

# CORRECTED VERSION

## SELECT COMMITTEE ON PUBLIC LAND DEVELOPMENT

Melbourne — 13 December 2007

### Members

Mr D. Davis

Mr P. Hall

Mr P. Kavanagh

Mr E. O'Donohue

Ms S. Pennicuik

Mr B. Tee

Mr E. Thornley

Chair: Mr D. Davis

Deputy Chair: Mr B. Tee

### Staff

Secretary: Mr R. Willis

Research Officer: Ms C. Williams

### Witness

Mr R. Altson, director, property acquisitions, Mirvac Group.

**The CHAIR** — I again declare open the hearing of the Legislative Council Select Committee on Public Land Development and more generally indicate that Mr Richard Altson from Mirvac Group is to give evidence. All evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and is further subject to the provisions of the Legislative Council standing orders. Any comments you make outside the hearing may not be afforded such privilege. You will be given a copy of the proof Hansard transcript shortly, and you will be able to make any typographical corrections you need to make.

I ask you to state your position. I understand you do not wish to make an opening statement but are just happy to answer questions.

**Mr ALTSON** — Certainly. My name is Richard Altson. I live at 855 Glenferrie Road, Kew. I am the director responsible for property acquisitions for Mirvac in Victoria, but from time to time I am asked to do roles that are outside Victoria, and the Walker Corporation acquisition of assets was one that I ran last year. We acquired roughly \$1.2 billion worth of properties around Australia, predominantly in New South Wales and Queensland, and I was head of running that process.

**The CHAIR** — You bought those Walker Corporation assets?

**Mr ALTSON** — Correct, yes.

**The CHAIR** — Some \$1.2 billion worth of assets?

**Mr ALTSON** — Correct.

**The CHAIR** — Around Australia?

**Mr ALTSON** — Yes.

**The CHAIR** — Would you detail the Victorian assets?

**Mr ALTSON** — The only one we have — and we have not bought it — is a put-and-call option on Kew, which comes into place when stage 1 is complete. We have a right to call — it is obviously subject to consent by government; it is not something that automatically occurs — at the end of stage 1. We have a right to call for it, and it may or may not happen.

**Mr THORNLEY** — It is a put and call, though, so do they have the right to put as well?

**Mr ALTSON** — Correct. We initially have the right to call for it, and if we do not call and they choose to, they can put it to us, but either way it is still subject to consent.

**The CHAIR** — So that would be the section A18 of the development agreement that would require government agreement for that option to be exercised in either event?

**Mr ALTSON** — Yes, I think that is correct. I am not sure about the actual number in the agreement, but that is right. From stage 2 on there is a provision that says that the consent cannot be unreasonably withheld, where at stage 1 that was purely at the government's discretion.

**The CHAIR** — Just let me understand this. Certainly in your financial year results for 2007 published on 21 August you list restocking Kew Victoria, and \$312 million is the value that you would put on those 301 residential community properties.

**Mr ALTSON** — Sorry, what was the value?

**The CHAIR** — It is \$312 million in that document.

**Mr ALTSON** — Right.

**The CHAIR** — That seems to be the consistent figure that has been mentioned in your documents, including your annual report — I am just trying to find this; I cannot lay my hand on it — which also sticks with that figure, as I understand it.

**Mr ALTSON** — That is probably right.

**The CHAIR** — How do you incorporate that figure in your accounts when there is that uncertainty as to whether it will be put or called and, in either event, whether the state government may, for reasons that are reasonable to it, withhold the exercising of that option?

**Mr ALTSON** — I am not sure how to answer how it goes in our accounts, because I am really on the acquisition side and do I not know anything about the accounting side, but I would think that it is not included. It is a property that we may be able to pick up or we may not be able to pick up, so I am not sure that it can be included. I think that reference there to the \$312 million is the likely gross realisation that would come out of the balance of the property.

**Mr THORNLEY** — I will take a wild guess — but I may be wrong and you may not know — but it would seem to me that, if you are the subject of a put option, then you may have liability you may have to put on your balance sheet as a result of that.

**Mr ALTSON** — Possible.

**Mr THORNLEY** — In which case you would have to have a corresponding asset. I do not know, maybe that is how it flows through.

**The CHAIR** — I am just trying to understand how this works.

**Mr ALTSON** — It is possible. I mean, you are right, there are contingent liabilities, and it might well be that we have had to register it because of a contingent liability that — —

**Mr THORNLEY** — The subprime boys in the US forgot to do that, and as I recall it turned out badly.

**The CHAIR** — And in regard to that purchase of assets, is it conceivable that the asset may not be transferred?

**Mr ALTSON** — Yes, that is conceivable. First of all the government may not consent.

**The CHAIR** — Yes.

**Mr ALTSON** — That is the first point. Secondly, we may not call and they may not put it to us. So it is conceivable that it may not happen.

