

## **P110102 LEASING OF LAND AND/OR BUILDINGS TO COMMUNITY GROUPS**

With respect to community groups exclusively occupying, or seeking to exclusively occupy, Council property or buildings;

- a. There be a signed lease based on Council's standard 'not for profit' lease prior to occupation or upon renewal;
- b. Council desires lessees to be incorporated (with the exception of Volunteer Bush Fire brigades which are covered under the Bush Fires Act);
- c. Contribution by Council towards legal costs (if required) by Council 100%;
- d. Have differing rentals discounted to market valuation depending upon the following factors;
  - i. To what degree the property is utilised for charitable, not for profit or sporting purposes;
  - ii. The ability of the lessee to derive income from use of the property including sub-leases, rental hire and the presence of a liquor license;
  - iii. The strategic value of the land in the short term to Council;
  - iv. To what degree if any that the use is competing with commercial enterprise;
- e. Where the applied rental is lower than a valuation or real estate rental appraisal, Council indicate that contra difference in its annual budget, for that property;
- f. Offer local authority rate exemption, rebate or donation (rather than exemption contra);
- g. Offer Council insurance of the buildings and Council owned property / contents without recoup of the annual premium and to encourage repairs and reinstatement through insurance claims, Council will meet all bar the first \$500 of any insurance excess on claims;
- h. All outgoing and consumable costs to be met by the lessee including but not limited to water, sewer, gas, telephone, ESL, refuse charges, etc;
- i. Lessees to meet all ongoing internal and external building and grounds maintenance other than structural building repairs;
- j. Leases require endorsement of Council prior to signing;
- k. Have differing tenure and renewal rights and terms depending upon the strategic future requirements for that land and or building(s) but based on a maximum of 21 years including any right of renewal (subject to the prevailing management order if applicable);
- l. The use of the property is consistent with the zoning and/or management order and power to lease exists (if required).
- m. Reflecting the non 'exclusive club' usage and fact that they perform a valuable Council service for wide community benefit Council annually (subject to annual budget deliberation) contributes to the maintenance of the following leased Halls;
  - i. Parryville Hall \$2,000;
  - ii. Tingleddale Hall \$2,000;
  - iii. Scotsdale Hall \$2,000 (*nb: Hall is owned by Scotsdale Progress Association on Association vested land*);
  - iv. Kentdale Hall \$2,000;
  - v. RSL Hall \$3,000;
  - vi. Museum Building maintenance is 100% Council responsibility;
  - vii. Nornalup Hall \$2,000;
  - viii. Morgan Richards Community Centre \$2,000; and
  - ix. Peaceful Bay Hall (& Les Carpenter Shed) \$2,000.
- n. Council's Principal Building Surveyor at least on an annual basis inspect all leased buildings and land to ascertain their state of maintenance pursuant to the lease and priority for future and long term maintenance in conjunction with the lessee.
- o. The definition of 'exclusive occupation' does not include reference to yearly licenses to occupy storage space *within* a building such as at the Denmark Recreation Centre.



# Property Management Policy

# Policy Statement

The purpose of the policy is to outline the principles and guidelines governing the management of properties owned or controlled by the Shire of Denmark. Effectively managing the very significant building portfolio is vital for ensuring efficient long-term service delivery and maximising value for the community. The Shire seeks:

- Consistent and equitable tenure arrangements within each property agreement classification;
- Terms that are responsive to changing conditions;
- Co-investment in maintaining the asset; and
- Sharing arrangements that maximise the use of community facilities.

## Policy Scope

This policy specifically applies to property arrangements with the Shire, encompassing commercial (including business, telecommunications and community), licensing agreements, and memorandums of understanding (MOU). Property used for the Shire's operational requirements (eg. administration building, depot, fire sheds) and residential properties managed by the Shire are outside the scope of this policy.

