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#### 8.4 CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN

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**File No:** CP/05/029

**Attachments:** 1. Photos of Unit 2/49 Wellington Street  
2. Unit 2/49 Wellington Street Wallan Site Map

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#### SUMMARY

Council owns two single bedroom residential units (units 2 and 5) which are part of a five-unit complex at 49 Wellington Street, Wallan.

Council has the option to sell the vacant unit or retain it and make it available for term affordable social housing or crisis accommodation. In the case of the housing option being considered, this would involve partnering with a Housing Association who could use the property for either long term affordable social housing or crisis accommodation for the local area. Under a partnership arrangement, whilst Council would retain ownership of the property, the ongoing management and upkeep would be the responsibility of the Housing Association for the term of the partnership.

While accommodation is not a Council service, either long term affordable social housing or crisis accommodation facilities would support people in need in the local community.

The units were built in the 1980's and owned by Council under a single title, Lot 1 TP234735. The property was used for long term rental accommodation for elderly Wallan residents. Only two of the units were occupied in 2014 when the first recommendation to sell the property was supported by Council at its October Ordinary Council Meeting (OCM). Council also resolved at this meeting to consider the needs of the two remaining tenants in units 2 and 5.

Council approved a subdivision of the property at its Ordinary Council meeting in October 2015 creating a title for each of the five units to facilitate their sale. At this meeting the Council resolution included a direction to Council Officers to provide an assurance of tenure to the tenants of units 2 and 5. The intent was that Council would not sell the last two units while occupied by the current tenants to fulfil its commitment to them of secure tenure.

At the December 2015 Ordinary Council meeting, Council resolved to sell the three vacant units. The report to Council recommended that aged services would be better delivered to clients by specialised aged care housing providers.

In September 2018 unit 2 was vacated by the tenant and has remained vacant since that date. Council's original intention was to sell all of the Wellington Street units and

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CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)

the sale of the now vacant unit is in line with Council's Property Holding, Acquisition and Disposal Policy.

It is incumbent on Council to make a decision whether to sell the unit or make it available for use by a Housing Association. If Council decides to sell the property, the proceeds are not restricted and will be placed in the Property Proceeds Reserve for future investment in the Wallan area.

From 1 June 2018, the *Victorian Planning and Environment Act 1987* included a new objective "**to facilitate the provision of affordable housing in Victoria**". It defines affordable housing as 'housing, including social housing, that is appropriate for the housing needs of very low, low, and moderate-income households. The objective of this recent change is to facilitate the supply of affordable housing through the planning system.

Local government has been playing a crucial role in the area of social and affordable housing, particularly through its facilitating and advocacy role with Federal and State government. This also includes planning for growth and is in negotiations with developers. Although local government is not a provider of social or affordable housing, it has a critical role in encouraging and facilitating high quality affordable, appropriate and accessible housing developments targeted at households at different life stages and income levels. Local government has a key role in partnerships with housing associations/providers to meet community expectations and needs.

If Council prefers to explore these options to make the property available to a Housing Association for long term affordable social housing or crisis accommodation, then it is recommended an Expression of Interest (EOI) process be undertaken to garner interest from the sector in the property and understand the financial implications of a partnership arrangement.

Should the EOI process not demonstrate the benefit to Council or the community from making the property available to a Housing Association, then this should trigger the option to sell the property. The EOI would be completed by the end of August 2019.

Council will continue to fulfil its commitment of secure tenure to the remaining tenant in Unit 5.

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CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)

## RECOMMENDATION

**THAT** Council:

1. Note the information contained this report and in particular past Council recommendations.
2. Undertake an Expression of Interest process, allowing six weeks advertising, to allow for full participation of the sector in establishing the property as long term affordable social housing or crisis accommodation, in line with Council's social objectives.
3. Receive a further report to the September Ordinary Council meeting on the outcome and recommended direction following the expression of interest process.
4. Continue to honour its commitment to the tenant residing in Unit 5 regarding security of tenure.

