



Meeting: Council

Title: INEA YMCA – Request for Lease Extension

Responsible Manager: General Manager, Heather Barclay

Author: General Manager, Heather Barclay

Key Focus Area 2: Sustainable and resilient future
Based on a sensitive approach to planning heritage, economic development and the public realm

Type of Report: **Decision Required**

Item No: 16.1.4
 File No: 16.51.2.1
 Date: 19 June 2017
 Attachment: A, B, C

Pursuant to Section 83(5) of the *Local Government Act 1999*, the Chief Executive Officer indicates that the matter contained in this report may, if the Council so determines, be considered in confidence pursuant to Section 90(2) of the *Local Government Act 1999* on the basis that the information contained in the attached report is information of the nature specified in subsections 90(3)(d) of the Act being to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

Recommendation Public

Pursuant to s90(3)(d)

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except the Chief Executive Officer, Kiki Magro, General Manager, Heather Barclay Property and Contracts Officer, Allison Down and Protocol, Compliance & Governance Officer, Deb Bria be excluded from attendance at the meeting for Agenda Item, INEA YMCA – Request for Lease Extension

The Council is satisfied that, pursuant to section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

The matter relates to the terms of the lease between the Council and the Young Men's Christian Association of Inner North East of Adelaide Incorporated (INEA YMCA).

In addition, Council has further considered that the information would on balance be contrary to the public interest because it refers to the commercial terms of the lease mentioned above.

Recommendation (Confidential)

Council grants a short term lease extension to INEA YMCA (Young Men's Christian Association of Inner North East Adelaide Incorporated), until 31 December 2020, with rental beyond the current term (cessation date of 31 December 2018), to be calculated pursuant to the terms contained within the current lease, Clause 4.10.1 for rent review.

Recommendation (Confidential)Pursuant to s.91(7)

That having considered Agenda Item INEA YMCA – Request for Lease Extension in confidence under section 90(2) and (3)(d) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the report, attachments relevant to this Agenda Item be retained in confidence for a period of 12 months and that pursuant to Section 91(9)(c) of the *Local Government Act 1999* the Council delegates to the Chief Executive Officer the power to review and revoke this Order.

and

That Council resolves to end its confidential deliberations pursuant to Section 90(2) of the *Local Government Act 1999* Council and re-admit the public.

Summary

Correspondence from Catherine Follett, President of the INEA YMCA, has been received requesting;

“.....Council grant us a renewed lease of a period of three years plus an option to renew for a further two years....”

This request has concurrence with Councils decisions in May 2017, including an instruction to the administration *“to proceed with master planning the Smith St / Fuller St site as the second priority within the timeline set out in slide 2 of Ekistics powerpoint presentation and appearing at Attachment A”*

The recommendation (herein), if supported by Council, would go some way towards supporting the request by INEA YMCA for an extension to their lease, albeit for a shorter term. Importantly, however, a short term extension to their lease would maintain the status quo whilst facilitating the timing for planning and determination of ‘future opportunities’ for the Fuller and Smith Street sites.

Background

In late 2015, INEA YMCA (Young Men's Christian Association of Inner North East Adelaide Incorporated) sought a new lease term of 10 years + 10 years, and presented a proposal for building refurbishment, including a suggestion that the proposal be funded via a Council Loan (from LGFA).

The request and proposal was received, and following deliberations on a more fulsome view of both the Fuller Street and Smith Street sites, Council resolved in September 2016, to progress investigation of ‘future opportunities’ for the Fuller and Smith Street sites.

At its 15 May 2017 Meeting, Council specifically resolved the following in relation to this matter (**refer bold type**);

“CNC436/16-17

That Council:

1. *Receive and note the report and its Attachments, titled Strategic Property – Master planning Framework;*

2. Review, amend and endorse the notes prepared from the Elected Member Workshop held on Wednesday 29 March 2017 appearing as Attachment B;
3. Instruct administration to proceed with master planning the Levi Caravan Park (and Levi Park) as the first priority within the timeline set out in slide 2 of Ekistics powerpoint presentation and appearing at Attachment A;
4. **Instruct administration to proceed with master planning the Smith St / Fuller St site as the second priority within the timeline set out in slide 2 of Ekistics powerpoint presentation and appearing at Attachment A;**
5. Instruct administration to treat the Walkerville Oval Precinct plan as the third priority within the timeline set out in slide 2 of Ekistics powerpoint presentation and appearing at Attachment A;

and;

That administration provide update reports to Council as and when they become available"

A copy of the **timeline set out in slide 2 of Ekistics powerpoint presentation**, is included as **Attachment A**, for Members reference.

Following the 15 May 2017 Meeting and decision/s, Council received (on 18 May 2017), correspondence from Catherine Follett, President of the INEA YMCA, requesting;

".....Council grant us a renewed lease of a period of three years plus an option to renew for a further two years...."