**The CHAIR** — If that document that lists the 11 903 acquisitions and has 301 lots at Kew Cottages, and there are no sort of qualifications on it. I am just trying to get to understand how this can be reconciled with the earlier evidence that we have had.

**Mr O'DONOHUE** — I just want to ask one question. In your annual report that was presented to the committee previously, you state that you anticipate 17 lots from your Rockbank property from 2012 onwards. Were you involved in that purchase, or that joint venture?

**Mr ALTSON** — I was not directly involved. I was actually up in Sydney working on the Walker one from August until December last year. That occurred during that time. I am obviously aware of the project.

**Mr O'DONOHUE** — Are you hopeful of having it come on stream by that time?

**Mr ALTSON** — Again, we are going through a process of working out how we are going to deal with it — planning and so on. What was the date you said there?

**Mr O'DONOHUE** — Two thousand and twelve.

**Mr ALTSON** — I do not think we ever thought it would be any earlier than that.

**Mr O'DONOHUE** — How has the response been from government thus far to — —

**Mr ALTON** — I have not been involved in that one, sorry. That has been handled by — once a project is acquired it goes straight into development and it gets handled by development and our chief executive office and so on. So I am not up to date with that.

**Mr O'DONOHUE** — I am just interested because that land is obviously in a green wedge, so for you to have that in your annual report would obviously require rezoning legislation et cetera. I am interested in the government's response to the proposals you have put, because the green wedge is obviously an issue for this committee, and the rezoning of green wedge land is an issue for the broader community.

**Mr ALTON** — I cannot add anything, unfortunately.

**The CHAIR** — Has there been any transfer of money in relation to Kew?

**Mr ALTON** — No.

**The CHAIR** — From Mirvac to Walker?

**Mr ALTON** — No, there has been no transfer.

**The CHAIR** — None whatsoever?

**Mr ALTON** — No.

**The CHAIR** — No considerations or — —

**Mr ALTON** — No.

**The CHAIR** — Okay. Are you aware that there has been a letter, and this arrangement between Walker and your firm as a put-and-call option, as you described it, has been the subject of a letter to the Minister for Major Projects from Brian Walsh, the president of the Kew Cottages Coalition? It is written to Mr Theophanous, the Minister for Major Projects, saying 'it would appear that Walker Corporation is in breach of section A18' — the section on assignment — 'of their KRS' — that is, Kew Residential Services — 'development agreement (Oct 06) with the state of Victoria ('the agreement')'. I am quoting directly from that letter:

I write, therefore, to request that in your capacity as Minister for Major Projects you investigate the following matters regarding this contentious development agreement as a matter of urgency:

1. Have Kew Development Corporation (Walker Corporation) breached s.A18 of the agreement —

that is the section, as I have outlined. Are you aware of the section, but not necessarily by number, about the movement of the assignment or so forth? And:

2. Are Walker Corporation now seeking the Minister for Planning's approval to amend their Kew Cottages development ... in a manner that may have the effect of preventing the state's proper scrutiny of Walker's compliance with the October 06 KRS development agreement during —

the following year?

I am drawing your attention to this because it is now common knowledge, I think, that there is an amendment to the planning arrangements that are being requested by Walker, although the official document has not been as yet made public. Are you aware of that document?

**Mr ALTON** — No, I am not.

**The CHAIR** — Does that affect your likelihood to exercise your options?

**Mr ALTON** — It could possibly. I do not know what it contains, but we had the planning information on the property, we made our own assessments based on that. So if something does change significantly, then that may be the variation. I just do not know what — — .

**The CHAIR** — You have not seen any of that arrangement?

**Mr ALTON** — No, I have not seen anything.

**The CHAIR** — You made your arrangements with Walker on the basis of the planning as it was at that time?

**Mr ALTSON** — Yes.

**The CHAIR** — The UDF — the urban design framework — that was in position?

**Mr ALTSON** — Yes.

**The CHAIR** — And the understanding that the planning minister would need to intervene to change the arrangements if there was to be any change in those earlier arrangements?

**Mr ALTSON** — We only worked on what we knew. We did not work on the possibility of any changes to it. All of my analysis was based on what was publicly available.

**The CHAIR** — Right. And in terms of the urban design framework, it contemplated towers up to five storeys high. Was that in your calculations?

