

STRATEGY AND POLICY REVIEW COMMITTEE
2 JUNE 2008 **GOVERNANCE AND COMPLIANCE**

A16	PROPOSED LEASE AGREEMENT TO MELBOURNE WATER CORPORATION – USE OF FENNELLS RESERVE, MELBOURNE MAIN SEWER REPLACEMENT PROJECT
LOCATION/ADDRESS:	FENNELLS RESERVE – CROWN ALLOTMENT 2, SECTION 44, INGLES, EVANS AND BOUNDARY STREETS, PORT MELBOURNE
RESPONSIBLE EXECUTIVE DIRECTOR:	SALLY CALDER, EXECUTIVE DIRECTOR ORGANISATION SYSTEMS AND SUPPORT
AUTHOR:	JEANENE SIMMONS, SENIOR PROPERTY ADVISOR
FILE NO.:	20/01/73
ATTACHMENTS:	1. SITE PLAN – MELBOURNE MAIN SEWER REPLACEMENT PROJECT PLAN 2. AERIAL PHOTOGRAPH - FENNELLS RESERVE

1. EXECUTIVE SUMMARY

- 1.1. Council is the appointed Committee of Management under the provisions of the Crown Land (Reserves) Act 1978 for Fennell Reserve (“the Reserve”) at Ingles Street, Port Melbourne. The Reserve encompasses an area of 3,642 square metres and is currently used as a public recreational facility.
- 1.2. Melbourne Water Corporation is responsible for delivering the State Government endorsed Melbourne Main Sewer Replacement Project. This initiative involves the replacement of the existing 100 year old, 2.2 kilometre sewer which runs from near the Charles Grimes Bridge on the Yarra River through South Melbourne and Port Melbourne.
- 1.3. To deliver the above project, Melbourne Water Corporation requires access to Fennell Reserve for a period of up to 7 years to construct a shaft and tunnel to the sewer line. The site will also be used for equipment storage during the works period.
- 1.4. This report recommends that Council commence procedures under the Local Government Act 1989 with respect to the grant of a lease under Section 17D of the Crown Land (Reserves) Act 1978 to Melbourne Water Corporation for use of Fennell Reserve for a period of up to 7 years.

2. BACKGROUND AND CONTEXT

- 2.1. On 14 June 2007, the State Government announced approval for the replacement of the Melbourne Main Sewer. The works will allow Melbourne Water Corporation to adequately cater for Melbourne's projected population growth.
- 2.2. The new sewer will be 2.4 kilometres long, 1.5m to 1.8m in diameter and 10 to 15 metres deep. It will include 6 key shafts at the following locations to connect into the existing sewerage system: Swallow Street Shaft, Fennell Street Shaft, Johnson Street Shaft, South Wharf Shaft, North Wharf Shaft and Wurundjeri Way Shaft.
- 2.3. Extensive community consultation activities were undertaken by Melbourne Water Corporation in mid 2007.
- 2.4. Construction is scheduled to commence in mid 2008 and continue for approximately three to four years.
- 2.5. On 17 March 2008, Wayne Malone (Department of Sustainability and Environment) as delegate for the Minister for Planning provided in principle support for the project subject to all environment and planning approvals being obtained.

3. RECOMMENDED OPTION

3.1. It is proposed to grant a lease pursuant to Section 17D of the Crown Land (Reserves) Act 1978 based on the following terms and conditions:

Lessor:	City of Port Phillip.
Lessee:	Melbourne Water Corporation.
Demised Premises:	Fennell Reserve, Crown Allotment 2, Section 44, Ingles, Evans and Boundary Streets Port Melbourne.
Area:	3,642 square metres (in accordance with Attachments 1 and 2).
Term:	Four years.
Options:	Three further terms of one year each* (*contingency planning– additional terms may not be required if construction matches project schedule).
Rental:	\$54,600 per annum plus GST.
Rental Reviews:	Every three years in accordance with market principles.
Permitted Use:	Works, storage access and ancillary uses in accordance with the Melbourne Main Sewer Replacement Project.
Conditions of Tenure:	<p>The Lessee will, prior to undertaking any works on the leased area, obtain the permission of the Lessor.</p> <p>The Lessee will insure and keep insured all buildings, erections, extensions and improvements on the said land.</p> <p>The Demised Premises may be secured and locked by the Lessee during the term of the Lease.</p>

3.2. Sustainability assessment

Social Pillar	The lease proposal forms part of Melbourne Water Corporation's planned major infrastructure replacement program. The works will ensure that an efficient sewer system is in place to address future population growth in the CBD, Docklands and Port Melbourne.
Economic Pillar	The lease proposal seeks to obtain an appropriate financial return for the exclusive use of Crown Land. Valuation advice has been obtained from Charter Keck Cramer and the recommended rental for the industrial use of Fennell Reserve is \$54,600 per annum plus GST.
Environmental Pillar	The lease proposal will assist Melbourne Water Corporation in replacing outdated infrastructure which is at the end of its productive life.
Cultural Pillar	The lease proposal has limited cultural vitality elements.

3.3. Policy and legislative implications

The lease proposal is consistent with Council's key commitment to the provision of appropriate services and built infrastructure.

As the proposed rental is greater than \$50,000 per annum, Council is required to advertise its intention to enter into a lease agreement and receive submissions on the matter in accordance with Sections 190 and 223 of the Local Government Act 1989.

3.4. Risk implications

The proposed lease addresses risk implications by formalizing the relationship between Council and Melbourne Water Corporation and providing certainty about the respective rights and obligations.

There is risk if the project is delayed.

3.5. Resource implications

The lease proposal to Melbourne Water Corporation has positive financial implications as a market rental will be obtained for the use of Crown Land during the works period.

4. PARTICIPATION AND ENGAGEMENT

4.1. Internal

4.1.1. The people who have been engaged with in relation to this issue are:

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- David Graffen – Property Coordinator.
- Steve Scott – Placement Manager.
- Peter Birkett – Councillor Liaison Officer.
- David Elson – Project Manager Infrastructure Planning.
- Kathy Dillon – Building and Green Spaces Manager.
- Sam Hewett – Manager Asset Services.
- Paul Smith – Manager Environment and Renewal.
- Stefan Mitrik – Coordinator Traffic and Parking Management.
- Dwayne Carter – Coordinator Open Space Planning and Landscape and Urban Design.

4.2. External

4.2.1. The external people and organisations who have been engaged with in relation to this issue are:

Doug Tipping, Property Manager, Melbourne Water Corporation.

Wayne Malone, Group Manager, Public Land Management, Department of Sustainability and Environment.

Doug Lane, Director, Charter Keck Cramer (valuation of proposed lease area).

5. IMPLEMENTATION

5.1. The recommendations of this report can be implemented by publishing the appropriate notices regarding the intention to enter into a lease agreement with Melbourne Water Corporation.

6. COMMUNICATION

6.1. Melbourne Water Corporation will continue to be responsible for general community consultation and the provision of information regarding the Melbourne Main Sewer Replacement Project.

7. RECOMMENDATIONS

7.1. That the Strategy and Policy Review Committee recommend that Council resolve:

7.1.1. to commence the statutory procedures under Section 190 of the Local Government Act 1989 (the “Act”) and publish a notice in local newspapers inviting interested persons to make a submission under Section 223 of the Act for the proposed lease of the land described as Fennell Reserve to Melbourne Water Corporation.

7.1.2. to appoint its Strategy and Policy Review Committee to hear and consider any submissions made under Section 223 of the Act at its meeting to be held on 4 August 2008.