report as of 14 April 2010 concluded the following:

Market Value of the property and land as is:	<b>\$1,920,000</b>
Market Value of the property if current dwelling was demolished:	<b>\$1,900,000</b>
Market Value if dwelling was demolished and the land subdivided:	<b>\$1,950,000</b>
Market Rental Value of the property as is (per week):	<b>\$150 - \$200</b>
Market Rental Value following a major renovation & upgrade:	<b>\$300 - \$400</b>

On 24 August 2010, Item D60.10, Council resolved the following:

- 1) Consider the future of the vacant residential dwelling and land that is held in fee simple by the City at Lot 150 on Deposited Plan 222332, 11 Sayer Street, Swanbourne being the whole of the land contained within Certificate of Title Volume 1070 Folio 925; and**
- 2) Authorise Administration to:**
  - a) prepare a draft subdivision plan in accordance the current zoning of the lot;**
  - b) prepare draft design guidelines for the lot;**
  - c) prepare a draft business plan in accordance with Section 3.59(2) of the Local Government Act 1995; and**
  - d) present a), b) & c) to Council for consideration within the next six (6) months.**

A motion, Regulation 11(da) was put forward that the Committee recommendation be amended to incorporate an additional clause:

***That the Committee Recommendation is adopted, subject to additional clause 2.d) as follows with the original clause d) re-numbered to clause e):***

***2.d) examine the benefits of adding Lot 150 and adjoining lots to the adjacent parkland.***

This motion was lost.

## 4.0 LEGISLATION

### 4.1 Legislation

The *Local Government Act 1995* (The Act), and accompanying legislation places great emphasis upon the accountability of local government.

The Local Government (Functions & General) Regulations 1996 was amended on 27 September 2011 to increase the minimum value defining a major land transaction. The minimum value at which local governments will be required to prepare and advertise a business plan has been increased from \$1 million to \$10 million for metropolitan local governments.

Should the outcome of this report define that the best outcome for the future of Lot 150, 11 Sayer Street, Swanbourne would be to proceed to sale, section 3.59 of the *Local Government Act 1995* would not be required to be addressed.

### 4.2 Requirements of the Local Government Act 1995

The *Local Government (Functions & General) Regulations 1996* prescribes the following in relation to Major land transactions and exempt land transactions:

#### 8A. Major Land transactions and exempt land transactions – section 3.59

- (1) The amount prescribed for the purposes of the definition of *major land transaction* in section 3.59(1) of the Act is –
  - (a) If the land transaction is entered into by a local government the district of which is the metropolitan area or a major regional centre, the amount that is the lesser of –
    - (i) \$10,000,00; or
    - (ii) 10% of the operating expenditure incurred by the local government from its municipal fund in the last completed financial year.
  
- (2) A land transaction is an exempt land transaction for the purposes of section 3.59 of the Act if –
  - (a) The total value of –
    - (i) the consideration under the transaction; and
    - (ii) anything done by the local government for achieving the purpose of the transaction,is more, or is worth more, than the amount prescribed under sub-regulation (1)

The *Local Government Act 1995* (The Act) and Regulations prescribe that in undertaking a disposition of property, the City of Nedlands must comply with the requirements of Section 3.58 of The Act:

### ***Local Government Act 1995 – Section 3.58***

#### ***3.58 Disposing of Property***

(1) In this section –

**dispose** includes to sell, lease, or otherwise dispose of, whether absolutely or not;

**property** includes the whole or any part of the interest of a local government in property, but does not include money.

(2) Except as stated in this section, a local government can only dispose of property to –

(a) the highest bidder at public auction; or

(b) the person who at public tender called by the local government makes what is, in the opinion of the local government, the most acceptable tender, whether or not it is the highest tender.

(3) A local government can dispose of property other than under subsection (2) if, before agreeing to dispose of the property –

(a) It gives local public notice of the proposed disposition –

(i) describing the property concerned; and

(ii) giving details of the proposed disposition; and

(iii) inviting submissions to be made to the local government before a date to be specified in the notice, being a date not less than 2 weeks after the notice is first given;

and

(b) it considers any submissions made to it before the date specified in the notice and, if its decision is made by the council or a committee, the decision and the reasons for it are recorded in the minutes of the meeting at which the decision was made

(4) The details of a proposed disposition that are required by subsection (3)(a)(ii) include –

(a) the names of all other parties concerned; and

(b) the consideration to be received by the local government for the disposition; and

(c) the market value of the disposition –

(i) as ascertained by a valuation carried out not more than 6 months before the proposed disposition; or

- (ii) as declared by a resolution of the local government on the basis of a valuation carried out more than 6 months before the proposed disposition that the local government believes to be a true indication of the value at the time of the proposed disposition.

## **5.0 STRATEGIC PLAN**

### **5.1 2008-2013 Strategic Plan.**

The Strategic Plan is a plan for the future and sets the strategic direction and key focus areas for Council and Elected Members. It is the foundation for how the City develops its annual plans, service schedules and future budgets.

This business case is in accordance with the City of Nedlands Strategic Plan 2008-2013. In particular, the following objectives are addressed:

- KFA 5: Governance
  - 5.1 Manage the City's resources in a sustainable and responsible manner;
  - 5.6 Ensure compliance with statutory requirements and guidelines; and
  - 5.9 Identify, manage and seek to minimise risk.

## **6.0 CITY POLICIES, STRATEGIES AND PLANS**

The following City Policies have been taken into consideration in the preparation of this business case:

### **Swanbourne Precinct Master Plan (Draft)**

The purpose of this plan is to guide the City's future development, recreation allocation and conservation activities within the precinct. The Master plan encompasses the current opportunities and constraints which the existing uses pose along with identifying a list of feasible options for any city freehold land within the study area.

### **Built Facility Asset Management Strategy**

This policy provides a strategic asset management framework which guides the planning, construction, maintenance and operation of building infrastructure essential to deliver the vision of Council and the community. This promotes the facilitation of a consistent, efficient and effective framework for responsible service delivery by Council.

### **Disposal & Acquisition of Land Policy**

This policy outlines Council's policy on the disposal and acquisition of freehold land. It sets the parameters and criteria for the City in considering the disposal and acquisition of freehold land.

## **7.0 OPTIONS FOR SITE**

This section of the business case puts forward, analyses and assesses various options and scenarios in order to determine the most appropriate future direction for the City to pursue in relation to Lot 150, 11 Sayer Street, Swanbourne.

### **7.1 *Leave Site as it is:***

#### **OVERVIEW**

This option reviews the scenario of leaving fee-simple Lot 150, 11 Sayer Street as it is. By not considering the future of the vacant residential dwelling and land, the City would be required to identify, evaluate and measure the risks of not taking proactive action in the immediate future.

The management of risk is an integral part of good management practice and fundamental to the progress of improved corporate performance and good corporate governance.

The current building is in a dilapidated condition and has been vacant since 2009. No maintenance has been undertaken since that time. The property is not alarmed and has minimal security features.

City Rangers conduct occasional drive by security checks which are infrequent. The property is not currently part of the City's external security patrol check conducted by contractors.

#### **PURPOSE**

If the site is to be left as it is then the City needs to develop an understanding of how to identify risk and what actions should be taken to manage it.

#### **ACTION**

The City commissioned AVP Valuers to value the land and buildings on the basis of their Market Value and Market Rental Value. As of 14 April 2010, AVP Valuers provided a report to City Administration that determined that the valuation of the premises as is was \$1,920,000.

#### **ENVIRONMENTAL IMPLICATIONS**

Lot 150, 11 Sayer Street has little, if any remnant bushland vegetation. The grounds to the building are overgrown, un-kept and fairly heavily planted with Peppermint trees, Brazilian Pepper trees and Victorian Tea tree. The lot is fenced, aside from the southern street road frontage and therefore is not part of any bushland trails that are incorporated in adjoining Lot 149 (Crown Reserve 19842) and Lot 202 (Crown Reserve 19283), both of which are vested to the City by way of Management Order for Parklands and Recreation.

Part of the buildings composition is asbestos. The perimeter fence also contains asbestos but appears to be in a reasonable condition at present. Left undisturbed, asbestos cement products do not pose any significant health risk. If the building or fence was damaged through vandalism then the premise could potentially become an environmental hazard.

The building is still connected to all of the main utility supplies. The gas and electricity are switched off at the meter. The water is still running and therefore there could be future flooding implications as the supply has not been cut off and the system drained. The property has been cleared internally apart from some sofas and a wardrobe. Both of these items are constructed of combustible material and could potentially be a fire risk. These items should be removed from the building and disposed of. If the building caught alight, this could potentially start a bushfire on the adjoining bushland reserves.

## **SOCIAL IMPLICATIONS**

In order to comply with health and safety, duty of care and building insurance requirements, it is imperative that the City carefully manage buildings and legal issues that surface when its buildings become vacant. It could be worth commissioning City administration or a specialist firm to undertake a comprehensive risk assessment of the premises in order to identify and assess the potential risks on-site so that adequate measures can be implemented to address and manage identifiable issues to mitigate risk.

There is currently an infrequent City Ranger drive-by patrol past the property. The City should instigate a minimum monthly inspection of the property both internally and externally.

