

STRATEGY AND POLICY REVIEW COMMITTEE
4 AUGUST 2008

POLICY AND PLANNING

A3	SOUTH MELBOURNE TOWN HALL - PARAMETERS FOR THE LEASE OF VACANT SPACE ON THE 1ST FLOOR
LOCATION/ADDRESS:	N/A
RESPONSIBLE EXECUTIVE DIRECTOR:	GEOFF OULTON, EXECUTIVE DIRECTOR COMMUNITY DEVELOPMENT & PLANNING
AUTHOR:	CAROL MAYELL, MANAGER COMMUNITY DEVELOPMENT
FILE NO.:	96/01/19
ATTACHMENTS:	THREE – COMPARISON OF SPACES ALLOCATED FOR THE COMMUNITY HUB BETWEEN THE 2005 FLOORPLAN TO THE 2007 FLOOR PLAN; COMMUNITY SPACE COMPARISONS JULY 2008; FLOOR PLAN OF SMTH 1ST FLOOR SPACE

1. EXECUTIVE SUMMARY

- 1.1. There is approximately 400m² of vacant net lettable space on the 1st floor of South Melbourne Town Hall (SMTH) as a result of relocation of council staff to the council's administration centre at St Kilda Town Hall offices.
- 1.2. The Council has previously determined that the subject space on the 1st floor is not required for the SMTH Community Hub or Council purposes.
- 1.3. Council resolved in July 2007 to offer the Australian National Academy of Music (ANAM) 'first right of refusal' for the vacant lettable space on the 1st floor, subject to commercial terms and conditions satisfactory to the Council. The offer was to be taken up by 30 June 2008 or it would lapse.
- 1.4. A letter from ANAM was received by the Council on 25 June 2008 advising that they would not be taking up the offer.
- 1.5. Council is therefore requested to endorse the Executive Director Community Planning & Development and the Property Coordinator to proceed with the process of seeking Expressions of Interest, compliant with sections 190 & 223 of the Local Government Act, for commercial lease of the vacant space of approximately 400 square meters on the 1st floor of the South Melbourne Town Hall (SMTH), subject to the following additional parameters:
 - 1.5.1. That any leases do not extend beyond 2016;
 - 1.5.2. That it is with a not for profit organization;
 - 1.5.3. That it is on commercial terms based on market value (currently valued by Westlink Consulting at \$145per m² per annum, ie

\$58,000) or at a rebated rent if beneficial outcomes for the Port Phillip community can be demonstrated; and

- 1.5.4. That it is consistent with heritage protection requirements, land use planning and South Melbourne Central Structure Plan principles.

2. BACKGROUND AND CONTEXT

- 2.1. Council determined to proceed with the development of the South Melbourne Town Hall (SMTH) Community Hub on the ground floor of SMTH on 23 July 2007, in the area vacated by council staff.
- 2.2. The SMTH Community Hub core services and activities are: Council's ASSIST; the cashier; maternal & child health service; welfare & counseling services; community group office space; larger and smaller meeting spaces; on-line services; reception and information display areas; and a multi-purpose event area.
- 2.3. The Community Hub development commenced in July 2008 with a Council commitment of \$2million for the project, endorsed in the Council's 2007/08 and 2008/09 budgets and consistent with the Council's five year Strategic Resource Plan.
- 2.4. The Council's decision to locate the Community Hub on the ground floor only, rather than over the ground and 1st floors, as previously planned in 2005, was made on the basis that no loss of functional space would occur for the core hub services and activities. These services and activities were identified with the SMTH Community Hub Reference Panel in 2005 as the essential components of the Community Hub.
- 2.5. The 2005 floor plan allocated a total of 542m² for these core services and activities, with 82m² allocated for community group office space on the 1st floor and the remaining 460m² on the ground floor.
- 2.6. The core hub functions had been designed over two floors in the 2005 plan due to an initial proposal for some Council staff to remain in South Melbourne. This however was inconsistent with the Council's Long-Term Accommodation Strategy. The location of all council administration functions was able to be achieved at the St Kilda offices and so these staff groups have since been relocated to St Kilda. This freed up both ground floor and 1st floor space at SMTH.
- 2.7. The revised 2007 Community Hub floor plan took into account that all Hub functions could be accommodated on the ground floor, now that Council staff did not require space at SMTH, apart from those engaged in the Hub functions such as ASSIST, the Cashier and the Maternal & Child Health service.
- 2.8. This relocation of all Hub functions to the one level slightly increased the space allocated from 542m² to 543m² for core Community Hub activities and meant that the community group office space previously planned on the 1st floor was able to be re-located to the ground floor. The comparison of hub space reconfigured on the ground floor with the spaces over both floors is at Attachment One.

