

CONFIDENTIAL MEMORANDUM

TO: Council

MEETING DATE: 26 March 2018

TITLE: Sale of land - request to amend settlement date

DATE: 20 March 2018

AUTHOR/S: Steve Paterson, Strategy Manager Finance, City Corporate
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REASON FOR CONFIDENTIALITY

It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987, because:

s7(2)(i) Negotiations

RECOMMENDATION(S) TO COUNCIL

- 1. That the Chief Executive be delegated authority to agree to the settlement date for the sale of the property at 28 Waldegrave St to the Manawatu Rugby Union being extended to no more than 31 March 2019 on the same terms and conditions as in the sale and purchase agreement modified to charge interest for the period of the further extension.**

1. ISSUE

The Manawatu Rugby Union (MRU) has written (copy of letter received 19 March 2018 attached) seeking agreement to a further extension of the settlement date to 28 November 2018 for the property they are purchasing from the Council. As settlement is currently due on 27 April 2018 the matter needs urgent consideration.

The Chief Executive does not have delegated authority to alter the terms of sale previously agreed to by the Council so the matter has been brought to the Council for a decision.

2. BACKGROUND

In August 2014 the Council approved the sale of 28 Waldegrave St to the MRU. The terms of the sale were included in the report to the Finance & Performance Committee meeting on 18 August 2014. They included:

- The sale price being \$165,000, a deposit of \$10,000 being paid and the balance due two years from the date the sale became unconditional (i.e. 9 November 2017)
- No interest being charged on the outstanding sum
- Title in the land remaining with the Council until final settlement occurs.
- Interest rate for late settlement 14% pa

MRU has taken over the property and upgraded the building.

In September 2017 MRU wrote to the Council seeking an extension of the settlement date to 27 April 2018. [REDACTED] s7(2)(i) Negotiations

[REDACTED] They indicated they expected payments from the NZ Rugby Union on 20 January and 20 April 2018. Staff did not seek more detailed financial information from MRU.

At its meeting on 25 September 2017 the Council approved the recommendation of the Finance & Performance Committee that the Chief Executive be authorised to extend the settlement date to no later than 30 April 2018 on the same terms and conditions as in the sale and purchase agreement.

[REDACTED] s7(2)(i) Negotiations
[REDACTED] to date more detailed financial information has not been sought from them.

MRU has invested heavily in upgrading the building as their high performance centre. The Council has been keen to facilitate MRU presence on the periphery of the Central Energy Trust Arena given they are one of the key users of the facility.

The current extension was provided on the same terms and conditions as provided for in the sale and purchase agreement i.e. interest free. The question now arises as to whether any further extension should be provided on the same terms and conditions. There are no guarantees MRU will have the financial resources to complete the transaction by November 2018. For this reason it is suggested the Chief Executive be given the delegated authority to extend to 31 March 2019, in case this proves to be necessary.

It is probably not in the interests of either the Council or MRU for the agreement to lapse although as time passes the value of the land is increasing and the Council will not gain the benefit of that if the term is extended without further recompense to the Council.

Without knowing with any certainty the current financial position of MRU it is not in anyone’s interests for the settlement to drag on for an indefinite period. Some recompense to the Council for the delay does not seem unreasonable. This could be provided by way of interest on the outstanding sum for the period of the further extension. Interest at 5% pa over the period from 27 April to 28 November 2018 would amount to approximately \$4,500 or \$7,200 for the period to 31 March 2019.

3. NEXT STEPS

The Chief Executive and Council staff will negotiate with MRU to implement the Council’s decision.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	YES
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council’s policies or plans?	No

ATTACHMENTS

1. MRU letter received 19 March 2018

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