

8.3 George Gahan Centre - Future Options Report

MOTION:

MOVED: Cr Kate Hely

SECONDED: Cr Meghan Hopper PhD

That Council:

- 1. *NOTES the property owned by Council located at 78 Osborne Street, South Yarra (the property) is vacant and has been identified as a potential divestment opportunity;***
- 2. *APPROVES the commencement of a community engagement process to seek feedback on the proposal to divest 78 Osborne Street, South Yarra, in accordance with section 114 of the Local Government Act, subject to the land being re-zoned from Public Park and Recreation Zone to Neighbourhood Residential Zone (or an alternative and appropriate residential zone);***
- 3. *RESOLVES that a subsequent report be provided to the Council to consider the feedback received via the community engagement process and to make a decision on the proposed rezoning and sale of the property;***
- 4. *NOTES that in accordance with the requirements of section 20(4) of the Subdivisions Act 1988, all net sale proceeds from the rezoning and divestment of the property would be used to acquire and/or improve replacement open space;***
- 5. *NOTES that all net sale proceeds from the rezoning and divestment of the property would be used to acquire and/or improve land that qualifies as replacement open space in the South Yarra area.***
- 6. *NOTES that the most appropriate site or sites for the acquiring or improving of land which qualifies as replacement open space will be the subject of a further review and report for Council approval, in the event that the proposed George Gahan Centre divestment proceeds.***

CARRIED unanimously

8.3 George Gahan Centre - Future Options Report

Manager Strategic Property and Revenue: Mark Spaziani

Chief Financial Officer: Julia Gallace

Linkage to Council Plan

Direction 1: A thriving and unique place

1.1 Identity and destination

Direction 2: An inclusive and healthy community

2.2 Diverse, inclusive and safe

Direction 3: A people-centred and future ready city

3.1 Community focus, connection and engagement

Purpose of Report

To seek Council approval to commence the community engagement process pursuant to *section 114 of the Local Government Act 2020* to seek feedback on the proposed rezoning and divestment of 78 Osborne Street, South Yarra (Property).

Officer Recommendation

That Council:

1. ***NOTES the property owned by Council located at 78 Osborne Street, South Yarra (the property) is vacant and has been identified as a potential divestment opportunity;***
2. ***APPROVES the commencement of a community engagement process to seek feedback on the proposal to divest 78 Osborne Street, South Yarra, in accordance with section 114 of the Local Government Act, subject to the land being re-zoned from Public Park and Recreation Zone to Neighbourhood Residential Zone (or an alternative and appropriate residential zone);***
3. ***RESOLVES that a subsequent report be provided to the Council to consider the feedback received via the community engagement process and to make a decision on the proposed rezoning and sale of the property;***
4. ***NOTES that in accordance with the requirements of section 20(4) of the Subdivisions Act 1988, all net sale proceeds from the rezoning and divestment of the property would be used to acquire and/or improve replacement open space;***
5. ***NOTES that Council officers have identified suitable preliminary replacement open space options within the Mount Street Master Plan precinct through the acquisition of properties or conversion of Council land currently not used as open space. Notwithstanding this, the most appropriate site or sites for the provision of replacement space will be the subject of a further review and report for Council approval, in the event that the proposed George Gahan Centre divestment proceeds.***

Executive Summary

1. The George Gahan Centre for Elderly, 78 Osborne Street South Yarra (**Property**) has been vacant since the former 'Meals on Wheels' food delivery service ceased in July 2024. Following an internal review of Council's property portfolio and a public value assessment of the future use of the Property, no other internal services or uses have been identified.
2. A number of retention and divestment options for the future use of the site have been considered, with divestment being the best option.
3. Prior to divesting, the Property would need to be rezoned from the current Public Park and Recreation Zone (**PPRZ**) and into a residential zone.
4. Utilisation of the proceeds from the sale of the Property would be subject to further Council endorsement, however due to obligations pursuant to *section 20 of the Subdivisions Act 1988*, Council is obligated to put the funds from sale of PPRZ land towards replacement open space.