## BACKGROUND

There are five units at 1/49 Wellington Street which were constructed around 1980 through a range of funding contributions. The units were on a single title in Council's name being Lot 1 TP234735. The units were for occupation by aged residents of Wallan.

At the Ordinary Council meeting in October 2014, Council resolved to provide in principle, support to the sale of 1/49 Wellington Street Wallan (Lot 1 TP234735) and that officers provide a report to Council with recommendations regarding the least disruptive method of sale for the property with consideration for the current tenants.

In making the decision to sell the units one of the underlying reasons was that Council should extricate itself from aged care housing services. The report provided to Council stated that "social housing provision is not considered 'core business' for Local Government Authorities...[and] the absence of Council resources and expertise in social housing adversely impacts on the current Wellington Street unit social housing recipients, who do not receive the holistic and supportive housing support services from Council that would be available through other specialised housing providers in the region".

Council Officers provided a further report to the October 2015 Ordinary Council Meeting where it was proposed to subdivide the units to create five separate titles to facilitate property sales. At this point Council would retain units 2 and 5 offering a commitment of security of tenure to the existing tenants. Officers were requested to present a report in December 2015 outlining the proposed sale process for the units and seek Council endorsement for this process to commence.

As was required Officers tabled a further report to the December 2015 Ordinary Council meeting which endorsed the sale of Units 1, 3 and 4. The three units were transferred out of Council ownership following their sale in August 2016, leaving the two units remaining in Council's ownership with the same long-term tenants occupying the units.

The tenant of Unit 2, who had occupied the unit since 2004, vacated the unit on 16 September 2018. The unit has remained vacant since this date.

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**CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)**

The units are in central Wallan and within easy walking distance to shops and services and unit 2 is a one-bedroom unit with a backyard which includes a storage shed.

Since the Council resolution in 2014, the role of local government in the facilitation, planning, support, and advocating for social and affordable housing has changed significantly. The State Government's *Homes for Victorians: Affordability, access and choice* (March 2017) and *Plan Melbourne 2017-2050* (March 2017) recognise the critical need to increase the supply of affordable housing. Local government plays a key role in the planning and facilitation for social and affordable housing, including many Councils making provision in planning schemes to accommodate social and affordable housing in new developments as well as partnering with social housing associations/providers in the provision of land and infrastructure to facilitate greater levels of social and affordable housing to meet community needs. Currently, 50 percent of Mitchell Shire residents are experiencing housing stress (which includes mortgage and rental stress). Mitchell Shire is also over-represented in homelessness statistics.

Council has partnerships with several key Housing Associations/Providers who have expressed an interest in managing the property as social housing. If this option is approved, a formal partnership agreement would be implemented in which the housing association/provider would be responsible for managing the tenancy and maintenance of the property whilst Council maintained ownership of the unit. Housing Associations/Providers in Victoria are registered and regulated by the State government. Some work may be required by council to improve its current condition prior to implementation of the partnership agreement.

**ISSUES AND DISCUSSION**

The consideration and sale of Unit 2 as part of the ongoing monitoring and review of services is consistent with limiting Council services to those which are in line with the *Local Government Act 1989* (the Act), for good Governance and ensuring Best Value for Council's ratepayers. This is particularly the case in the current environment of rate capping and limited resources.

However, Mitchell Shire is aware of its social responsibility towards the community, particularly in the area of social and affordable housing and partnerships with relevant community service providers to meet the health and social needs of the community.

Careful consideration is required regarding the ongoing ownership of this unit. In 2014, the Council resolution was to extricate itself from the provision of social housing as this was not seen as core business for Council. Since this time, the role of local government in relation to social and affordable housing has changed significantly. Mitchell Shire is currently in the process of developing a Social and Affordable Housing Strategy and Policy and is also part of a consortium of local Councils (with Whittlesea and Hume) that has received funding to investigate the role of council in the provision of social and affordable housing in the northern growth corridor.