**Mr ALTSON** — We just looked at what Walkers had prepared as their own plan, and we worked off that.

**The CHAIR** — You see there is no final set of plans.

**Mr ALTSON** — Correct.

**The CHAIR** — That Walkers have ever tendered to anyone that we can see, possibly including the government.

**Mr ALTSON** — Correct.

**The CHAIR** — It is somewhat nebulous to me how you make these calculations when you do not know how many properties there are or what the nature of them is.

**Mr ALTSON** — We were aware of — when you say ‘how many properties’ — how they were proposing to lay it out. I know that everything was not set at that time; even the house designs were not set at that time, except for the KRS houses. I am aware of where the multi-level was set on the site, and we had regard to that. I never saw any plans on that. They never produced any plans on that multi-level; it was just an indication of what could be done up there.

**The CHAIR** — So you purchased it without seeing any detailed plans?

**Mr ALTSON** — Correct.

**The CHAIR** — Okay.

**Mr ALTSON** — When you say we purchased it, we entered into a put and call.

**The CHAIR** — An arrangement?

**Mr ALTSON** — Yes.

**The CHAIR** — As you described it, a put-and-call arrangement.

**Mr ALTSON** — Correct.

**The CHAIR** — So just to understand this, your view is that the publicly available information is all that was available to you? There were no plans shown to you by Walkers of the outline of the stages beyond stage 1?

**Mr ALTSON** — No, there was a plan — I think it is publicly available — that shows how it was going to be chopped up, and we had regard to that. But we did all our own work on the property — we did all our own revenue estimates, our own construction estimates, within the sort of outline of the numbers that they provided us with.

**The CHAIR** — Did you see the financial model that was part of the original contract?

**Mr ALTSON** — We prepared our own.

**The CHAIR** — Did you see the full details of the contract that the government had with Walkers?

**Mr ALTSON** — No, not at that time.

**The CHAIR** — So you entered into this agreement without seeing the — —

**Mr ALTSON** — We did our own modelling. We have had quite a bit of experience, as you would appreciate, with Beacon Cove, Waverley Park and the Heath, and in fact we were in the tendering process up-front. We did not make it to the last cut, but we had done quite a lot of work and done our own schemes on that property, so we understood the property reasonably well.

**The CHAIR** — Did you consult with local council in this process?

**Mr ALTSON** — No.

**The CHAIR** — So there was no community or — —

**Mr ALTSON** — I just have to check, but I do not think the final approval had come out from the council. There had been quite a long process in planning. We were dealing with this back in November, and I think the final approvals came out in January or February. So at the time we were dealing with it we were just making our best estimate.

**The CHAIR** — Do you think you got a good deal from Walkers?

**Mr ALTSON** — I live in Kew. I like the property. I think it is a fantastic spot, and it fitted with the sort of projects that we do. It was the only one that was available in Victoria, to be honest, so we thought it was the sort of thing we would like to pursue.

**The CHAIR** — You were an original bidder in the process.

**Mr ALTSON** — Correct.

**The CHAIR** — And were unsuccessful and were beaten by Walkers at that point.

**Mr ALTSON** — Well, I am not sure what numbers it got down to. It started off with quite a wide range of numbers, but I think we were down in the last two or three.

**The CHAIR** — What do you think was the factor that got them over the line? Was it former Senator Richardson who was their secret weapon? We have heard evidence to that effect.

**Mr ALTSON** — No, I do not think so.

**Mr TEE** — We have not had evidence to that effect, in fact.

**The CHAIR** — Well, that he intervened at that point.

**Mr TEE** — No, we have not had that evidence, either.

**The CHAIR** — Yes, we have.

**Mr TEE** — No, we haven't.

**The CHAIR** — Yes, we have.

**Mr TEE** — No, we haven't.

**The CHAIR** — We have.

**Mr TEE** — Haven't.

**The CHAIR** — We have. It is actually a subject of our interim report.

**Mr TEE** — Maybe. It does not mean it is the basis of our evidence.

**The CHAIR** — That is what we heard.

**Mr TEE** — Our interim report is not necessarily the basis of our evidence.

**The CHAIR** — Well, I suggest you go back and reread the transcript.

**Mr TEE** — I am. I've got it here. I read it.

**The CHAIR** — You did?

**Mr TEE** — Yes.

**The CHAIR** — That was suggested, it was. Anyway, please.

**Mr THORNLEY** — I hope you captured all of that!

**Mr TEE** — He started it.

**Mr ALTSON** — No, we were advised at the time. There were a couple of issues that we could not agree to in our negotiations with the government, and it was indicated on those two that if we did not agree we would be removed from the process.