Background

5. The Centre for Elderly Citizens was founded in June 1956 by Councillor George Gahan who was President and Trustee for the Prahran Club for the Aged.
6. In the early 1960s, the Prahran City Council took over the lease of the land held by the Prahran Club for the Aged at 74 Osborne Street and constructed a Clubroom for the elderly community.
7. Previously known as Prahran Elderly Citizens Club, the centre was renamed in 1980 to "the George Gahan Elderly Citizens Club" in honour of the late former Mayor and Councillor.
8. The use of the Property changed from clubrooms to a 'Meals on Wheels' food preparation and catering delivery facility around 1991 for the use of preparation and delivery of meals to the elderly community.
9. The service, known as the George Delivered Meals Service, was relocated from The Will Sampson Memorial Hall in Windsor and was operated by MECWA until the service was handed back to Council in around 2008. Council continued to operate the delivered meals program from the George Gahan Centre until July 2024. There has been no use of the centre since that time.
10. Officers have considered a range of options for the future of the Property and recommend that Council commences a community engagement process seeking feedback on a proposal to sell the Property subject to a Planning Scheme Amendment to rezone the site from PPRZ to a residential zone.
11. The provisions within *the Subdivision Act 1988* (**Subdivision Act**) will apply to any sale of land zoned PPRZ. Council intends to comply with its legislative obligations by utilising the net sales proceeds towards replacement open space; where possible, similar in size, quality and location to the Property.

Key Issues and Discussion

12. The Property is known legally as Certificate of Title Volume 10372 Folio 379, Crown Allotment 37C Parish of Prahan on Title Plan 76935B.
13. The Property is well located within South Yarra; adjacent to the Sandringham train line with surrounding development comprising townhouses, residential dwellings and apartment complexes. South Yarra Railway Station is approximately 450m north of the property adjacent to tram services operated along Toorak Road.
14. The land area of the site is 480m² which comprises a slightly irregular shaped parcel with an angled frontage along the road reserve and a recess along the eastern boundary into the railway corridor. There is a portion of the north-western corner of the site, measuring approximately 62m², encumbered by an existing electricity easement.
15. The improvements comprise a brick building constructed in the early 1960s most recently utilised as a meal preparation facility. Configuration of the building includes an industrial kitchen, refrigeration facilities, meal preparation area, and bathroom facilities. There is off-street carparking complementing the building at the front of the site.
16. The building's condition is average, commensurate with its age and suitable for use as a storage facility, however works are necessary if it is to be utilised for any other purpose. The building is a Class 8 under the National Construction Code, allowing for production, assembling, altering, packing and cleaning services of goods or produce.
17. Other uses would require a building permit which would require significant works to bring the building to a compliant standard with building code and disability access requirements. Items such as disabled toilets, removal of industrial kitchen walls and essential safety measures requirements would need to be upgraded to change the building classification for a use other than food production.
18. The Property is zoned PPRZ. The purpose of this Zone is to recognise areas for public recreation and open space; protect and conserve areas of significance where appropriate and provide for commercial uses where appropriate.
19. There is no Heritage Overlay nor any other Environmental Overlay applying to the Property. The Property is affected by the Development Contributions Plan Overlay (**DCPO**). The purpose of the DCPO is to identify areas which require the preparation of a development contributions plan for the purpose of levying contributions for the provision of works, services and facilities before development can commence.

Future Use

20. Officers have explored six options for the future use of the Property including:
 - Use by Council for an alternate service;
 - Lease to a commercial or community tenant;
 - Demolish and convert to open space;
 - Rezone and divest as a single parcel of land;
 - Rezone, subdivide and divest as two or three parcels of land; or,
 - Divest the Property to another Authority as PPRZ.

The options are explored further under the respective subheadings below.

