

10.1 HALVORSEN HALL - TENANT RELOCATION

- Attachments:**
1. Option Analysis
 2. Maintenance Obligations

RECOMMENDATION:

That Council:

1. **APPROVES** the relocation of the lessees at Halvorsen Hall comprising of Graham Hay, Frances Dennis, Carol Rowling, Sarah Marchant and Christopher McClelland to the North Perth Community Centre;
2. **APPROVES** reallocation of \$40,000 in the 2022/2023 approved capital budget from Halvorsen Hall to North Perth Community Centre; and
3. **APPROVES** the provision of local public notice pursuant to section 3.58 of the Local Government Act 1995 of the proposed lease to the lessees on the following key terms:

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|-------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1. | Term: | Five (5) years |
| 1.2. | Rent | \$6,706.70 including GST per annum indexed at CPI. |
| 1.3. | Rent Review: | CPI on 1 July each year of the term, commencing on 1 July 2023. |
| 1.4. | Premises area: | Approximately 285 m ² (subject to survey) |
| 1.5. | Outgoings: | Tenant responsibility including rates and taxes, ESL, rubbish and recycling bin charges, utilities (including scheme water, electricity and gas) and minimum level of services statutory compliance testing (including RCD, DFES and pest inspection fees and charges), building insurance applicable to the Premises. |
| 1.6. | Public Liability Insurance: | Tenant responsibility – minimum of \$20 million per one claim |
| 1.7. | Building Insurance | Tenant to reimburse the City for the building insurance premium payable in respect of the Premises. If the Tenant requests the City to make a claim on the Tenant's behalf (under the building insurance policy) the City may require the Tenant to pay any excess payable in respect to that claim. |
| 1.8. | Repair/maintenance: | As per maintenance schedule at Attachment 2 . |
| 1.9. | Permitted Use: | Arts, recreational activities and ancillary purposes. The Premises is not to be used for illegal or immoral purposes. |
| 1.10. | Special conditions: | Premises condition: |
| | | a) The Tenant leases the Premises from the City on an 'as is, where is' condition. |

- b) The Tenant acknowledges that the Premises is in a condition that commensurates with its age and the City does not anticipate making any capital upgrades or improvements to the Premises or its surrounds.

1.11. Redevelopment or demolition:

If:

- a) the City wishes to redevelop the Premises or its surrounds; or
 b) the City determines that it can no longer maintain the Premises in a safe and occupiable condition,

the City may, upon providing the tenant with a minimum of 12 months' prior notice, require the tenant to surrender its lease of the Premises.

1.12. Quiet enjoyment

Tenant acknowledges that its quiet enjoyment of the Premises may be affected from time to time by works that the City or its agents may reasonably undertake or facilitate in the vicinity of the Premises that may include but are not limited to:

- Disruption or closure of roads, reserves and road reserves;
- Pedestrian movement and access;
- Vehicle movement, access and parking;
- Vibration and noise; and
- Dust and dirt.

The City will not be liable to compensate the Tenant in the event that the above affects the Tenant's quiet enjoyment of the Premises.

4. **DELEGATES authority to the Chief Executive Officer to consider any submissions received and to determine whether to proceed with the lease, ensuring that the reasons for such a decision are recorded;**
5. **Subject to final satisfactory negotiations being carried out by the Chief Executive Officer and approval from the Department of Planning, Lands and Heritage, AUTHORISES the Mayor and Chief Executive Officer to affix the common seal and execute the lease in accordance with the Execution of Documents Policy.**
6. **DELEGATES authority to the Chief Executive Officer to approve future variations to the lease as required for the sole purpose of adding or removing joint lessees to the lease.**

PURPOSE OF REPORT:

To consider:

- (a) relocating a group of Lessees comprising of Graham Hay, Sarah Marchant, Frances Dennis, Carol Rowling, and Christopher McClelland (Lessees) who are currently leasing the Halvorsen Hall to North Perth Community Centre;
- (b) transfer of allocated renewal funds in the 2022/2023 annual budget from Halvorsen Hall to North Perth Community Centre to accommodate the tenant relocation;
- (c) surrender of the existing lease at Halvorsen Hall; and
- (d) entering into a new lease with the Lessees in regard to the North Perth Community Centre at 10 Farmer St, North Perth and known as Woodville Reserve (Premises).

