



14.3 NOTICE OF INTENTION TO LEASE (FINALISE) - SOUTH MELBOURNE COMMUNITY CHEST INC OPPORTUNITY SHOP

EXECUTIVE MEMBER: CHRIS CARROLL, GENERAL MANAGER, CUSTOMER, OPERATIONS AND INFRASTRUCTURE

PREPARED BY: LYANN SERRANO, PROPERTY ADVISOR

1. PURPOSE

- 1.1 To seek Council's approval to complete the statutory procedures for the proposed tenancy agreement to South Melbourne Community Chest Inc ("**Tenant**") at the Ground Floor, 200-202 Bank Street, South Melbourne along with two car parks.

2. EXECUTIVE SUMMARY

- 2.1 The premises subject to the proposed tenancy agreement is the ground floor of 200-202 Bank Street, South Melbourne along with two car parks, owned by Council.
- 2.2 The Tenant uses the ground floor premises as an office and opportunity shop for charitable purposes.
- 2.3 Since 1946 the Tenant has played an important role in the local community when the former City of South Melbourne and local businesses joined forces to provide funds for the less privileged.
- 2.4 Over the last five years, the Tenant has awarded \$260,000 in grants to 29 organisations from the proceeds generated from its opportunity shop.
- 2.5 The existing tenancy agreement was renewed in September 2015 for five years, at a rental of \$104 per annum plus GST with the Tenant having no liability to pay rates, taxes and levies, as defined in the lease. This lease will expire on 31 August 2020.
- 2.6 The current Net Annual Value for the premises is estimated at \$69,300 per annum plus GST.
- 2.7 Officers recommend that the Tenant be provided with peppercorn rent of \$104 per annum plus GST, waived insurance, rates and structural maintenance in recognition of it providing accessible and inclusive support to the local community.
- 2.8 The proposed tenancy agreement is recommended to commence from 1 September 2020 for a period of five (5) years to allow enough time for the Tenant to carry out its services and to enable Council to consider the future plan for the premises.
- 2.9 As the proposed tenancy agreement has a term of more than one year and the market rent exceeds \$50,000 per annum, the statutory process under the *Local Government Act 1989 (Vic)* (**Act**) applies.
- 2.10 Council resolved to commence the statutory process on 1 July 2020 and invited submissions on the proposed tenancy agreement. Council must hear and consider any submissions received before deciding to enter into such tenancy agreement.
- 2.11 No submissions were received in response to the public notice that was published in The Age on 11 July 2020.
- 2.12 Council is now able to complete the statutory procedures and make a final decision on the proposed tenancy agreement.



3. RECOMMENDATION

That Council:

- 3.1 Not having received any submissions in response to a Notice of Intention to Lease the premises identified below, resolves to conclude the statutory procedures under sections 190 and 223 of the *Local Government Act 1989* (Vic) (Act) and approves the following proposed tenancy agreement with key terms summarised as follows:

Tenant	South Melbourne Community Chest Inc
Premises	Ground floor of 200-202 Bank Street, South Melbourne and two car parks
Permitted Use	Office and shop for charitable purposes
Commencement Date	1 September 2020
Expiry Date	31 August 2025
Rent	\$69,300 per annum plus GST discounted to \$104 per annum plus GST to support the Tenant in its pursuit to provide community-based services endeavouring to give direct benefits to Port Phillip residents

- 3.2 Authorises the Chief Executive Officer or delegate to execute such tenancy agreement.