In this particular case, vandalism and the risk of squatting is a bigger risk than asset depreciation. Vacant or temporarily unoccupied buildings are potential targets for vandals, trespassers or squatters, which not only cause concern and increased costs, but can become a real issue for local communities/surrounding residents.

The southern road facing perimeter of the property is not secure which could attract undesirables especially in this residential/bushland area. Installation of an alarm would not only act as a deterrent but if the property was accessed by vandals or squatters then an alarm would register any break in. This could act as evidence if applying for an eviction order. Installation of an alarm could deter potential break-ins, discourage squatters and minimise the potential negative impact of these factors on local residents.

The post box servicing the property is located at the entrance driveway to the premises. A build up of mail and local newspapers is a vital clue that the property is empty. The post box should be considered to be temporarily removed and the utility agencies advised that all future mail is to be re-directed to the City's administration building whilst the site's future is determined.

Graffiti could also become an issue on site although presently there is no evidence of any such vandalism.

The windows and doors to the property are not adequate and some additional safety/lock devices need to be applied to secure the building to a greater degree.

There is no external security light on the facility and no internal light activated by timer during the hours of darkness to give the impression that the property is occupied.



## **POLITICAL IMPLICATIONS**

The building on site is sub-standard and does not meet current Australian building standards.

If the premise is left as is, an incident will occur at some stage that will require due City attention and action.

The City is required to comply with health and safety and be aware of its duty of care. There is asbestos located within the composition of the building and the perimeter fence.

Any possible future incident could result in reputational risks to the City. Potential public injury, local resident complaints and petitions in relation to anti social behaviour, vandalism and/or squatters could result in negative media coverage to the detriment of the City along with any associated public liability.

If the site is to remain as is then the City would need to consider implementing some form of audit/risk management process such as:

- Risk descriptions along with causes and effects;
- Existing controls, control rating and level of risk rating;
- Consequence, likelihood and level of risk rating;
- Recommended and approved treatment actions plans;
- Risk acceptance decisions.

Failure to implement such analysis could result in leaving the City open to future liability incidents.

## **FINANCIAL IMPLICATIONS**

The City is currently paying insurance premiums on a vacant building that is valued for insurance purposes at \$220,000. There is no rental return on a freehold premise that is located within a salubrious area. The City is therefore losing an income either through rent or via a real estate market disposition.

The City has paid \$762.35 for the financial year 2011/2012 for water and sewerage rates on a property that provides no financial return.

The property cannot be re-let in its current state as it does not comply with current building legislation and would require significant renovation to re-market.

It could be worthwhile to finance a comprehensive risk assessment using a specialist company to assess potential risks such as fire hazards and public liability exposure as well as the potential exposure to damage from squatters and vandals if the premise is to be left in its current state.

If squatters did occupy the site, the City would incur legal costs in an attempt to remove them and potentially face a significant bill to undertake any necessary repairs and re-secure the property to prevent any such future incidences reoccurring.

The property requires more extensive security surveillance and the possible installation of an alarm which could include infrared smoke detectors and water detectors in order to deter any would be intruders.

City's Park Services division has been advised to cut and maintain the grounds of the property as its current unsightly appearance of the garden in the winter months aids the impression that the property is vacant. This is an additional cost to the City.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Likely	Medium	12	HIGH
Loss of City reputation	Likely	Major	16	EXTREME
Loss of revenue	Almost certain	Major	20	EXTREME
Not complying with Strategic Plan	Likely	Severe	20	EXTREME
Potential for Security/vandalism/squatter incidents on site	Possible	Medium	9	MODERATE
Public & Site Safety - potential City expose to public liability claim	Possible	Severe	15	HIGH
Complaints at condition of building increase	Likely	Medium	12	HIGH
Impact on surrounding Remnant Bushland	Unlikely	Major	8	MODERATE

## CONCLUSION

It is not viable to leave a freehold City asset that is valued at \$1,920,000 as is. Immediate measures are recommended to be implemented as the building is not secure at present and poses considerable public liability and risk to the City.

In summary, the most effective way to protect a vacant property and mitigate risks is to take immediate action when a building becomes vacant. If the City continues to not forward plan for this particular building then it will continue to deteriorate and incidents such as squatting, vandalism and risk of fire could increase.

## **7.2 Land Swap:**

### **OVERVIEW**

Following Council resolution D60.10 of 24 August 2010, City administration was made aware through a best amendment that the concept investigate the possibility of a land exchange between Lot 150, 11 Sayer Street and adjoining Lot 149, 9 Sayer Street Swanbourne.

9 Sayer Street (Lot 149 on Deposited Plan 222332), Swanbourne is a Category "C" Crown Reserve (Reserve 19842) and has been vested to the City since 15 December 1933 for the purpose of "Parklands and Recreation" by way of Management Order. Lot 149 is located to the east of freehold Lot 150. It is primarily bush land and is legally described as the whole of the land contained within Certificate of Title Volume LR3000 Folio 429.

Lot 149 comprises of a total area of 1,012m<sup>2</sup> as does Lot 150.

### **PURPOSE**

The land swap proposition would be for fee simple Lot 150 on Deposited Plan 222332 to be reclassified as Crown Reserve 19842, vested to the City for the purpose of "Parklands and Recreation". Lot 149 on Deposited Plan 222332 would in turn become fee simple land in the name of the City should a land swap proceed.

The proposed land swap would amalgamate all of the Crown Reserves vested to the City by way of Management Order into one symmetrical area, leaving Lot 149 as City freehold land in situ and aligned with the other residential properties contained with Sayer Street, (Lot 145 to Lot 148). This would enable the City to investigate the possibility of developing, selling or sub-dividing Lot 149 at a later date.

Both Lot 150 and Lot 149, Sayer Street are 1,012m<sup>2</sup> blocks. The only variation is that Lot 150 contains a vacant residential building and associated structures that are in a dilapidated condition and would require demolition and lot 149 contains significant bushland.

### **ACTION**

On 8 September 2010, the City wrote to State Land Services at the Department of Regional Development and Lands regarding the possibility of a land swap between the two said lots. State Land Services confirmed on 22 November 2010 that it had no objection to the proposal and State Lands Services notified the City on 30 November 2010 that VGO had provided a valuation of \$1,700,000 inclusive of GST for both Lot 150 and Lot 149 and confirmed that the proposed land exchange is of equal value.

The land swap valuation was valid until 29 November 2011.

### **ENVIRONMENTAL IMPLICATIONS**

Lot 149, 9 Sayer Street has some areas of relatively good condition bushland and twelve significant Tuart trees which have been declining over the Swan coastal plain in recent

years. There are also numerous Quandong trees present which are found nowhere else within Sayer Street and the Allen Park Heritage Precinct along with an old dead tree that has many nest hollows for local wildlife. In abundance are local native ground covers and shrubs.

Lot 150, 11 Sayer Street has little (if any) remnant bushland vegetation. There are a few Peppermint trees that appear to have been planted along with many weed trees including Brazilian Pepper and Victorian Tea Tree. The grounds are considerably overgrown with weeds at present due to winter rainfall and lack of maintenance to the garden.

To surmise, Lot 149 has some relatively good remnant bushland whilst Lot 150 has insignificant remnant bushland in small quantity.

### **SOCIAL IMPLICATIONS**

Returning Lot 150, 11 Sayer Street to bushland would result in the surrounding bushland reserves being less fragmented and more possibility to improve the remnant condition of this particular lot. It would result in the general public still having the ability to access a bushland lot if a land swap was affected and Lot 149 deemed to be of a dispositional status. A land swap would amalgamate all of the Crown Reserves vested to the City by way of Management Order into one symmetrical area, leaving Lot 149 as City freehold land in situ and aligned with the other residential properties contained with Sayer Street, (Lot 145 to Lot 148). This would enable the City to investigate the possibility of developing, selling or sub-dividing Lot 149 at a later date.

Community opposition would likely be high. Significant opposition to any removal of the mature tuart and Quandong trees from Lot 149 would be expected even if these were proposed to be re-established on Lot 150 – there is no guarantee that the trees would re-take. In addition, The Friends of Allen Park, a bushland group that carries out extensive bushland work within the Allen Park Heritage Precinct and in particular on Lot 149 would more than likely oppose such a move. Other community groups such as, The Swanbourne Coastal Alliance, who have previously been involved in championing conservation attitudes amongst the community and securing funding for local initiatives, may also become involved as an opponent to change.

The existing residential properties (Lot 145-148) located within Sayer Street could potentially object to any land swap especially Lot 148 that abuts Lot 149. Lot 148 abuts Lot 149 to the west and has the benefit of adjoining a Crown Reserve. A land swap that resulted in Lot 149 become City freehold land would result in Lot 148 losing its bush ambiance, a point of contention that the owner may wish to resist if the serenity and tranquillity of the reserve was to become a potential future residential development.

### **POLITICAL IMPLICATIONS**

Any future land swap would more than likely result in community objection especially from residents in Sayer Street and local community groups such as The Friends of Allen Park and the Swanbourne Coastal Alliance. Preservation of the remnant bushland, Tuart and Quandong trees and wildlife on Lot 149 could potentially become a political issue especially if a residential development was proposed. There would more than likely be widespread reporting of any proposed land swap in local newspapers and the potential for the formation of action groups and subsequent petitions being forthcoming.

## FINANCIAL IMPLICATIONS

If a land swap took place, State Land Services has notified the City that a Landgate registration fee of \$135 would be applicable along with any further costs in preparing a transfer of land document.

