Ex-mayor 'stood to get $5m' over deal

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A FORMER mayor and councillor entered into a deal in which she and her sisters would be paid $5 million if rezonings were approved to allow Coles Myer to build a shopping centre and residential development.

Lynne Beck was a councillor and one of the pro-development majority on Tweed Shire Council when in November last year she sold family land in the district, then entered an agreement with Coles's joint-venture partner to benefit from future successful rezonings on the site.

Mrs Beck said she did not publicly declare her ongoing interest in the property, sold in November last year.

"I did check it out and I was told you have to declare it once a year," she said.

The council was sacked in May after an inquiry found the pro-development majority had been improperly influenced by developers working on local projects.

"I was sacked, so I have no conflict of interest," she said.

Lucy Turnbull, one of three administrators who replaced the council, said: "In an ideal world people should disclose contingent pecuniary interests."

John Warburton, internal ombudsman of Sydney's Warringah Shire Council and a former investigator for NSW's Independent Commission Against Corruption, said the corruption watchdog should examine whether the agreement had any adverse impact on honest and impartial conduct.

"It's a contingent agreement that would provide a massive benefit to a public official," Mr Warburton said.

"It's hard to imagine it is not a breach of the code of conduct."

Mrs Beck acted as attorney for her mother Ena Frances Robertson in the sale to Kingscliff Land Company on November 8 last year of the 48.62ha of land at Cudgen, zoned "agricultural protection". Coles has a $20 million charge over the land and invested $4.5 million in the purchase by its joint-venture partner KLC.

Mortgage documents obtained by The Australian reveal KLC entered a conditional mortgage arrangement with Mrs Beck and her two sisters, promising them an extra $5 million, if the zoning were changed to retail and residential. "The principal amount of the advance is the sum of DOLLARS ($) 5,000,000," the mortgage agreement says.

Principal would be repaid after four years on the condition that "any development consent, rezoning or material change of use of the land to allow part of the property" to be used for "a supermarket or similar retail development with a floor area of 2700 metres square" and "residential development of 200 dwellings or home units".

If rezonings were not granted "the borrower (KLC) shall be entitled to be released from all obligations to pay the principal owing under the loan".

A spokesman for Coles said it had an "arms-length" relationship with the land owners, KLC.

"We were not aware of the detail of other financial arrangements," he said.

KLC investor Philip Hanna said it was a "huge surprise" to him that Mrs Beck had not declared the mortgage. He said Mrs Beck's mother's previous ownership of the land had been a hindrance, rather than an advantage, in initial negotiations about whether a rezoning would be considered.

A senior property lawyer said a conditional contract which ensured mutual benefit to a vendor and buyer in the event of a rezoning was not unusual. But it was "immediately smelly" that a member of the vendor's family was serving on council at the time of the sale, he said.

Behind KLC is a group of investors, with Melbourne-based WRF Securities property holding the majority. Their land spans from the rich red volcanic Cudgen plateau to Cudgen Creek.