

6.2.4 Lease - My Place 5-7 Main Street Pakenham

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Recommendation(s)

That Council proceed to lease the property 5-7 Main Street Pakenham to Community College Gippsland with a 5-year lease with 2 further terms of 5 years.

Attachments

1. Attachment 1 - Summary of EOI submissions [6.2.4.1 - 1 page]

Executive Summary

This report presents the proposal to lease 5-7 Main Street Pakenham to Community College Gippsland. This follows the outcome of the Expression of Interest (EOI) for the Council owned properties located at 1a Main Street Pakenham and 5-7 Main Street Pakenham. There were two submissions, both having interest in 5-7 Main Street only. The Property Team will continue to investigate potential opportunities for 1a Main Street Pakenham.

Background

The EOI for the three buildings across two sites was offered in line with Council's Lease and Licence Policy which was adopted on the 21 February 2022. The site at 5-7 Main Street Pakenham, also known as My Place, is currently run by Council's Youth services team with licences to a range of services. Each service intends to relocate to alternative properties in 2024, including to the Cardinia Youth Hub at 43 James Street Pakenham following construction completion, which is anticipated for early 2024. 1a Main Street Pakenham offers the Chapel, currently occupied by EACH (Headspace), who will also relocate to the Cardinia Youth Facility once complete. The Church building also located at 1a Main Street Pakenham has a hire agreement in place for the use of a church group until the 31 July 2023.

The expression of interest was publicly advertised, closing on the 16 February 2023. Council received two (2) submissions only for 5-7 Main Street Pakenham. One from Community College Gippsland Ltd and the other from Anchor Inc. Anchor had previously submitted their interest in the site at 5-7 Main Street Pakenham approximately 2 years ago. Substantial community engagement and planning took place for their plans to construct a Foyer to support youth with temporary housing and support services. Unfortunately, funding was not secured by Anchor. In the recent submission from Anchor, they were still unable to confirm they had secured both capital and operating funding for this model in Cardinia.

Each submission summarised in an attached table, provide services which would benefit the community with Anchor offering a youth foyer to assist in addressing youth homelessness and CCG offering education services to disadvantaged and disengaged young people. They have extensive experience in delivering these services and would offer suitable resources to maintain the property. The reoccurring concern regarding Anchor's uncertain funding for their project was noted by the panel. Lack of confirmed funding not only impacts the development of the site for its long-term use but would lead to a shorter term for the tenancy and reduced rent as outlined in Anchor's submission. CCG were able to demonstrate a strong financial position and confidence in their plans to occupy and commence operating. The panel found the preferred tenant of 5-7 Main Street Pakenham to be CCG.

The preferred tenant is also an existing tenant of a nearby Council property at 126 Princes Highway Pakenham. The panel were comfortable proceeding with this tenant based on their ability to maintain and manage the premises, their financial position with multiple funding opportunities, and their proven experience in delivering their services to benefit the community.

Policy Implications

The Lease and Licence Policy which was adopted on 21 February 2022 outlines the requirement for Council to undertake the EOI process and this, along with procurement guidelines, have been followed. Objectives of the EOI were to:

- secure a reliable and experienced tenant to occupy the Premises providing an accessible community service that is under high demand within the municipality;
- ensure that the Tenant will carry out any improvements required, at their cost and ongoing maintenance and provide a commercial return to Council; and
- ensure the Tenant delivers a high-quality service to the public.

Relevance to Council Plan

5.1 We practise responsible leadership

5.1.1 Build trust through meaningful community engagement and transparent decision-making.

5.1.2 Manage our finances responsibly and leave a positive legacy for future generations.

Consultation/Communication

The expression of interest was advertised from 15 December 2022 and closed on the 16 February 2023. During this time the Community and Family Services team contacted many key services, to ensure they were aware of the EOI and to offer information to ensure they had every opportunity to prepare a submission. This included services we are seeking to attract to the shire, including housing agencies, Aboriginal and Torres Strait supports and those in the social service sector. To proceed with a lease term of more than 10 years, Council must carry out community engagement in accordance with section 115 of the Local Government Act 2020. Accordingly, a communication plan was prepared, reviewed then approved by the General Manager. The Councillor Bulletin was distributed on the 26 April 2023, outlining the proposal and plans to commence community consultation. A media release went out and was added to Council's [website](#) on the 13 June 2023. Each of these have been attached to this report. Letters to surrounding landowners/occupiers were posted on the 14 June 2023. We can confirm there have been no submissions or responses from the community in relation to the proposed lease.