There is no Office of State Revenue Duty on Land Exchanges subject to Section 11 of the *Land Administration Act 1997*.

The building located on Lot 150 would require demolishing. Demolition fees of up to \$25,000 would need to be budgeted for.

Sustainable Nedlands has also estimated that if a land swap were to proceed, it would cost in the region of \$100,000 to turn Lot 150, 11 Sayer Street into “valuable” bushland.

In summary, it would cost the City in the region of \$125,000 plus to undertake a land swap prior to considering selling, building on or subdividing the resultant land.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Rare	Minor	2	LOW
Loss of City reputation	Likely	Major	16	<b>EXTREME</b>
Loss of revenue	Unlikely	Major	8	<b>MODERATE</b>
Not complying with Strategic Plan	Likely	Medium	12	<b>HIGH</b>
Potential for Security/vandalism/squatter incidents on site	Unlikely	Medium	6	<b>MODERATE</b>
Public & Site Safety - potential City expose to public liability claim	Possible	Severe	15	<b>HIGH</b>
Complaints at condition of building increase	Rare	Medium	3	LOW
Impact on surrounding Remnant Bushland	Almost certain	Major	20	<b>EXTREME</b>

## CONCLUSION

A land swap has the potential to become a contentious, time consuming and political issue for the City. Strong objection from environmental groups such as The Friends of Allen Park and The Swanbourne Coastal Alliance would be assumed to be expected. Local residents could also voice their displeasure, especially the owners of Lot 148, Sayer Street. Lot 148 would lose its proximity to the adjoining Crown Reserve if the land swap took place. This would result in Lot 148 losing the benefit of the adjoining bush ambiance, a point of contention that the owner may wish to resist if the serenity and tranquillity of the neighbouring reserve were to become a potential future residential development and subsequently negate the value of Lot 148 in any future residential sale.

If the land swap did take place then it would further delay decision by the City on the future of whichever lot was held in fee-simple by the City. A decision would still need to be made as to whether the City disposed of the land as is, subdivided with the intention of future sale, built a residential building for lease/sale or left the land residence as is.

### **7.3 Re-Let Property as is:**

#### **OVERVIEW**

This option reviews whether Lot 150, 11 Sayer Street could be re-let in its current state with no improvements undertaken apart from those required by legislation.

#### **PURPOSE**

To determine whether it is feasible, practical and ethical to re-let Lot 150, 11 Sayer Street as is for residential lease.

#### **ACTION**

The City commissioned AVP Valuers to value the land and buildings on the basis of their Market Value and Market Rental Value. As of 14 April 2010, AVP Valuers provided a report to City Administration that determined that the rental valuation of the property as is was in the region of \$150-\$250 per week.

#### **ENVIRONMENTAL IMPLICATIONS**

The premise is surrounded by tree lined reserves in a secluded bushland/residential area of Swanbourne.

The grounds of the property are significantly overgrown and un-kept which could present a fire risk in the summer months as well as harbouring vermin.

The building is past its serviceable life cycle. The quality of the materials used to construct the building are not fully known and therefore these could pose a health risk unless some form of inventory/report is commissioned to be undertaken in order to determine the composition of the building. It is acknowledged that asbestos forms part of the buildings composition along with the perimeter fence which could present a health and environmental risk.

The building is not an environmentally sustainable house. The continued degradation of this building and associated structures will have a negative impacts on local environmental quality and thus the quality of the relatively small neighbourhood in Sayer Street, Swanbourne unless the City budgets significant funds to renovate and upgrade the building.

## **SOCIAL IMPLICATIONS**

The City has previously leased the property on a periodic tenancy to a former member of staff as part of the employee's salary package for the period 1993 to 2009. The weekly rental was set at a nominal rental fee of \$140 due to the poor and dated condition and appearance of the building and the fact that the toilet and laundry area is not accessible from within the house – access is provided from a separate external doorway. The occupant also provided an afterhours City presence in the immediate area hence a lower set rental fee than market valuation at that time. The property has been vacant since the latter half of 2009.

It is not practical to tenant the current property as is. The building is sub-standard and does not comply with current Australian building standards. If the premise was re-let then the City, in accordance with the Local Government (Miscellaneous Provisions) Act 1960 (Section 248), the *Local Government Act 1995* (Section 9.60) and the Building Amendments Regulations 2009, would be required to carry out the rewiring of the electrical systems within the building to permit the installation of hard wired smoke alarms and residual current devices. This legislation came into force in October 2009.

If the said electrical works were undertaken and the property were to be re-let as is, it would provide the City with the knowledge that a tenanted property is more likely to reduce any potential threat of vandalism and anti-social behaviour on-site and eradicate the risk of squatting. However, such a benefit has to be compared to the low quality of life and facilities that any tenant would have to experience and endure unless further significant improvements were made to the property by the City.

## **POLITICAL IMPLICATIONS**

The building and associated structures on site are sub-standard to be rented out as is. The City is aware of its duty of care and the potential problematic health and safety issues associated with the property in its current state. The building and perimeter fence are known to contain asbestos.

In general, leasing a residential property is flexible and fairly uncomplicated. However, in respect of the subject property, any possible future incident could result in reputational risks to the City if no additional remedial work was carried out on site to improve the property apart from the standard re-wiring, installation of smoke detectors and residual current devices as required by legislation.

Any possible future incident on-site as a result of the sub-standard premise could result in tenant injury and associated public liability claims. This could result in negative media coverage to the detriment of the City and financial loss.

## **FINANCIAL IMPLICATIONS**

The City would have to weigh up the cost of conducting up to \$30,000 of electrical works as required by current legislation against a potential rental return of \$150-\$250 per week as estimated in the AVP Valuers Market Rental Valuation. This is on the assumption that a tenant could be found to lease the said property.

Additional fees for a rental agent inclusive of tenant reference checks, inventories, advertising/marketing costs and management fees etcetera would also be incurred.

The City would also have to determine whether the property would be rented as furnished or unfurnished and therefore additional costs could be applicable in order to fit the property out with furniture. At the bare minimum, due care and consideration would have to be applied to replacing the current stove, carpets and door locks along with providing a new oven and adequate hot water system at the City's cost.

There is also no guarantee on a tenant paying rent despite the accumulation of suitable reference and job checks. Additional costs could possibly be incurred in legal fees to remove a non paying tenant. Evictions can become drawn out and result in lengthy legal proceedings and financial burden.

The City would be responsible for all of the underlying problems with the property and associated maintenance, not any future tenants.

The benefits of renting the property out as is would be that net rental income could be re-directed back into a fund in order to further improve the facility over the long term. Over time, rents tend to rise but the City would have to look at a long term tenure arrangement in order to get back the initial electrical legislative outlay. In addition, the City would be able to pass on utility provider fees to the tenant.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Almost certain	Major	20	<b>EXTREME</b>
Loss of City reputation	Possible	Major	12	<b>HIGH</b>
Loss of revenue	Likely	Medium	12	<b>HIGH</b>
Not complying with Strategic Plan	Likely	Medium	12	<b>HIGH</b>
Potential for Security/vandalism/squatter incidents on site	Unlikely	Medium	6	<b>MODERATE</b>
Public & Site Safety - potential City expose to public liability claim	Possible	Severe	15	<b>HIGH</b>
Complaints at condition of building increase	Rare	Medium	3	<b>LOW</b>
Impact on surrounding Remnant Bushland	Unlikely	Medium	6	<b>MODERATE</b>



## **CONCLUSION**

If the property was re-let as is, the City would incur cost implications in the region of up to \$30,000 in order to carry out the re-wiring of the building to permit the installation of hard wired smoke alarms and residual current devices as required under current legislation. Such expenditure would not be prudent considering that the AVP Valuers Market Rental Valuation has indicated that the property in its current state would only command a potential rental return of \$150-\$250 per week.

Any possible future incident on-site as a result of the sub-standard premise could result in tenant injury, associated public liability claims and financial loss to the City. This could result in negative media coverage to the detriment of the City.

In summary, if the property was tenanted as is then the City would have the benefit of having the site contained somewhat but would also have the threat of a tenant exposing the state of the premise for safety issues.

## **7.4 Re-Let Property With Significant Renovations:**

### **OVERVIEW**

This option reviews whether Lot 150, 11 Sayer Street could be re-let with significant renovations undertaken by contractors and funded by the City.

### **PURPOSE**

To determine whether it is feasible and practical to undertake significant renovations on the property in order to re-let Lot 150, 11 Sayer Street for residential lease

### **ACTION**

The City commissioned AVP Valuers to value the land and buildings on the basis of their Market Value and Market Rental Value. As of 14 April 2010, AVP Valuers provided a report to City Administration that determined that the rental valuation of the property if it were significantly renovated and re-let would be in the region of \$300-\$400 per week.

### **ENVIRONMENTAL IMPLICATIONS**

In order to reduce the environmental impact and energy use of any future renovation, the City could consider passive design, water use and re-use, energy efficiency capture and use, materials selection and minimise construction waste. Such considerations are an opportunity to make structural improvements to the efficiency of a building and reduce its ongoing drain on the environment. This can result in environmental and financial rewards.