- 2.9. This shift to the ground floor of the community group office space provides a significant advantage for the community groups, their members and volunteers. They will now have street level access and easy out of hours access as well as being located adjacent to a key meeting space.
- 2.10. An assessment of community space needs and available community space was conducted in 2007. The assessment identified there is no unmet need for community space across the city. This assessment also found that the South Melbourne community has access to more community space per m2 of persons than the other neighbourhoods across the city. This will increase even further with the opening of the SMTH Community Hub early in 2009 (see Attachment Two).
- 2.11. The Council's Community Hubs Policy and implementation strategy has significantly improved the amount, access, functionality, standards of facilities and multi-purpose uses.
- 2.12. ANAM had approached the Council in late 2006 requesting more space in SMTH to expand their operations. On 23 July 2007, the Council determined to offer ANAM the vacant space on the 1st floor of SMTH on commercial terms via a first right of refusal to be taken up by 30 June 2008. The offer was subject to specified conditions being met to the satisfaction of the Council.
- 2.13. The basis of the offer was to provide the Council with the opportunity to negotiate a new commercial lease with ANAM for their existing occupied space, plus any new space, on terms and conditions far more beneficial to the Council and the community than currently provided in the Occupancy Agreement set up by the Council under Commissioners in 1995 for 21 years.
- 2.14. ANAM informed the Council in a letter received on 25 June 2008 that it would not take up the offer.
- 2.15. This report therefore proposes a strategy to manage this valued asset in a manner consistent with previous Council decisions and policy.

3. RECOMMENDED OPTION

- 3.1. The vacant space of approximately 400m2 on the 1st floor is not required for Community Hub or council purposes. Council had previously determined in July 2007 to seek a commercial return for this space on the 1st floor.
- 3.2. The recommended option therefore proposes that the 1st floor space be leased for a commercial return, according to the provisions of the Local Government Act which relates to premises worth in excess of a market value of \$50,000 per annum. Further, that any lease/s is within the parameters specified by the Council, ie:
- 3.2.1. For a term not extending beyond 2016;
 - 3.2.2. With a not for profit organization;
 - 3.2.3. On commercial terms based on market value or at a rebated rent if beneficial outcomes for the Port Phillip community can be demonstrated; and
 - 3.2.4. Consistent with heritage, land use planning and South Melbourne Central Structure Plan principles

3.3. Sustainability assessment

SOCIAL EQUITY

Social Pillar	The needs of eligible community groups for office space at SMTH Community Hub and needs for community space in South Melbourne and surrounding neighbourhoods are able to be met currently and in the future. Leasing of this space to a not for profit organization provides additional service opportunities to the community and provides a base for a medium or larger size community service organization that may have otherwise had to relocate outside of the city.
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ECONOMIC VIABILITY

Economic Pillar	Underutilized space will provide a financial return to council, which in turn may increase opportunities for investment in the precinct. It is an effective and efficient use of a valued council and community asset
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ENVIRONMENTAL RESPONSIBILITY

Environmental Pillar	Co-location of activities and services may provide more efficient use of energy resources while also locating a service within an activity hub to minimize travel etc.
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CULTURAL VITALITY

Cultural Pillar	Location of a medium to larger not for profit organization within this community, cultural and civic precinct adds further diversity and potentially enhances the experience of people visiting and accessing services in the area
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3.4. Policy and legislative implications

The Community Hubs Policy and Council's Property Strategy provide the framework from which to consider this consistent use of the space not required for community hub or council purposes. The recommendation supports the policy objectives of effective and efficient use of existing council infrastructure for the benefit of the community.

The Local Government Act sections 190 & 223, relevant to leasing of council property market valued at more than \$50,000.00 per annum, will be applied to the process. Public Expressions of Interest will be sought and a preferred application that fits within the recommended parameters will be referred to the Council for consideration.

