

## 13.1 Community Leases Holding Over

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Senior Property Development and Leasing Officer
<b>Responsible officer</b>	Chief Operations Officer Property Development and Leasing Manager
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"> <li>1. Leases and Proposed Terms for New Lease [<b>13.1.1</b> - 1 page]</li> <li>2. Town of Victoria Park Social Investment Process - Peppercorn Leases 121022 [<b>13.1.2</b> - 2 pages]</li> <li>3. Valuation: 4-6 Temple Street (Department of Health Leases) [<b>13.1.3</b> - 15 pages]</li> <li>4. Valuation: Lathlain Community Centre (Department of Health Lease) [<b>13.1.4</b> - 14 pages]</li> </ol>

### Recommendation

That Council:

1. Authorises the Chief Executive Officer to enter into new lease agreements with the Lessees currently holding over for the applicable Premises noted as 'Peppercorn', 'Subsidised', or 'Peppercorn : Government Lease' in the column headed 'Rent Type' in Attachment 1 and with the following Key Terms:-
2. Agreement Type: Lease.
  - a. Term: up to five (5) years.
  - b. Further Term: None.
  - c. Rent: as set out in the column headed 'Proposed Annual Rent for New Lease (excluding GST)' in Attachment 1, and being either peppercorn or subsidised.  
Rent Review: CPI increase on each anniversary of commencement.  
Commencement Date: Upon execution of the agreement by both parties.  
Outgoings: The Tenant is responsible for all outgoings, which (in accordance with Policy 310 Leasing) shall be all operating/running costs, including but not limited to: (i) Refuse collection; (ii) Emergency services levy; (iii) Water rates; (iv) Council rates; and (v) All utilities related to their use (e.g. electricity, gas, water, telecommunications.).  
Maintenance: The Tenant is responsible for non-structural and preventative maintenance. The Landlord may, in its absolute discretion, undertake repair and maintenance (subject to availability of funds) in accordance with Asset Management Plans and such other factors as may be considered by the Landlord to be reasonable and/or necessary.  
Sub-licence: Prior written consent, in accordance with Head Agreement and subject to the Town being satisfied with the terms and conditions of any sublicense agreement.  
Permitted Use: In accordance with planning and zoning and in line with the Tenant's operational use/s.  
Operating Hours: hours to be within applicable planning and legislative parameters.  
Insurance: The Tenant is responsible for \$20M Public Liability Insurance and workers compensation cover with ability for Lessor to review as reasonably required from time to time.  
Special Conditions:
    - (i) Town of Victoria Park Redevelopment Clause.
    - (ii) No guarantee is provided as to the availability the continued availability of the premises

after the end of the Term or the availability of any operating subsidy.

- (iii) Not-for-profit organisations receiving a peppercorn lease to engage in the Town of Victoria Park Social Impact Investment Process: Peppercorn Leases, at a level commensurate with their organisational capability and capacity.

Terms to be set by the Town's lawyers and to incorporate such minor variations or amendments to key terms as may be agreed by the Chief Executive Officer

3. That the proposed lease to Agility Rehabilitation Pty Ltd as referenced in 1. above and Attachment 1 be advertised and submissions invited as required in terms of Section 3.58 of the Local Government Act, and any submissions received be reported to Council for consideration, prior to any lease or agreement for lease being entered into with Agility Rehabilitation Pty Ltd.
4. Authorises the Chief Executive Officer and the Mayor to execute all documents necessary to give effect to each lease between the Town of Victoria Park and the Lessee for the applicable Premises and apply the Town's Common Seal.
5. Notes the Social Impact Investment Process: Peppercorn Leases in Attachment 2.
6. Authorises the Chief Executive Officer to enter into new lease agreements with the Department of Health services currently holding over for the three Premises noted as 'Full Market Rent' in the column headed 'Rent Type' in Attachment 1, with the following Key Terms:-
  - (a) Agreement Type: Lease
  - (b) Term: up to five (5) years
  - (c) Further Term: None
  - (d) Rent: As set out in the column headed 'Proposed Annual Rent for New Lease (excluding GST)' in Attachment 1 and being Full Market Rent.
  - (e) Rent Review: CPI increase on each anniversary of commencement
  - (f) Commencement Date: Upon execution of the agreement by both parties
  - (g) Outgoings: The Tenant is responsible for all Outgoings which (in accordance with Policy 310 Leasing) shall be all operating/running costs, including but not limited to: (i) Refuse collection; ii. Emergency services levy; iii. Water rates; iv. Council rates; and v. All utilities related to their use (e.g. electricity, gas, water, telecommunications.).
  - (h) Maintenance: The Tenant is responsible for all repairs and maintenance. The Landlord may in its absolute discretion undertake repair and maintenance in accordance with Asset Management Plans, budgetary constraints and as such other factors as may be considered by the Landlord to be reasonable and/or necessary.
  - (i) Sub-licence: Prior written consent, in accordance with Head Agreement and subject to the Town being satisfied with the terms and conditions of any sublicence agreement.
  - (j) Permitted Use: In accordance with planning and zoning and in line with the Tenant's operational use/s.
  - (k) Operating Hours: hours to be within applicable planning and legislative parameters.
  - (l) Insurance: The Tenant is responsible for \$20M Public Liability Insurance and workers compensation cover with ability for Lessor to review as reasonably required from time to time.
  - (m) Special Conditions:
    - i. Town of Victoria Park Redevelopment Clause.

