

**ORDINARY MEETING OF COUNCIL  
9 NOVEMBER 2009**

<b>6</b>	<b>FUTURE USE AND PROPOSED EXPRESSION OF INTEREST PROCESS – LEASE OF 62-74 PICKLES STREET, SOUTH MELBOURNE</b>
<b>LOCATION/ADDRESS:</b>	<b>62-74 PICKLES STREET, SOUTH MELBOURNE</b>
<b>GENERAL MANAGER:</b>	<b>MARK BRADY, GENERAL MANAGER, CORPORATE SERVICES</b>
<b>PREPARED BY:</b>	<b>JEANENE SIMMONS, SENIOR PROPERTY ADVISOR</b>
<b>FILE NO.:</b>	<b>4650/062-03</b>
<b>ATTACHMENTS:</b>	<b>1) PROPOSED HEAD LEASE AREA 2) LICENCE AREAS – ST KILDA YOUTH SERVICE INC</b>

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**1. EXECUTIVE SUMMARY**

- 1.1 Council is the appointed Committee of Management under the provisions of the Crown Land (Reserves) Act 1978 for the former Pickles Street Primary School Reserve. This Crown Land site encompasses an area of 2,468 square metres including the property known as 62-74 Pickles Street, South Melbourne.
- 1.2 St Kilda Youth Service Inc (SKYS) currently occupy part of the property for the delivery of their Hospitality Employment and Training (HEAT) Program and temporary office accommodation.
- 1.3 Opportunity exists for Council to further develop the property for “vocational education and training for young people as part of the Albert Park College Precinct”. This can be achieved through running an Expression of Interest (EOI) process aimed at relevant training organisations / providers and offering a 5 year by 5 year head lease of the site. This approach is consistent with the land reservation and meets Department of Sustainability and Environment (DSE) guidelines with respect to the selection of tenants for Crown Land sites.
- 1.4 This report seeks Council’s endorsement to the proposed approach and sets out an indicative timeline for the EOI and Section 190 and 223 processes.

**2. RECOMMENDATIONS**

That Council:

- 2.1 Approves the long term use of 62-74 Pickles Street, South Melbourne for “vocational education and training for young people as part of the Albert Park College Precinct”.
- 2.2 Resolves to offer a head lease for the property via a publicly advertised Expression of Interest process. The proposed head lease terms are as follows:

Demised Premises: 62-74 Pickles Street South Melbourne.

Area: Approximately 2,468 square metres (with reference to existing areas under licence agreement to St Kilda Youth Service Inc).

Permitted Use: Vocational education and training for young people as part of the Albert Park College Precinct.

Lease Term: 5 years plus one further option of 5 years.

- 2.3 Resolves to commence the statutory procedures under Section 190 and 223 of the Local Government Act 1989 and to hear and consider any submissions received at an Ordinary Meeting of Council in February 2010.

**3. BACKGROUND AND CONTEXT**

History, Property Details and Current Use

- 3.1 Council obtained management responsibility for the subject property in 2005 for use as a child care centre. This proposed use did not eventuate given subsequent site remediation costs and the high level of expenditure required to refurbish the site to acceptable child care standards.
- 3.2 In October 2007, Council endorsed the Albert Park College Precinct Master Plan. This Master Plan flagged the continued use of the site for educational purposes.
- 3.3 Further information regarding the property is shown in the following table:

Table 1 – Summary details: 62-74 Pickles Street, South Melbourne

Item	Details
Property Address	62-74 Pickles Street, South Melbourne (Refer to Attachment 1).

Land Status	Crown Land – Council is the appointed Committee of Management.
Land Reservation	Temporarily reserved for Community Purposes (Crown Allotment 1, Certified Plan 109550, Parish of Melbourne South).
Area	2,468 square metres
Value of Land and Buildings	\$2.775 million
Previous Uses	The Australian Trust for Conservation Volunteers – education and training.  Council – storage of excess furniture.