The grounds of the property are currently overgrown, un-kept and fairly heavily planted. The garden on site would require significant cutting, pruning and replanting to ensure that the property would appeal to a tenant. No significant landscaping would be required.

### **SOCIAL IMPLICATIONS**

The premise is in a poor and dated condition throughout, internally and externally. The current building and associated structures require a major renovation in order for the City to consider leasing the premises for residential use. Not only would the current toilet and laundry area have to be incorporated into the main building but due care and consideration would also have to be applied to replacing items such as the stove, doors, locks, window frames, carpets etcetera at a bare minimum. These works are necessary to bring the dwelling up to today's habitable and compliant standards

If the property was re-let with significant renovations then the presence of a tenant would reduce the threat of vandalism and anti-social behaviour on or around the site, eradicate the current risk of squatting and reduce fire related risk.

A fully renovated property in Sayer Street would provide the City with a rentable asset that would be a more practical and visually appealing option than the vacant sub-

standard building currently on site. Renovation of the property from its current state would also more than likely be welcomed by the current residents within the street.

### **POLITICAL IMPLICATIONS**

Expending sizeable funds to renovate a dilapidated 1928 dwelling that contains asbestos is not politically viable. It would not be a worthwhile exercise to fund such a project that would provide a limited financial rental return in the short to medium term.

There is sizeable risk in choice of tenant despite reference and employment screening. Predominantly the major risk to renting out a renovated property on this site would be obtaining a relevant rent to counteract the outlay cost of the initial development along with legal costs should there be any problem with a future tenant.

The current building does not comply with current Australian building standards. If the premise was re-let then the City, in accordance with the *Local Government (Miscellaneous Provisions) Act 1960* (Section 248), the *Local Government Act 1995* (Section 9.60) and the *Building Amendments Regulations 2009*, would be required to carry out the rewiring of the electrical systems within the building to permit the installation of hard wired smoke alarms and residual current devices.

### **FINANCIAL IMPLICATIONS**

The City would have to weigh up the cost of conducting up to \$30,000 of electrical works as required by current legislation and an additional \$50,000 to incorporate the current toilet and laundry area into the main dwelling and other maintenance works against a potential rental return of \$300-\$400 per week as estimated in the AVP Valuers Market Rental Valuation.

Additional fees for a rental agent inclusive of tenant reference checks, inventories, advertising/marketing costs and management fees et cetera would also be incurred.

Further financial consideration would have to be given to re-laying the current driveway servicing the property due to its current dilapidated condition. In addition, the gardens to the dwelling are unkempt and overgrown and would require moderate landscaping.

The City would also have to determine whether the property would be rented as furnished or unfurnished and therefore additional costs could be applicable in order to fit the property out with furniture. Due care and consideration would also have to be applied to replacing existing items such as the stove, doors, locks, window frames, carpets et cetera.

There is also no guarantee of a tenant paying rent despite the accumulation of suitable reference and employment checks. Additional costs could possibly be incurred in legal fees to remove a non paying tenant. Evictions can become drawn out and result in lengthy legal proceedings and financial burden

The City would be responsible for all of the underlying problems and maintenance responsibilities for the property, not any future tenants.

The benefits of renting the property out as is would be that net rental income could be re-directed back into a fund in order to further improve the facility. Over time, rents tend to rise but the City would have to look at a long term tenure arrangement in order to get back the initial electrical legislative outlay and proposed building re-configuration, which

is estimated to total in the region of \$80,000. In addition, the City would be able to pass on the financial costs of the utility providers to any future tenant.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Unlikely	Medium	6	MODERATE
Loss of City reputation	Possible	Medium	9	MODERATE
Loss of revenue	Almost certain	Medium	15	HIGH
Not complying with Strategic Plan	Unlikely	Minor	4	LOW
Potential for Security/vandalism/squatter incidents on site	Unlikely	Medium	6	MODERATE
Public & Site Safety - potential City expose to public liability claim	Unlikely	Major	8	MODERATE
Complaints at condition of building increase	Unlikely	Minor	4	LOW
Impact on surrounding Remnant Bushland	Unlikely	Major	8	MODERATE

## CONCLUSION

Estimated expenditure of up to \$80,000 is required to make the current residence habitable. This is not financially prudent considering that the AVP Valuers Market Rental Valuation has indicated that the property, if renovated would only command a potential rental return of \$300-\$400 per week.

The property is extremely small compared to other residencies in Sayer Street and the wider Swanbourne area in general and therefore the City could potentially restrict the future re-sale value of the premises and future market clientele by re-configuring a very small residence on a 1012m<sup>2</sup> lot.

Such a renovation would require significant planning and logistics, consultation and City resources in order to undertake a medium to large scale renovation on a dilapidated 1928 house that is to all intent and purposes currently worthless.

## **7.5 Demolish House and turn land into bushland:**

### **OVERVIEW**

This option reviews the implications if Lot 150, 11 Sayer Street was demolished and the resultant vacant land turned into remnant bushland.

### **PURPOSE**

To review and determine the practicalities of demolishing the dwellings on Lot 150, 11 Sayer Street and turning the resultant freehold vacant land into bushland for community purposes.

### **ACTION**

The City commissioned AVP Valuers to value the land and buildings on the basis of their Market Value and Market Rental Value. As of 14 April 2010, AVP Valuers provided a report to City Administration that determined that the value of the land if the current dwelling was demolished was \$1,900,000. Should the current building and associated structures be demolished and the resultant land turned into bushland then the City would effectively write off \$1,900,000 and incur expenses to return the land to remnant bushland.

### **ENVIRONMENTAL IMPLICATIONS**

The building is past its serviceable life cycle. The quality of the materials used to construct the building is not catalogued. However, it is acknowledged that asbestos is present. Asbestos forms part of the buildings composition along with the perimeter fence. This presents an immediate health and environmental risk. The continued degradation of this building has a negative impact on local environmental quality.

Providing that demolition of the buildings on-site is undertaken in a controlled environment and as per legislation, there should be no environmental implications in relation to the removal of the house and associated structures.

The grounds of the property are significantly overgrown and un-kept which pose a fire risk in the summer months as well as the ability to harbour vermin. The lot has little if any remnant bushland vegetation. There are a few Peppermint trees that appear to have been planted along with many weed trees including Brazilian Pepper and Victorian Tea Tree. Significant work would be required to improve the condition of the lot and turn the land into sustainable remnant bushland.

The City would be required to regenerate the degraded lot in order to develop lot into coastal bushland and improve habitat for native fauna, flora and fungi. The end result would be the creation of a new area of bushland that would amalgamate the current

fragmented bushland layout of the adjacent Crown Reserves and improve the ambiance and tranquility of the area.

### **SOCIAL IMPLICATIONS**

Demolition is a high-risk activity and therefore must be planned and controlled according to regulatory requirements.

Prior to any demolition, certain steps are required to be undertaken including asbestos abatement, the removal of hazardous or regulated materials, disconnecting utilities, rodent baiting and the development of site-specific safety and work plans. These are all likely to cause some disturbance/impact on neighbouring properties in the vicinity of Sayer Street through noise and additional vehicle movement.

Once demolition took place and the lot rejuvenated with remnant bushland, local residents would benefit from a new area of dedicated bushland, set aside for conservation and bushwalking.

The demolition of the building would remove a sub-standard dwelling that does not comply with current Australian building standards off of the City's property register and create a new area of bushland that would amalgamate the current fragmented bushland of the adjacent Crown Reserves and improve the ambiance and tranquility of the area.

### **POLITICAL IMPLICATIONS**

The building on site is sub-standard and does not meet current Australian building standards. The premise, left in its current condition, poses significant risk management issues. Any future incident on site could result in reputational risks to the City and increase the chance of a public liability claim. Demolition would eradicate these current risks once completed successfully.

Demolition of the building and associated structures for the purpose of converting the land into remnant bushland would probably be supported by the immediate local community. It can be assumed that organisations such as The Friends of Allen Park, who currently undertake bushland work within the Allen Park Heritage Precinct, would actively contribute manpower and advice to undertaking such a project.

The City would not be capitalising on the fee-simple financial value of the lot if this option was the preferred option.

### **FINANCIAL IMPLICATIONS**

Council would need to consider allocating funds of up to \$125,000 to undertake this option as per the following:

- Demolition fees of up to \$25,000; and
- Sustainable Nedlands has estimated that in order to rejuvenate and turn Lot 150, 11 Sayer Street into valuable remnant bushland, it would cost in the region of \$100,000.
- No financial return on asset valued at \$1.9 million.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Unlikely	Minor	4	LOW
Loss of City reputation	Possible	Minor	6	MODERATE
Loss of revenue	Almost certain	Severe	25	EXTREME
Not complying with Strategic Plan	Possible	Medium	9	MODERATE
Potential for Security/vandalism/squatter incidents on site	Unlikely	Medium	6	MODERATE
Public & Site Safety - potential City expose to public liability claim	Unlikely	Major	8	MODERATE
Complaints at condition of building increase	Unlikely	Insignificant	2	LOW
Impact on surrounding Remnant Bushland	Rare	Major	4	LOW

## CONCLUSION

It is not feasible or financially prudent to return a freehold portion of land valued at \$1,920,000 (if the current dwelling was demolished) into remnant bushland at an expenditure of up to \$50,000. There is adequate bushland in the surrounding area already and Lot 150 contains no valuable bushland of any significance.