## Definitions

<b>Commercial Lease</b>	Commercial leases are agreements with an entity where the tenancy is held to generate income from ongoing activities or where a non-exempt body or organisation conducts activities under the Local Government Act 1995. The term 'generate income' is expressly not intended to include clubs undertaking normal fundraising activities for club members.
<b>Community Lease</b>	<p>A peppercorn (usually \$1) lease is established between the Shire and a not-for-profit community group where the core service provided specifically to the Denmark community is not, in the CEO's opinion, commercial competition with any other local provider. While this lease arrangement grants the lessee exclusive use, community groups are encouraged to make maximum use of the facility, so share arrangements, including leases by management groups or sub-tenancies with other community groups, are encouraged.</p> <p>A community lease holder has the same obligations as a commercial lease holder but with a peppercorn rent.</p>
<b>Telecommunication Lease</b>	These agreements between the Shire and a telecommunications carrier or provider permit the property to house and operate telecommunications infrastructure and equipment.
<b>Facility Hire</b>	Are arrangements where the Shire undertakes day-to-day facility management and provides access to individuals or groups based

on casual, regular, or seasonal space hire within the facility. This property arrangement offers the most significant access for the public to use a facility but is resource-intensive for the Shire to manage.

<b>Licence</b>	Are property arrangements where permission is granted to a party to enter and use a property space for a particular purpose without exclusive possession. Licenses generally last for a shorter duration than leases (months or years) and do not allow the licensee the right to transfer their permission to use the property to another party. Licenses are primarily used for parking, storage, or similar temporary arrangements.
<b>Memorandums of Understanding (MOU)</b>	Are non-binding agreements between two or more parties outlining the understanding of proposed transactions or collaborations. They are less formal than a lease or license and are typically not intended to govern the use or occupancy of the property.
<b>Property Maintenance Checklist</b>	A checklist developed by the Shire to clearly outline the lessor and lessee responsibilities.
<b>Shared Use</b>	Where two or more parties agree to share the use of a property. This arrangement allows the parties to use the same premises for their respective purposes, often resulting in cost savings, increased efficiency, and optimal space utilisation. These arrangements are formalised through a Management Agreement.
<b>Strategic Holding</b>	The Shire of Denmark can apply this subclassification to any lease when it considers the property needs to be held in a short-term arrangement pending short—to medium-term potential future development. This includes but is not limited to, redevelopment, improvement, repurposing, demolition, rebuilding for purposes of increased income generation or providing community infrastructure. This subclassification does not alter any other conditions of the property arrangement other than the lease term.
<b>Sublease</b>	A sublease is a formal contractual arrangement in which the original lessee sublets all, or part, of a property to another party (the sublessee) while still retaining rights and obligations under the head lease with the landlord (the Shire). A sublease arrangement requires Shire approval.

# Policy Principles

## 1.1 Sustainability

The Shire of Denmark is dedicated to implementing a clear and consistent property management structure to facilitate access to Shire facilities via various property arrangements. Given the Shire's substantial property holdings, innovative methods must be investigated to ensure the continued sustainability of these vital assets. This policy empowers the Shire to define or adjust property arrangements to ensure the overall long-term financial sustainability of its building assets. This may involve pursuing commercial leases while recognising the importance of subsidising community-focused property arrangements that contribute to nurturing community life across the Shire.

Several Shire of Denmark owned community halls are located around the Shire that provide a valuable meeting place for the local community. These meeting places are often deeply rooted in the local culture, history and the specific needs of the residents. These facilities play a role in civil engagement, emergency response, community building and social interaction. The Shire considers these to be valuable community assets and, as such, will assist community groups to manage these facilities through service partnerships to ensure these facilities are maintained. The Shire will establish a budget for service agreements within the annual budgeting process. The financial contribution allocated to the community group under the service agreement will be commensurate with the frequency of the building's utilisation. Greater usage of the facility will result in increased monetary support.

## 1.2 Consistency

Each property arrangement is assigned a classification that will determine the standard terms and conditions of the property agreement. At the end of a property agreement term, the Shire may review and amend the property classification based on strategic or emerging issues or changing community expectations and economic needs. See Section 1.10 for lease conclusion arrangements.

The choice of property agreement employed by the Shire hinges on several factors, namely:

- The current and intended zoning regulations applicable to the property.
- The activities proposed to be undertaken by the applicant.
- The historical use of the property.
- An applicant's financial investments in the existing or planned development of the site.
- Alternative property uses.
- The resources available to the Shire for overseeing the proposed property arrangement.