- ii. No guarantee is provided as to the availability of any operating subsidy or of continued availability of the premises after the end of the Term.
  - (n) Terms to be set by the Town's lawyers and to incorporate such minor variations or amendments to key terms as may be agreed by the Chief Executive Officer.
5. Authorises the Chief Executive Officer and the Mayor to execute all documents necessary to give effect to each lease between the Town of Victoria Park and the Department of Health for the applicable Premises and apply the Town's Common Seal.

## Purpose

The purpose of this report is for Council to consider entering into new leases for existing community tenants in holdover as outlined in *Attachment 1* and to set the proposed key terms for the new leases, subject to negotiations to settle the final proposed lease terms.

## In brief

- The fixed terms of sixteen (16) leases granted by the Town to community organisations at peppercorn, or reduced rent (the 'Leases') have expired. The Leases are currently in holdover.
- Review of the Leases has assessed that the lease terms do not reflect up to date best practice and do not align with the requirements of the Town's subsequently introduced Policy 310 – Leasing.
- The recommendation is to renew all the Leases without the need to address a Criteria Based Assessment for a defined period of up to 5 years and in line with Policy 310 – Leasing, with exception of commercial terms, which are recommended for the three properties leased to the Department of Health.

## Background

1. The Leases provide recreational and community benefits. The proposed renewal by granting new leases on updated lease terms is to align with Town policy and best practice.
2. Five of the Leases are to State government departments:-
  - a. Two Leases are to the Department of Communities. The Department of Communities has sublicensed to Victoria Park Community Centre, and Billabong Childcare Centre; and
  - b. Three Leases are to the Department of Health (occupied by the Department's subsidiary services, 2x Child and Adolescent Health Services and 1x Dental Health Services)
3. In December 2019, the Council adopted amendments to Policy 310 – Leasing, and Policy 114 – Community Funding. The two policies were cross-referenced to align for the purpose of the community lease arrangements.
4. The Leases predate Policy 310 - Leasing which was adopted in 2019. Examples of inconsistencies between the Leases and Policy 310 – Leasing are:
  - Lease terms;
  - Maintenance requirements;
  - Insurance requirements;
  - Outgoings (noting that the Town has not been recouping the charges as per lease);
  - Operating subsidies/peppercorn leases.

## Strategic alignment

Civic Leadership	
Community priority	Intended public value outcome or impact
CL1 – Effectively managing resources and performance.	Risk of current terms of leases in holdover will be mitigated with the new leases to include appropriate up to date terms as per policy and best practice.

Economic	
Community priority	Intended public value outcome or impact
EC1 - Facilitating a strong local economy.	Aligning the leases to policy and best practice will create education pathways for the tenants in building stronger business capabilities, through the introduction of a Social Impact Investment Process.

Environment	
Community priority	Intended public value outcome or impact
EN5 - Providing facilities that are well-built and well-maintained.	The tenants will be required to maintain the premises in accordance with the lease terms, in the interests of the longevity of the building assets provided by the Town for community purposes.

Social	
Community priority	Intended public value outcome or impact
S3 - Facilitating an inclusive community that celebrates diversity.	It is important to make Town assets available for third parties able to provide services and activities that support inclusion and diversity principles.