3.5. Risk implications

A return of the full market value return may not be achieved if a rebated rent is negotiated, however an anticipated rent has not been factored into the Council budget. A notice of Intention to Lease will be advertised once the Council has endorsed a preferred tenant. Submissions will be received and assessed within the parameters and a final recommendation for lease submitted to the Council by the Property Coordinator.

3.6. Resource implications

This recommendation supports effective and efficient use of council assets within budget and will maximize the opportunity for financial return and enhance access to community service options in the city.

4. ALTERNATIVE OPTION

4.1. Provide the 400m² of vacant space on the 1st floor for Community Hub use.

4.2. This has been considered, but not able to be supported based on the following:

4.2.1. Population forecasts; service demand data; utilization rates; and benchmarks of adequate community space per neighbourhood (see Attachment Two) indicates that additional multipurpose and small community group office space is not required for the SMTH Community Hub or for the broader South Melbourne neighbourhood and the surrounding neighbourhoods.

4.3. A comparison of council owned and managed community space across the city in 2007 and recently updated in 2008, which analysed population forecasts to 2016 (see Attachment Two) found that the Council's facilities are currently meeting and will continue to meet the demand for multipurpose and community office space across all neighbourhoods and the city, now and up until 2016.

4.4. Community space to service South Melbourne and St Kilda Road communities, with the addition of South Melbourne Town Hall Community Hub, will be particularly well-serviced for community space and will be significantly above the city-wide benchmark of 28 persons per square meter of council community space.

4.4.1. Sustainability assessment

Social Equity Pillar	There will be an inequitable spread of community space across neighbourhoods if additional community space is made available to the SMTH Community Hub. Resources used to provide this additional space would not be based on need or supported by utilization rates.
Economic Viability Pillar	Financial resources to upgrade and develop the 1 st floor space would be additional to the current budget allocation of \$2million for the SMTH Community Hub. Additional resources would need to be redirected from other sources with there being no evidence to support need or demand, at the expense of other projects and services related to council's community facilities Income generation through a commercial lease of the space or through reciprocal benefits would not be realized through this option
Environmental Responsibility Pillar	Ineffective and inefficient use of council resources would occur with the space not being adequately utilized.
Cultural Vitality Pillar	The opportunity to enhance the service mix and activity in the precinct and the broader Clarendon activity centre would be reduced with this option.

4.4.2. **Policy and legislative implications**

This option is not consistent with the Community Hubs Policy and the Property Strategy principles and objectives.

4.4.3. **Risk implications**

The management and financial risks associated with underutilized community hub space would be increased.

4.4.4. **Resource implications**

There is no budget allocation for development of the vacant space on the 1st floor for community purposes. The \$2million allocated for the SMTH Community Hub is fully committed to the existing project and fully meets the concept and needs as identified in the SMTH Community Hub planning process commenced in late 2004.

Increased maintenance costs would need to be factored into future budget estimates for the 1st floor space rather than being included in the commercial lease conditions to be borne by the tenant.

5. PARTICIPATION AND ENGAGEMENT

5.1. **Internal**

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

- The Property Coordinator provided the Local Government Act requirements and advice regarding the process proposed for seeking a tenant on commercial terms
- Executive Director Community Development & Planning is satisfied with the recommendation, based on the evidence and criteria for the recommendation
- Coordinator Social Planning & Policy provided the analysis of community space allocation across the city, the preliminary assessment of applications for community group office space in SMTH Community Hub and contributed advice regarding consistency with the Community Hubs Policy
- Councillors have been briefed on the proposed direction to seek a tenant for the space on commercial terms.

5.2. **External**

5.2.1. The external people and/or organisations who have been engaged are the SMTH Community Reference Panel, who met in September 2007, to contribute to the floor plan for location of all hub functions and services on the ground floor of SMTH. This was as a result of Council's decision of 23 July 2007, which was on the basis that no space would be lost to the core functions of the hub by locating all hub functions to the ground floor.

- 5.2.2. The majority of the Community Reference Panel supported the amended ground floor plan, which was presented to the Council and endorsed on 22 October 2007. The Hub community service providers have continued to be involved with the detailed design of the Community Hub on the ground floor. There has been no indication as a result of this engagement that there is additional space required on the 1st floor.
- 5.2.3. The SMTH Community Hub Reference Panel is to be reconvened in August 2008 to comment on the 8 applications received from an Expression of Interest process seeking eligible tenants for remaining community group office space on the ground floor of the SMTH Community Hub. This process and the criteria for assessment were determined by the Council on 22 October 2007. An offer of office space, which has since been accepted, was made to Port Phillip Citizen's for Reconciliation; Save Albert Park; and Friends of the ABC. Recommendations for allocation of tenancies for the remainder of the ground floor space will be presented to the Council as an Order of the Day on the 25 August 2008.