### **1.3 Efficiency**

When community groups apply for a community lease, efficiencies are considered when evaluating their request to use a Shire facility. These considerations encompass:

- The anticipated occupancy rate of the property. If the projected occupancy rate isn't expected to be fully utilised, collaborative shared-use agreements must be extensively explored and presented as part of any application.
- The significance and extent of the group's contributions to the broader community, beyond its primary membership.
- The group's capacity to generate revenue to meet its property agreement obligations.
- The group's commitment and capability to contribute to addressing community needs.
- On a case-by-case basis, the Shire may consider entering into specific user arrangements that do not require a shared use arrangement in recognition that some groups have specific infrastructure that makes shared-use challenging, they have invested significant levels of their capital in facilities on Shire managed land or for other justifiable reasons.

### **1.4 Shared Use – Community Groups**

The Shire maintains the authority to refuse property arrangements, whether at renewal or when considering a new application if evidence suggests that the prospective applicant may not optimally use the facility and has expressed reluctance to share the space with other community groups.

The Shire prioritises shared use between community groups because it fosters community cohesion, optimises facility use, and promotes cost savings for as many groups as possible. Since the Shire cannot provide a building for every community group. Fairness and equity can sometimes only be achieved through sharing arrangements.

This policy encourages community groups to actively pursue shared-use arrangements through a management structure or by applying for a sublease arrangement with another community group. Sharing a facility with others can substantially lessen the maintenance cost burden. Dividing these expenses among more than one party allows each group to experience reduced financial pressure while enjoying access to the facility.

Single applicants seeking a property arrangement will need to demonstrate that they have:

- Assessed their own needs and requirements for space within the facility and determined whether there is space available for sharing.
- If shared space is an option, conducted research and consultation to gauge interest from other community organisations in sharing the facility.

Requests from shared users must have:

- Negotiated terms of the sharing arrangement in a written Management Plan that includes:
  - Names and addresses of all parties;
  - Areas of responsibility to comply with a Shire property use agreement;
  - A communication protocol for liaising with the Shire;
  - A dispute resolution process;
  - A means for modifying the Management Agreement, including default, repudiation or termination by one party; and
  - Any other requirement determined necessary by the Shire's Chief Executive Officer.

Parties to a shared use arrangement are encouraged to establish an incorporated management body with membership consisting of representatives from each party.

### **1.5 Rate Waivers and Peppercorn Rent**

The Shire continues its commitment to providing affordable spaces for community groups by offering leases at a peppercorn rate. The Shire appreciates the essential role that community groups play in delivering services and enhancing the quality of life for our residents, so it also considers rate waivers each year to support the efforts of these groups. (Refer to the Community Contributions Policy).

In this regard, the Shire seeks to foster a reciprocal relationship where community groups undertake to maintain the asset over the life of the use agreement in line with standard commercial property arrangements.

### **1.6 Repairs, Maintenance and Property Maintenance Checklist**

Lessees are responsible for the building repairs and maintenance. The extended security of tenure associated with commercial leases, even when the lease rates are minimal (referred to as "peppercorn" rates), imposes an obligation on lessees to continuously conduct repairs and maintenance as part of a shared property agreement. The maintenance responsibility encompasses tasks related to internal furniture and fittings, pest control, security, electrical, fire services and emergency procedures, sewerage, water supply and drainage, gardening and landscaping, plant and machinery, and external features, including sporting and recreation facilities.

To facilitate this, lessees will receive a detailed property maintenance checklist, and a Shire representative will conduct an annual property inspection in collaboration with a representative from the lessee. This process aims to establish and document the ongoing condition of the premises and identify any issues that require attention from the responsible party.

Contributions towards repairs and maintenance that are embedded in use agreements prior to the commencement of this policy, will be phased out as the use agreements come to the end of their term.

Any future contributions to maintenance or the ongoing operations of a community group will be provided for in any new agreement and/or the Council's *Community Contributions Policy*.

## 1.7 Additional and Unique Assets

Certain community organisations that lease property from the Shire offer a range of facilities for the benefit of their members, such as additional auxiliary buildings, recreational areas, and sports playing surfaces.

These facilities are considered assets and are, therefore, included in the Shire's asset register and integrated into the Shire's balance sheet. The Shire provides ongoing property insurance for these assets.

Community groups offering these unique assets to their members will manage and maintain them throughout their operational lifespan and will be responsible for funding their replacement. This obligation will form a condition of any lease agreement.

## 1.8 Standard Terms of Leases

**General:** The following standard terms are provided as a guide. The Shire reserves the right to exercise discretion in all circumstances and remains bound by all applicable laws and regulations.