The letter also referred;

"... We are in the process of preparing a fully costed proposal to present to Council regarding plans for our site...."

A copy of the correspondence received from INEA YMCA is included in **Attachment B**.

A response (from Council CEO, Kiki Magro) was provided to INEA YMCA President, Catherine Follett on 19 May 2017, refer **Attachment C**.

The response sought confirmation of the request for the lease extension; viz; for a deed of variation, from now or for an extension from the existing cessation date of 31 December 2018. In addition, the letter stated;

".....I note your comments "we are in the process of preparing a fully costed proposal to present to Council regarding our plans for the site".

In regard to this matter, I would suggest that it might be best to hold off pending Councils further consideration of a 'masterplan / framework' for the site, as any work prior (by YMCA INEA), may incur unnecessary costs for your organisation.

Discussion/Issues for Consideration

Following Councils decisions in September 2016, INEA YMCA were formally notified of Councils intention to progress investigation of 'future opportunities' for the Fuller and Smith Street sites.

Albeit that INEA YMCA has outlined a desire to 'preparing a fully costed proposal to present to Council regarding their plans for the site', (both in this current correspondence and previously), they are fully informed regarding the Councils position to progress investigation of 'future opportunities' for the Fuller and Smith Street sites.

As an interim measure, and pending an understanding of 'future opportunities' and timing of same, INEA YMCA has sought an extension to their lease term, viz; "...Council grant us a renewed lease of a period of three years plus an option to renew for a further two years..."

Concurrently (May 2017), Council has resolved **"to proceed with master planning the Smith St / Fuller St site as the second priority within the timeline set out in slide 2 of Ekistics powerpoint presentation and appearing at Attachment A"**;

Based on **Attachment A**, and the timing and process towards determination of any particular outcome for the Fuller and Smith Street sites; and given the proposed expiration of the current INEA YMCA lease on 31 December 2018, it is considered reasonable to, at the least, provide a deed of variation to the existing lease until 31 December 2020 (aligned to Levi Park Caravan Park), to facilitate the timing and planning for 'future opportunities' for the sites mentioned.

A decision for a further 2 year term would provide INEA YMCA, an extension of 2 years to their current term of 5 years.

Alternatives could include to;

1. Negotiate a "Deed of Variation" - Lease Extension (now) - commencing July 2017, and including terms 3 + 2 years (thus bring the term to July 2020 (+ 2 years to July 2022)); or
2. Extend the current term from 31 December 2018, to including 3 + 2 years; thus bring the term to 31 December 2021 (+ 2 years to 31 December 2023)

Options for Consideration

An extension to the INEA YMCA Lease (beyond 31 December 2018) would facilitate the timing for planning and determination of 'future opportunities' for the Fuller and Smith Street (refer Attachment A), and also provide INEA YMCA a favourable response to their request for a lease extension.

Options for consideration are;

Option 1

Provide a 2 year extension to the current INEA YMCA Lease, to 31 December 2020; or

Option 2

Negotiate a "Deed of Variation" - Lease Extension (now) - commencing July 2017, and including terms 3 + 2 years (thus bring the term to July 2020 (+ 2 years to July 2022)); or

Option 3

Extend the current term from 31 December 2018, to including 3 + 2 years; thus bring the term to 31 December 2021 (+ 2 years to 31 December 2023)

Analysis of Options

Option 1 aligns the INEA YMCA lease expiration to that of the Levi Park Caravan Park, and provides timing for the planning and determination for 'future opportunities' for the site (aligned to timing in Attachment A). – **proposed expiration of term 31 December 2020**

Option 2 provides an extension aligned to the requested by the YMCA for a 3 + 2 year term extension commencing forthwith (July 2017) – **proposed expiration of term 31 July 2022**

Option 3 provides an extension aligned to the requested by the YMCA for a 3 + 2 year term extension commencing forthwith at the expiration of their existing term on 31 December 2017 – ***proposed expiration of term 31 December 2023.***

Financial Implications

The current INEA YMCA lease outlines the lease payments and annual increments required.

INEA YMCA, currently pay \$10,776.33 pa (ex GST) rent, with annual increments required at January each year based on the formula contained within the lease.

It is recommended that if Council allows an extension to the lease, the terms of the existing lease be applied as it relates to annual increments in rent.

Community Implications

Pursuant to Section 202 of the Local Government Act, and legal advice (Wallmans Lawyers), Council is not required to consult the community in relation to a short term lease extension (<5 years).

From a community/users perspective a short term lease extension, will provide continuity of services by INEA YMCA within the community for the period of the extended term (at the least).

Regional Implications

Currently the INEA YMCA provides services that they have indicated, as having a regional catchment. Accordingly, any decision to extend a lease provides continuity of service for users for the period defined by the extension.