## **7.6 Demolish House and sell resultant land as one lot:**

### **OVERVIEW**

This option reviews the implications if Lot 150, 11 Sayer Street was demolished and the resultant freehold land sold as one residential lot.

### **PURPOSE**

To review and determine the practicality and feasibility of demolishing the dwellings on Lot 150, 11 Sayer Street and selling the resultant vacant freehold land as one residential lot.

### **ACTION**

The City commissioned AVP Valuers to value the land and buildings on the basis of their Market Value and Market Rental Value. As of 14 April 2010, AVP Valuers provided a report to City Administration that determined that the value of the land if the current dwelling was demolished was \$1,900,000.

### **ENVIRONMENTAL IMPLICATIONS**

The building is past its serviceable life cycle. The quality of the materials used to construct the building is not catalogued. However, it is acknowledged that asbestos is present. Asbestos forms part of the buildings composition along with the perimeter fence. This presents an immediate health and environmental risk. The continued degradation of this building has a negative impact on local environmental quality.

Providing that demolition of the buildings on-site is undertaken in a controlled environment and as per legislation, there should be no environmental implications in relation to the removal of the house and associated structures.

The lot has little if any remnant bushland vegetation. There are a few Peppermint trees that appear to have been planted along with many weed trees including Brazilian Pepper and Victorian Tea Tree. The site does not contain any current habitat for sensitive plant species. It is not thought that the property contains any habitat for threatened or endangered wildlife.

If the building was demolished and the vacant lot sold for residential use development, then the current planting and habitat would change from the current overgrown lawn, Peppermint trees and weed trees to perhaps manicured lawn grasses with shrubs and trees. Given the condition of the current habitat, however, and the other residential lawn and garden conditions already prevalent in the residential lots contained in Sayer Street, any changes in species numbers or composition would likely be small. The vacant lot is in the immediate vicinity of undeveloped bushland as well as developed residential lots so the overall change in types of habitat available in the surrounding area would also be small and likely not noticeable. In summary, any changes to the plant and animal communities as a result of any future development on the subject lot would be minor and not noticeable given the urban/bush setting of the immediate area.



No or minimal excavation will be required for utilities as all of the providers are currently located on site.

Proposed future development of the vacant lot for residential use would increase the amount of hardened, impervious surfaces (driveways, sidewalks, roof) on site. It is possible that a large quantity of the area developed would become impervious surface and potentially increase site run-off during rain/storm events. While the potential for water run-off from the vacant lot site would increase as a result of development, City codes and regulations governing a development would mitigate or eliminate any adverse effects that might be caused by increased run-off.

Any future site development would result in temporary soil disturbance during construction activities. No impacts to soils or water quality are expected as a result of future development on the vacant lot.

The subject lot is not classified as being contaminated or requiring remedial work according to the Department of Environment.

### **SOCIAL IMPLICATIONS**

Demolition is a high-risk activity and therefore must be planned and controlled according to regulatory requirements.

Prior to any demolition, certain steps are required to be undertaken including asbestos abatement, the removal of hazardous or regulated materials, disconnecting utilities, rodent baiting and the development of site-specific safety and work plans. These are all likely to cause some disturbance/impact on neighbouring properties in the vicinity of Sayer Street through noise and additional vehicle movement.

Demolition would eradicate the current immediate risk of squatters, vandals or trespassers on-site along with the possibility of public liability claims.

It is not possible to predict what type of residential development may occur on-site or the timing of any future development should the City demolish the current residence and sell the subject lot. Based on the City of Nedlands development codes, a maximum of two residential lots could be located on this lot. It is assumed that any future development would be consistent with existing local zoning, development and building codes and regulations and would require the necessary City Planning and Building approval in order to proceed.

It is assumed that it is possible that the City could expect to receive some opposition from local residents about any future development of the lot.

### **POLITICAL IMPLICATIONS**

The current buildings on site are sub-standard and do not meet current Australian building standards. The premise, left in its current condition, poses significant risk management issues. Any future incident on site could result in reputational risks to the City and increase the chance of a public liability claim. Demolition would eradicate these current risks once completed successfully. Demolition and the resultant disposition of the cleared and vacant lot would require the City to comply with Section 3.58 of the Local Government Act 1995.

## FINANCIAL IMPLICATIONS

As highlighted in the Market Value and Market Rental Value report undertaken by AVP Valuers, residential use is the highest and best use of the lot. Therefore, residential development is considered the most likely future use of this freehold lot.

The sale of a vacant lot would generate an immediate financial return to the City in the region of \$1,900,000. Proceeds of sale would be put into a building reserve fund for future projects in accordance with the City's Built Facility Asset Management Policy.

Demolition fees of up to \$25,000 would need to be expended. This fee would include rodent bating, the disconnection of utilities, erections of fencing on-site and the actual demolition of the building itself and the removal of the bitumen driveway.

To conclude, the direct effect of the sale would be the funds generated and indirect effect would be the potential to use the sale proceeds to offset other City funding that could be used for other projects.

The City would no longer be responsible for any maintenance or liabilities associated with the property.

It is expected that the vacant lot would be developed for residential housing and therefore would be rateable, increasing City revenue.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Unlikely	Minor	4	LOW
Loss of City reputation	Possible	Minor	6	MODERATE
Loss of revenue	Rare	Major	4	LOW
Not complying with Strategic Plan	Unlikely	Medium	6	MODERATE
Potential for Security/vandalism/squatter incidents on site	Unlikely	Minor	4	LOW
Public & Site Safety - potential City expose to public liability claim	Unlikely	Major	8	MODERATE
Complaints at condition of building increase	Unlikely	Insignificant	2	LOW
Impact on surrounding Remnant Bushland	Possible	Medium	9	MODERATE

## CONCLUSION

Administration concurs with the report undertaken by AVP Valuers that residential development is considered the most likely future use of this freehold lot.

The sale of a vacant freehold lot post demolition would generate an immediate financial return to the City in the region of \$1,850,000 which would be put into a building reserve fund for future projects in accordance with the City's Built Facility Asset Management Policy.

## **7.7 Demolish House and build a new single house dwelling:**

### **OVERVIEW**

This option reviews the implications if Lot 150, 11 Sayer Street was demolished and a new single house dwelling was constructed on site.

### **PURPOSE**

To review and determine the practicality and feasibility of demolishing the dwellings on Lot 150, 11 Sayer Street and constructing a new single storey dwelling on site.

### **ACTION**

The subject Lot is Zoned R25 under the City of Nedlands current Town Planning Scheme No.2. Should the current building and associated structures be demolished and a new single storey dwelling constructed on site, the City would need to identify a defined use and purpose for any new building and look to either lease or sell the premise once building work was complete.

### **ENVIRONMENTAL IMPLICATIONS**

The current building and associated structures on site are past their serviceable life cycle. The quality of the materials used to construct the existing building is not catalogued. However, it is acknowledged that asbestos is present. Asbestos forms part of the buildings composition along with the perimeter fence. This presents an immediate health and environmental risk. The continued degradation of this building has a negative impact on local environmental quality.

Providing that demolition of the current buildings on-site is undertaken in a controlled environment and as per legislation, there should be no environmental implications in relation to the removal of the house and associated structures.

From the design to any construction of any new building, opportunities exist to lighten an environmental footprint. These changes can range from short-term aspects (safely managing and recycling building waste, for instance) to long-term viability in the energy efficiency of the building. Good design can save energy, water and money. In order to reduce the environmental impact and energy use of a new building, the City would be required to consider passive design, water use and re-use, energy efficiency capture and use, materials selection and minimise construction waste. Such considerations can result in environmental and financial rewards.

Any future demolition and subsequent development of the lot to incorporate a new single storey dwelling would more than likely increase the amount of hardened, impervious surfaces (driveway, sidewalk, patio area, roofs) on site as the current dwelling is only 115m<sup>2</sup> and therefore relatively small in relation to the 1012m<sup>2</sup> total area of the block. It is possible that a large quantity of the area developed would become impervious surface due to the construction of a modern single storey dwelling which would be considerably larger than the current buildings on site. This would potentially increase site run-off during rain/storm events. While the potential for water run-off from the lot site would

increase as a result of development, City codes and regulations governing a development would mitigate or eliminate any adverse effects that might be caused by increased run-off.

As there is no remnant bushland on site there should be negligible environmental impact if the site was developed. The lot does not contain any current habitat for sensitive plant species. It is not thought that the premise contains any habitat for threatened or endangered wildlife. Any changes to the plant and animal communities as a result of demolition and construction of a new dwelling on the subject lot would be minor and not noticeable given the current urban/bush setting of the area. Dependant on whether the City sold or leased the resultant premises, the City could actively plant native species of plant prevalent in the actual Allen Park/Swanbourne region. In addition, landscaping could be structured to mitigate any habitat/species loss and to assist with blending any new construction into the surrounding bushland.

No main scale excavation would be required for utilities as all of the providers are currently on site.

Any future demolition and site development would result in temporary soil disturbance during construction activities. No impacts to soils or water quality are expected as a result of future subdivision and development of the vacant lot.

The subject lot is not classified as being contaminated or requiring remedial work according to the Department of Environment.

## **SOCIAL IMPLICATIONS**

Demolition is a high-risk activity and therefore must be planned and controlled according to regulatory requirements.