## Engagement

Internal engagement	
Stakeholder	Comments
Manager Property Development and Leasing	Comments are contained within this report.
Manager Community	Organisations listed for renewal as per Attachment 1 are able to help address and engage with social priorities identified within the local community. To date however, it is unclear as to the level of impact their efforts are making due to a lack of information provided for evaluation / reflection purposes.  Having a five-year timeframe to work with organisations will address immediate

	<p>high level risk elements, while allowing the Town to identify organisational capability, and subsequently tailor the building of capacity, relevant to each organisation as part of development of a social impact management approach within new Peppercorn Lease agreements. By doing this, it will improve the Town's knowledge about what each organisation does, how well they do it, and how they influence social impact outcomes more broadly. This is important because each organisation is receiving a financial and in-kind benefit to operate out of a Town owned facility, delivering services / activities for the community's benefit.</p> <p>Focus for this approach in the first instance would commence with not-for-profit organisations receiving Peppercorn Leases. Results would then dictate future applications.</p>
Social Impact Specialist	The recommended <i>Impact Investment Process: Peppercorn Leases</i> , specifically addresses the need for the Town to commence processes whereby appropriate information can be gathered from organisations receiving financial and/or in-kind support, in a way that (a) is sensitive to the abilities, needs and concerns of community-based organisations, particularly those with few resources or heavily reliant on volunteers, and (b) provides the Town with a better understanding of the social value generated by an organisation's activities, so the Town can decide where best to allocate its resources, for the benefit of the people living and working in our community.
Chief Financial Officer	As noted in the recommendation at 5 (g), and in the analysis under paragraphs 14, many tenants have paid little or no outgoings. Paragraph 15 details the proposed phasing in of these costs, which may include rates.
Manager Technical Services	No objection from a building maintenance perspective.
Elected Members	Elected Members were engaged on the topic via a Concept Forum in September 2022. Various options were presented to the EM's for input and discussion. The outcomes of that session have informed this report.

## Legal compliance

[section 3.58 of the Local Government Act 1995](#)

[Regulation 30\(2\) of the Local Government \(Functions and General\) Regulations 1996](#)

## Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
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Financial	If the premises were to become vacant, this would make the Town responsible for day to day upkeep of the premises at the Town's cost.	Moderate	Likely	High	Low	TREAT risk by renewing the Town's commitment to make these premises available for lease by existing community organisations, with updated terms as necessary.
Environmental	Not applicable.					
Health and safety	Not applicable.					
Infrastructure/ ICT systems/ utilities	Not applicable.					
Legislative compliance	Failure to comply with section 3.58 of the <i>Local Government Act 1995</i> .	Minor	Unlikely	Low	Low	TREAT risk by effecting leasing disposals in accordance with any applicable requirements of section 3.58 of the <i>Local Government Act 1995</i> .
Reputation	Not supporting community based organisations / Not for Profits to access affordable accommodation could result in a loss of important services being offered in the Town, creating associated reputation risk.	Moderate	Likely	High	Low	TREAT risk by supporting the renewal of relevant leases with organisations that align with Town priorities.
Service delivery	Not fully understanding the range of services being delivered and outcomes achieved by third parties within Town assets	Moderate	Likely	High	Medium	TREAT risk by tailoring service output and outcome reporting criteria within relevant Tenancy

may result in a duplication of service within the community.

Agreements based on organisational capability / capacity.

## Financial implications

### Current budget impact

Sufficient funds exist within the annual budget to address this recommendation.

### Future budget impact

Passing the recommendation may result in future income being received by the Town should the Department of Health leases move from a current peppercorn lease to a commercial lease for full market rent.

