



13.3 28 MILTON STREET, ELWOOD: RELINQUISHMENT OF LEASEHOLD INTEREST

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1. PURPOSE

- 1.1 To recommend that Council surrender its leasehold interest in 28 Milton Street, Elwood, to the State Government, for continued use as social rental housing.

2. EXECUTIVE SUMMARY

- 2.1 Council leases a small, older style block of flats in Elwood from the State Department of Families, Fairness & Housing for social rental housing.
- 2.2 The lease came into being in 1989. Its initial term expires in 67 years.
- 2.3 Council does not manage the property, nor receive income from it. That in turn is outsourced to a registered housing association, under a property management agreement that expires in August 2021.
- 2.4 Council's role is essentially that of conduit, (though it retains liability for renewing, re-instating and upgrading the property, and retains risks as head lessee).
- 2.5 It is recommended that Council relinquish its conduit role, by surrendering its lease to the Director of Housing.
- 2.6 This is intended to retain social housing in the City as intended by *In Our Backyard*, but under a more straightforward and efficient arrangement.
- 2.7 As noted in **Attachment 1**, the landlord is supportive of City of Port Phillip relinquishing its leasehold interest.

3. RECOMMENDATION

That Council:

- 3.1 Instructs Officers to negotiate a surrender of its lease of 28 Milton Street, Elwood, including ending any agreement(s) from which that lease interest directly arose.
- 3.2 Notes that the surrender shall not require Council to pay compensation in consideration of the surrender.
- 3.3 Authorises the Chief Executive Officer (or their delegate) to execute the relevant agreement(s) to surrender the lease and relinquish Port Phillip City Council's role in 28 Milton Street, Elwood, including affixing the Seal of Port Phillip Council, should that be necessary.
- 3.4 Notes that nothing in this recommendation is intended to change the property's ownership by the Director of Housing, nor its use as social housing.

4. KEY POINTS/ISSUES

- 4.1 28 Milton Street, Elwood, is a small block of flats – 9 older style apartments on approximately 800m² of land.



- 4.2 It is owned by the Director of Housing, so is within the portfolio of Homes Victoria, part of the State Department of Families, Fairness & Housing.
- 4.3 It is one of a cluster of abutting social rental dwellings.
- 4.4 In 1989 Council took a 99 + 99 year leasehold interest in the property.
- 4.5 This was in consideration for contributing at around that time to significant repairs and upgrading of the building, to the value then of \$346,000 (including a \$170,000 Commonwealth grant), under a development agreement with the Director of Housing.
- 4.6 City of Port Phillip then entered into a(n extendable) management agreement with HousingFirst to manage and maintain the property. HousingFirst is a registered community housing organisation.
- 4.7 City of Port's Phillip's role appears to add little ongoing value to the end outcome. Without Council as lessee, nine households will continue to have access to social housing.
- 4.8 Officers therefore recommend that Council negotiate a surrender of the lease, to enable the property to be managed directly by Homes Victoria or their agent.
- 4.9 This will result in no loss of income to Council, as Council receives no income from the property. Under the property management agreement, HousingFirst retains the net income from the property, after provision has been made its future costs. Additionally, the costs of building renewal and improvement are explicitly assumed to come from Council/government.
- 4.10 The property management agreement for the property that Council has with HousingFirst is due to expire next month. A surrender of the lease would avoid the time and cost of preparing for and carrying out a competitive market process to put in place a new property management agreement. HousingFirst has expressed interest in remaining property manager.
- 4.11 As noted in **Attachment 1**, the landlord is agreeable to City of Port Phillip relinquishing its lease interest.
- 4.12 As also noted in the attachment, the landlord is open to HousingFirst directly leasing (and managing) the property. HousingFirst has indicated a willingness to take up this opportunity.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 As a matter of dignity and the because of the risk of stigmatisation, Council does not ordinarily disclose the locations of social housing within the municipality. However, Officers have done so in this instance due to the nature of the recommendation, and to respect the broader interest of transparency and openness of government.
- 5.2 That Council may relinquish its leasehold interest has been discussed with HousingFirst.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 There is a risk that negotiations for a surrender of the lease may fail, and Council will thereby retain its obligations under the lease.



7. FINANCIAL IMPACT

- 7.1 To put in place a new property management agreement will require Council resources – primarily time and legal costs – to prepare for and carry out a competitive market process. Should the recommendation be successfully implemented, that would be avoided.
- 7.2 Should the lease be relinquished so to would the financial obligations arising from it.
- 7.3 To negotiate a relinquishment of the lease will incur legal costs to prepare and/or review the contract document(s).

8. ENVIRONMENTAL IMPACT

- 8.1 The recommendation is not considered to have a material environmental impact.

9. COMMUNITY IMPACT

- 9.1 Equitable access to housing helps maintain a socially diverse and inclusive community, and the health and wellbeing of residents.
- 9.2 The subject property is within the portfolio of Homes Victoria, part of the State Department of Health and Human Services. The proposed relinquishment does not change that.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 This paper principally relates primarily to two directions: *Well Governed Port Phillip*, and *Inclusive Port Phillip*.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Should the recommendation be adopted, Officers would initiate negotiations with Housing Asset Management of the State Government's Homes Victoria to withdraw City of Port Phillip from its involvement in the property.

11.2 COMMUNICATION

- 11.2.1 Council is committed to maintaining a diverse, inclusive and equitable city, including for those who are disadvantaged and marginalised.

12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

ATTACHMENTS 1. letter from Homes Victoria  [Download](#)