4. KEY POINTS/ISSUES

Building Information

- 4.1 Council is the owner in freehold of 200-202 Bank Street, South Melbourne, as per Attachment 1.
- 4.2 According to the Heritage Council of Victoria, John Boyd, former Mayor of South Melbourne City Council collaborated with his brother David, a well-known estate agent, in the erection of this two-storey building. It was completed in 1895 with the building being in harmony and scale with the adjacent 204-206 Bank Street.
- 4.3 The property is a single fronted, two-storey period building with an exclusive entrance at the ground floor.
- 4.4 The premises subject to the proposed tenancy agreement is the ground floor of 200-202 Bank Street, South Melbourne along with two car parks.
- 4.5 There is currently no immediate strategic plan for the premises following the Emerald Hill Precinct project.
- 4.6 The current Net Annual Value for the premises is estimated at \$69,300 per annum plus GST.
- 4.7 The proposed tenancy agreement must go through statutory procedures set out in sections 190 and 223 of the Act given the proposed term is greater than one year and the market rent estimate exceeds the threshold of \$50,000 per annum.



Tenant

- 4.8 The Tenant currently operates an opportunity shop from the ground floor of 200-202 Bank Street, South Melbourne and utilises two car parks at the rear of the property.
- 4.9 The Tenant was formed in 1946 following the closure of the South Melbourne Patriotic Fund which at that time was the principal charitable organisation in the municipality.
- 4.10 Unlike many other charity shops, all funds raised through the Tenant's operations go straight back into the local community by providing annual community grants to local organisations and assisting the less privileged, the youth at risk, the elderly and those with mobility issues through charitable donations.
- 4.11 From 2015-2019, the Tenant has awarded \$260,000 in grants to 29 organisations from the proceeds generated from its opportunity shop, as contained in Attachment 2.
- 4.12 In 1971 the Tenant gifted 421 Coventry Street, South Melbourne to the former City of South Melbourne (**Former Council**) for community use.
- 4.13 In recognition of this donation, the Former Council waived the rent and rates from 1980 until the Tenant moved to the subject premises in 1983.
- 4.14 For a period of 26 years, 7 months and 1 day from 31 October 1983 to 31 May 2010, the Former Council honoured the terms of its 1980 undertaking and the Tenant occupied 200-202 Bank Street, South Melbourne at a rent of \$1 per annum without paying rates.
- 4.15 A five-year lease at a concessional rent was entered into from 1 April 2010 with no liability for the Tenant to pay rates.
- 4.16 The lease was renewed in September 2015 for a further period of five years, at a rental of \$104 per annum plus GST and with the Tenant having no liability to pay rates, taxes and levies, as defined in the lease. This lease will expire on 31 August 2020.

5. PROPOSED TENANCY AGREEMENT

- 5.1 The proposed tenancy agreement must go through statutory procedures set out in sections 190 and 223 of the Act given the proposed term is greater than one year and the market rent estimate exceeds the threshold of \$50,000 per annum.
- 5.2 There are a number of key planning documents, legislation and policy that need to be considered for the proposed tenancy agreement. These include:
 - Council Plan and
 - Council Property Policy (**Property Policy**).
- 5.3 The Council Plan sets out what Council wants to achieve for the City of Port Phillip by 2027 and how it supports the future health and wellbeing of the city.
- 5.4 The Property Policy provides guidance on entering tenancy agreements. Such principles under the Property Policy align with the State Government Leasing Policy.
- 5.5 Further to these principles, Officers have put forward the following in the previous report to Council recommending commencement of the statutory procedures:
 - A direct negotiation be undertaken with the incumbent Tenant.



- The proposed tenancy agreement be made to commence from 1 September 2020 for a period of five (5) years. This would allow sufficient time for the Tenant to carry out its services and to enable Council to consider the future plan for the premises.
- The Tenant be provided with the exclusive use of the subject premises to continue delivery of its services to the community.
- A rental of \$104 per annum plus GST be offered to the Tenant to operate an opportunity shop providing accessible and inclusive support to the local community.
- The special condition in the existing tenancy agreement that for the term of the existing tenancy agreement and any subsequent renewal the Tenant is not liable to pay any rates, taxes or levies be honoured and continued, given the long history with the Tenant. The Tenant would however be made liable for utilities and other services at the premises.
- The Tenant's insurance for public liability be made to increase to \$20M in line with the Property Policy. The cost of building insurance be waived and considered as an in-kind contribution to the Tenant's operations in line with the Community Funding Framework.
- The Tenant be subject to the standard maintenance requirements of the proposed tenancy agreement.
- In recognition of the in-kind contribution to do with the peppercorn rent of \$104 per annum plus GST, waived insurance, rates and structural maintenance in recognition of the Tenant providing accessible and inclusive support to the local community, the Tenant be made to provide Council with ongoing reporting to demonstrate how it is meeting its requirements under the proposed tenancy agreement and how it is providing benefits to the broader community.