## Analysis

5. The Leases in Attachment 1 have been considered by analysis of the type of Tenant in each facility and the rental or social values that may be associated with the lease arrangement.
6. In October 2020, the Town contacted each Tenant under the Leases to determine their intentions moving forward and whether they would be agreeable to continuing occupation subject to Policy 310 – Leasing requirements and Council approval. All Tenants responded, confirming their intention to remain leasing the premises in accordance with Policy 310 – Leasing.
7. It is not best practice to continue holding over leases for an extended period. Lease terms become out of date, no longer reflect current standards and may present risks.
8. The Town has considered the following options for the review / renew approach of existing leases in holdover:
  - a. Renewal of all leases without the need to address a Criteria Based Assessment based on alignment with and/or consideration of the Town's policies, plans, studies and Tenant provided services.
  - b. All tenants apply for renewal using a Criteria Based Assessment in a closed environment.
  - c. All tenants apply for renewal using a Criteria Based Assessment in an open environment.
  - d. Renew all leases without the need to address a Criteria Based Assessment for a defined period of up to five years and in line with Policy 310 – Leasing terms.
  - e. All leases to be considered on a case-by-case basis with a view to applying one of the above-mentioned options to that specific tenancy.
9. It is recommended that in accordance with paragraph 8(d), all leases be renewed, without the need to address a Criteria Based Assessment for a defined period of up to five years and in line with Policy 310 – Leasing terms.
10. Renewing the Leases to place all tenants on up to date lease terms will mitigate risk by aligning lease terms with Policy 310 – Leasing, and requiring that appropriate tenant insurances are in place, with tenant obligations to provide evidence of such insurances to the Town. Such renewals will also provide time for the Town to develop and implement a Social Impact Investment Process: Peppercorn Leases for future application.
11. The new leases are to include Key Terms relevant to the type of Tenant (i.e. Community group or Department of Health). The leases to the Department of Communities are sub-licensed and occupied

by community, not-for-profit groups, including Billabong Childcare Centre and Victoria Park Community Centre. As such, it is proposed that the two leases to the Department of Communities are renewed at the existing peppercorn rentals.

12. The Town has been leasing three freehold premises to the Department of Health at peppercorn rent for many years. At some future point in time, the properties will require significant expenditure on the buildings and infrastructure. Two of the leases have older (well maintained) 1950s style buildings. It will be prudent for the Town to start collecting funds from leasing these properties. The Department of Health is a well-funded State Government entity that leases premises from private commercial landlords throughout the Perth Metropolitan area on commercial terms. Market rent valuation/s of the three Department of Health leased properties are provided in Attachments 3 and 4, showing the market rent values for the following properties;
  - a. 6 Lathlain Place, Lathlain has a current market rent value of \$26,000p.a. net of outgoings;
  - b. 4 Temple Street, Victoria Park has a current market rent value of \$30,000p.a. net of outgoings; and
  - c. 6 Temple Street, Victoria Park has a current market rent value of \$75,000p.a. net of outgoings.

It is therefore recommended that full market rent and payment of outgoings in full be applied to the three Department of Health Leases.

13. Under Policy 310 Leasing, tenants are responsible for all Outgoings which (in accordance with Policy 310 Leasing) shall be all operating/running costs, including but not limited to: (i) Refuse collection; ii. Emergency services levy; iii. Water rates; iv. Council rates; and v. All utilities related to their use (e.g. electricity, gas, water, telecommunications.). At present, many of the tenants under the Leases are not paying the outgoings for their lease. The recommendation therefore follows the terms of Policy 310, however Council may wish to consider whether there is scope to phase in the outgoings costs over the proposed new lease terms.
14. If 5 year lease terms are granted, such a phased approach could be as follows:-
  - Year 1: 0% of outgoings payable by Tenant.
  - Year 2: 25% of outgoings payable by Tenant.
  - Year 3: 50% of outgoings payable by Tenant.
  - Year 4: 75% of outgoings payable by Tenant.
  - Year 5: 100% of outgoings payable by Tenant.
15. The recommendation is to renew all the Leases, without the need to address a Criteria Based Assessment, for a period of up to 5 years and in line with Policy 310 – Leasing with the exception of commercial terms for the three Department of Health leases.
16. Renewing all the Leases without the need to address a formal Criteria Based Assessment will provide the Town an opportunity to consider and determine its strategy in proceeding upon expiry of the new leases in the future, without interrupting service delivery in the short term.
17. Information is provided in Attachment 2 as to the intent of the Town of Victoria Park Social Investment Process: Peppercorn Leases.
18. At the end of the proposed 5 year renewal term renewal for Community Leases, there will be an opportunity to assess and consider the contribution each Community tenant is providing to the community through their delivery of services/programs/social outcomes, i.e. 'social impact value'.
19. The definition of peppercorn leases as determined in *Attachment 1* apply to the methodology being a nominal rent amount which is significantly below market valuation (in this case \$1.00 per annum) paid by that Lessee to the Town to lease the premises. A peppercorn lease means the Town forfeiting revenue in return for social benefits for the community.

