

11.1 LEASE COUNCIL BUILDING 11 PARNELL STREET, RAWENE**File Number: A2374390****Author: Rob Koops, Property Services****Authoriser: Janice Smith, General Manager - Corporate Services (Acting)****PURPOSE OF THE REPORT**

To obtain a resolution from Council to invite expressions of interest for the lease of the premises located at 11 Parnell Street in Rawene.

EXECUTIVE SUMMARY

- The property at 11 Parnell Street, Rawene is classified a Local Purpose (Public Building) Reserve.
- A nine year lease to Rawene and Districts Community Development Inc has expired.
- The Kaikohe-Hokianga Community Board was asked to recommend on the future use of the premises.
- Their recommendation opposes the staff recommendation and if adopted by Council could have a significant impact on the future leasing of Council owned buildings.

RECOMMENDATION**That Council:**

- invite expressions of interest from local groups and organizations with a full proposal for the use of the premises located at 11 Parnell Street, Rawene in accordance section 61(2A) of the Reserves Act 1977; and**
- based on the expressions of interest received the Kaikohe-Hokianga Community Board will make a recommendation to Council in regards to the preferred future use, contribution to fit-out and new tenant for the premises.**

1) BACKGROUND

Rawene and Districts Community Development Inc (RAD) lease 180 square metres (more or less) of the building known as the Rawene Service Centre, 11 Parnell Street, Rawene.

The property is classified a Local Purpose (Public Building) Reserve. In accordance with section 61(2A) of the Reserves Act 1977, Council as the administering body, may lease all or any part of the reserve to any person, body, voluntary organisation, or society (whether incorporated or not) for any of the following purposes: community building, playcentre, kindergarten, plunket room, or other like purposes.

The lease to RAD commenced on 1 January 2010 with an initial term of three years and two rights of renewal by the tenant of three years each. The first right to renew was exercised by RAD in 2013. The second request from RAD to renew the lease in 2016 came with three conditions:

- 1) Council should waive payment for rent, rates, insurance and fire safety inspections;
- 2) Council should bring the building up to a suitable standard;
- 3) Council should refit the building including alterations to the interior layout.

A report on the matter was tabled at the Kaikohe Hokianga Community Board meeting of 28 June 2015. The matter was left to lie on the table and the lease was not formally renewed. To date improvements to the exterior of the building (item 2 above) have been made but the matter of (1) rent and (3) internal fit-out remain unresolved. Part of the 2015 staff recommendation to the Community Board was that the cost of alterations to the internal layout [as requested by RAD] and

the decision whether Council should pay all or part of it, should be made as part of the renewal funding budget 2019/20.

Despite the lease not being formally renewed, RAD has remained in occupancy and has continued to pay the rent and a proportion of outgoings agreed to on the renewal in 2013. Assuming the lease had been renewed in 2015, the final 3 year term would have expired on 31 December 2018. Council now has the option to review the most appropriate use for the premises and invite expressions of interest from suitable organisations that may wish to take on the lease.

2) DISCUSSION AND OPTIONS

A right of renewal means that a tenant can exercise the right to continue to lease the premises for a further term (or terms) on the same conditions the lease was entered into. A landlord cannot terminate the lease during the term (or terms). Neither the tenant nor the landlord can change the conditions of the lease other than by mutual agreement. On final termination of the lease (once all rights of renewal have been exercised or a tenant declines the right to renew), a landlord is free to offer a lease to anyone it deems appropriate.

In order to be transparent and even-handed Council charges market rent on its buildings (other than sportsgrounds, halls, etc.) regardless of the type of organisation leasing it. Under the Local Community Grant Scheme, Community Boards have the ability to provide grants towards rent to certain groups or charitable organisations as they deem appropriate and regardless who these organisations lease from.

Option 1 (recommended):

That Council invite expressions of interest from local groups and organisations (including RAD) to provide a detailed proposal for the use of the premises in accordance with section 61(2A) of the Reserves Act 1977. Then, based on the expressions of interest received, the Community Board will make a recommendation to Council in regards preferred future use, contribution to fit-out and new tenant for the premises.

Option 2:

That Council offers a new lease to RAD on standard commercial terms and conditions and at market rent, still allowing RAD to sub-let part of the premises to other groups and organisations AND that Council approves that [\$ __, __ __] of available renewal funding is put towards the internal fit-out proposed by RAD.

Option 3:

That Council offers a new lease to RAD at nominal (peppercorn) rent, still allowing RAD to sub-let part of the premises to other groups and organisations AND recommend that Council approves that [\$ __, __ __] of available renewal funding is put towards the internal fit-out proposed by RAD.

Reason for the recommendation

A decision on future use and tenancy of the building, the cost to Council for fit-out and an expectation on rental income of the premises based on expressions of interest received ensures a transparent process is followed whereby all community groups and organisations are given the opportunity to put their case forward.

At their meeting on 13 February 2019 the Kaikohe Hokianga Community Board was asked to recommend on the most appropriate use of the premises and the most appropriate way to spend renewal money regardless of the current use or tenancy of the building.

The Kaikohe-Hokianga Community Board made the following recommendation to Council:

“That Council offers a new lease to RAD at nominal (peppercorn) rent, still allowing RAD to sub-let part of the premises to other groups and organisations AND recommend that Council approves that \$62,000 of available renewal funding is put towards the internal fit-out proposed by RAD”.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

Advertising in local newspapers for expressions of interest will cost approximately \$1,500.00+GST. The Market rental for the premises has been assessed at \$6,405.00+GST per annum. There is currently \$84,344 in year 19/20 for renewal of the internal fit-out for the service centre building. This would need to be prorated across the FNDC Service Centre and the area occupied by RAD.

It needs to be noted that the renewal of fit-out is like for like (ie old kitchen out, new kitchen in, etc.) not for additions or relocation of services (plumbing, electrical).

ATTACHMENTS

1. **KHCB Report + Resolution 230516 - A2328837**

COPY

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Low.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	S61(2A) of the Reserves Act 1977 LTP 2018-28: Communities that are healthy, safe, connected and sustainable.
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	The view of the relevant Community Board was sought and its recommendation is noted under "Discussion and Options" of this report.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	Nothing specific to Maori that is not also relevant to the wider Rawene community.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences.	The future use of the premises potentially affects all members of the Rawene community.
State the financial implications and where budgetary provisions have been made to support this decision.	Advertising for expressions of interest cost \$1500+GST. Market rental assessed at \$6,405 +GST per annum. Renewal funding available \$ 62,420
Chief Financial Officer review.	The Chief Financial Officer has reviewed this report