The vacant unit could be considered suitable for sale in line with Council's Holding, Acquisition and Disposal Policy (section 9):

- The property does not support an existing or future Council service;

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**CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)**

- The property is not leased or licensed to an existing community group or Committee of Management to provide a Council supported community service;
- There will be no significant social impact on the community from disposal of the property
- The property does not generate sufficient rental income taking account of life cycle costs and the value to Council if the property were sold.
- The property will attract an acceptable financial return for Council in the current market.
- There is no legal or statutory impediment stopping the disposal of the property

The sale would be in line with the Council resolution of October 2014. Alternatively, Council could make the property available to a Housing Association for use as either long term affordable social housing or crisis accommodation in line with Council's social objectives.

**CONSULTATION**

If Council elects to sell the property, as required by the Act, Public Notice must be given for the sale of property and, as part of the Public Notice process, the community would be invited to make submissions in relation to the proposal.

In addition to the requirements of the Act and in the interests of transparency, letters outlining the consideration of the sale would be sent to adjoining landholders and occupiers.

If Council decides to consider the option of social housing in partnership with a Housing Association/Provider, it is recommended that an EOI is sought from relevant Housing Association/Provider to undertake the tenancy management and maintenance upkeep of the unit for a fixed term as a local social housing option. The EOI would ensure an open and transparent process to seek a provider for social housing services.

Council is bound by a "Rules for an Owners Corporation" agreement under its body corporate arrangements for the unit. While it does not explicitly state Council must inform the body corporate of change of use of the unit, it would be best to inform the body corporate of this course of action should it be approved by Council.

If the EOI process fails to achieve an agreeable outcome for Council by the end of August 2019, the property should be sold with the proceeds being directed to the Property Proceeds Reserve in line with Council's Financial Reserves Policy.

**FINANCIAL, RESOURCE AND ASSET MANAGEMENT IMPLICATIONS**

The three units sold in 2016 returned \$175,000 each to Council.

Should the sale of Unit 2 be supported, Council must obtain a valuation of the property from a qualified valuer in the six months prior to sale and the unit would not be sold for less than that valuation.

An initial 'kerbside appraisal' by a local real estate agent familiar with the property has resulted in a preliminary estimated value of between \$200,000 and \$220,000, which is based on the current condition of the unit without improvements.

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CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)

Whilst the unit is serviceable, the fit out is dated and some refurbishment is required. The three units previously sold in 2016 had new kitchens installed and other upgrades to modernise the units and bring them up to a good standard.

The funds from the sale of Unit 2 would be directed to Council's Property Disposal Reserve for future use.

The sale of the unit would result in a reduction in general operating and maintenance costs for Council and negate the payment of insurance and levies, Body Corporate fees, and contribution towards the maintenance of the common area. Again, the responsibility for these outgoings is unclear and would be negotiated if the property were to be provided to a Housing Association.

Should Council retain the building, it is noted that there is a high likelihood of increased future costs. As time passes maintenance will increase with the need to replace flooring and window furnishings, painting and bathroom tiling. Other outlays could include installations such as the hot water system, upright stove or split system air-conditioning/heating.

Without having undertaken the Expression of Interest process for the property to be retained for social housing, it cannot be ascertained if the costs of refurbishing the property would be borne by Council or the Housing Association.

It is proposed that if a partnership is approved and negotiated with a Housing Association that it takes full responsibility for tenancy management and maintenance but that the unit be provided to the association under a peppercorn leasing arrangement.

The unit is registered as containing asbestos and, as is required under legislation, there is a sign to signify this at the entrance to the units.

## **POLICY AND LEGISLATIVE IMPLICATIONS**

Council has recently developed a Property Holding, Acquisition and Disposal Policy which has as its principle purpose to ensure Council is achieving its strategic goals in its property management and that property is only retained where it meets the following principles;

- The property contributes directly to current or future service delivery outcomes;
- The property is central to "Core Business" of Council;
- The property is financially beneficial to Council.