20. With support from the Town's Social Impact Specialist, it is proposed to enhance understanding of the social value being provided by those organisations that receive a peppercorn rental from the Town.
21. One sub-licensee from the list within Attachment 1 (Vic Park Community Centre) also receives an operating subsidy from the Town to the value of \$85,000 per annum (ex GST, plus CPI per annum). An operating subsidy is a cash contribution provided to assist and or enhance the degree and scope of community benefit activities being provided by that organisation.
22. The total annual amount of operating subsidies provided by the Town to all community organisations is capped at 1% of rateable income. Not all Tenants that lease a community use facility from the Town may meet the eligibility requirements for an operating subsidy under Policy 114 – Community Funding.

Proposed key terms for Community Leases:

<b>Key Terms</b>	
Lessor	Town of Victoria Park.
Agreement Type	Lease
Term	Up to five (5) years
Further Term	None
Rent	Per holding over lease term
Rent Review	CPI increase on each anniversary date of commencement.
Commencement Date	Upon execution of the agreement by both parties.
Outgoings	The Tenant is responsible for all outgoings which (in accordance with Policy 310 Leasing) shall be all operating/running costs, including but not limited to: (i) Refuse collection; (ii) Emergency services levy; (iii) Water rates; (iv) Council rates; and (v) All utilities related to their use (e.g. electricity, gas, water, telecommunications.).
Maintenance	The Tenant is responsible for non-structural and preventative maintenance. The Landlord may in its absolute discretion undertake repair and maintenance (subject to availability of funds) in accordance with Asset Management Plans, and such other factors as may be considered by the Landlord to be reasonable and/or necessary.
Sublicence	Prior written consent, in accordance with Head Agreement and subject to the Town being satisfied with the terms and conditions of any sublicence agreement.
Permitted Use	In accordance with planning and zoning and in line with the Tenant's operational use/s.
Operating Hours	Hours to be within planning and legislative parameters.

Insurance	The Tenant is responsible for \$20M Public Liability Insurance and workers compensation cover, with ability for Lessor to review as reasonably required from time to time.
Signage	Prior written consent from the Lessor required.
Alterations, Works and Fit Out	Prior written consent from the Lessor required.
Special Conditions	<ul style="list-style-type: none"> <li>- Town of Victoria Park Redevelopment Clause.</li> <li>- No guarantee is provided as to the availability of any operating subsidy or of continued availability of the premises after the end of the Term.</li> <li>- Organisations receiving a peppercorn lease to engage in the Town of Victoria Park Social Impact Investment Process: Peppercorn Leases, at a level commensurate with their organisational capability and capacity.</li> </ul>

Proposed key terms for Department of Health:

<b>Key Terms</b>	
Lessor	Town of Victoria Park.
Tenant	Department of Health (either Child and Adolescent Health Services or Dental Health Services as applicable)
Agreement Type	Lease
Term	Up to five (5) years
Further Term	None
Rent	Full market rent (as outlined in Attachment 3 & 4)
Rent Review	CPI increase on each anniversary date of commencement.
Commencement Date	Upon execution of the agreement by both parties.
Outgoings	The Tenant is responsible for all outgoings which (in accordance with Policy 310 Leasing) shall be all operating/running costs, including but not limited to: (i) Refuse collection; ii. Emergency services levy; iii. Water rates; iv. Council rates; and v. All utilities related to their use (e.g. electricity, gas, water, telecommunications.).
Maintenance	The Tenant is responsible for all repairs and maintenance. The Landlord may in its absolute discretion undertake repair and maintenance (subject to availability of funds) in accordance with

	Asset Management Plans, and such other factors as may be considered by the Landlord to be reasonable and/or necessary.
Sublicence	Prior written consent, in accordance with Head Agreement and subject to the Town being satisfied with the terms and conditions of any sublicence agreement.
Permitted Use	In accordance with planning and zoning and in line with the Tenant's operational use/s.
Operating Hours	hours to be within planning and any applicable legislative parameters.
Insurance	The Tenant is responsible for \$20M Public Liability Insurance and workers compensation cover with ability for Lessor to review as reasonably required from time to time.
Signage	Prior written consent from the Lessor required.
Alterations, Works and Fit Out	Prior written consent from the Lessor required.
Special Conditions	<ul style="list-style-type: none"> <li>- Town of Victoria Park Redevelopment Clause.</li> <li>- No guarantee is provided as to the availability of any operating subsidy or of continued availability of the premises after the end of the Term.</li> </ul>