Prior to any demolition, certain steps are required to be undertaken including asbestos abatement, the removal of hazardous or regulated materials, disconnecting utilities, rodent baiting and the development of site-specific safety and work plans. These are all likely to cause some disturbance/impact on neighbouring properties in the vicinity of Sayer Street through noise and additional vehicle movement.

Demolition would eradicate the current immediate risk of squatters, vandals or trespassers on-site along with the possibility of public liability claims.

Any development would be required to be assessed on its relationship and compatibility to the adjoining and nearby land uses. Such considerations would include, but are not limited to design/streetscape compatibility, overlooking/overshadowing, bulk and scale, sightlines and the relationship to the immediate surrounds.

The City would need to assess and evaluate the size, scale and purpose of any future residence on site in order to determine the financial outlay required.

A tender would be required to be compiled and advertised for submissions in order to determine a suitable builder under the City's standard tender evaluation process. A scheduled timeframe would be required to be drawn up in regards project delivery in order to prevent potential delays in relation to construction start and finish dates.

Any proposed sale or lease of a newly constructed single house dwelling would need to adhere to section 3.58 of the *Local Government Act 1995*.

It would be prudent to ensure that any new dwelling be unobtrusive, in-character with other residential properties within the street and compliment the current residential/bush ambiance appeal of the street in order to prevent possible community objection.

## **POLITICAL IMPLICATIONS**

The current buildings on site are sub-standard and do not meet current Australian building standards. The premise, left in its current condition, poses significant risk management issues. Any future incident on site could result in reputational risks to the City and increase the chance of a public liability claim. Demolition would eradicate these current risks once completed successfully.

The City would need to determine whether to lease or sell any newly constructed single storey house dwelling on-site. Demolition and the resultant disposition either by sale or lease of a newly constructed building would require the City to adhere and comply with Section 3.58 of the Local Government Act 1995.

Any future development of the lot could result in the City potentially receiving objections from the community and bushland groups such as The Friends of Allen Park who may feel that development of the site would lead to detrimental effects on the surrounding bushlands and the ambiance of the area as is.

The construction of a new single storey dwelling in Sayer Street would provide the City with a saleable or rentable asset in a desirable location of Swanbourne.

## **FINANCIAL IMPLICATIONS**

It is estimated that the City would expend in the region of \$275,000 in order to demolish the current buildings on site and construct a standard residential four by two dwelling inclusive of fixtures and fittings. This is based on the following estimates:

- \$25,000 demolition fees; and
- As minimum \$250,000 to construct a standard residential four by two dwelling inclusive of fixtures and fittings and landscaping. Accepting new homes in this area may be much higher over \$500,000 in construction.

The City would have to determine where it would obtain such funds from in order to commission such a venture and whether the premises would be leased or sold outright once construction was complete.

If leased, the City would have to weigh up the cost of expending a minimum \$275,000 of demolition and construction work against a potential rental return of \$400-\$450 per week. Additional fees for a rental agent inclusive of tenant reference checks, inventories, advertising/marketing costs and management fees etc would also be incurred. The City would also have to determine whether the property would be rented as furnished or unfurnished which could result in additional financial costs.

There is also no guarantee on a tenant paying rent despite the accumulation of suitable reference and job checks. Additional cost in legal fees to remove a non paying tenant could result in a lengthy and costly attempt to evict any future tenant. The City would also be responsible for any maintenance or structural problems with the property, not any future tenants.

Over time, rents tend to rise but the City would have to look at a long term tenure arrangement in order to get back the initial demolition and construction outlay.

The sale of the lot with a newly constructed single storey residential property would provide the City with an estimated return in excess of \$2,000,000 which would be put into a building reserve fund for future projects in accordance with the City's Built Facility Asset Management Policy.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Unlikely	Minor	4	LOW
Loss of City reputation	Possible	Minor	6	MODERATE
Loss of revenue	Possible	Major	12	HIGH
Not complying with Strategic Plan	Unlikely	Medium	6	MODERATE
Potential for Security/vandalism/squatter incidents on site	Unlikely	Medium	6	MODERATE
Public & Site Safety - potential City expose to public liability claim	Unlikely	Major	8	MODERATE
Complaints at condition of building increase	Unlikely	Insignificant	2	LOW
Impact on surrounding Remnant Bushland	Possible	Medium	9	MODERATE

## CONCLUSION

The City would have to quantify whether spending as a minimum of \$275,000 to demolish the current building and constructing a standard residential four by two dwelling on site would generate a substantial return in relation to the effort and man hours that would be required to undertake such a project on a portion of land that has been valued at \$1,900,000 vacant. The City would have to determine where it would obtain such funds from in order to commission such a venture and resolve whether the premises would be leased for residential purposes or sold outright once construction was complete. In summary, the City would have to find a large initial outlay of funds to undertake a large scale project and direct significant staff resources to undertake and manage such a project. This would not be feasible in order to purely achieve a potential residential rental return of \$400-\$450 per week. However, any potential future re-sale of the lot with a newly constructed single storey residential property would provide the City with an estimated saleable return in excess of \$2,000,000 which would be put into a building reserve fund for future City projects.

## **7.8 Demolish House and subdivide land into two Lots for residential sale:**

### **OVERVIEW**

This option reviews the implications if Lot 150, 11 Sayer Street was demolished and the resultant land subdivided into two lots for residential sale.

### **PURPOSE**

To review and determine the practicality and feasibility of demolishing the dwellings located on Lot 150, 11 Sayer Street and subdividing the vacant land into two lots with the intention of selling.

### **ACTION**

The City commissioned AVP Valuers to value the land and buildings on the basis of their Market Value and Market Rental Value. As of 14 April 2010, AVP Valuers provided a report to City Administration that determined that the value of the land if the current dwelling was demolished and the land subdivided and sold was \$1,950,000.

The Lot is Zoned R25 under the City of Nedlands current Town Planning Scheme No.2. The Lot is currently 1,012m<sup>2</sup>. The R25 zoning allows for a minimum lot area of 320m<sup>2</sup> and an average lot area of 350m<sup>2</sup>.

### **ENVIRONMENTAL IMPLICATIONS**

The building on site is past its serviceable life cycle. The quality of the materials used to construct the building is not catalogued. However, it is acknowledged that asbestos is present. Asbestos forms part of the buildings composition along with the perimeter fence. This presents an immediate health and environmental risk. The continued degradation of the current building has a negative impact on local environmental quality.

As there is no remnant bushland on site there should be negligible environmental impact if the site was subdivided for residential development. The lot does not contain any current habitat for sensitive plant species. It is not thought that the premise contains any habitat for threatened or endangered wildlife. Any changes to the plant and animal communities as a result of demolition and subdivision would be minor and not noticeable given the current urban/bush setting of the area.

Providing that the demolition of the buildings on-site and subsequent subdivision is undertaken in a controlled environment and as per legislation, there should be no environmental implications in relation to the removal of the house and associated structures.

No main scale excavation will be required for the provision of utility infrastructure as all of the providers are currently on site. Some minor connections maybe required to connect up power to the additional lots.

Any future subdivision and subsequent development of the vacant lot for residential use would increase the amount of hardened, impervious surfaces (driveways, sidewalks,

roofs) on site. Based on the potential of two individual lots on site being contained within the current area, it is possible that a large quantity of the area developed would become impervious surface and potentially increase site run-off during rain/storm events.

Any future subdivision and site development would result in temporary soil disturbance during construction activities. No impacts to soils or water quality are expected as a result of future subdivision and development of the vacant lot.

The subject lot is not classified as being contaminated or requiring remedial work according to the Department of Environment.

## **SOCIAL IMPLICATIONS**

Demolition is a high-risk activity and therefore must be planned and controlled according to regulatory requirements.

Prior to any demolition, certain steps are required to be undertaken including asbestos abatement, the removal of hazardous or regulated materials, disconnecting utilities, rodent baiting and the development of site-specific safety and work plans. These are all likely to cause some disturbance/impact on neighbouring properties in the vicinity of Sayer Street through noise and additional vehicle movement.

Demolition would eradicate the current immediate risk of squatters, vandals or trespassers on-site along with the possibility of public liability claims.

It is not possible to predict what type of residential development may occur on-site or the timing of any future development should the City demolish the current residence, subdivide and sell the subject lots. Based on the City of Nedlands development codes, a maximum of two residential lots could be located on the current lot should the premise be subdivided. It is assumed that any future development would be consistent with existing local zoning, development & building codes and regulations and would require the necessary City Planning and Building approval in order to proceed.

It is assumed that the City would expect to receive some opposition from local residents about any future subdivision of the current lot and the resulting development. Any future subdivision proposal and subsequent residential development would have to be assessed on their relationship and compatibility to the adjoining and nearby land uses. Such considerations would include, but are not limited to design/streetscape compatibility, overlooking/overshadowing, bulk and scale, sightlines and the relationship to the immediate surrounds.

Any proposed sale of the subject land would need to adhere to section 3.58 of the Local Government Act 1995.

## **POLITICAL IMPLICATIONS**

The current buildings on site are sub-standard and do not meet current Australian building standards. The premise, left in its current condition, poses significant risk management issues. Any future incident on site could result in reputational risks to the City and increase the chance of a public liability claim. Demolition would eradicate these current risks once completed successfully.