The sale of the Wellington Street unit would also be consistent with legislation under the *Local Government Act 1989*.

Council is also in the process of developing a Social and Affordable Housing Strategy and Policy that should be completed and ready for draft endorsement by September 2019. Entering into a partnership agreement with a Housing Association/Provider to provide social housing from the site is expected to be in line with this policy.

*Homes for Victorians Strategy*, outlines the delivery of an integrated set of social and affordable housing initiatives by the State Government.

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CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)

**Plan Melbourne 2017-2050** includes a direction to increase the supply of social and affordable housing

**The State Planning Policy Framework** supports the provision of social housing and housing affordability with a number of objectives and strategies.

### **SUSTAINABILITY IMPLICATIONS (SOCIAL AND ENVIRONMENTAL)**

There are no known environmental impacts which would result from the sale of the unit. While the unit is known to contain asbestos, the unit has signage installed at the front of the unit to ensure adequate management and protection of the environment.

Homelessness and housing stress are significant social issues for the Mitchell Shire community. The selling of the unit would impact on the availability of affordable housing options in the Wallan area which currently has 0.2 percent public and social housing available locally. A partnership arrangement would maintain this unit as a social housing opportunity within the local area. Access to affordable, safe, secure and appropriate housing enables people participation and sense of belonging in community life.

### **CHARTER OF HUMAN RIGHTS IMPLICATIONS**

The rights protected in the *Charter of Human Rights and Responsibilities Act 2006* were considered in preparing this report and it's determined that the subject matter does not raise any human rights issues.

### **OFFICER DECLARATION OF CONFLICT OF INTEREST**

No officers involved in the preparation of this report have any direct or indirect interest in this matter.

### **CONCLUSION**

Council has previously sold three of the five units at 49 Wellington Street and held onto two of the units as part of a commitment to the long-term tenants. The tenant of Unit 2 has now moved out and the property has been vacant since September 2018.

A proposal to sell the unit would be consistent with the December 2015 Council decision to sell three of the five units and the intention set out at that time to sell the remaining units as they are vacated by the current tenants. It is also consistent with the Property Holding, Acquisition and Disposal Policy.

By taking the next step to give public notice of the consideration to sell the unit, Council is providing the community with the opportunity to make their views known regarding the proposal, thus furthering the basis for Council to make an informed decision.

Council is also in the process of developing a Social and Affordable Housing Strategy and Policy. The role of local government in the facilitation and planning of social and affordable housing is evolving and includes advocating for social housing requirements in growth area planning and in negotiations with developers as well as working in partnership with Housing Associations/Providers to ensure the needs of people with significant housing needs and at risk of homelessness are met within their local community. As an alternative to the sale of the property, Council can explore market

## CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)

interest from Housing Associations/Providers to provide the property for use as either long term affordable social housing or crisis accommodation. The full impact of a decision to offer the property for social housing will not be understood until completion of an EOI process. On considering submissions from an EOI process Council can then elect to offer the property for social housing, or refuse offers and elect to sell. If the EOI process is supported, it should be concluded by the end of August after which decisions to retain or sell can be made.

CONSIDERATION OF THE SALE OF UNIT 2, 49 WELLINGTON STREET WALLAN (CONT.)

# **MITCHELL SHIRE COUNCIL**

## **Council Meeting Attachment**

### **GOVERNANCE AND CORPORATE PERFORMANCE**

**24 JUNE 2019**

**8.4**

**CONSIDERATION OF THE SALE OF UNIT 2, 49  
WELLINGTON STREET WALLAN**

**Attachment No: 1**

**Photos of Unit 2/49 Wellington Street**

Unit 2/49 Wellington Street Wallan

Front of Unit 2 Wellington Street



Rear of Unit 2 Wellington Street



Asbestos Notice at front door



Kitchen



Bathroom