23. A disposal by way of lease is subject to the requirements contained within section 3.58 of the *Local Government Act 1995* however, a disposition of land may be exempt under regulation 30 of the *Local Government (Functions and General) Regulations 1996* if the land is disposed of to a charitable, benevolent, religious, cultural, educational, recreational or sporting body or similar, the members of which are not entitled or permitted to receive any pecuniary profit from the body's transactions. If a prospective Tenant is eligible for an exemption, advertising the disposal is no longer required under section 3.58(3) of the *Local Government Act 1995*.
24. As noted in Attachment 1, the proposed lease disposals (with the exception of the proposed lease to Agility Rehabilitation Pty Ltd) are exempt from the advertising and related requirements of Section 3.58 of the *Local Government Act 1995*.
25. The terms of each relevant lease agreement will also be subject to the standard tenure guidelines for leasing facilities used for community purposes, ensuring the tenants and services are appropriately managed for the benefit and best interest of the residents and ratepayers.
26. The recommendation makes provision for the terms of each Lease to be set by the Town's lawyers and for minor variations or amendments to the key terms to be authorised, the intent being to accommodate reasonable and sensible minor points that may arise through detailed negotiation of the proposed lease relationship.

27. Should the Council resolve to endorse the recommendation, new leases for the sixteen leases in holdover will be negotiated and prepared in accordance with the relevant Key Terms as noted above.

## Relevant documents

[Policy 310 – Leasing](#)

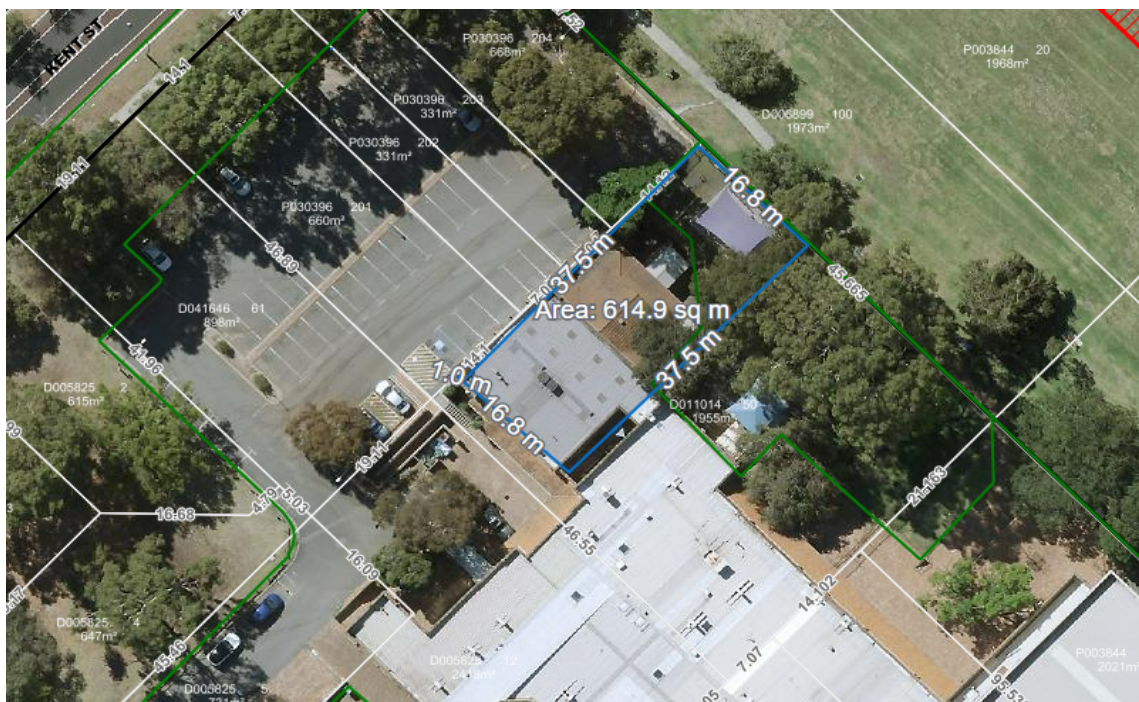
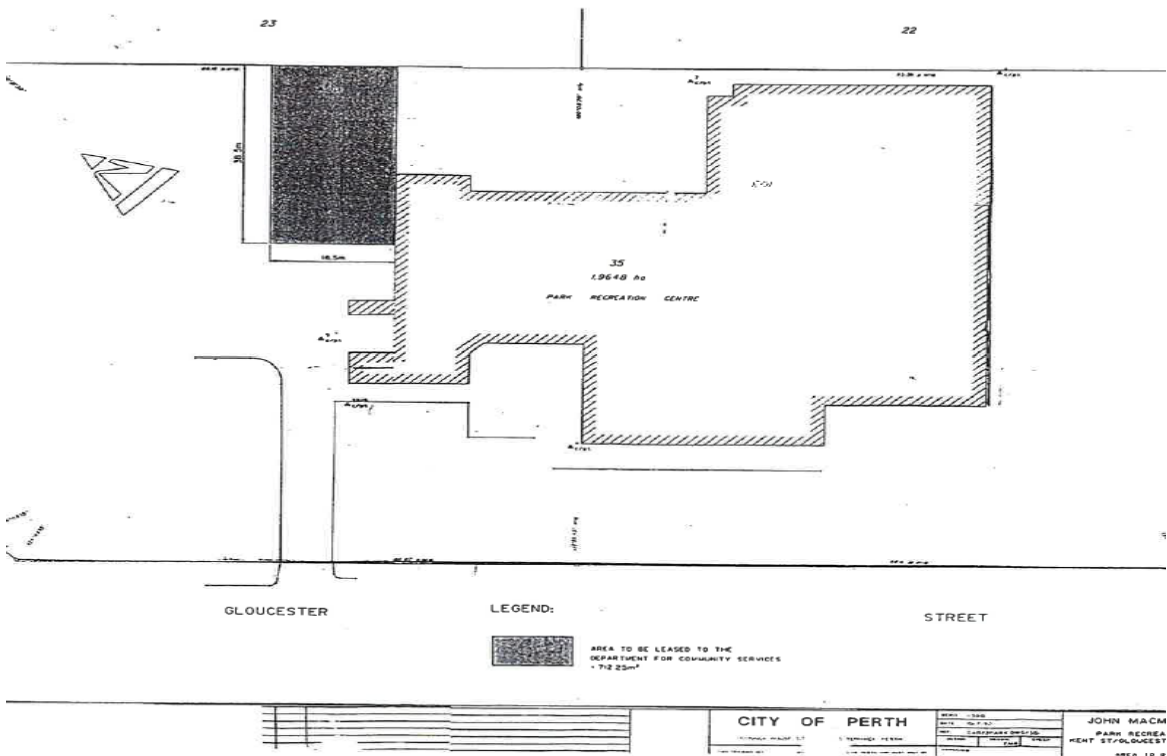
[Policy 114 – Community Funding](#)