BACKGROUND:**Halvorsen Hall**

Halvorsen Hall is located at Robertson Park on portion of 176 Fitzgerald Street, Perth. The land is owned in Freehold by the City.

Halvorsen Hall, built in 1970 has recently been condition assessed and although deemed structurally sound, has been deemed not fit for purpose due to interior building condition being rated poor as well as presenting compliance and functionality issues. Estimates to remedy non-compliance and functionality issues are considered excessive compared to current usage and return.

The Lessees have leased Halvorsen Hall since 2009. The current lease is for a term of 4 years and expires on 31 December 2025. The City currently receives an annual rent of \$6,706.70 including GST from this property.

North Perth Community Centre

The North Perth Community Centre is located at Woodville Reserve on a portion of 10 Farmer Street, North Perth. The City has care control and management of Woodville Reserve pursuant to a lease dated 30 June 1925 for a term of 999 years from the Crown.

Pursuant to sections 41 and 47 of the *Land Administration Act 1997* (LAA) and the lease, Woodville Reserve is a Class A reserve specified as 'solely for the purposes of recreation'. Pursuant to section 18 of the LAA, the Minister for Lands' consent and approval will be required for any lease or licence of Woodville Reserve.

The North Perth Community Centre has been vacant since early 2022.

DETAILS:**Relocation options**

An option analysis was presented to Council Workshop in December 2021 with 4 options for consideration (**Attachment 1**). It was recommended that with the North Perth Community Centre recently becoming vacant the most cost-effective option for the City would be to move the Halvorsen Hall Lessees (**Lessees**) this vacant property.

A review of the North Perth Community Centre has found this building to be a more suitable location for the Lessees. The move will provide the Lessees with more space, better access and vibrant community exposure, allowing the Lessees to collaborate and innovate with current tenants who are located on Woodville Reserve being the Vincent Men's Shed, North Perth Community Garden, North Perth Tennis Club and North Perth Bowling Club.

After consultation and in-depth discussions over recent months with the Lessees, it was found that the proposed relocation was a favourable option that would provide a compliant, safer and fit for purpose facility for the Lessees. The Lessees have expressed their interest to relocate to the North Perth Community Centre as an artists' studio, workshop/art class venue and to hold annual open studio events.

To accommodate the new tenants at the North Perth Community Centre it is proposed to undertake some minor refurbishment works to the building which includes replacing carpet with vinyl flooring, lighting replacement, painting and installation of blinds.

Surrender of Lease – Halvorsen Hall

If Council approves the relocation, the Lessee will surrender the lease at Halvorsen Hall.

Future options for Halvorsen Hall will be explored through a needs assessment and options addressed in the future Asset Prioritisation Plan.

Lease – North Perth Community Centre

In accordance with the City's Property Management Framework, the Lessees are considered category 3 tenants where their service are generally not within the remit of local government and not unique, specific and meeting a high level of need.

As the relocation of the Lessees is on a mutually beneficial basis, Administration proposes that the lease of the North Perth Community Centre to the Lessees be offered on terms which are no less favourable than the lease terms which the Lessees are currently offered under the existing lease for Halvorsen Hall.

Rent

Given that this lease is for the mutual benefit of both parties, Administration has negotiated with the Lessees to maintain the rent the Lessees are currently paying at Halvorsen Hall which is \$6,706.70 including GST and indexed to CPI.

Term

The term of lease negotiated with the Lessees will be 5 years and expiring in 2027. The term of lease at the North Perth Community Centre will offer the Lessees an additional 2 years' lease term than what the Lessees would have enjoyed at Halvorsen Hall.