**The CHAIR** — Are you at liberty to tell us what they were?

**Mr ALTSON** — Can I take that on notice? I do not think there is any reason why I cannot, but I should just check on that.

**The CHAIR** — We would appreciate that.

**Mr ALTSON** — They are not things that go to the heart of the negotiations. They related to our timing on staging. The government was very keen to make sure that the whole 70 houses were built around the KRS houses. We said we were happy to build all the KRS houses, but we would have a preference to also start other stages at the same time, which they would not agree to.

**The CHAIR** — So it was a staging issue?

**Mr ALTSON** — It was a staging issue, really.

**Mr TEE** — Is it the same as the timing issue?

**Mr ALTSON** — It fitted in with the timing issue. That was the main thing that they said was a problem to them. They wanted to make sure that all the houses were built at the same time: you build the KRS houses and you build everything around them, so that there would be no disturbance. We wanted to do another stage at the same time.

**The CHAIR** — Whereas the subsequent stages will not face that particular conundrum?

**Mr ALTSON** — No, and that was probably why we saw it as that issue being removed. If Walkers completed stage 1, all the KRS would be virtually complete, all the houses around them would be complete, and it removed that issue for us.

**The CHAIR** — The information circulating privately currently about the application, which I have not seen, so I am hearing this information second-hand and hence putting it to you — you may have some information on this — is that the subsequent stages will require the removal of further trees. Is that your — —

**Mr ALTSON** — I do not know that. I know that the trees were identified prior to signing off. I do not know about anything since that time.

**Mr KAVANAGH** — We have heard from one of your competitors that they donate large amounts of money to major political parties. Is that true of Mirvac also?

**Mr ALTSON** — I am sorry, I do not know. I assume it is in the annual report, if we do, but it is not part of anything I have had any involvement in and have never seen it. They may or they may not. I just do not know.

**The CHAIR** — I wonder if you might, in a more general sense than Kew, give us your understanding of the role of public land in this development process? For example, you mentioned the site of the old VFL or AFL park, as it was. That was a significant development site that was facilitated in a number of ways.

**Mr ALTSON** — Yes.

**The CHAIR** — Are there other large sites around the city that Mirvac would look at as potential development sites?

**Mr ALTSON** — We will look at everything. Whether we get involved — I suppose the classic one where we did not get involved was down at Portsea, where the public land was being put up for sale and we chose not to become involved in that. So there are instances where we will look at something and say, 'Well, it's probably not in our interests to get involved in it'. Waverley Park was a private property; it was owned by the AFL, so there were no issues in relation to that. We had to work with heritage issues and other requirements.

**The CHAIR** — It was sort of sacred land, rather than public land?

**Mr ALTSON** — Sort of sacred. There were quite a few people who held pretty strong opinions on whether it should be developed, or even closed down. In the end it went through reasonably. We have had to do things there like putting the powerlines underground — a very significant cost. There were things that the government wanted to see achieved there, and so we met those in our planning requirements. We try to work closely with the government to make sure that we deal with things in an appropriate way. Heritage is one of those things. They wanted to see the stand retained. They set a minimum of four bays; we kept eight. They wanted to see the circulation retained in the format of the car park; we did that as well. So we spent a bit of time. At Beacon Cove they wanted to retain the light point, which was heritage. We work with heritage people and the government to try to meet those sorts of requirements.

**The CHAIR** — The open space requirements in these developments, in a sense the public areas of these developments, do you have any comment to make about them?

**Mr ALTSON** — Do you mean on the private ones we are doing?

**The CHAIR** — Yes, on developments that you are doing. How does the requirement operate?

**Mr ALTSON** — Generally we go higher than what is required. If you take Waverley Park as an example, the minimum requirement is usually 5 per cent; I think we are running at about 18 or 20 per cent of public open space there — helped, of course, by retaining the football oval. The Heath was roughly the same. We try and provide areas for families to be able to make use of within the estate.

**Mr TEE** — Just on the issue of lobbyists, I am wondering whether or not your organisation has ever used Michael Wooldridge, Michael Kroger, Ron Walker, Peter Reith or Robert Doyle, in terms of facilitating arrangements?

**Mr ALTSON** — I do not know is the answer, and I have never heard of anybody being used in the past. I cannot say it has never happened, but I do not know of anybody being approached and asked to act as a lobbyist for us.

**The CHAIR** — Thank you for your contribution today. We may need to talk to you just a little further to follow up on some details there, about that Kew site in particular.

**Mr ALTSON** — Sure.

**The CHAIR** — Thank you and your firm for your assistance today.

**Mr ALTON** — Thank you.

**Committee adjourned.**