6. CONSULTATION AND STAKEHOLDERS

- 6.1 Council has notified the community through a Notice of Intention to Lease published in The Age newspaper on 11 July 2020 inviting submissions in accordance with statutory procedures.
- 6.2 The deadline date of submissions was 11 August 2020.
- 6.3 No submissions were received by the deadline date.

7. LEGAL AND RISK IMPLICATIONS

- 7.1 The statutory process under the Act requires Council to notify the public before committing to the proposed tenancy agreement.
- 7.2 Council's standard form lease will be used as the basis of the proposed tenancy agreement, unless otherwise agreed or required by legislation. Such template documents the landlord and tenant responsibilities, conforms to legislative requirements and mitigates risk.

8. FINANCIAL IMPACT

- 8.1 The Net Annual Value for the premises has been estimated at \$69,300 per annum plus GST.



- 8.2 Officers propose a discounted rent of \$104 per annum plus GST to support the Tenant in its continuous provision of services and grants to the local community.
- 8.3 The proposed tenancy agreement will be dependent on the Tenant demonstrating how it is meeting its requirements under the agreement on an annual basis.

9. ENVIRONMENTAL IMPACT

- 9.1 The proposed tenancy agreement will require the Tenant to implement environmentally sustainable practices and programs that support reduction in energy, waste and water.
- 9.2 Council will work with the Tenant over the term of the proposed tenancy agreement to improve the efficiency of water and energy usage, in particular, to:
- reduce or minimise greenhouse gas emissions;
 - maximise the use of renewable or recyclable materials;
 - reduce waste from operations;
 - implement best-practice storm water management; and
 - reduce single use plastic.
- 9.3 The nature of the Tenant's business as an opportunity shop involves the recycling of second-hand clothing, shoes, bric-a-brac, books and toys etc. thus already contributing to community sustainability.
- 9.4 The Tenant employs basic sustainability practices in the premises and is willing to sign up to Council's Smart Solutions for Community Services.

10. COMMUNITY IMPACT

- 10.1 Council has the following primary objectives when entering tenancy agreements for the use of Council property:
- to support service delivery and promote health and wellbeing, social, environmental, cultural, recreational or economic opportunities and benefits in the City of Port Phillip by leasing or licensing Council property to Community Organisations and
 - to generate net income to support service delivery across the portfolio by leasing or licensing Council property to Commercial Organisations.
- 10.2 The Tenant advances the welfare of the community by making funds available to those less fortunate through annual grants to the community organisations within the city.

11. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 11.1 The proposed tenancy agreement aligns to:
- 11.1.1 Direction 1– “We embrace difference and people belong” and
- 11.1.2 Direction 6 – “A financially sustainable, high performing, well-governed organisation that puts the community first.”

12. IMPLEMENTATION STRATEGY

12.1 TIMELINE

- 12.1.1 If Council resolves to complete the statutory process and approves the proposed tenancy agreement, such tenancy agreement will be finalised and executed immediately.

MEETING OF THE PORT PHILLIP CITY COUNCIL 16 SEPTEMBER 2020



12.2 COMMUNICATION

12.2.1 Officers will advise the Tenant's representatives of the outcome of the 16 September 2020 Council meeting.

13. OFFICER DIRECT OR INDIRECT INTEREST

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

TRIM FILE NO: 20/13/35

ATTACHMENTS

1. Site Plan
2. Community Grants Provided by the Tenant