CONSULTATION/ADVERTISING:

In accordance with section 3.58 of the *Local Government Act 1995* (Act) local public notice of the proposed lease would be provided for a period of at least two weeks. Local public notice would be provided in the following ways:

- notice in the City's local newspaper;
- public notice on the City Administration and Civic Centre, Library and Local History Centre notice boards; and
- notices on the City's website, and social media platforms.

LEGAL/POLICY:

Section 3.58(3) of the *Local Government Act 1995* (Act) applies and sets out the public notice requirements for the disposition.

"A local government can dispose of property other than under subsection (2) if, before agreeing to dispose of the property —

- (a) it gives local public notice of the proposed disposition —
 - i. describing the property concerned; and
 - ii. giving details of the proposed disposition; and
 - iii. inviting submissions to be made to the local government before a date to be specified in the notice, being a date not less than 2 weeks after the notice is first given; and
- (b) it considers any submissions made to it before the date specified in the notice and, if its decision is made by the council or a committee, the decision and the reasons for it are recorded in the minutes of the meeting at which the decision was made."

RISK MANAGEMENT IMPLICATIONS

Low: It is low risk for Council to provide local public notice for a proposed five year lease with the Lessees.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Connected Community

An arts culture flourishes and is celebrated in the City of Vincent.

Thriving Places

Our physical assets are efficiently and effectively managed and maintained.

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

SUSTAINABILITY IMPLICATIONS:

This does not contribute to any environmental sustainability outcomes.

PUBLIC HEALTH IMPLICATIONS:

This does not contribute to any public health outcomes in the *City's Public Health Plan 2020-2025*.

FINANCIAL/BUDGET IMPLICATIONS:

\$40,000 has been allocated in the 2022/2023 annual budget to undertake renewal works to Halvorsen Hall. It is proposed that the City reallocate these funds to the North Perth Community Centre for flooring, lighting, blinds and painting renewal work, to accommodate the new tenant. If the tenant relocation is not approved, the budget will correspondingly not need to be moved.

There are no additional maintenance budget implications associated with the relocation of this lease.

*Lifecycle options and financial savings are outlined in (**Attachment 1**) with no additional funds to be spent at Halvorsen Hall at this time.

COMMENTS:

It is proposed by moving the Lessees from Halvorsen Hall to the North Perth Community Centre it will provide the City and the Community with immediate benefits and is consistent with the approach and direction of the City's Asset Management Sustainability Strategy, Asset Prioritisation Plan and Property Management Framework.

Benefits include:

- Increase in floor space for the tenant from 185m² to 285m²;
- A more suitable facility in better condition to accommodate the Lessees needs.
- Asset rationalisation opportunities.
- Less financial impact - asset renewal requirement and budget required for capital replacement is reduced.
- Increase in asset sustainability.

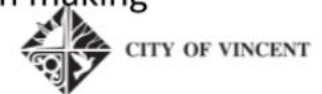
Halvorsen Hall Option Analysis



Background

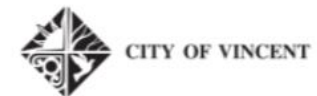


- Built in 1970 as a community hall & comprises 185 square metres
- Building exterior is structurally sound
- Building Interior is in poor condition
- Does not comply with current BCA standards
- Comprises of several functional issues:
 - Poor lighting
 - Poor electrical wiring
 - Inadequate heating/cooling
 - Rotting window frames
- Currently Leased to Artists for 4 years
- Rental income - \$6,706.70 + GST per annum
- Maximum Occupancy is 22 people
- Administration offered an option appraisal in December 2021 to inform decision making



Options for Consideration

1. **Short Term Renewals** – Undertake renewals until the end of the 4 year lease term to improve the functionality of the building
2. **Upgrade the building** - extend the life expectancy a further 20 years
3. **Build a new facility** – fit for purpose/potential up front cost with reduced life cycle cost
4. **Relocate** lessee to another facility (North Perth Community Centre)



