

ADMINISTRATION

A 8.5 Management of Council Property Leases

<i>Responsible Department</i>	Corporate Services
<i>Resolution Number</i>	C.3455
<i>Resolution Date</i>	15/08/2018
<i>Next Scheduled Review</i>	June 2020
<i>Related Shire Documents</i>	
<i>Related Legislation</i>	<p>Local Government Act 1995 s3.58 Local Government Act 1995 s9.49A(2)&(4) Local Government (Functions and General) Regulations 1996 Reg 30(2)(b)</p>

OBJECTIVE

To assist in the management of Council property leases.

SCOPE

Applies to all commercial entities, community groups, not for profit organisations and government organisations.

POLICY

Shire property leases will be determined on the nature of the proposed usage in accordance with this policy and legislation.

The CEO and Shire President are authorised to execute leases and affix the Common Seal of the Shire of Northam to leases approved under Delegated Authority Reference Number F06 - Disposing of Property by Lease or Licence.

MANAGEMENT OF COUNCIL PROPERTY LEASES AND LICENCE AGREEMENTS

DEFINITIONS

A lease is offered where the tenant (Lessee) has exclusive possession of the premises ("Demised Premises") for a fixed term.

A management licence ("Licence") is offered where the tenant ("Licensee") has management rights only of the "Demised Premises." Where the Council does not have the power to lease the land (e.g: the Shire leases the land from another party), or the land is shared between several users.

Minor maintenance in general refers to an amount of \$1000 per annum and major maintenance refers to amounts generally above \$1000 per annum.

POLICY

As a general principle, a new lease will be limited to a maximum of a five year term and any option to renew will be limited to no more than a five year term. Council may consider longer terms where Council is of the opinion that there is benefit or merit for providing a longer lease term.

1.0 Community Groups managing the following Community Halls will be subject to a lease between the Community Group and Council:-

Bakers Hill Recreation Centre
Clackline Hall
Grass Valley Hall
Southern Brook Hall
Quellington Hall

Council recognises the importance of a Community Hall to the general community and understands that the 'Hall' use is unlikely to result in full cost recovery, therefore:-

- 1.1 Council will assist in maintaining the facility for the benefit of the community, with the Community Group as manager;
- 1.2 The basic principles considered in establishing a standard lease fee reflects the community contribution of the group resulting in a levy of a peppercorn (\$1 per annum payable on demand) rental to community groups managing the nominated Community Halls;
- 1.3 The Shire will cover the cost of building insurance and the lease preparation fee for the above community halls managed by community groups.

- 1.4 The Shire through the Council's annual budget process will provide a maximum amount of \$1000 per annum, towards the maintenance of the special floor surface in the sports arena section of the Bakers Hill Recreation Centre;
- 1.5 All other conditions as described under 2.0, excluding 2.1 (rent) and 2.2 (lease preparation fee) will apply; and
- 1.6 The **Northam Memorial Hall** is to be treated as a special case with specific requirements as it is managed under a Deed.

2.0 Community Based Not-for-profit Lease: Reg 30(2)(b)

The basic principles considered in establishing a standard lease fee reflects a fair and equitable contribution of provision of a facility, the venue's pattern of use, location and the potential to obtain Community Grants assistance, as follows:-

- 2.1 The Shire levy an annual administration rent equivalent to the cost of building insurance, to all community, sport and recreation groups, not including the abovementioned Community Halls, and is reviewed annually.
- 2.2 Lessees or Licensees will be responsible for the full cost of the lease document preparation, registration and other costs associated with the execution of the agreement.
- 2.3 Lessees or Licensees must agree with Council to manage the "Demised Premises" on behalf of the community and to offer a service to the community that provides a net benefit.
- 2.4 The Lessee or Licensee will be responsible for the payment of outgoings, operating costs, and minor maintenance obligations.
- 2.5 The Lessee or Licensee will not be responsible for Shire land rates, but will be responsible for rubbish service rates.
- 2.6 The Shire will insure the "Demised Premises" at replacement value and pass on the cost to the Lessee as per 2.1. The Shire will perform any structural repairs, improvements and maintenance in accordance with levels determined within its budget forecast.
- 2.7 In the case of the Lessee or Licensee who leases a Council building and obtains approval to carry out extensions, alterations and/or additions, Council will insure the improvements as part of its insurance portfolio at replacement value.
- 2.8 The Lessee or Licensee will be responsible for contents insurance for their contents, and also hold public liability for their activities and workers compensation insurance for their employees (if applicable) to the value stipulated in the agreement.
- 2.9 The Lessee or Licensee will be responsible for the cost of repair of any internal damage, vandalism, corrective maintenance or damage to external doors, glass windows, security lighting and any other external facility through misuse by a club representative, member or guest. The Shire may carry out any corrective works and recoup the full cost from the Lessee.
- 2.10 The Lessee or Licensee will be responsible for keeping the building clean and tidy at levels predetermined within the agreement.

