

STRATEGY AND POLICY REVIEW COMMITTEE
7 JULY 2008 **GOVERNANCE AND COMPLIANCE**

A17	PROPOSED LEASE AGREEMENT TO REGIONAL ARTS VICTORIA LTD - 147A LIARDET STREET, PORT MELBOURNE
LOCATION/ADDRESS:	147A LIARDET STREET, PORT MELBOURNE (PART OF THE LAND COMPRISED IN CERTIFICATE OF TITLE VOLUME 09830 FOLIO 297)
RESPONSIBLE EXECUTIVE DIRECTOR:	SALLY CALDER, EXECUTIVE DIRECTOR ORGANISATION SYSTEMS AND SUPPORT
AUTHOR:	JEANENE SIMMONS, SENIOR PROPERTY ADVISOR
FILE NO.:	3270/147-03
ATTACHMENTS:	1 – LOCATION PLAN, 147A LIARDET STREET 2 – FLOOR PLAN, 147A LIARDET STREET

1. EXECUTIVE SUMMARY

- 1.1. Council is the owner of the property known as 147A Liardet Street, Port Melbourne (previously First Floor, 147 Liardet Street, Port Melbourne).
- 1.2. The subject property has been utilised by Regional Arts Victoria Ltd as a head office since 1 September 2005.
- 1.3. The current lease agreement between Regional Arts Victoria Ltd and the City of Port Phillip is due to expire on 31 August 2008.
- 1.4. Regional Arts Victoria Ltd is interested in continuing its occupation via a new 5 year lease agreement broken up into one year options. This format will allow Regional Arts Victoria Ltd some flexibility going forward if a decision is made to re-locate its head office.
- 1.5. This report recommends that Council commence procedures under the Local Government Act 1989 with respect to the grant of a lease to Regional Arts Victoria Ltd for use of 147A Liardet Street Port Melbourne for a period of up to 5 years.

2. BACKGROUND AND CONTEXT

- 2.1. Established in 1969, Regional Arts Victoria Ltd initiates, facilitates and celebrates the arts and contemporary cultural practice in regional Victoria. It has over 100 group members and runs a number of successful programs including arts2GO, Creative Communities Victoria and Arts Across Victoria.

These programs take high quality performing and visual arts experiences to schools and communities in outer metropolitan, regional and rural Victoria.

- 2.2. The current lease agreement for the property is due to expire on 31 August 2008. At a meeting held on 12 May 2008, Regional Arts Victoria Ltd confirmed its ongoing interest in the property and advised that it would also like the ability to shift in future if alternative office space in an Arts Precinct for example becomes available.

3. RECOMMENDED OPTION

- 3.1. It is proposed to grant a lease based on the following terms and conditions:

Lessor:	City of Port Phillip.
Lessee:	Regional Arts Victoria Ltd.
Demised Premises:	147A Liardet Street, Port Melbourne (Part of the land comprised in Certificate of Title Volume 09830 Folio 297).
Area:	Approximately 220 square metres (in accordance with Attachments 1 and 2)
Term:	One year.
Options:	Four further terms of one year each.
Rental:	\$50,000 per annum including GST.
Rental Reviews:	Annually. Standard 3% adjustment.
Permitted Use:	Offices – but excluding the retail sale or hire of goods or the retail provision of services.
Conditions of Tenure:	The Lessor and the Lessee agree that the provisions of the Retail Leases Act 2003 do not apply to this lease.

4. SUSTAINABILITY ASSESSMENT

Social Pillar	The lease proposal and the siting of Regional Arts Victoria Ltd's head office in Liardet Street supports Port Phillip's development as a creative city where the arts, contemporary culture and creativity are explored, encouraged and valued.
Economic Pillar	The lease proposal seeks to obtain an appropriate financial return from a community focused organisation for use of Council property. Valuation advice has been obtained and the recommended rental of \$50,000 per annum (inclusive of GST) falls within the advised range. Regional Arts Victoria Ltd's current rental is \$48,430.08 per annum (inclusive of GST).
Environmental Pillar	The lease proposal has limited environmental responsibility elements.

Cultural Pillar	The lease will support the further development of Regional Arts Victoria Ltd's general business operations and community programs.
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4.1. Policy and legislative implications

- 4.1.1. The lease proposal is consistent with Council's strategic objective to encourage community connection, inclusion, participation and engagement.
- 4.1.2. It is also in line with Council's property strategy which aims to maximise asset performance and match property provision with identified needs and overall community development.
- 4.1.3. As the proposed rental is \$50,000 per annum inclusive of GST, 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.

4.2. Risk implications

- 4.2.1. The proposed lease addresses risk implications by formalising the relationship between Council and Regional Arts Victoria Ltd and providing certainty about each party's respective rights and obligations.

4.3. Resource implications

- 4.3.1. The lease proposal to Regional Arts Victoria Ltd has positive financial implications as the proposed rental equates to a 3% improvement on current arrangements.

5. ALTERNATIVE OPTIONS

5.1. Alternative 1

The alternative option is to seek another commercial tenant for the property.

5.1.1. Sustainability assessment

Social Equity Pillar	This option does not necessarily address the further development of arts and contemporary culture within Port Phillip.
Economic Viability Pillar	Although a new tenant may result in an improved rental outcome for Council, the current market for other commercial tenants has not been tested for 147A Liardet Street.
Environmental Responsibility Pillar	This option will have limited environmental responsibility elements.
Cultural Vitality Pillar	This option will have a limited contribution to cultural vitality. In addition, it does not provide any business continuity for Regional Arts Victoria Ltd.

5.1.2. Policy and legislative implications

The Local Government Act 1989 procedures for the lease of land also apply to this option.

5.1.3. **Risk implications**

If Regional Arts Victoria Ltd is required to re-locate its head office to facilitate the entry of another commercial tenant, adverse community feedback may occur.

5.1.4. **Resource implications**

There are no special resourcing issues associated with this option.

6. PARTICIPATION AND ENGAGEMENT

6.1. **Internal**

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

- David Graffen – Property Coordinator.
- Frank Carbone – Senior Valuer.

6.2. **External**

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

- Lindy Allen, Director, Regional Arts Victoria Ltd.
- Mary Booth, Business Manager, Regional Arts Victoria Ltd.

7. IMPLEMENTATION

7.1. The recommendations of this report can be implemented by publishing the appropriate notices regarding the intention to enter into a lease agreement with Regional Arts Victoria Ltd.

8. RECOMMENDATION

8.1. That the Strategy and Policy Review Committee recommend that Council resolves:

8.1.1. To commence the statutory procedures under Section 190 of the Local Government Act ("the Act") and publish a notice in local newspapers inviting interested parties to make a submission under Section 223 of the Act for the proposed lease of 147A Liardet Street, Port Melbourne to Regional Arts Victoria Ltd on the following terms:

Area: Approximately 220 square metres (Part of the land comprised in Certificate of Title Volume 09830 Folio 297).

Permitted use: Offices – but excluding the retail sale or hire of goods or the retail provision of services.

Term: One year.

Options: Four further terms of one year each.

Rental: \$50,000 per annum including GST.

Rental Reviews: Annually. Standard 3% adjustment.

8.1.2. 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 1 September 2008.