6. IMPLEMENTATION

- 6.1. Expressions of Interest (EOI) for leasing of the vacant 1st floor space in SMTH on commercial terms and within the parameters specified by the Council will be sought from prospective tenants via local media, if the Council endorses the recommendation at the Ordinary Meeting of the Council on 25 August 2008.
- 6.2. A preferred tenant will be submitted to a meeting of the Council following the EOI process and a subsequent Notice of Intention to Lease will then be advertised for a 14 day period as required.
- 6.3. Submissions in response to the Notice of Intention to Lease will be assessed by the Property Coordinator, the Executive Director Community Development & the Ward Councillor, prior to a final recommendation to the Council, noting that vacant possession will not be available until early 2009.

7. RECOMMENDATION

That the Strategy & Policy Review Committee recommend Council resolve to:

- 7.1. Commence the process to lease the vacant space of approximately 400m² on the 1st floor of the South Melbourne Town Hall (SMTH) not required for Community Hub or Council purposes, as identified in Attachment Three, noting that vacant possession will not be available until early 2009.
- 7.2. Lease the subject 1st floor space for a commercial return, according to the provisions of the Local Government Act sections 190 & 223, which relates to premises valued in excess of \$50,000 per annum. This is consistent with the Council's resolution of July 2007 that sought a commercial return and other community benefits through the lease of this vacant space on the 1st floor of the SMTH.
- 7.3. Lease the SMTH vacant 1st floor space within the following parameters:
 - 7.3.1. For a term not extending beyond 2016;
 - 7.3.2. With a not for profit organization, which preferably provides services for the benefit of the Port Phillip community;
 - 7.3.3. On commercial terms based on an independent market value, (currently valued at \$145 per square metre or estimated total of \$58,000 per annum), or at a *rebated rent if beneficial outcomes for the Port Phillip community can be demonstrated; and
 - 7.3.4. Consistent with heritage, land use planning and South Melbourne Central Structure Plan principles
- 7.4. *A rebated rent may be negotiated if the organization/s is not able to afford the commercial rent and if the services or the location of the organization in Port Phillip is consistent with Council's policy objectives, or if improvements to the internal spaces can be achieved as a result of the tenancy;
- 7.5. Not enter a lease that extends beyond December 2016. This is on the basis that the existing Occupancy Agreement with the Australian National Academy of Music for other parts of the Town Hall will conclude at a similar time and a plan for alternative uses of the Town Hall spaces, excluding the Community Hub on the ground floor, may be identified in the meantime.
- 7.6. Enter a lease at no additional cost to the Council for refurbishment and that any costs of reinstatement to the landlord's satisfaction are borne by the tenant.
- 7.7. Seek Expressions of Interest for leasing of the vacant 1st floor space in SMTH and consider a preferred tenant, as identified by the Property Coordinator & the Executive Director Community Development & Planning. Once a preferred tenant has been endorsed by the Council a Notice of Intention to Lease is to be publicly advertised for 14 days and all submissions considered.
- 7.8. Delegate the hearing of submissions in response to a Notice of Intention to Lease to a Committee comprising the Executive Director Community

Development & Planning or the equivalent level, the Property Coordinator or equivalent and the relevant Ward Councillor.

- 7.9. Delegate the negotiation of leases with suitable organizations, consistent with the above parameters, to the Executive Director Community Development & Planning and the Property Coordinator and receive the final lease for consideration on the Sealing Schedule of the Council.
- 7.10. Note that the Council will receive an Order of the Day on the 25 August 2008, presenting recommendations, developed in consultation with the SMTH Community Hub Reference Group, for tenancies of the unallocated community group office space in the SMTH Community Hub. This process follows from the Council's decision of October 2007 to offer first right of refusal for office space on the ground floor of the SMTH Community Hub to: Port Phillip Citizen's for Reconciliation; Save Albert Park; and the Friends of the ABC, who have all since accepted the first offer of community group office space in the Hub. This occurred prior to seeking Expressions of Interest for the remaining community group office space on the ground floor of the Hub in 2008.