

**ORDINARY MEETING OF COUNCIL  
23 NOVEMBER 2009**

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<b>15</b>	<b>PROPOSED LEASE OF COUNCIL FREEHOLD PROPERTY</b>
<b>LOCATION/ADDRESS:</b>	<b>222-228 BANK STREET, SOUTH MELBOURNE</b>
<b>GENERAL MANAGER:</b>	<b>MARK BRADY, GENERAL MANAGER CORPORATE SERVICES</b>
<b>PREPARED BY:</b>	<b>MARTIN KILNER, PROPERTY ADVISOR</b>
<b>FILE NO.:</b>	<b>0380/222-02</b>
<b>ATTACHMENTS:</b>	<b>1) LOCATION PLAN 2) PROPOSED LEASE AREA</b>

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**1. EXECUTIVE SUMMARY**

- 1.1 Council is the freehold owner of the property known as 222-228 Bank Street, South Melbourne. This property comprises a double storey building with basement car parking accommodating 11 car parking bays , together with 7 motorcycle bays .
- 1.2 The building has been unoccupied since early 2009, when Council as the previous occupier relocated Assist and Maternal Child Health to the South Melbourne Town Hall.
- 1.3 It is proposed to run an open competitive process by Expression of Interest (EOI), to find a suitable tenant for the site. It is also proposed to concurrently commence the Statutory proceedings for lease, pursuant to sections 190 & 223 of the Local Government Act 1989 (the Act). It is intended through these processes and subject to a further decision by Council to grant a lease to the preferred applicant.
- 1.4 It is proposed to limit the term of the lease to 2 years in order to retain some of the building for use as a library should the space be required during the redevelopment of the Emerald Hill Library. It is also proposed that an additional term of two years may be available (bringing total term of lease to four years), but this would be at the Council's discretion.

**2. RECOMMENDATION**

That Council:

- 2.1 Resolves to commence the statutory procedures under Section 190 and 223 of the Local Government Act 1989 (“the Act”) and publish a notice in the Port Phillip Leader and the Emerald Hill Weekly local newspapers advising of Council’s intention to grant a lease and inviting interested persons to make a submission under Section 223 of the Act for the proposed lease of 222-228 Bank Street, South Melbourne.

Area: Total Ground & First floor, approximately 873 square metres, with car parking

Permitted use: Office/Commercial.

Term: up to 4 years.

Rental: To be determined by Expression of Interest process.

- 2.2 Resolves to hear and consider any submissions received at an Ordinary Meeting of Council on 8 February 2010.
- 2.3 Resolves that an Expression of Interest process be undertaken concurrently to find a suitable tenant

**3. BACKGROUND AND CONTEXT**

- 3.1 The building was until mid 2009 used as an office for Council operational purposes. The last of the operational groups being Assist, and Maternal Child and Health, remained in the building until they were relocated to South Melbourne Town Hall.
- 3.2 Market rental appraisal would indicate a rental value of approximately \$138,000 per annum.
- 3.3 The building comprises two floors of office space together with basement car parking for 11 cars, and 7 motor cycles. The leasing potential is adversely affected due to the fact that the first floor has separate access from Bank Street, and the absence of a lift. Ideally a single tenant would need to be sought for the entire ground and first floors.
- 3.4 As part of the Town Halls accommodation strategy it was determined that the future use of 222-228 Bank Street South Melbourne would be for commercial use. The building is a purpose built office close to the Clarendon Street shopping strip, but located within a precinct that includes civic uses such as South Melbourne Town Hall, South Melbourne Police Station, and Emerald Hill Library.
- 3.5 The property has not been leased due to the potential requirement for temporary occupation, as a result of the development of the Emerald Hill Library & Heritage Centre Project at 205 Bank Street. However with the

project undergoing reconsideration the Library does not appear to require relocation in the near future.

3.6 Further information regarding the property is shown in the following table:

Table 1: Summary Details: Ground Floor, 222-228 Bank Street, South Melbourne.