- 3.4 Due to Council's plan to establish a new family and children's centre in Liardet Street, Port Melbourne, it was necessary to relocate the HEAT program to another venue in 2008. The subject property was chosen as the alternative site given its appropriate set up and the fact that it was vacant at the time.
- 3.5 In 2009, SKYS secured funding via the Department of Education Employment and Workplace relations to install a commercial kitchen at the property to support their HEAT program. SKYS require a formal tenancy agreement to be in place by December 2009 to meet funding and works timelines.
- 3.6 DSE policy requires an open, competitive process for the leasing or licensing or crown land except in exceptional circumstances. To assist SKYS, a special application was made to DSE by Council Officers in September 2009 for the grant of two short term licences at the property; 1) a five year agreement for the HEAT program area and 2) a six month licence for temporary office accommodation. On 24 September 2009, DSE provided grant and purpose approval for the issue of the 2 licences and the designated areas (Refer to Attachment 2). The proposed licences have been forwarded to SKYS for execution.

#### Long Term Vision and Management

- 3.7 Vocational education and training for young people is an appropriate long term use of the site as it is consistent with past activities and it will provide an important focal point for service delivery within the municipality.
- 3.8 As a former school site, the property possesses the requisite facilities for the running of further educational training programs. The central hall, classrooms and kitchen area are well positioned to cater for a variety of uses, multiple users and both large and small training groups. To date, not all available classrooms and spaces have been fully utilised within the building.

- 3.9 It is expected that that parts of the building will remain available for booking by community groups (including the large central area of the building) and the head tenant would likely manage such bookings.

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

- 4.1 Discussions have been held with DSE officers regarding the licence agreements for SKYS and the proposed head lease.
- 4.2 SKYS have been advised of the proposed head lease process.

#### **4. DISCUSSION**

##### **5.1 OPTIONS**

- 5.1.1 The preferred option is to adopt a permitted use of vocational education and training for young people and advertise the proposed 5 year by 5 year head lease opportunity through an open Expression of Interest process. This option is consistent with DSE's guidelines for use of Crown Land and will ensure that all relevant organisations and training providers have an opportunity to register their interest in leasing the site.
- 5.1.2 To elect to do otherwise (eg propose a commercial use or issue a head lease without a competitive process) would be contrary to DSE policy and the stated land reservation.

##### **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.

##### **5.3 POLICY IMPLICATIONS**

- 5.3.1 By designating the property as a site for youth education and training, Council is effectively confirming its commitment and support to this important sector within the municipality.
- 5.3.2 The proposed head lease aligns with Council's strategic direction to provide property that meets current and future community needs.
- 5.3.3 As the current market value of the land exceeds \$50,000 per annum, it is recommended that Council also undertakes the consultation process described in Sections 190 and 223 of the Local Government Act 1989 for the head lease. These Sections include the requirement to publish a notice regarding the intention to enter into a head lease agreement and receive submissions on the matter. This process can run concurrently with the EOI.

**5.4 FINANCE / RESOURCE IMPLICATIONS**

5.4.1 Any rental associated with the proposed head lease constitutes a new income stream for Council.

5.4.2 There are no special resourcing issues associated with the preferred option.

**5.5 LEGAL & RISK IMPLICATIONS**

5.5.1 The Minister for Environment and Climate Change must approve the grant and purpose of the proposed 5 year by 5 year head lease. It is anticipated that the head lease term and the EOI will be supported by DSE as these items are consistent with discussions to date.

5.5.2 The EOI document will need to clearly reference the areas occupied by SKYS under their two separate licence agreements. Following the outcome of the EOI it is possible that SKYS may elect to surrender their two licences (if it is awarded head tenant status) or alternatively re-negotiate a sub-lease or licence arrangement with the appointed head tenant, subject to the consent of Council and the Minister.

**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
9 November 2009	Council resolves to use the property for vocational education and training for young people, run an EOI process for a head lease and commence the statutory procedures under Sections 190 and 223 of the Local Government Act 1989.
23 November 2009	Expression of Interest advertised and statutory process commences.
21 December 2009	Expression of Interest and statutory advertising period closes.
February 2010	Council decision on preferred tenderer and conclusion of the statutory procedures.

March 2010	Head lease executed
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**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.