

**ORDINARY MEETING OF COUNCIL
9 NOVEMBER 2009**

7	LEASE ARRANGEMENTS FOR NAPIER STREET HOSTEL
LOCATION/ADDRESS:	179 NAPIER STREET, SOUTH MELBOURNE
EXECUTIVE DIRECTOR:	MARK BRADY, GENERAL MANAGER CORPORATE SERVICES
PREPARED BY:	CATHY HENDERSON, MANAGER GOVERNANCE & RISK
FILE NO:	20/01/82
ATTACHMENT:	SUBMISSION FROM NAPIER STREET AGED CARE SERVICES

1. EXECUTIVE SUMMARY

- 1.1 Napier St Hostel Association Inc (NSHA) operates an aged care facility at 179 Napier Street, South Melbourne. The site is Crown Land and Council is committee of management.
- 1.2 The NSHA have a lease which includes an option up until 2018. However, due to special circumstances they are requesting a new lease of 30 years duration.
- 1.3 This report recommends that Council support the request for a new 30 year lease due to those special circumstances.

2. RECOMMENDATION

That Council:

- 2.1 Writes a letter of support to the Department of Sustainability and Environment in relation to the Napier Street Hostel proposal for a new 30 year lease, setting out the relevant special circumstances.

3. BACKGROUND AND CONTEXT

- 3.1 Napier Street Aged Care Services (NSACS) is a not for profit body operating an aged care facility at 179 Napier Street, South Melbourne. The lease agreement is with Napier St Hostel Association Inc (NSHA).
- 3.2 The Hostel has been providing residential and community aged care services for 16 years from the site. Full details of the services provided are set out in the attachment.

- 3.3 A building and refurbishment project is underway to expand the number of beds available. More details are set out in the attachment.
- 3.4 The NSHA lease agreement with CoPP expired on 22 May 2008. The NSHA has not yet exercised the remaining 10 year lease to formalise their occupation through to 2018. As such, they are over holding on a month by month basis.
- 3.5 As the site is Crown Land, the tenant's request for a longer term lease has been forwarded to DSE for comment. DSE responded in December 2008 advising that lease extensions are generally not supported and a special case would need to be put to the Minister justifying why a non competitive lease allocation process is warranted.
- 3.6 Recent legislative changes have extended the maximum lease term available for Crown land tenants from 21 years to 65 years if the Minister is satisfied that:
- the purpose for which the lease is to be granted is not detrimental to the land reservation;
 - the proposed use, development, improvement or works that are specified in the lease are of a substantial nature and value that justifies a longer term lease; and
 - the granting of a longer lease is in the public interest.
- 3.7 Guidelines are currently being prepared by DSE to set out the criteria that will need to be met by tenants in order to be eligible for a lease term of between 21 and 65 years. It is unlikely that the Minister will make a determination on any long term lease request prior to the guidelines being finalised. The delivery of the guidelines is expected in late 2009 / early 2010.
- 3.8 At a meeting held on 11 August 2009, DSE advised CoPP and the Hostel that the Deed of Renewal of Lease should be exercised as there is no guarantee that any request for a longer term lease will be approved.
- 3.9 The Hostel's updated proposal of August 2009 (see Attachment 1) sets out a range of special circumstances which suggest the granting of a longer lease without a competitive process would be in a public interest.

Current Property Details

- 3.10 Further information regarding the property is shown in the following table:

Item	Details
Property Address	179 Napier Street, South Melbourne.
Land Status and Reservation	Crown Land – temporarily reserved for community purposes.
Current Permitted Use	Operating a hostel for frail aged persons and ancillary purposes.
Lease Area	Approximately 2,800 square metres.
Value of Land and Buildings (Capital improved value)	\$5.91 million.
Lease Details	Lease commencement date: 23 May 1988.

(ie commencement, expiry and further options)	Lease expiry date: 22 May 2008. Further options: one further term of 10 years. Rental: \$104.00 per annum.
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4. CONSULTATION AND STAKEHOLDERS

- 4.1 Discussions have taken place with John Lammers, Chief Executive, Napier Street Aged Care Services and with DSE.

5. DISCUSSION

5.1 OPTIONS

- 5.1.1 Council could choose to decline to support Napier Street Hostel's request for a thirty year lease.
- 5.1.2 However, there are good reasons to support the proposal for a new thirty year lease without a competitive process in this case. These reasons include:
- 5.1.2.1 Napier Street Aged Care Services hold the licences for aged care beds
 - 5.1.2.2 The provision of quality local aged care services is identified as a key priority in the Council Plan 2009-2013
 - 5.1.2.3 The long term viability of the Napier Street aged care services is supported by long term security of tenure at the site
 - 5.1.2.4 Significant investment by Napier Street Aged Care Services in the service in order to maintain quality and expand beds available
 - 5.1.2.5 Napier Street Aged Care Services is a not for profit organisation.

5.2 ALIGNMENT TO COUNCIL PLAN

- 5.2.1 The Council Plan 2009-2013 commits the Council to:
- 5.1.2.6 Responsibly managing community assets and resources now and into the future (1.4)
 - 5.1.2.7 Supporting ageing well in the City of Port Phillip, through delivering an increase in appropriately located residential aged care places (strategy 3.1.2)

5.3 POLICY IMPLICATIONS

5.3.1 A draft new Property Policy will be brought to the Council for consideration later in 2009.

5.4 FINANCE / RESOURCE IMPLICATIONS

5.4.1 There are no immediate financial or resource implications for the Council in this proposal for a new lease.

5.5 LEGAL & RISK IMPLICATIONS

5.5.1 While the request for a new long term lease is being considered by DSE, Council officers will request Napier Street Hostel to execute the ten year option in their current lease. This is in line with DSE advice and property management practice.

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.