Item	Details
Property Address	222-228 Bank Street, South Melbourne (Refer to Attachment 1)
Land Status	Council Freehold - (Certificate of Title Volume 4227, Folio 84552)
Current Permitted Use	Public Use Zone 6- Local Government Office/ Commercial.
Building Area	Approximately 873 square metres, including 11 basement car parks.
Value of Land and Buildings	Capital improved value - \$2,294,000.
Term of Lease	2 Years, with 2 year extension at council's discretion
Rent	Market rent assessed at \$138,000 for the entire building. A final rental figure will be determined through the EOI process.

#### **4 CONSULTATION AND STAKEHOLDERS**

4.1 Council will consult with the community through a "Public Notice" in accordance with Sections 190, and 223 of the Local Government Act inviting expressions of interest and submissions on the proposed lease which will be published in the local newspaper, in accordance with the statutory procedures.

#### **5 DISCUSSION**

##### **5.1 OPTIONS**

5.1.1 The preferred option is to commence an expression of interest process in accordance with Sections 190 and 223 of the Local Government Act 1989 resulting in the issue of a lease agreement of up to four years to the successful candidate for the ground floor, and first floor of the property and 11 underground car parks.

5.1.2 Council could elect to leave the property vacant, however this would not be the optimal use of Council assets and would result in an underutilisation of a Council asset.

5.1.3 Presently there exists sufficient space for community organizations within the vicinity.

## **5.2 ALIGNMENT TO COUNCIL PLAN**

5.2.1 The Council Plan 2009-2013 commits the Council to responsibly managing community assets and resources now and into the future.

## **5.2 POLICY IMPLICATIONS**

5.3.1 A revised draft Property policy is expected to be presented to the Council meeting on 23 November 2009. Relevant excerpts from the current draft are below:

Council holds commercial properties in order to:

- (a) Hold an asset for future strategic use; and or
- (b) Carry out its responsibilities as committee of management, as appointed by the State Government; and or
- (c) Provide services and facilities to the public (such as restaurant, kiosk) and or
- (d) Preserve culture, history and heritage

Review and Use

- (a) Commercially occupied properties will be reviewed annually by the Council. The Council will determine which sites with a lease due to expire should be referred back to the Council for decision.
  - (b) Any change of category or significant change of use requires a Council resolution.
  - (c) Commercial properties would usually be the subject of an open advertisement, EOI or tender process, in accordance with State Government policy in relation to Crown Land.
- 5.3.2 As the current market value of the land exceeds \$50,000 per annum, Council is required to undertake the consultation process described in sections 190 and 223 of the Local Government Act 1989 for the proposed lease. These Sections include the requirement to publish a notice regarding the intention to enter into a lease agreement, and receive submissions on the matter.

**5.4 FINANCE / RESOURCE IMPLICATIONS**

5.4.1 If this property is successfully leased additional income of greater than \$100,000 per annum could be received by Council.

**5.5 LEGAL & RISK IMPLICATIONS**

5.5.1 As the current market value of the land exceeds \$50,000 per annum, Council is required to undertake the consultation process described in sections 190 and 223 of the Local Government Act 1989 for the proposed lease.