21. The existing PPRZ limits the redevelopment potential of the site. To facilitate and enhance the development potential of the Property and prior to the divestment, the land would require rezoning through a planning scheme amendment.
22. There are no prohibitions on Council selling land zoned PPRZ, however there are legislative requirements under the Subdivision Act which Council must satisfy which are detailed in the attached legal advice (**Attachment 1**).
23. *Section 20 of the Subdivision Act* outlines the requirements for Councils regarding open space. Section 20(4) requires the Council can only sell public open space if replacement public open space is provided for.
24. Any net sale proceeds from the rezoning and divestment of the Property (PPRZ) must satisfy Section 20(4) and replacement open space (with consideration of location, quality and size) by either of the following:
 - Acquire a new site or sites, and/or
 - Improving existing Council land that was:
 - Not purchased using Public Open Space (POS) funds
 - Not currently zoned PPRZ.
25. The Local Government Best Practice Guidelines for the Sale and Exchange of Land (**Guidelines**) recommends that any land zoned for public purposes ought to be appropriately rezoned by a Council prior to sale to ensure that the Council achieves the maximum sale price for the land.
26. Council's Strategic Planners have advised that Neighbourhood Residential Zone Schedule 10 is the most appropriate type of zone for the Property at this stage (given its adjacency to other properties zoned residential). However further discussions with the Department of Transport and Planning are required to determine which residential zone is the most appropriate, given the State Government's current Activity Centre Program and the proximity of the land to an identified Activity Centre.

Option 1 - Repurpose the Property:

27. The George Gahan Centre has been used for storage since July 2024. The design, use and configuration in its current form is meal preparation, however, Council has no requirement for food preparation services and repurposing the Property for any other use would require significant investment.
28. Whilst projected population growth may increase demand for local services in the future, existing facilities such as Grattan Gardens Community Centre, Prahran Town Hall, Prahran RSL, Toorak South Yarra Library and Chapel off Chapel demonstrate capacity to accommodate needs.
29. Notwithstanding any supply shortage for kindergarten places in South Yarra, Prahran and Windsor services driven by the Victorian Government's 'Best Start, Best Life' reform, a feasibility assessment would be required to determine whether the Property can meet the strict design requirements for an early years program. If it were determined that the site could accommodate a kindergarten service, the costs to

redevelop the site appropriately would be significant and likely prohibitive given Council's current financial capacity.

30. Due to the significant costs required to bring the Property up to a suitable standard for any alternate use - and given no other uses have been identified for the Property - Officers consider that repurposing the Property for an alternate service is not the most appropriate or financially viable option to pursue.

Option 2 - Lease the Property to a commercial or community tenant:

31. With its existing industrial kitchen, refrigeration facilities, meal preparation area and onsite parking, the site could serve a business or service in the food industry.
32. If Council chooses to lease the Property, it must comply with *Section 115 of the Local Government Act 2020* which outlines the limitations and requirements for Council's power to lease land. Community engagement will be required in accordance with Council's engagement policy, unless the lease proposal has been included in the annual budget.
33. Council may lease the Property for a retail use within the current PPRZ however this would be subject to approval of a planning permit and the tenant would need to demonstrate the proposed use would enhance or complement the public open space.
34. Advice sought from leasing agents confirmed that the Property would appeal to food and beverage operators due to the existing kitchen fit out. The location being nestled in a high-density residential area and away from direct competition lends itself to a 'destination' venue which would appeal to the market as there would be no foot traffic customers.
35. The *Retail Leases Act 2003* would almost certainly apply if Council were to lease to a private operator, meaning that Council's landlord responsibilities would be onerous and expensive. This includes such items as major repairs and land tax, which would not be recoverable from the tenant.
36. Bringing the Property into a condition fit for lease to a community operator would require significant investment from Council by way of fit-out and the necessary works required to bring the Property up standard and would require changing the existing building code.
37. The estimated rental for the property would be in the region of \$40,000 per annum subject to a 15-20% incentive.
38. This option is not recommended due to building compliance costs and the associated leasing costs including Real Estate agency fees, outgoings, land tax, essential safety services and capital repairs and maintenance.

Option 3 - Demolish and convert Property to open space:

39. In 2013 Council adopted the 'Strategies for Creating Open Space' (**SCOS**) to proactively address the provision of public open space within the municipality. This strategy was informed by Council's Public Realm Strategy 2010, which provides an analysis of the quantity of open space within the municipality.

