

LEASE OF NO. 596 (LOTS: 49 & 50) BEAUFORT STREET, MOUNT LAWLEY FOR BARLEE STREET CAR PARK

Attachments: Nil

RECOMMENDATION

That Council:

1. **APPROVES** a lease by the City of Lots 49 and 50 on Plan 692, known as 596 Beaufort Street, Mount Lawley from Elaine Marea Palassis and Palassis Holdings Pty Ltd (ACN 008 779 128) subject to the following:
 - 1.1 **Term:** 5 years
 - 1.2 **Option term:** 5 years
 - 1.3 **Rent:** \$80,000 per annum at CPI
 - 1.4 **Outgoings:** Payable by the City, includes utilities, rates and levies
 - 1.5 **Public Liability:** City to effect and maintain public liability insurance
2. **AUTHORISES** the affixing of the Common Seal of the City of Vincent to the Lease in accordance with the City's Execution of Documents Policy.

PURPOSE OF REPORT:

To consider a proposed new lease by the City of Lots 49 and 50 on Plan 692, known as No. 596 Beaufort Street, Mount Lawley (Premises) from Elaine Marea Palassis and Palassis Holdings Pty Ltd (CAN 008 779 128) (Owners).

BACKGROUND:

The City owns Lot 48 on Plan 692, known as No. 590 Beaufort Street, Mount Lawley (**Lot 48**). On 29 March 2001, the City leased Lots 49 and 50 on Plan 692 known as No. 596 Beaufort Street, Mount Lawley (**Premises**) (located on the two lots adjacent to Lot 48) from Theo Anthony Palassis, George Anthony Palassis and Palassis Holdings Pty Ltd respectively (**Lease**). The Premises and Lot 48 together comprise the Barlee Street Car Park.

At its Ordinary Council Meeting on 20 October 2020, Council approved the grant of an extension of lease of the Premises for a further one year expiring on 13 February 2022. There is no holding over provision in the Lease.

At its Ordinary Council Meeting on 22 June 2021, Council by absolute majority removed the first hour free parking fees for the Barlee Street Car Park.

At the Council Workshop on 2 November 2021, Administration presented the outcome of the removal of first hour free parking fees. This showed a significant increase to the City's car parking revenue.

The table below is an update of the car park revenue, noting the consistent increase in revenue following the removal of the first hour free parking fees.

BARLEE ST CAR PARK (monthly revenue)			
	Free Transactions	Paid Transactions	Total Revenue
March 2021	3383	1669	\$6,529.81
April 2021	2907	2863	\$6,029.89
May 2021	3254	1978	\$8,452.11
June 2021	3047	1654	\$6,813.75
July 2021	2179	2517	\$10,002.29
August 2021		3493	\$14,228.89
September 2021		3650	\$15,690.42
October 2021		3817	\$16,824.04
November 2021		3637	\$16,226.32
December 2021		3585	\$16,149.76

DETAILS:

New Lease

Administration has entered into preliminary discussions with the Owner's representative on various lease options. The Owner's representative has advised that their client is in current contract negotiations regarding development of the Premises but was supportive of the entering into a longer term lease with the City. The key terms proposed:

Term: 5 years
 Option to extend: 5 years
 Rent: \$80,000 per annum at CPI
 Outgoings: Payable by the City, includes management fee, utilities, rates and levies
 Public Liability: City to effect and maintain public liability insurance

Administration is supportive of entering into a new lease term with the Owners for the following reasons:

- The City has been generating consistent revenue of approximately \$15,000 per month (equivalent to \$180,000 per annum) since the removal of 'first hour free' parking fee;
- Rent was previously well over \$100,000 per year, discounted to \$60,000 this year due to pandemic. The proposed rent of \$80,000 is reasonable given the revenue being generated by the City and the historic rent paid;
- The revenue assumptions of \$15,000 per month are based on no increase in parking fees or occupancy over five years;
- Based on these assumption the lease would be budget positive for the City throughout the term, resulting in a bottom line of approximately \$50,000 a year for the City;
- The lease ensures the continued operation of the Barlee Street Car Park for the Beaufort Street Town Centre; and
- The lease would allow the City to continue exploring the potential of pedestrian spaces at Grosvenor Road or Barlee Street as requested by Council at its Ordinary Council Meeting on 22 June 2021.

It is also noted that the registered proprietor of Lot 49 on Plan 692 has changed since executing the Lease and it is in the parties' best interest to enter into new lease arrangements.

CONSULTATION/ADVERTISING:

Subject to Council approval, Administration will continue to negotiate with the Owners on finalising and execution of the lease.

LEGAL/POLICY:

The City is the tenant and section 3.58 of the *Local Government Act 1995* (WA) does not apply as there is no disposition of property by the City.

RISK MANAGEMENT IMPLICATIONS

Low: It is low risk for Council to enter into a 5 year lease term based on the negotiated rent and projected income surplus that will be generated over the lease term.

STRATEGIC IMPLICATIONS:

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

Connected Community

Our community facilities and spaces are well known and well used.

Thriving Places

We encourage innovation in business, social enterprise and imaginative uses of space, both public and private.

Innovative and Accountable

Our community is satisfied with the service we provide.

SUSTAINABILITY IMPLICATIONS:

Nil.

FINANCIAL/BUDGET IMPLICATIONS:

The table below shows the surplus generated based on the negotiated annual rent of \$80,000 plus CPI and outgoings.

Items	2026/27 <i>projected</i>	2025/26 <i>projected</i>	2024/25 <i>projected</i>	2023/24 <i>projected</i>	2022/23 <i>projected</i>	2021/22 <i>to date</i>
Income						
Parking revenue (ticket machines + permits) **	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$85,818
Parking Infringements	\$5,000	\$5,000	\$5,000	\$ 5,000	\$ 5,000	\$ 3,010
Total Income	\$185,000	\$185,000	\$185,000	\$185,000	\$185,000	\$ 88,828
Expenditure						
Carpark Cleaning	-\$1,000	-\$1,000	-\$1,000	-\$ 1,000	-\$ 1,000	-\$ 917
Allocation of maintenance of grounds (inc. refresh and line marking (every 4 years)	-\$1,000	-\$1,000	-\$1,000	-\$ 1,000	-\$ 1,700	-\$1,000
Utilities	-\$2,900	-\$2,900	-\$2,900	-\$ 2,900	-\$ 2,900	-\$ 1,349
Rent (inc. management fee) – 5 year projection @ 2.5% CPI	-\$94,905	-\$92,751	-\$90,650	-\$ 88,600	-\$ 86,600	-\$ 38,500
Rates + levy	-\$30,000	-\$30,000	-\$30,000	-\$30,000	-\$30,000	-\$13,255
Carpark operation costs	-\$6,700	-\$6,700	-\$6,700	-\$6,700	-\$6,700	-\$5,207
Total Expenditure	-\$136,505	-\$134,351	-\$132,250	-\$130,200	-\$122,200	-\$60,228
Surplus	\$48,495	\$50,649	\$52,750	\$ 54,800	\$ 62,800	\$28,600

** Revenue projections have been maintained for 5 years and does not take into account any increase to parking fees.

COMMENTS:

The Lease allows the City to investigate pedestrian spaces within the Beaufort Street Town Centre while providing adequate parking to businesses and visitors to the Town Centre. The Lease provides a revenue opportunity to the City throughout this process.

APPROVAL:

<p>Approved <input type="checkbox"/></p> <p>Declined <input type="checkbox"/></p>	<p>CEO Signature:</p> <p>Date:</p>
<p>Comments:</p>	