**6 IMPLEMENTATION STRATEGY**

**6.1 TIMELINE**

6.1.1 Indicative timelines are shown below, if Council adopts the recommendations in this report:

Table 2: Indicative Timeline

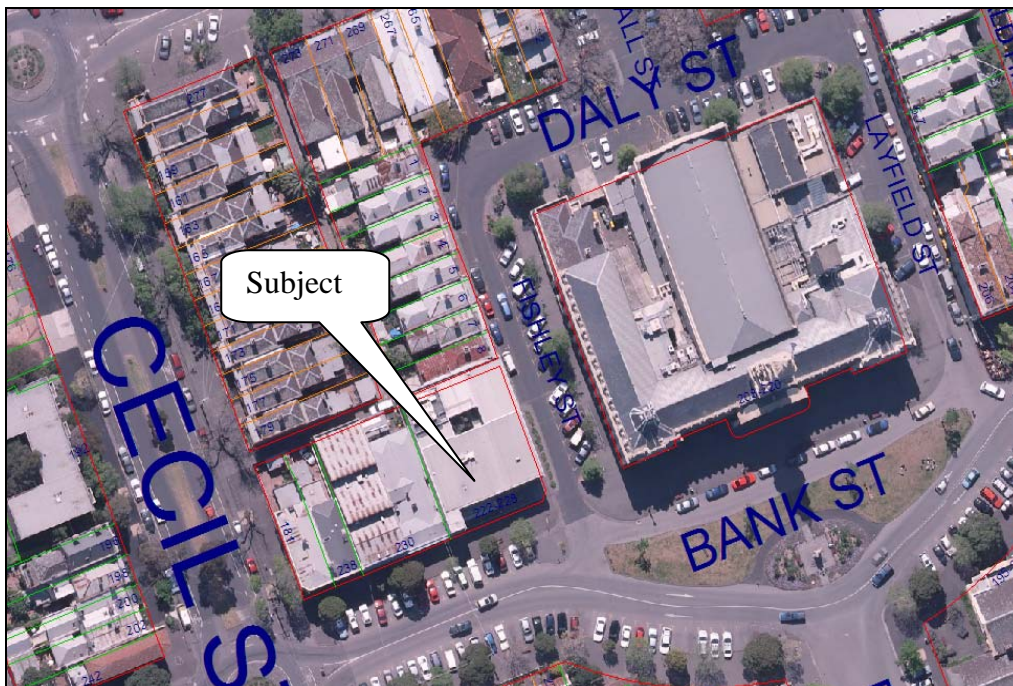
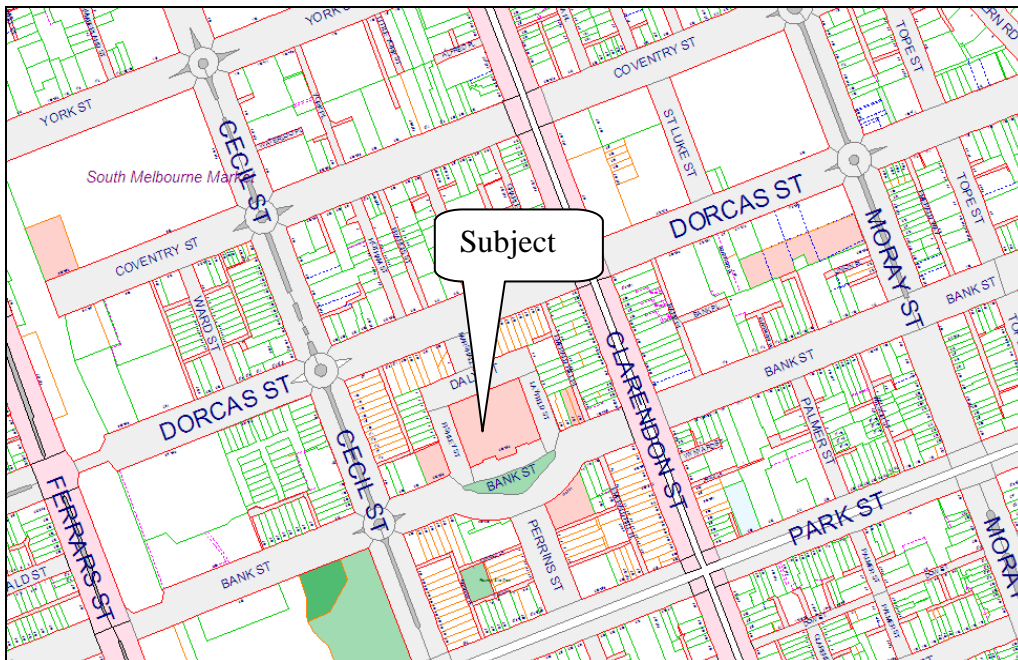
Date	Event
23 November 2009	Council resolves to commence the statutory procedures under Sections 190 and 223 of the Local Government Act 1989, and to commence an EOI process.
1 December 2009	Notice of intention to lease land published in local newspapers, and the EOI advertised
15 January 2010	Closing date for submissions and applications
8 February 2010	Council hears and considers any submissions received.
22 February 2010	Council makes a decision with respect to the proposed lease.
March 2010	Lease agreement executed.