The resultant disposition of the cleared and vacant subdivided lots would require the City to comply with Section 3.58 of the *Local Government Act 1995*.



The City could potentially receive objections regarding subdivision and sale of the individual lots from the local community and bushland groups such as The Friends of Allen Park who may feel that development of the site would lead to detrimental effects on the surrounding bushlands and the ambiance of the area as is.

## FINANCIAL IMPLICATIONS

As highlighted in the Market Value and Market Rental Value report undertaken by AVP Valuers, residential use was the highest and best use of the subject lot. Therefore, subdivision and residential development is considered the most likely future use of this lot held in fee-simple by the City.

The sale of two subdivided vacant lots would generate an immediate financial return to the City in the region of \$1,925,000. Such funds would be put into a building reserve fund for future projects in accordance with the City's Built Facility Asset Management Policy.

Demolition fees of up to \$25,000 would need to be expended. This fee would include rodent bating, the disconnection of utilities, erections of fencing on-site and the actual demolition of the building itself and the removal of the bitumen driveway. Some form of retaining to separate the resulting new lots may also be required which would incur an additional monetary outlay. Survey costs, advertising costs, legislative costs and other associated costs would need to be taken into consideration

It is expected that the vacant, subdivided lots would be developed for residential housing and therefore would be rateable, increasing City revenue.

To conclude, the direct effect of the sale would be the funds generated and the indirect effect would be the potential to use the sale proceeds to offset other City funding that could be used for other projects.

## RISK MANAGEMENT

Risk	Likelihood	Consequence	Level of risk	Risk acceptance
Cost of reactive maintenance	Unlikely	Minor	4	LOW
Loss of City reputation	Possible	Minor	6	MODERATE
Loss of revenue	Unlikely	Major	8	MODERATE
Not complying with Strategic Plan	Unlikely	Minor	4	LOW
Potential for Security/vandalism/squatter incidents on site	Unlikely	Minor	4	LOW
Public & Site Safety - potential City expose to public liability claim	Unlikely	Major	8	MODERATE
Complaints at condition of building increase	Unlikely	Insignifican t	2	LOW
Impact on surrounding Remnant Bushland	Possible	Medium	9	MODERATE

## **CONCLUSION**

City Administration has determined that the most suitable option for Lot 150, 11 Sayer Street would be to demolish the current building and associated structures, sub-divide the resultant land and sell the lots for residential development. In order to undertake such a project, a project plan would be required to be compiled in order to determine the disposition of the lots. This would be based on the sites current R25 coding and would involve the preparation of a subdivision plan and design guidelines to be incorporated into the Town Planning Scheme.

The Lot is Zoned R25 under the City of Nedlands current Town Planning Scheme No.2. and consists of 1,012m<sup>2</sup>. The R25 zoning allows for a minimum lot area of 320m<sup>2</sup> and an average lot area of 350m<sup>2</sup>.

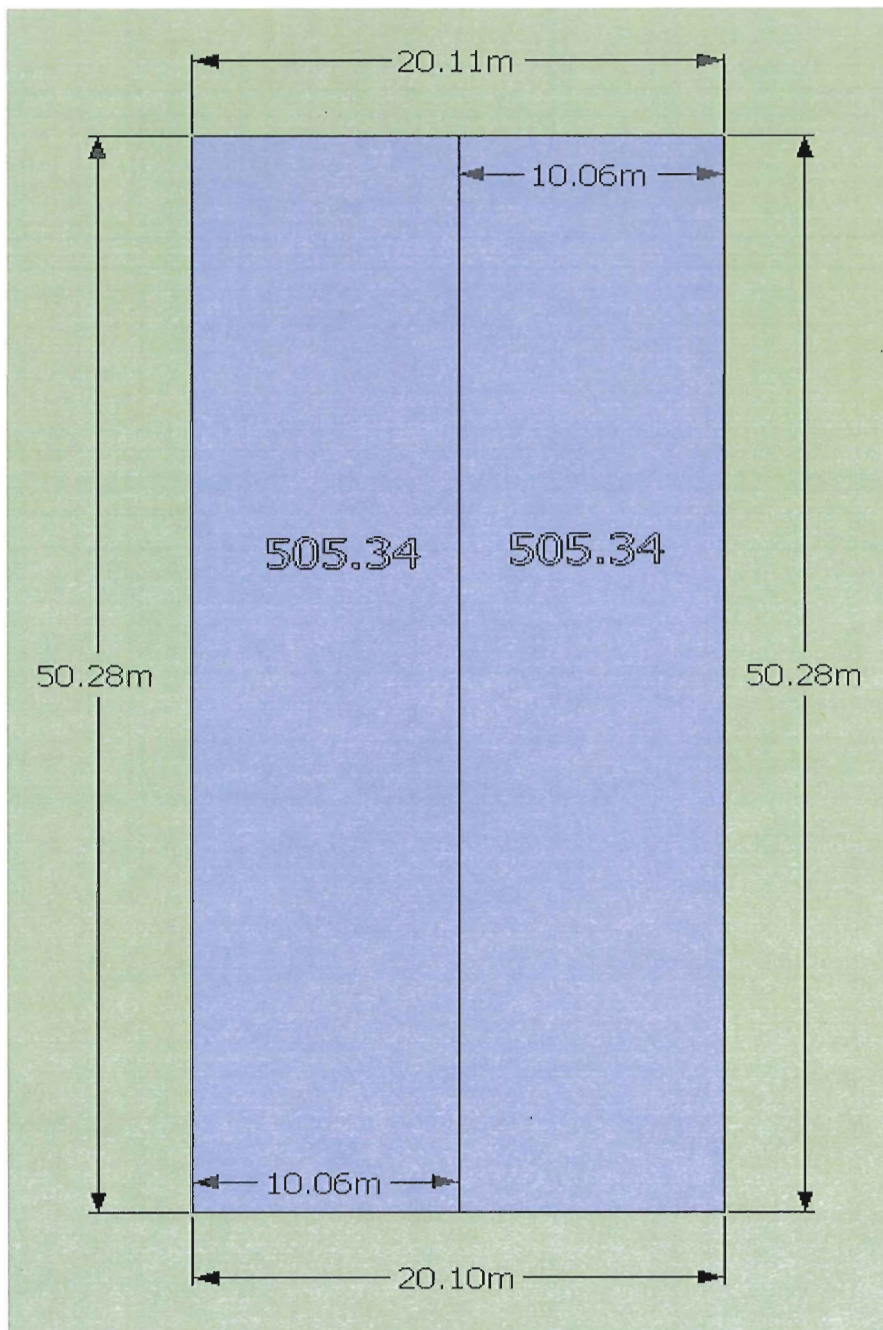
City administration determines that it would recommend the sub-division to incorporate the splitting of the current block to create two lots. Two lots would fit into the current streetscape.

Subdivision options are shown below:

### Subdivision Option 1:

#### Side by Side Subdivision

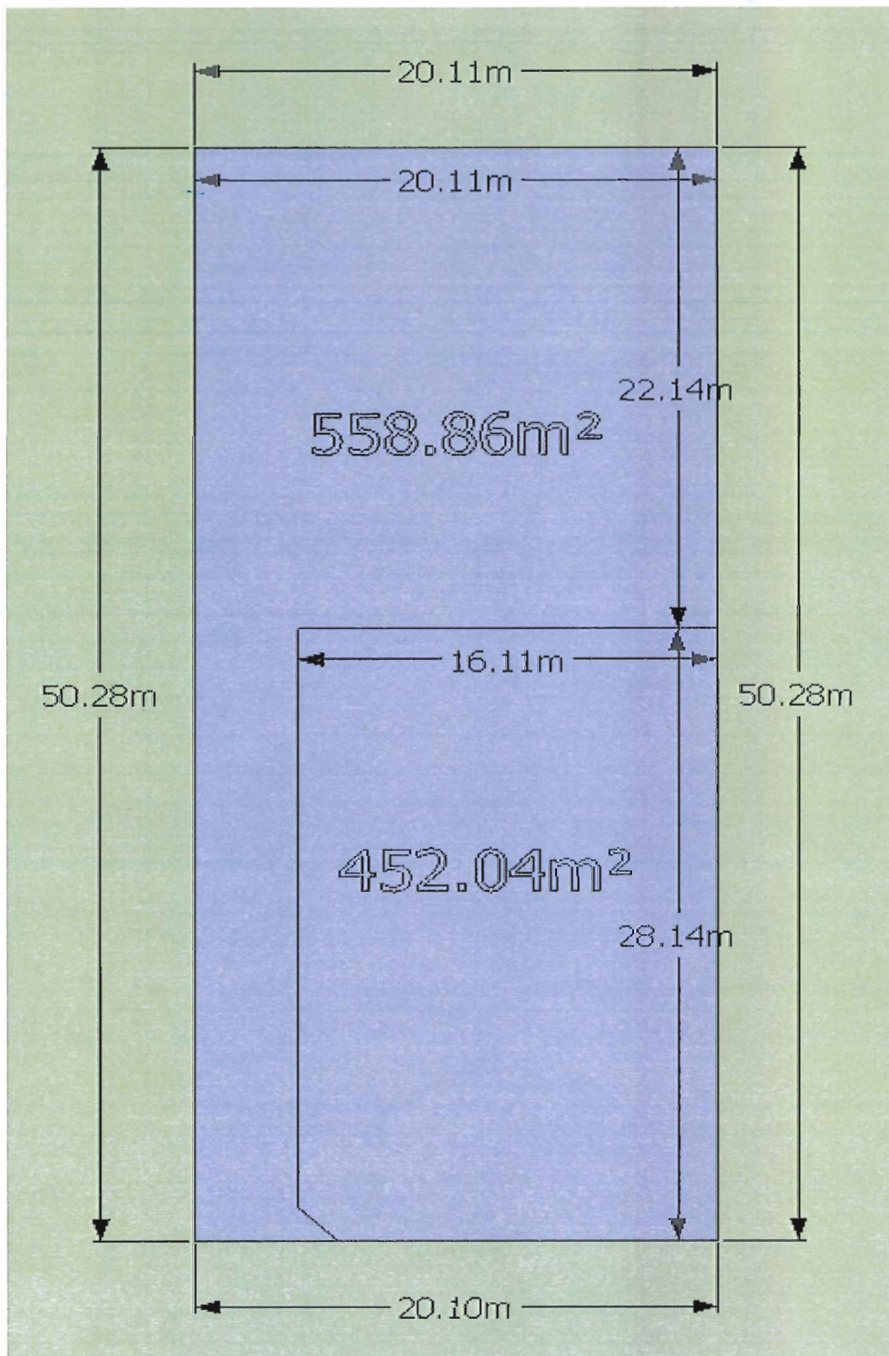
Side by side subdivision can suffer from over shadowing. However due to the north-south orientation of the site, this is not an issue. Equal lot sizes are created and both have the advantage of primary street access. Lots with a frontage of 10m can be perceived to be relatively narrow. However there are many examples present within the City of narrow lots with functional design including within Sayer Street.