40. Currently there are no strategic plans for this Property and the site is well-served by nearby open spaces as can be seen in the table below.

Site	Distance (approx.)	Area (approx.)
Osborne Street Linear Reserve	Adjacent	3,100m ²
Osborne Street Playground	240m	800m ²
20-26 Osborne Street	290m	395m ²
15 Balmoral Street	210m	398m ²
Argo Reserve	270m	3,600m ²
Grosvenor Street Reserve	550m	4,900m ²
South Yarra Siding	350m	6,100m ²

41. Whilst there are no direct requirements for conversion of the Property to open space, there are a handful of sites within the nearby Mount Street Masterplan for acquisition and/or conversion to open space which has been identified and considered as replacement open space.
42. Three of these sites are subject to a Public Acquisition Overlay.
43. The acquisition and conversion of these sites, together with conversion of the Clifton Street Car Park (Anchor Place), would see the Mount Street Masterplan finally completed.
44. Council owns the Clifton Street Car Park however funding for its conversion is not available due to financial constraints. Revenue to fund the works could be generated by the divestment of the Property.

Option 4 - Rezone and Divest the Asset (Recommended Action)

45. Council's Strategic Planners have advised that NRZ3 is the most appropriate rezoning option for this property based on current information. Subject to community engagement and approval of rezoning and divestment, a planning consultant will manage the planning scheme amendment process on Council's behalf for the rezoning of this Property.
46. Officers considered the potential to rezone, subdivide and sell the land as two or three lots, however Council's valuation consultants have advised this will limit options for a multi-unit subdivision development and best left as one lot.
47. Another option considered was to divest the site to another Public/Government Authority with the current PPRZ zone, and this option would mean that Council would not be liable for Windfall Gains Tax. However, given that the market value based on current PPRZ zoning is heavily reduced compared to the assessed market value

assuming the Property is sold under NRZ3, this would be a less financially favourable option.

48. Officers obtained a valuation (**Attachment 2**) for the Property based on two assessments (which are detailed at Point 66 below):
- Market value as a Public Park and Recreation Zone; or
 - Market value assuming the property is rezoned Neighbourhood Residential Schedule 3 (NRZ3).
49. The process for the sale of council land is outlined in section 114 of the *Local Government Act 2020*. The Local Government Best Practice Guidelines for the Sale and Exchange of Land 2009 outlines best practice is to provide a four-week consultation period together with a public notice of the intention to sell land.
50. The Guidelines state that a sale of land should be conducted through a public process, unless circumstances exist that justify an alternative method of sale. Selling public property by public process is regarded as representing good practice for Council because it provides the general public with the opportunity to respond to the proposal. Without such a process, Council cannot be certain that the best possible sale price will be realised.
51. Allowing the public to respond to the proposal to sell land subject to rezoning before commencing the planning scheme amendment process may also assist in alleviating and highlighting concerns which might arise through public exhibition as part of the planning scheme amendment process.
52. Any divestment of the land would be subject to provisions of the Subdivision Act and any net sale proceeds from divestment must be used for replacement open space.

Subdivision Act Requirements – sale of PPRZ

53. As the Property is currently zoned PPRZ, it falls within the definition of 'public open space' (**POS**) under the Subdivision Act 1988 (**Subdivision Act**) irrespective of whether it has been used as POS. The following requirements apply:
- Council must provide 'replacement public open space' pursuant to section 20(4) of the Subdivision Act; and
 - The proceeds from the sale of the Property must be used to:
 - i. buy land for use for public recreation or public resort, as parklands or similar purpose;
 - ii. improve land already set aside for use for such purposes; or
- with the approval of the Minister for Local Government, improve land, whether already set aside or not, used for public recreation or public resort, as parklands or similar purposes.
54. Legal advice suggests that if the Property is rezoned from PPRZ to another zone prior to the sale, it will no longer be POS within the meaning of the Subdivision Act, however this would not negate Council's statutory obligations in respect to sale of POS which requires replacement open space to be provided.