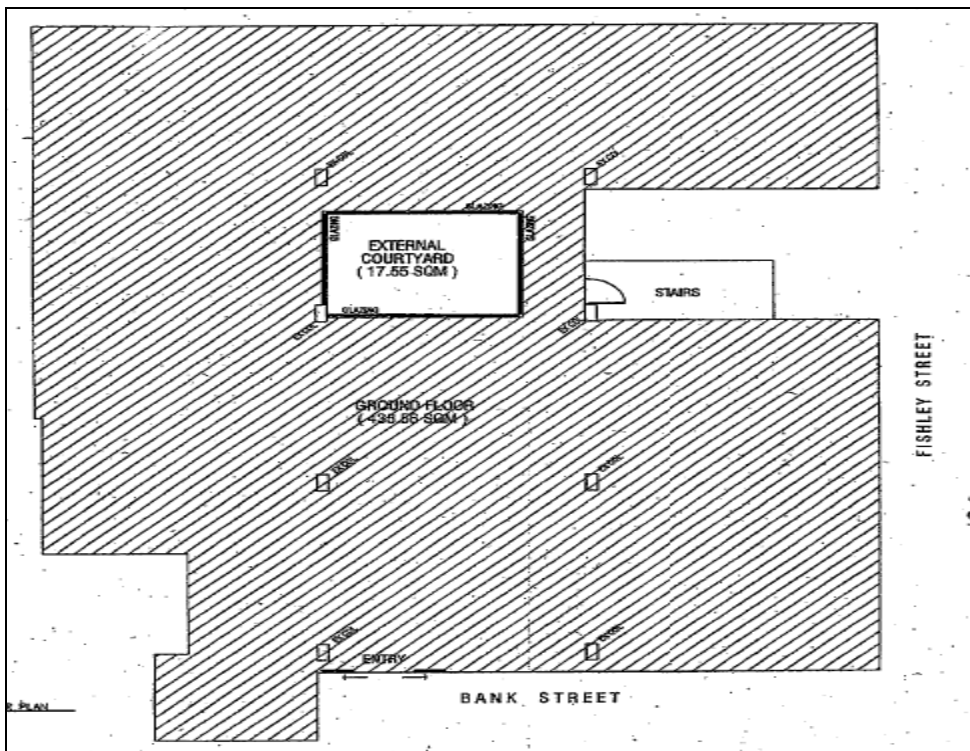
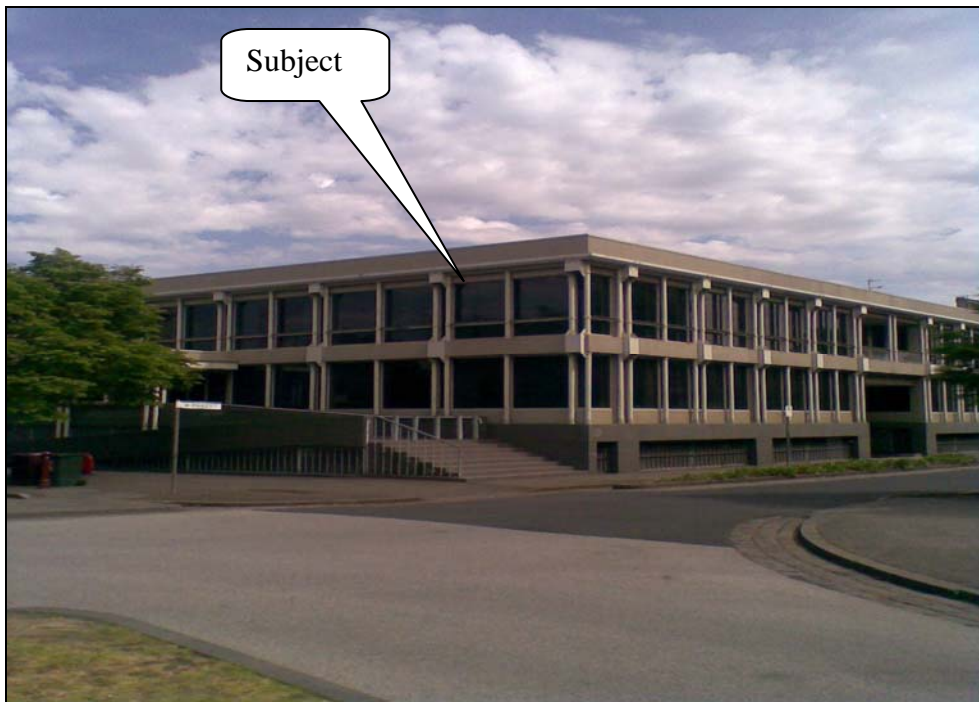
**7. OFFICER DIRECT OR INDIRECT INTEREST**