- Commercial and Telecommunications leases: The standard term will be up to 21 years.
- Community leases: The standard term will be 10 years.
- Licenses / MOUs: The standard term is up to 3 years.

**Strategic Holding:** For any lease, licence of MOU where the land is deemed a strategic holding the maximum term will be 3 years.

**New lease midterm:** Under certain circumstances, a new lease may be initiated with the Shire before the current lease expires. The decision to commence a new lease prior to the expiry date lies within the discretion of the Shire and should be prompted by significant reasons presented by the lessee, including:

- Property Upgrades: where the lessee intends to make improvements or upgrades to the property.
- Funding considerations: where a funding body connected to the lessee is seeking assurance that the lessee has a commitment to a specific length of property tenure to continue funding them to deliver a service.
- Shared lease consideration: The lessee requests a lease change to enter into a shared use lease.

## 1.9 User responsibilities and agreement type

Standard arrangements for each agreement type outline the **property user's responsibility** to meet the costs associated with the arrangement.

General Property User's Responsibilities  (Subject to specific conditions in the lease)	Telecommunication Lease	Commercial Lease	Community Lease	Community Lease land only*	License	MOU	Hire
Outgoings – utilities (water, gas, electricity)	✓	✓	✓	✓	NA	NA	NA
Cleaning and grounds maintenance	✓	✓	✓	✓	✓	NA	NA
Rubbish and recycling	✓	✓	✓	✓	NA	NA	NA
Emergency Services Levy	NA	✓	✓	✓	NA	NA	NA
Building insurance excess (if claim made)	✓	✓	✓	✓	NA	NA	NA
Public Liability	✓	✓	✓	✓	✓	✓	NA
Ongoing repairs and maintenance	✓	✓	✓	✓	NA	NA	NA
Significant structural repairs (not including inherent structural defects)	✓	✓	NA	✓	NA	NA	NA
Rates	✓	✓	** Waived	** Waived	NA	NA	NA
Rent	✓	✓	\$1	\$1	✓	NA	Refer to Fees & Charges Schedule

\* Community groups who fund 100% of the cost of the facility based on a Shire land lease only are responsible for structural repairs to the buildings.

\*\* Rate waivers are considered by Council in accordance with s 6.47 of the Local Government Act 1995.

## 1.10 Lease Conclusion

If the lease term ends and the Shire determines that the property might be required for an alternative purpose in the short to medium term, the Shire will offer the lessee the right of first refusal to enter a *Strategic Holding* lease for a maximum period of up to three years and no less than one year.

This provision is designed to give the Shire the necessary time to assess the future use of the property while allowing the lessee to consider other arrangements.

At the conclusion of the Strategic Holding lease, Council will decide whether to either transition back to a commercial, community or telecommunications lease, renew the Strategic Holding lease, or otherwise alter the lease arrangements.

### **1.11 Acknowledging the Shire**

Recognising the Shire's support is crucial as it helps build positive relationships between community groups and the local government. By acknowledging the Shire's contribution, community groups foster a sense of partnership and collaboration. Additionally, publicly recognising the Shire's support enhances transparency and accountability, ensuring the community is aware of the resources provided to benefit all.

Therefore, community groups with property agreements are required to acknowledge the Shire's contribution at all available public opportunities, including their organisation's website homepage, social media and any advertising materials. Prior approval from the Shire is necessary for any materials using the Shire logo before publication.

### **1.12 Public Register**

The Shire will publish a register of all current leases, licences and MOU's on the Shires website.

## **Responsibilities**

In line with Delegations 1.2.18 Disposing of Property, the following assignments have been determined.

The Council will determine:

- Commercial and Telecommunication leases with a total lease value above \$50,000.
- Community leases, when entering into an arrangement for the first time.
- Community leases, where the lease term is over 10 years.
- Subleases, when entering into an arrangement for the first time.
- Strategic Holding classifications.
- Any other use agreements that, in the opinion of the Chief Executive Officer, should be considered and determined by Council.

The Chief Executive Officer will determine:

- Commercial and Telecommunication leases with a total lease value below \$50,000.
- Renewal of Community leases for 10 years or less.
- Renewal of subleases.
- Licence agreements.
- Memorandums of Understanding.

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