Replacement open space options:

55. Pursuant to *Section 20(4) of the Subdivision Act*, Council is required to provide 'replacement public open space' if it chooses to divest of PPRZ land. The replacement open space should aim to be similar in location, quality and in size to the site being sold.
56. Further advice from the lawyers suggests the Council could meet its obligations under the Subdivisions Act if the proceeds of the sale of the Property are used to fund the acquisition of property for open space, with any surplus funds put towards the conversion of open space.
57. Replacement open space (with consideration to location, quality and size) requirements would be met by either of the following:
- Acquisition of a new property, and/or
 - Improving existing Council land that was:
 - Not purchased using POS funds
 - Not currently zoned PPRZ.
58. From a review of the SCOS acquisition list, the properties identified within the Mount Street Masterplan (see Mount Street Master Plan Site Plan in **Attachment 3**) are within close proximity to the subject Property (as detailed in the below map). Officers have identified that Council would best meet the replacement open space requirements by acquiring or converting one of the identified sites in the table in Attachment 4.
59. Further investigation of site selection for the proposed replacement open space will be the subject to Council approving the rezoning/divestment and will be guided by consultation with key internal SCOS stakeholders as well as the Mount Street Master Plan Implementation Strategy. After a further review, the most appropriate site for the provision of replacement space will be identified and presented in a subsequent report for Council for approval.
60. Officers note that acquisition of sites with a PAO may be acquired by compulsory acquisition in accordance with the *Land Acquisition and Compensation Act 1986*, however negotiation by private treaty is the preferred option.



Governance Compliance

Policy and Strategic Alignment

61. Stonnington City Council is preparing a Housing Strategy as a framework to guide decisions and manage future housing within the municipality. The strategy will also provide guidance relating to new developments and other infrastructure to support projected growth.
62. Council's Strategies for Creating Open Space identifies potential land opportunities for purchase to provide additional future open space within the municipality. Future open space sites identified within the Mount Street Masterplan area have been either purchased by Council or reserved for future purchase by through a Public Acquisition Overlay for public open space.
63. Chapel ReVision Structure Plan identifies Chapel Street has a significant shortage of public open space in that area. A key objective is to provide quality streets and public spaces to meet the needs of an increasing number of people that will live, work and visit the area in the future.
64. Key recommendations from the Neighbourhood Framework Plan include:

- New links and laneways, expanded footpaths and pedestrian spaces to create an opportunity for public open space in locations such as Anchor Place and Mount and Clifton Streets
- Increase and improve public open space to enhance the public realm and pedestrian movements within an area undergoing transition to mixed use/higher density housing.

65. Council's Engagement Policy was adopted in 2021 and outlines the framework for engagement processes. When undertaking engagement for the purposes of this proposed divestment, Council will seek consultative feedback by inviting responses to the proposal via the 'Inform' and 'Consult' levels of engagement under the IAP2 Spectrum of Engagement.

Financial and Resource Implications

66. The valuation report can be seen at **Attachment 2** and includes two assessments:

- Market value as current PPRZ
- Market value assuming NRZ3

67. The valuation lists the market value based on the existing PPR zoning as well as the market value assuming the Property is NRZ3.

68. Costing for the Planning Scheme Amendment rezoning process is largely dependent on the number of submissions received during the public exhibition process, and the length of the panel hearing. If a planning panel can be avoided, costs may be reasonably estimated up to \$5,000. Otherwise, if a planning panel is required, it is likely that legal and other expert representation would be necessary and could increase costs by an estimated \$30,000 to \$60,000. The valuation allows for costs associated with the planning scheme amendment at \$150,000 and a risk allowance of 5% of the present value of the sales proceeds.

69. Windfall Gains Tax applies to all land rezoned by the same planning scheme amendment resulting in a value uplift to the land of more than \$100,000. In determining the value uplift, all land owned by Council and subject to that rezoning is taken into account. The taxable value for uplift is the difference in the capital improved value (CIV) of the land before and after the rezoning takes effect. The Valuer-General Victoria is responsible for determining the value of the land before and after a rezoning.