Option 1- Short Term Renewals



Renewals	Cost
Lighting replacement	\$2,000
Electrical rewiring to power points	\$2,000
Replacement wall heaters	\$3,500
Roof repairs	\$5,000
Replacement door & window frames	\$2,000
Painting	\$2,500
General Maintenance	\$2,000
Total (Excl GST)	\$19,000



Option 2 - Upgrade the building & extend the life expectancy a further 20 years



Renewals	Cost
New electrical switchboard & wiring	\$15,000
Kitchen Renewal	\$20,000
New toilets & hydraulic modifications	\$60,000
Interior modifications	\$10,000
New access doors and hardware throughout	\$20,000
Disability access improvements	\$20,000
New storage area	\$20,000
Painting	\$10,000
Contingency	\$20,000
Total (Excl GST)	\$195,000

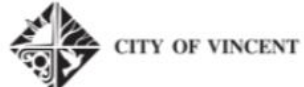


Option 3 – Build New Facility

- Construction of a fit for purpose Arts and Craft Building - \$375,000 circa.
- Based on existing (185m²)
- Fit-out Cost allowance \$50,000
- **Total Cost \$465,000** (Excl GST)
- N.B. Demolition cost of existing not included at \$50,000



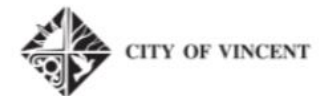
Option 4 - Relocate to North Perth Community Centre, 10 Farmer St.



Option 4 - Relocate to North Perth Community Centre, 10 Farmer St.



- Premises currently empty
- Building in better condition
- Requires some asset renewals - \$30k for flooring, lighting, blinds, painting etc.
- Larger premises 285m²
- Easier access and outdoor space
- Adjacent to men shed & may attract some synergy
- Relocation could happen quickly if all parties agree



Summary Cost Options

Options	Cost	20 Year Life Cycle Cost \$ circa
1 Short Term Renewals	\$19,000	-
2 Upgrade the building & extend the life expectancy a further 20 years	\$195,000	\$781, 000
3 Build a new facility	\$465,000	\$751,000
4 Relocate lessee to North Perth Community Centre	\$30,000	-



Maintenance Obligation Table – Category 3

Maintenance Item	Lessor's obligations (at Lessor's cost)	Lessee's obligations (at Lessee's cost)
Statutory/Minimum Level of Service obligations		
Emergency exit lighting systems & emergency doors	Undertake annual inspections of the Premises to ensure maintenance and compliance with requirements of the Building Code of Australia and Australian Standards.	Ensure that any faults or operational issues with the emergency/exit lighting systems in the Premises are promptly reported to the Lessor. Reimburse the Lessor for the cost of annual compliance inspections.
Fire protection equipment (e.g. fire extinguishers, hoses, smoke alarms)	Undertake annual inspections of the Premises to ensure compliance with FESA and DFES requirements.	Ensure that any use or operational issues with the fire protection equipment in the Premises are promptly reported to the Lessor. Reimburse the Lessor for the cost of annual compliance inspections.
RCD Protections, Tagging Electrical Equipment	Ensure that all RCDs are repaired and maintained in accordance with the relevant legislation.	Ensure that all portable plug-in electrical equipment are regularly inspected (a minimum of once every 12 calendar months) in accordance with relevant legislation. Reimburse the Lessor for the cost of annual RCD compliance testing.
Pest Control, vermin control & termites	Undertake annual pest inspections and extermination treatments (if required).	Endeavour to keep the Premises free and clear of all rodents, rats, vermin, insects, birds, animals and other pests and report to the Lessor any pest activity or required treatment. Reimburse the Lessor for the cost of annual pest inspection and treatments.
Premises and security		
Cleaning & cobweb removal	Not any.	Ensure Premises is kept tidy and free of litter, dirt, rubbish, cobwebs and broken glass at all times.