- 2.11 The Lessee or Licensee will not incur any costs for property damage excluding contents occasioned by fire, fusion, explosion, lightning, civil commotion, storm, tempest, or earthquake.
- 2.12 On an annual basis, Lessees and Shire representatives will meet to carry out a property inspection to determine the extent to which the Lessee or Licensee have met their lease/licence obligation and to consider any specified building maintenance schedules for the following twelve month period within the Shire's budget parameters.

3.0 Subsidised Community Not-For-Profit: Reg 30(2)(b)

- 3.1 Definition: Development of facilities mainly by Government funds on land controlled or vested to the Shire of Northam and Facilities are leased to and operated by government agency or community based incorporated business;
- 3.2 Lessee Responsibilities
 - 3.2.1 Specified annual rent;
 - 3.2.2 Maintenance, cleaning and operational expenses are provided by the Lessee;
 - 3.2.3 Outgoings, utility charges, rates etc are paid by the Lessee
 - 3.2.4 Minor and Major maintenance is managed by the Lessee.
 - 3.2.5 All associated Lease fees are paid by the Lessee.

4.0 Airport Hangar Site Agreement: S3.58 of the Act

- 4.1 The Shire has an expectation that it will receive a rent calculated on the land use or probable use rate at a set rate per square metre determined by the Valuer General; or
- 4.2 No less than market value of vacant land determined by the Valuer General for any lease area or licence.
- 4.3 The Lessee or Licensee will be responsible to contribute to the full cost of any previous improvements to the Airport by way of a levy proportioned to the cost of the work by a once-off lease "establishment fee" or "transfer fee".
- 4.4 All agreements will have a common expiry date and an option to renew shall be limited to no more than five years.
- 4.5 The Lessee or Licensee will be responsible for meeting the full cost of the document preparation, registration and other costs associated with the execution of the agreement.
- 4.6 Lease costs must be paid for prior to the lease being drawn up.
- 4.7 In addition to the cost of drawing up the lease the Lessee or Licensee will annually be responsible for lease rental, land rates, water connection and usage, electricity connection and usage, telephone connection and usage
- 4.8 All improvements, repairs and maintenance to the "Demised Premises" are the sole responsibility of the Lessee or Licensee.
- 4.9 The Lessee or Licensee will be responsible for building and contents insurance and also hold current public liability insurance and worker compensation (if applicable) to the value stipulated in the agreement.

- 4.10 An agreement will not be entered into until a valid development application has been lodged with the Shire and been approved.

5.0 Commercial, Government or Government Agencies Agreement:

- 5.1 The Shire has an expectation that it will receive no less than market valuation for any lease or licence of the Shire's property as determined by the Valuer General, and
- 5.2 The Shire recognises that partnerships can be entered into for the benefit of the local community and acknowledges the adopted lease or licence rent will be determined on a case by case basis taking into consideration:
- Land contribution;
 - Building cost contribution;
 - State or Federal legislation; and
 - Level of benefit to local community.
- 5.3 In the case of a Council building, the Shire will insure the "Demised Premises" at replacement value and perform any structural repairs, improvements and maintenance in accordance with the level stipulated in the agreement.
- 5.4 In the case where the "Demised Premises" are owned by the Shire, the Lessee or Licensee will be responsible for:
- (a) Cost of repair for any internal damage, vandalism, corrective maintenance or damage to external doors, glass windows, security lighting and any other external facility through misuse by a member of staff, representative or guest. The Shire may carry out any corrective works and recoup the full cost from the Lessee.
 - (b) All outgoings.
 - (c) Contents insurance, public liability insurance, to the value stipulated in the agreement.
 - (d) In the case of Lessee or Licensee obtaining approval to carry out extensions, alterations and/or additions, Council will insure the improvements as part of its insurance portfolio at replacement value.
- 5.5 In the case where the "Demised Premises" was not built by the Shire, the Lessee or Licensee will be responsible for:
- (a) Insuring the building at replacement value even though it is or becomes a Council asset.
 - (b) Keeping the improvements well presented, clean and tidy at levels predetermined within the lease arrangements.
 - (c) Contents insurance, public liability insurance, and workers compensation to the value stipulated in the agreement
 - (d) The Lessee or Licensee will be responsible to meet the full cost of the document preparation, registration and other costs associated with the execution of the agreement.