Governance Implications

- The likely timing required to facilitate Councils May 2017 decision for the Smith Street site will require a period extending beyond the existing INEA YMCA lease expiration of 31 December 2018.
- The land to which the INEA YMCA lease is entitled is Community Land, pursuant to Council Community Land Management Plans.
- Section 202 of the Local Government Act (Alienation of community land by lease or licence), Council may grant a lease or licence over community land, but before doing so, it must follow the relevant steps set out within its consultation policy (for consultation), unless the grant of lease or extension is <5years in term. In this case if Council is to grant an extension to the existing lease, under any of the scenario's presented herein, each would be for less than a 5 year term. As a result the Council would not be required to consult the community on the proposed lease extension.
- A grant of lease extension must be aligned to Councils Community Land Management Plans (CLMP's), particularly, CLMP No. 5. Members will recall that the purpose for which the (Smith Street) land is held is for sporting, recreational, health or community facilities for the use and benefit of the community. On this basis, a lease extension would not be at variance to the intent of the CLMP for the site, nor would it be contrary to the Community Zone (per the development plan).

Preferred Option & Reasoning

Option 1

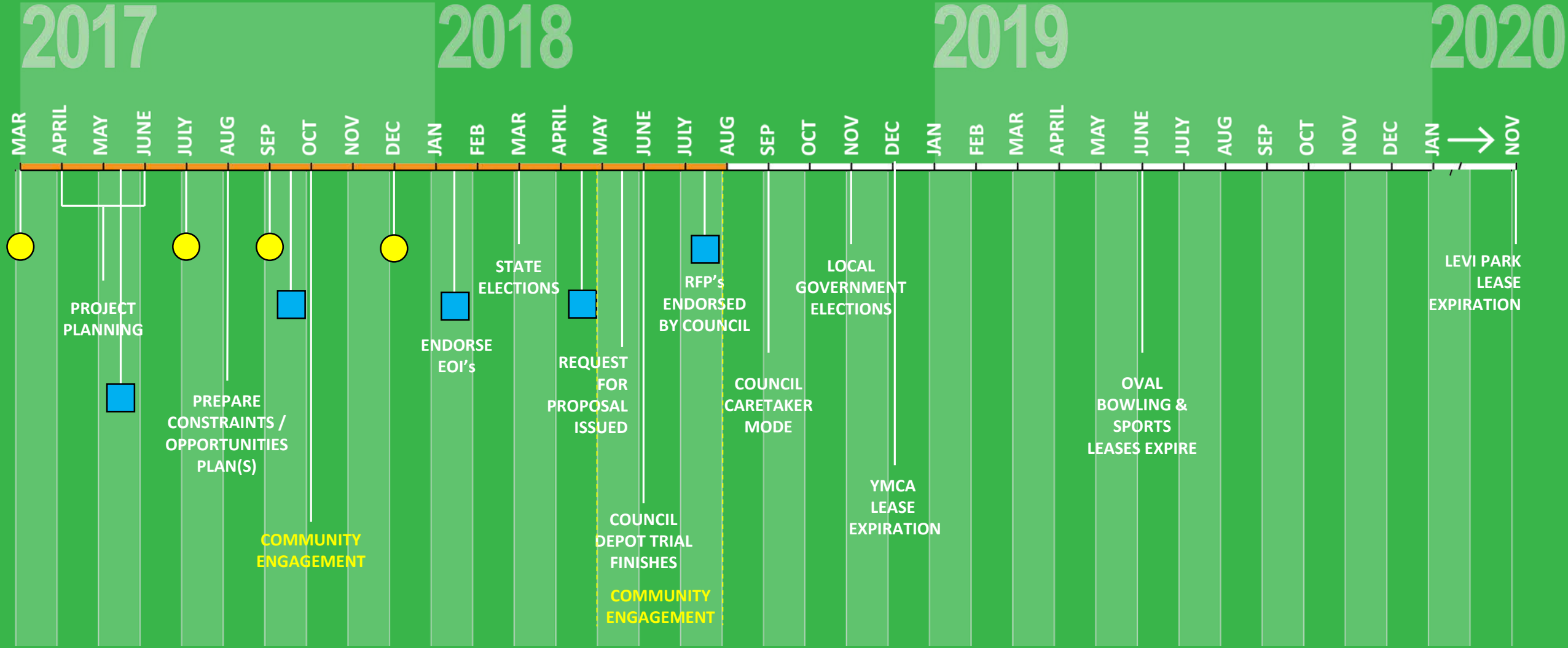
It is recommended that Council grants a short term lease extension to INEA YMCA (Young Men's Christian Association of Inner North East Adelaide Incorporated), until 31 December 2020, and rental beyond the current term (cessation date 31 December 2018), be pursuant to the terms contained within the current lease, Clause 4.10.1 for rent review.