Maintenance Item	Lessor's obligations (at Lessor's cost)	Lessee's obligations (at Lessee's cost)
Malicious damage & break-ins	At request of Lessee, will submit Building Insurance claim on behalf of Lessee.	Responsible for repairs and cleaning of broken glass, windows and doors after an act/incident of malicious damage. Responsible for repairing and replacing any stolen goods or broken fixtures and fittings. Report any incidents of malicious damage or break-ins to the Lessor. Must pay any excess for a Building Insurance claim commenced by the Lessor at the Lessee's request.
Vandalism & graffiti	At request of Lessee, will submit Building Insurance claim on behalf of Lessee.	Remove all vandalism & graffiti and repair any damage caused. Must pay any excess for a Building Insurance claim commenced by the Lessor at the Lessee's request.
Security monitoring, equipment and security lights.	Not any.	The Lessee must ensure the Premises is maintained in a secure condition at all times. If any security monitoring, equipment or lighting is in use by the Lessee at the Premises (including any installed by the Lessee), the Lessee must ensure all equipment and lighting is maintained in Good Repair and undertake regular servicing of any security equipment at the Premises. If the Lessor is called upon to attend the Premises or the Lessor incurs expense for a call out on a Lessor installed security system, the Lessee must pay to the Lessor on demand all costs incurred by the Lessor due to that call out.
Ceiling	Repair any structural damage to ceiling.	Clean ceilings, as required, and report any structural damage to the Lessor.
Walls	Repair structural damage to load bearing walls.	Keep clean at all times, dust any cobwebs and report any structural repairs or faults to Lessor.

Maintenance Item	Lessor's obligations (at Lessor's cost)	Lessee's obligations (at Lessee's cost)
Window, glass panes, flyscreens, security screens, doors, door handles.	Not any.	Keep items clean, operable, lockable, and firmly fixed. Repair, replace and lubricate hinges of items, repair/replace any items that are broken or damaged where caused by misuse/internal vandalism.
Skylights, lighting, globes	Replace any lighting fixtures (excluding globes) requiring replacement due to old age/end of economic life.	Keep clean at all times and repair and/or replace as required. Replace all globes as required.
Painting	Not any.	At least once every 5 years of the Term and three months before the expiry of the Lease, repaint the Premises (interior and exterior) with a minimum of two coats of good quality paint (in a colour approved by the Lessor) to a tradesmanlike finish. Touch up any paint damage on internal walls, as required.
Cupboards, blinds, curtains, mirrors	Not any.	Keep clean at all times. Maintain, repair and replace items as required.
Carpet	Not any	Keep clean at all times, repair and/or replace when at end of economic life. Professionally clean at least once annually.
Vinyl Floors	Not any.	Keep clean at all times, repair and/or replace when at end of economic life.
Wooden Floors	Replace as and when determined by the Lessor.	Keep clean at all times and repair as required.
Tiled Floors	Replace as and when determined by the Lessor.	Keep clean at all times and repair as required.
Maintenance Item	Lessor's obligations (at Lessor's cost)	Lessee's obligations (at Lessee's cost)
Bathrooms and changerooms (including: drains, hot water systems, sewerage, showers, sinks, taps, toilets etc.)	Replace items that require replacement due to old age/end of economic life. Undertake capital renewal as an when determined by the Lessor. Where the Lessor undertakes works or repairs to clear blockages which have occurred as a result of the neglect, misuse or default of the Lessee, the Lessee must pay (on demand) the Lessor's costs of undertaking those works.	Must keep clean at all times. Ensure all are operable and free from any blockages. Repair leaks, service and maintain as required. Replace damaged items as required. Lessee shall not permit foreign objects or matter to be placed into drains, toilets or grease traps.
Fixtures, fittings, appliances and electrical		

