

15.4 Lot 200 Barrack Street, Merredin Community Resource Centre – Review of Existing Lease Agreements

Administration



Responsible Officer:	Mark Dacombe, TCEO
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Legislation:	<i>Local Government Act 1995</i>
File Reference:	L/47L/63
Disclosure of Interest:	Nil
Attachments:	Nil

Purpose of Report



Executive Decision



Legislative Requirement

Background

At the November 2019 Ordinary Council Meeting the Council considered a request by the Merredin Community Resource Centre (MCRC) to review the rental terms of the existing Lease agreements in place between the MCRC and the Shire of Merredin.

The Council resolved:

- 82459** That the agenda item for 12.3 be adjourned to further discussion at the Ordinary December 2019 Council Meeting.

The matter was not further considered at the December 2019 meeting as officers were undertaking further work and research on the matter. A further delay was occasioned by changes in the Acting CEO position and subsequently the COVID-19 emergency.

There are three leases at issue:

- i) Lease 47 – Merredin CRC – formerly the Old Council Chambers Building – expired 29 February 2020 with a further five-year term commencing on 1 March 2020.
Rental provisions for this lease are:
No rental applicable for the first term but a minimum of \$60,000 being expended on refurbishment of the building over the term or a sum that ensures refurbishment to the satisfaction of Council and that a rental on a

sliding scale apply to the further term of five years to ensure 100% of a commercial rent is paid in the final year.

ii) Lease 63 – Merredin CRC – Women’s Rest Centre expired 29 February 2020 with provision for a further five-year term commencing on 1 March 2020. Rental provisions for this lease are:

No rental is applicable for the first term, with a rental on a sliding scale applying to the further term of five years to ensure 100% of a commercial rent is paid in the final year.

iii) Lease 47 – Merredin CRC – portion of the Old Council Chambers Building previously leased to the Wheatbelt Development Commission – expired 29 February 2020,

with provision for a further five-year term commencing on 1 March 2020. Rental provisions for this lease are:

\$43.33 per month payable monthly in advance, with the first payment due on the commencement date. With a rental on a sliding scale applying to the further term of five years to ensure 100% of a commercial rent is paid in the final year.

Comment

In seeking a review of the rental terms, the MCRC management committee made the following submission:

- The MCRC has contributed via significant expenditure of funds on upgrades to the Old Council Chambers Building;
- Important role played by MCRC in community advocacy and provision of services for people of Merredin and the surrounding community;
- Cost benefits of the MCRC role that would otherwise be expected to be provided by the Shire of Merredin or be left unfilled with resulting impacts on the community; and
- The fact that other lease agreements between the Shire and other not for profit groups are based on a minimal rental of \$520 per year.

In November 2019 the Council was provided with the following indicative figures obtained from a Licensed Valuer:

Year	Old Council Chambers	Women’s Rest Centre
Year One	\$5,775.00	\$1,645.00
Year Two	\$11,550.00	\$3,290.00
Year Three	\$17,325.00	\$4,935.00
Year Four	\$23,100.00	\$6,580.00
Year Five	\$28,875.00	\$8,225.00

To apply the current lease rental provisions, the Council would need to obtain a formal valuation for the properties in question.

COVID-19 Emergency

The impact of COVID-19 has created a range of uncertainties and needs including:

- Demand for CRC services
- Role of the Shire in recovery
- Impact on Shire rates and other revenue
- Impact on commercial property market

It is certain that the recovery and regeneration phases of the situation will require an integrated, multi-sector approach. The value of the partnership between the Shire and the MCRC, along with other parties, has been demonstrated through the initial emergency management phase and the nature of these relationships is likely to develop further through the next phases.

It is noted that on 8 May 2020 the Minister for Primary Industries and Regional Development announced that in the light of the COVID-19 emergency the state government would renew all CRC contracts until 30 June 2022 and that officials would be working on developing the contract model to apply 1 July 2022 until 30 June 2027.

To “allow the dust to settle “, and for the issues to be re-evaluated it is proposed to allow a rent holiday for the period 1 March 2020 to 30 September 2020. During this period it is proposed that the MCRC pay the minimum rental for not for profit groups.

Policy Implications

Council of the day policy is reflected in the rental provisions of the leases. It is open to the Council to review that in the light of current circumstances.

Statutory Implications

There are no statutory implications.

Strategic Implications

➤ **Strategic Community Plan**

Zone:2 Economy and Growth
Zone Statement: Merredin seeks new opportunities for growth and strives to develop rich and multifaceted economy
Key Priority: 2.3 Supporting initiatives from local businesses for growth

➤ **Corporate Business Plan**

Key Action: 2.3.2 Continue to work with business networks to identify opportunities for programs that support local business (Business Local, Progress Associations, Wheatbelt Business Network)

Directorate: Development Services

Timeline: Ongoing

Sustainability Implications

➤ Strategic Resource Plan

Nil

➤ Workforce Plan

Directorate: Chief Executive Officer

Risk Implications

The key risk is that 30 September will arrive and that no progress has been made on a permanent solution on any rental (or other conditions) payable. It is proposed that this risk is mitigated by requesting the Chief Executive Officer to put in place a process to develop the on-going relationship with the MCRC and resolve the rental issue prior to 30 September 2020.

Financial Implications

By allowing the proposed rental holiday based on the indicative figures contained in this report the Council will forego \$3,722 during the period in question. This income had not been budgeted for.

Voting Requirements

Simple Majority

Absolute Majority

Officer's Recommendation

That the Council:

1. Note that Leases 47 and 63 expired on 29 February 2020 and that these have rolled over into a new lease period with new terms and conditions for rental;
2. Note that the Merredin Community Resources Centre has asked that the new rent terms be reviewed and reduced;
3. Note that the operating and economic environments have changed significantly since the original lease agreements were executed;
4. Agree to a rent holiday from 1 March 2020 until 30 September 2020 during which the Merredin Community Resource Centre will pay a nominal rental of \$520 pa for each of Lease 47 and 63
5. Request the Chief Executive Officer to develop the on-going relationship with the Merredin Community Resource Centre including addressing the rental arrangements to apply 1 October 2020 to 28 February 2025.