## Further consideration

28. The following considerations were raised at the Agenda Briefing Forum held on 1 November 2022:
29. There has been minimal maintenance works undertaken by the Town for these facilities over the past years for the two properties leased by the Department of Communities. The typical amount spent was around \$500 per year.
30. In July 2022, works were arranged by the Department of Communities to remove part of unsafe playground equipment from the property occupied by the Victoria Park Community Centre. The Town has requested information from the Department of Communities as to any maintenance and repair that has been undertaken by the Department of Communities over the last five years and if this information is provided prior to the Council meeting, we will be able to update Council. The two properties leased by the Department of Communities are occupied by the Victoria Park Community Centre and Billabong through occupancy agreements granted by the Department of Communities. The Town has experienced issues with these occupiers approaching the Town directly for repair and maintenance requests. The Town has taken this matter up with the Department of Communities, which has recently instructed Victoria Park Community Centre and Billabong to refrain from contacting the Town with repair and maintenance requests.
31. Provide information on if Council has scope to make an exception in the lease for some organisations to not include rates for property
32. Further to Section 6.47 of the *Local Government Act 1995*, the Council has scope to resolve to waive a rate or service charge or resolve to grant other concessions in relation to a rate or service charge. If for example the Council wished to waive rates for tenant(s), this would require a Council resolution listing each tenant entity for which rates be waived and specifying that rates be waived for that tenancy.
33. Provide information on whether there could be different terms for different types of community organisations leasing premises or if it needs to be uniform for all.
34. The terms for community tenants are outlined in the Town's Policy 310 – Leasing. The recommended Key terms are in line with this policy.
35. Further to paragraph 24 of this report, the proposed lease renewals are all exempt from compliance with Section 3.58 of the *Local Government Act 1995*, except for the proposed lease renewal for Agility Rehabilitation Pty Ltd, which is a commercial entity that does not have charitable or 'not for profit' status. Given the status of Agility Rehabilitation Pty Ltd, it would be reasonable for the Council to not consider providing that organisation with the proposed phasing in of outgoings as referred to in paragraphs 13 and 14 of this report.
36. The Department of Health is a well funded public body that procures premises on the open market for its services and could therefore reasonably be required by Council to pay a commercial rent as well as outgoings in full, without the benefit of the proposed phasing in of outgoings as referred to in paragraphs 13 and 14 of this report.