## Subdivision Option 2:

Battle Axe Subdivision.

Battle axe subdivision allows for a lot to be divided while keeping the street presentation of a conventional lot. Land is needed to be sacrificed to allow the rear property access to the primary street. Uneven lots sizes are created with the rear lot having no street presence and potentially limiting solar passive design given orientation and slop of lot.



## **8.0 PREFERRED OPTION**

City Administration has determined that the most suitable option for the future of Lot 150, 11 Sayer Street would be option 7.8. This option is in line with the City's strategic plan. It is proposed that the current building and associated structures on site would be demolished and the resultant land subdivided into two lots for residential sale. This option is the most cost effective and practical of the stated options contained within this report and would provide the City with a potential financial return in the region of \$1,925,000 from sale proceeds. The proposal will have no detrimental impact on the provision of facilities by the City. It is expected that the funds generated from such an undertaking would be specifically committed to the long term benefit of the community. Funds would be placed into a building reserve fund in accordance with the City's Built Facility Asset Management Policy. Disposing of property and land that is no longer needed will result in more effective and efficient administrative and financial management of future projects.

The current freehold building and land is serving the City no purpose in its current state. The building and associated structures are in a dilapidated condition and there is little, if any remnant bushland on site. In addition, the site is not thought to contain any habitat for threatened or endangered wildlife.

The preferred option, if approved, would reduce future facilities and maintenance expenses incurred by the City and provide a considerable fiscal return upon sale. Such a project as identified within option 6.8 would rely on a minimal outlay of funds to undertake a successful sub-division development that does not direct City staff away from their daily tasks to undertake and manage such a project. In addition, by disposing of the current building and sub-dividing the resultant vacant land, the City would reduce its exposure to the current risk management and public liability susceptibility that has been identified on site at present.

In order to undertake such a project, a project plan would be required to be compiled in order to determine the disposition of the lots in more detail. This would be based on the sites current R25 coding and would involve the preparation of a subdivision plan and design guidelines to be incorporated into the Town Planning Scheme. These would require further Council consideration.

Any resultant sales process may be managed by the City through the engagement of a suitably qualified real estate agent or using staff and other external resources.

Under the City's Disposal & Acquisition of Land policy, Land zoned as freehold land that is surplus to the City's requirements can be sold or otherwise disposed in accordance with section 3.58 of the *Local Government Act 1995*.

Open market methods of sale to be considered and determined on merit by Council include:

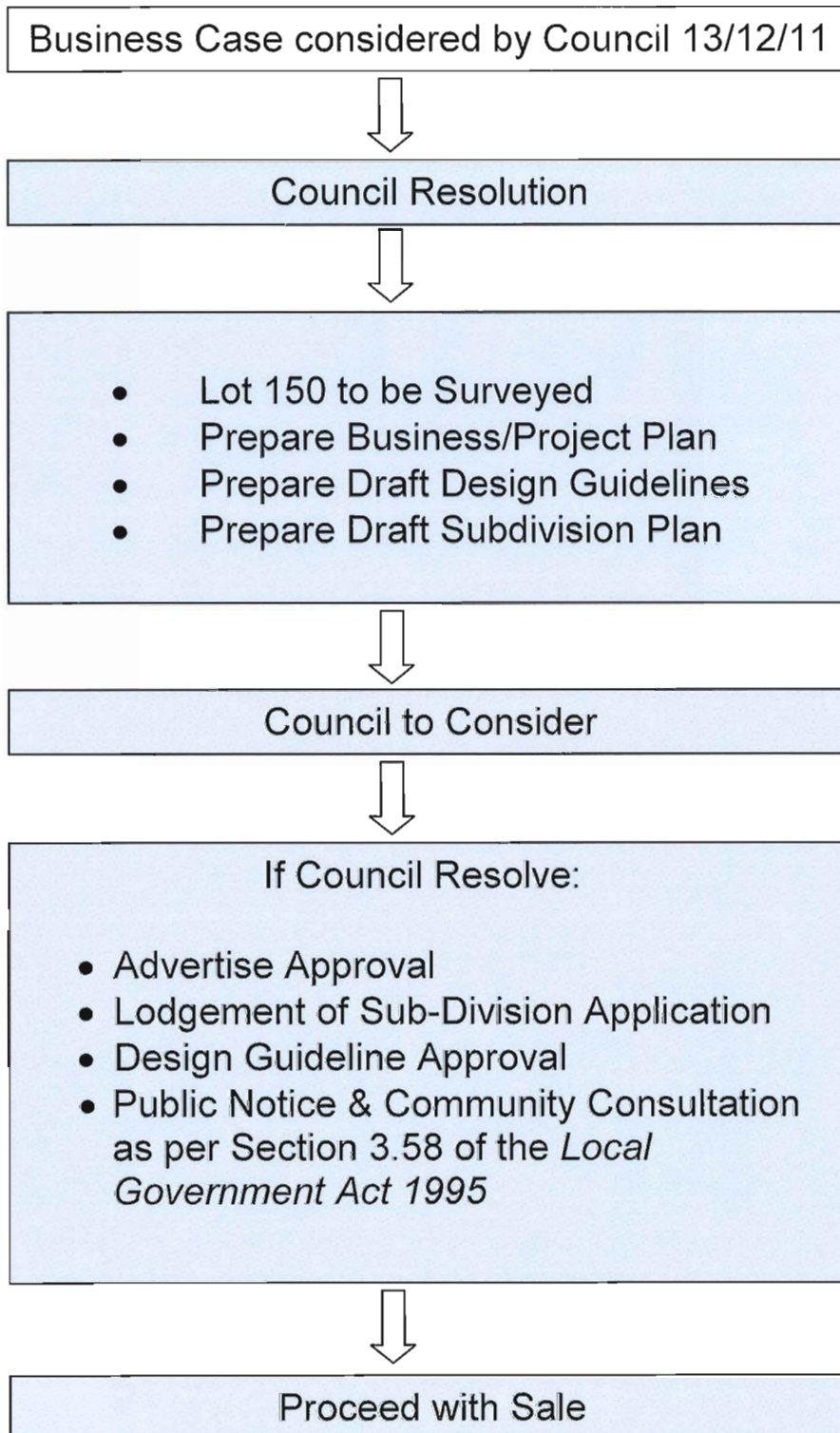
- Public auction for unconditional sale;
- Public tender; or
- Selected tender where public registrations or expressions of interest may be sought prior to a selected tender.

Where the sale is not to be on the open market, the sale should be at current market valuation (with due regard to all associated costs to achieve the transaction or such other amount as Council resolves). Methods of sale in such circumstances may include:

- Selected tender;
- Expressions of interest may be sought prior to selected tender; or
- By negotiation with the relevant party.

Option 7.8 would allow the City the ability to stipulate the type of residential housing to be developed on the sub divided land. In order to reduce the environmental impact and energy use of any future residential building, the City could consider require passive design, water use and re-use, energy efficiency capture and use and materials selection on any future development. Such considerations are an opportunity to make improvements to the efficiency of a building and reduce its ongoing drain on the environment. This can result in environmental and financial rewards. The City would potentially be able to showcase sustainable housing with the City should certain energy efficient designs be implemented in any future building design on site. For instance, the lot is orientated favourably for solar passive design and therefore any future design should incorporate such a feature.

Council approval is sought to proceed with the recommendation. The City's internal policies and *Local Government Act 1995* will be adhered to in order to ensure that the City conducts an open and accountable process in the proposed disposal of this land asset that meets legislative requirements.



**D75.11 – Attachment 2**

Process map depicting proposed future plan for action