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

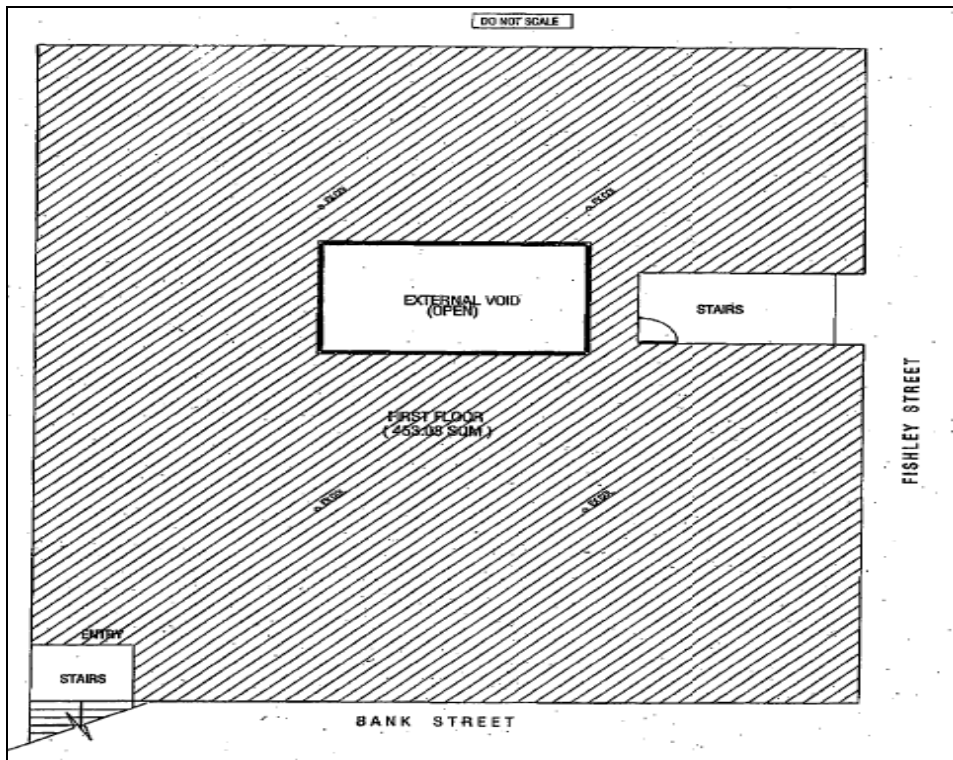
Attachment 1

Site Plan 222-228 Bank Street South Melbourne





Ground Floor 222-228 Bank Street South Melbourne



First Floor 222-228 Bank Street South Melbourne