Financial and Resource Implications

The proposed tenant has agreed to all terms outlined in the draft agreement advertised with the EOI document including the 5-year term with 2 further terms of 5 years. Also agreeing to pay appropriate utilities, rates and charges and maintain the building in accordance with the maintenance schedule. Their initial rental offering within their submission was \$66,000 per annum. Further negotiations have taken place to increase the rent significantly over the first 5-year period shown below, then a fixed increase of 3% will be applied to the 2 further terms of 5 years.

- Year 1 \$66,000 + GST
- Year 2 \$74,778 + GST
- Year 3 \$83,819 + GST
- Year 4 \$93,132 + GST
- Year 5 \$102,724 + GST

As there was no submissions or interest raised for 1A Main Street Pakenham, the Property team will continue to investigate alternative uses for the site with the intent to provide a report in the future with these findings.

Conclusion

Community engagement has been carried out in accordance with section 115 of the Local Government Act 2020. There have been no submissions or responses from the community in relation to the proposed lease at 5-7 Main Street Pakenham. Further discussions with Community College Gippsland improved the rental offering to Council, with all other terms being agreed upon. It is proposed that Council should proceed to lease the property 5-7 Main Street Pakenham to Community College Gippsland with a 5-year lease with 2 further terms of 5 years.

The Property Team will continue their work in reviewing the future use of 1a Main Street Pakenham including the Church and the Chapel buildings and surrounding land and provide a further report regarding this.

Summary of Expression of Interest Submissions

| | Community College Gippsland Ltd | Anchor Inc |
|------------------------------|--|--|
| Experience | Established in 1975, diversifying in later years as ECG Secondary College, a Registered Training Organisation (RTO) offering secondary schooling and VCAL as an equivalent to VCE. Expanding into Cardinia Shire in 2015. | 48 years experience in community services, later launching youth programs in 2011. Have experience in construction projects and delivery of services. |
| Use | Educational services for young people that face disadvantage and barriers to education, as an alternative to mainstream school. Key focus in years 10, 11 and 12 also offering Vocational Education and Training (VET). Up to 60 students and 10 staff onsite at one time. | The purpose built 20-bed youth foyer would provide young adults aged 16-24 as risk of homelessness with a safe place to stay coupled with coaching and resources to support them. |
| Demand | A current waitlist of 23 students in the Cardinia region that cannot attend the current campus due to capacity restrictions. | Noted the increase in unstable housing and homelessness. They advised they are turning away approximately 10 clients per month. Anticipated support to 200 families over a 20 year period. |
| Development | No capital improvements proposed. | Redeveloping the site to construct a 20-bed youth foyer operation. +/- \$10 million capital improvement. Project anticipated to take 4 years, subject to government funding. |
| Lease term and rental | 5 year lease, with 2 further terms of 5 years \$66,000 + GST per annum | 5 year lease, with 1 further term of 5 years Years 1, 2 and 3 \$10,000 per annum. Year 5 A percentage of the rental income from students, up to a maximum of \$80,000 per annum once the foyer is in operation, likely to be year 5. The percentage was not indicated in the submission. |
| Financial | 3 years of Annual Financial Reports were provided including balance sheets as well as profit and loss statements. \$3,500,000 in cash reserves as at the end of 2022. Note that some funding will be used at other sites such as Leongatha. | Funding has not yet been secured. A known outcome is likely by June 2023. Current budget bids submitted. |