This recommendation, go some way towards supporting the request by INEA YMCA for an extension, to the lease, albeit for a shorter term. Importantly, however, an extension to the existing term, as recommended facilitates the timing for planning and determination of 'future opportunities' for the Fuller and Smith Street sites.

Attachment/s

Attachment A	Timeline set out in slide 2 of Ekistics powerpoint presentation for Strategic Community Assets
Attachment B	Correspondence from Catherine Follett, President INEA YMCA dated 18 th May 2017
Attachment C	Letter from CEO, Kiki Magro to Catherine Follett dated 19 th May 2017, in response to Attachment B

STRATEGIC PROJECTS - OVERVIEW



● Elected Member Workshop
 ■ Council Meeting
 — Project Positioning / Endorsement
 — Project Implementation



Thursday, 18 May 2017

Attention: Ms Kiki Magro
CEO Town of Walkerville

Re: Short-term Lease Extension YMCA INEA 39 Smith Street Walkerville

I refer to my meeting on 5th April 2017 with Heather Barclay, and my conversation with you about the YMCA INEA lease on that same date.

Briefly, the YMCA INEA lease over 39 Smith Street Walkerville ('the Lease') expires on 31 December 2018. I understand our Board has previously discussed the extension of this with the Walkerville Council ('the Council').

From my discussions with you and Heather, I understand that there are a number of significant dates between now and 31 December 2018 which may jeopardise the Council's ability to give proper consideration to a renewal of this lease for the length of time YMCA INEA would like. We of course would like a renewed lease of 10 years with the right to renew for a further 10 years. Such a renewed lease period would allow us to conduct the full renovations of the Smith Street premises to get the building up to current building and child-related standards that we require. The current building was fit for purpose at the time it was built, however time marches on and we need to upgrade our facilities.

In light of the significant dates looming on the Council's agenda, and my understanding that council will not be able to make a decision on our request for a 10+10 lease, I ask that the Council grant us a renewed lease of a period of three years plus an option to renew for a further two years. This briefer time period would, in my view, take pressure off Council and its busy schedule, and allow our Board to present Council with a considered and costed proposal for our intended renovations to the site. We are in the process of preparing a fully costed proposal to present to Council regarding our plans for the site.

On a personal note, it was a pleasure to meet you all in person, and I very much appreciate the time Heather was able to spend with me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Catherine Follett', is positioned below the closing text.

Catherine Follett
President
YMCA INEA
39 Smith Street
Walkerville





The Corporation of the Town of Walkerville

ABN 49 190 949 882

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PO Box 55, Walkerville SA 5081

File Number: 16.15.2.1

Please Quote Ref: OLT201716956

Contact Officer: Chief Executive Officer, Kiki Magro

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19 May 2017

Catherine Follett
President
YMCA INEA
39 Smith Street
Walkerville SA 5081

Via Email: SDalgleish@ineaymca.asn.au

Dear Catherine,

Re: Request for "short term" Lease Extension - YMCA INEA, 39 Smith Street, Walkerville

Thank you for your letter received on 18 May 2017, including your request for a Lease Extension (3+ 2 years).

I advise that your letter and request will be referred to Council for its consideration, at its 18 June 2017 Ordinary Council Meeting.

Please note that the matter will be discussed in confidence as consideration of the current lease terms including financial considerations associated with any extension may be part of those discussions.

Prior to me preparing a report for Councils consideration, can you please confirm your preferred intention;

Negotiate a "Deed of Variation" - Lease Extension (now) - say commencing July 2017, and including terms 3 + 2 years (thus bring the term to July 2020 (+ 2 years to July 2022)); or

Extend the current term from 31 December 2018, to including 3 + 2 years; thus bring the term to 31 December 2021 (+ 2 years to 31 December 2023)

In addition, to the above I note your comments "we are in the process of preparing a fully costed proposal to present to Council regarding our plans for the site".

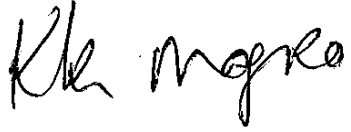
In regard to this matter, I would suggest that it might be best to hold off pending Councils further consideration of a 'masterplan / framework' for the site, as any work prior (by YMCA INEA), may incur unnecessary costs for your organisation.

In relation to shorter term investments by INEA YMCA regarding proposed renovations (etc.), please do not hesitate to discuss such matters with the Council Administration.

In closing, I concur with your final statement, it was also a pleasure to meet you in person.

I look forward to hearing from you - please do not hesitate to contact me directly to confirm or clarify any of the above.

Yours Sincerely,

A handwritten signature in black ink that reads "Kiki Magro". The signature is written in a cursive, flowing style.

Kiki Magro
Chief Executive Officer