Air-conditioning	Replace air-conditioning unit/system where replacement is required due to old age/end of economic life. If replacement is required due to Lessee failing to maintain the unit/system in Good Repair, the Lessor may require the Lessee to pay for the replacement unit/system.	Repair and undertake annual servicing of air-conditioning units/systems. Replace air-conditioning unit where replacement is required to damage/lack of maintenance by the Lessee.
Oven Vents	Not any.	Keep clean at all times, repair and/or replace when necessary.
Exhaust Fans	Not any.	Keep clean at all times, repair and/or replace when necessary.
Electrical Fittings (i.e. plugs, switches, sockets, leads, lights, power points)	Replace any irreparable items. If replacement is caused by misuse/negligence of Lessee, Lessor may require the Lessee to reimburse it for the cost of replacement.	Maintain and repair as required. The Lessee must ensure that electrical fittings are not overloaded when in use.
Wiring	Replace any irreparable items.	Repair, maintain and advise the Lessor prior to any wiring or electrical work taking place.
Appliances (i.e. fridges, toasters, freezer, stove, microwaves, washing machine)	Not any.	Keep clean at all times. Keep items operable, regularly maintain and repair as required. Replace irreparable appliances.
Grease Trap	If at the end of its life, the Lessor may, at its discretion, replace.	<p>Proper care, cleaning, and maintenance of the grease traps located within the Premises and any required piping in accordance with the directions of the Lessor.</p> <p>Use a licensed liquid waste contractor from the list of current contractors published by the Water Corporation to clean and maintain the grease trap and associated pipework and follow all contractor's recommendations for cleaning internals and maintenance.</p> <p>If the Lessee wishes to use any other liquid waste contractors not specified in the current list published by the Water Corporation, the Lessor's prior written consent is required.</p>
Premises exterior and surrounds		
Roof (including leaks, broken tiles etc.)	Repair any structural damage to roof and clean roofs as required.	Report any structural damage to the Lessor.

Maintenance Item	Lessor's obligations (at Lessor's cost)	Lessee's obligations (at Lessee's cost)
Eaves, gutters & downpipes	Repair any damage to eaves, gutters and downpipes. If damage is caused by Lessee failing to maintain the eaves, gutters or downpipes in a clean and clear condition, the Lessor may require the Lessee to reimburse the Lessor for the cost of undertaking the repairs.	Maintain eaves, gutters and downpipes in a clean and clear condition and report any damage to same to the Lessor.
Garden and surrounds (including fencing and gates)	Responsible for any major tree pruning and tree removal. Replacing fences and/or gates as required and determined by the Lessor.	Maintain the surroundings, fertilising, minor pruning and conduct regular mowing of the lawn. Responsible for ensuring all fences and gates are cleaned, repaired, re-enforced and maintained. Not to remove any trees or hedges without first obtaining approval from the Lessor, except for urgent safety reasons.
Walkways, footpaths, access, steps, ramps	Responsible for City verge footpaths.	Keep clean and clear at all times. Repair damage or trip hazards to access/walk ways other than the City verge footpath.
Car Park	Responsible for bitumen repairs and pot-hole maintenance.	Responsible for ensuring the car park is clean and clear of rubbish, trip hazards or obstructions. Undertake car park line marking as required.
Shed, roller doors and garage (if applicable)	Replace as and when determined by the Lessor.	Responsible for cleaning, repairs, replacement and maintenance of such structures.
Abandoned rubbish	Arrange for removal of abandoned furniture, car parts, larger rubbish that has been dumped on the verge, carpark or grassed area by third parties.	Arrange for removal of abandoned items that have been dumped on the property and will fit in the bins provided.
Pollution	Not any.	Do all things necessary to prevent pollution or contamination of the Land by garbage, refuse, waste matter, oil or other pollutants. Report any pollution, contamination or suspected pollution/contamination to the Land to the Lessor promptly.