70. Sales costs including agent commission, legal fees, marketing and public notice are estimated at \$82,800.

71. The estimated costs to bring the property into a lettable standard, by upgrading the toilets to a Building Code and disability compliant are in excess of \$210,000.

72. A detailed condition assessment was conducted by council's building maintenance contractor. The assessment looked at the current condition of the components and anticipated end of life. Anticipated costs to keep the condition consistent with its current state are estimated at \$500,000 over the next ten years.

73. Ongoing costs to maintain essential safety services are currently estimated at \$5,691 per annum regardless that the building is vacant. Council must still keep up with its compliance obligations.
74. Council's Asset register reports a total written down value of \$310,498. The land value for the site is listed as \$1.6m.

Conflicts of Interest Disclosure

75. No Council officer and/or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Decision Making Connection Disclosure

76. Council has instructed a property valuation consultant to undertake a current market valuation report based on the current zoning and proposed rezoning to NRZ. Advice has been provided on the windfall gains tax implications. The advice helps to guide the financial decision to divest and rezone the Property.
77. Legal advice from Council's lawyers have advised on the legislative requirements when selling PPRZ land in accordance with the Subdivision Act and the steps required to provide replacement public open space.

Legal / Risk Implications

78. Due to the time and costs associated with proposing a planning scheme amendment, Officers consider that progressing community engagement under section 114 would be an appropriate first step to mitigate risks and allow Council to consider any feedback from the community before investing in the rezoning process.
79. *Section 114 of the Local Government Act 2020* outlines the process Council must follow when selling or transferring land. Community engagement and public notice advertising of the intent to sell at least four weeks prior to the event will be required.
80. A key part of the legal advice regarding the sale of PPRZ land is the requirement to provide replacement open space. Advice from Council's lawyers states that the replacement land does not need to be exactly the same size nor in the same geographic area, however recommend that Council be able to demonstrate that the replacement public open space service the needs of the community. For this reason, Council may wish to ensure that the replacement public open space is reasonably similar in size and quality to that being replaced.
81. As per the Guidelines, it is best practice for Council to progress the rezoning of the Property either:
- prior to selling the Property, or
 - as a condition precedent under the contract of sale.
82. In accordance with the *Planning and Environment Act 1987*, rezoning the Property may take up to two years due to the planning scheme amendment process, which as well as Council endorsement also requires ministerial authorisation and a public exhibition process for at least 4 weeks. Following this, a panel hearing and subsequent panel report may be required before Council adoption and ministerial approval can be obtained.

Community Consultation

83. *Section 114 of the Local Government Act 2020* outlines the process Council must follow when selling or transferring land. Community engagement and public notice advertising of the intent to sell will be required at least four weeks prior to the event. Community consultation is proposed to be undertaken around September 2025.

Purpose	To meet legislative requirements under Section 114 of the Local Government Act, Council is required to seek feedback on its proposal to sell the property located at 78 Osborne Street, South Yarra.
IAP2 Goal:	To Consult – To obtain public feedback on analysis, alternatives and/or decisions. To Inform – To provide the public with balanced and objective information to assist in understanding the problem, alternatives, opportunities, and/or solutions.
Exhibition period	Public notice will be for a period of at least 4 weeks. Specific dates to be confirmed after Council endorsement.
Method:	Information regarding the proposal will be made public through Council's website. Submissions will be invited via the Connect Stonnington portal on Council's website. Letter drops to local residents will also be undertaken to inform of the consultation process.
Reach:	Include social media and Connect Stonnington page view/readership statistics.
Summary of feedback:	A short statement on 'what we heard' will be provided in a further report to Council following the engagement process.

Human Rights Consideration

84. Complies with the Charter of Human Rights & Responsibilities Act 2006.

Attachments

1. Attachment 3 - Mount Street Master Plan Site Plan [8.3.1 - 1 page]

Attachment/s to this report are Council business information, being information that would prejudice the Council's position in commercial negotiations if prematurely released under Section 3(1)(a).

Mount Street Masterplan – 2025 Updated Plan