37. The Department of Communities is willing to take a fresh lease from the Town at a rent of \$1.00 per annum plus outgoings as well as the Department being responsible for structural and non-structural maintenance responsibilities for the leased areas. There would therefore be no need to phase in outgoings for the Department of Communities. As there are existing community organisations that occupy the premises leased to the Department of Communities, it is considered that the Town has limited leverage to seek additional financial and other contributions from the Department of Communities. The Town approached the Department on or about 2013 to seek a market rental for this property and was advised that [if the Town tries to charge rent the Department would hand the property back to the Town.](#)
38. Further information to be provided on whether the Department of Health should be subject to a criteria-based assessment in the future.
39. In the Key Terms proposed in the recommendation for the Department of Health, it is not envisaged that the Department of Health be subject to a criteria-based assessment or Social Impact Investment Process at this time.
40. Remove the Perth Football Club from the register as appropriate.
41. Perth Football Club has been removed from the register.
42. Include information on whether or not the Town is still paying a \$50,000 operating subsidy to the Perth Football Club.
43. The Town is still paying an amount of \$50,000 (plus GST) per annum to the Perth Football Club. Internal records describe this as a "*Grounds Maintenance Annual Subsidy*". The following background has been established:-
- a. At its Ordinary Meeting held 20 May 2003 Council resolved to provide financial assistance of \$25,000 per annum to Perth Football Club (PFC) to assist with ground maintenance;
  - b. The PFC lease was executed in 2005 for a term of 5 years commencing 1 July 2005 and expiring 30 June 2010, with the option of a further term commencing 1 July 2010 and expiring 30 June 2015;
  - c. At its Ordinary Meeting held 15 June 2010 Council resolved to provide PFC with financial assistance of an additional \$25,000 per annum, "*commencing 1 July 2010 to the end of the current lease period.*";
  - d. A Deed of Partial Surrender of Lease was executed on 13 July 2016, whereby PFC surrendered part of its lease area for inclusion in the proposed West Coast Eagles lease area. All other conditions of the PFC Lease continued. The PFC lease is holding over.
44. Include information on what portion of 248 Gloucester Street is leased by Government agencies.
45. The portion of 248 Gloucester Street, East Victoria Park that is leased by the Department of Communities (with a sub-licence to the Victoria Park Community Centre), includes the community centre and its adjoining outdoor area and playground as shaded in the Annexed Plan to the Lease

(excerpt below) and measurements being approximately 615m<sup>2</sup> in the diagram to follow:



46. Include background information on the Billabong Childcare Centre peppercorn lease.
47. According to the Town's records, the building was constructed between 1985 and 1988.  
The building was built by the State Government on Council (then City of Perth) owned land on condition that it be leased back to the State for 21 years with rent of \$1 per annum.  
The property was leased to the Minister for Community Welfare for a period of 21 years commencing 01 Jan 1986 but document dated 12 August 1996.  
The Town inherited from the City of Perth the landlord's interest in the lease to the Minister .

The lease expired 31 Dec 2006 and the lease has been in holdover since then.

The State of Western Australia signed a Deed of Licence for the property with Billabong Community Childcare Inc for a term of 5 years from 24 Oct 2008 with options for a further term or terms by agreement with the parties.

The Town is not a party to the Deed of Licence and has not seen a copy of any further Deed of Licence for a further term or terms.

Whilst Billabong is a community stakeholder, it does not have a direct landlord-tenant relationship with the Town.

The Town obtained a valuation of rent in 2013 which valued the rent at \$82,250.00 per annum exclusive of GST.

When the Department was approached about a potential lease at the rental set as per the valuation, they responded stating that if the Town tries to charge rent they would hand the property back to the Town. The matter was then left in abeyance, presumably as a result of this impasse.

The Department is responsible for all maintenance and pays all outgoings. The Town has expended very little on the property. The Department did a major upgrade/renovation at their own cost several years ago.