



City of Busselton
Geographe Bay

LATE ITEMS

Council Agenda

12 April 2017

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

city@busselton.wa.gov.au

CITY OF BUSSELTON

LATE ITEMS FOR THE COUNCIL MEETING TO BE HELD ON 12 APRIL 2017

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Note: Item 13.1 is presented to Council for consideration as a late report. The report is in regards to the proposed lease of three allied health suites at the GLC to the Hearing Retail Group Pty Ltd (trading as Connect Hearing). The proposed disposition of property requires public advertising and given the timeframes associated with this, the matter is required to be considered by Council to enable a lease commencement date of 1 May 2017.

13. COMMUNITY AND COMMERCIAL SERVICES REPORT

13.1 GLC HEALTH SUITES

SUBJECT INDEX:	GLC Health Suites Leases Proposal to Advertise Preferred Proponent
STRATEGIC OBJECTIVE:	A City where the community has access to quality cultural, recreation, leisure facilities and services.
BUSINESS UNIT:	Community Services
ACTIVITY UNIT:	Geographe Leisure Centre
REPORTING OFFICER:	Recreation Facilities Coordinator - Dave Goodwin Manager, Community Services - Maxine Palmer
AUTHORISING OFFICER:	Director, Community and Commercial Services - Naomi Searle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A Valuation dated 13 January 2016 ↓

PRÉCIS

The four health suites known as health suite one (1), health suite two (2), health suite three (3) and health suite four (4) located at the front of Geographe Leisure Centre have been used as offices and allied health practice rooms and leased on a six monthly and annual basis. The latest lease agreements for suite three (3) and suite four (4) have expired and the tenants have vacated. The tenant currently in suite two (2), Life Live it Occupational Therapy has advised that they will be vacating at the end of their first term of the lease being 30 April 2017. Expressions of Interest (EOIs) have been sought in relation to the vacant suites.

This report outlines the outcomes of the EOI process and makes recommendations to Council to advertise its intention to enter into a lease under section 3.58 of the Local Government Act 1995 (LGA)

Officers also recommend that there is a sufficient basis for using an existing market valuation that is more than 6 months old for the purpose of carrying out the statutory process under section 3.58 of the LGA for the reasons outlined in this report.

BACKGROUND

During 2014 GLC underwent a significant expansion and upgrade program, incorporating a new gymnasium, crèche, pool deck showers and change cubicles, universal access facilities, customer service area, offices, meeting room, cycle room, and four (4) health/ professional suites.

The health suites were added to attract health practitioners to provide mental and physical health services that complement existing services offered at the GLC. Each suite is fully independent and purpose built for health service businesses with exposure to GLC member traffic. Each suite has a hand basin, telephone and data point, air-conditioning, windows providing natural light and external door access allowing them to function separately from the GLC's operations. Suites vary in configuration and size ranging from 16 m² to 25 m². In addition to providing support services for GLC customers, the suites provide an additional revenue source that will assist in reducing the GLC's net operating deficit.

The current rents for all 4 suites were determined by a market valuation (attachment A), dated 13 January 2016.

The last Council resolution to use the market valuation was on 27 July 2016. Council considered the market valuation for a proposal to lease Suite one (1) and resolved (C1607/176):

That the Council:

1. Enter into a lease, subject to the Minister for Lands approval, with Just Great Pty Ltd as Trustee for the Wilson Family Trust for the occupation of Health Suite One (1) of a portion of Reserve 29933, being Lot 300, Deposited Plan 50595, Volume LR3137 Folio 982, 1 Recreation Lane, West Busselton as shown hatched on Attachment A. The terms and conditions of the lease to include the following:

- a. an initial leasehold term of 12 months; with an option for a further three (3) years and then a further two (2) three (3) year options.
- b. rent to commence at \$17,160 in the first year then indexed by CPI annually, all amounts inclusive of GST and outgoings;
- c. the tenant to be responsible for telephone and, internet connections and charges applied to the leased premises; and
- d. other terms and conditions consistent with the City's existing allied health suite leases.

Feedback from the exiting Lessees has revealed some suitability constraints with the health suites. Noise transfer from the adjacent group fitness and cycle rooms has been reduced significantly with sound proofing, however not to the satisfaction of the suite four (4) Lessee. Having to utilise the poolside and stadium ablutions and noise from outdoor foot traffic especially during the busy after school and in term school swim times were also issues raised by all Lessees.

Three expressions of interest were received. The most favourable proposal emanating from the EOI came from Hearing Retail Group Pty Ltd, trading as Connect Hearing, who wish to lease suites 2, 3 and 4 from 1st May to 31st December 2017 for a weekly rental of \$300 per week inclusive of GST and outgoings. Connect Hearing are recommended to be the most suitable proponent as they offer the longest lease period and utilization of all three vacant suites. All three EOIs proposed the same weekly rent of \$300 per week inclusive of GST and outgoings.

STATUTORY ENVIRONMENT

Section 3.58 of the Local Government Act 1995 (LGA) relates to the disposal of property by a local government and disposal is defined to include leasing.

This requires the publishing of prior notice to the local public of the proposed disposition which describes the property concerned, gives details of the proposal and invites submissions to be made before a specified date, not less than two weeks after the notice is first given. Any submissions received must be considered and if a decision is made by the council, the decision and the reasons for it must be recorded in the minutes of the meeting.

Section 3.58(4) of the LGA requires that the disposition includes either a valuation not more than six months old or a declaration by resolution that a valuation older than 6 months is considered a true indication of the value at the time of the disposition.

A formal valuation of all Suites was obtained on the 13th January 2016 (see attachment A). For the reasons outlined in this report a declaration that the valuation can be considered a true indication of the value of Suites 2, 3 and 4 at this time is sought.

RELEVANT PLANS AND POLICIES

The leasing of the allied health suites is in line with the GLC Business Plan 2017/18-2020/21.

FINANCIAL IMPLICATIONS

Connect Hearing have proposed a rental amount of \$300 per week inclusive of GST and outgoings for each of the three suites. A market rental value of between \$235 and \$260 per week (exclusive of GST and outgoings) was provided by an independent valuer on the 13 January 2016. Outgoings are estimated to be approximately \$30 per week per suite and therefore the inclusive rent proposed by Connect Hearing is in line with the 2016 valuation and the current rent paid by the Lessee of Suite 1.

Long-term Financial Plan Implications

The recommended rental income supports the achievement of revenues forecast in the Long Term Financial Plan and 2017/18 budget.

STRATEGIC COMMUNITY OBJECTIVES

The leasing of the GLC health suites is consistent with the following City of Busselton Strategic Priorities:

- 2.1 A City where the community has access to quality cultural, recreation, and leisure facilities and services.
- 2.2 A City of shared, vibrant and well planned places that provide for diverse activity and strengthen our social connections.
- 2.3 Infrastructure assets that are well maintained and responsibly managed to provide for future generations.

RISK ASSESSMENT

The cost of a market valuation is around \$1,300. In the time it will take to obtain a current market valuation rental yield will be lost and the ability to seek a resolution of Council for authority to enter into a lease further delayed. City Officers also believe that a risk exists that an up to date valuation could be less than the 2016 valuation based on the relatively low levels of interest in leasing the suites and the status of the local market conditions. In addition to which the opportunity to take advantage of an offer to lease all three vacant may be lost.

CONSULTATION

In accordance with s3.58 of the Local Government Act 1995, public advertising will be undertaken for the proposed disposition of property.

OFFICER COMMENT

The market valuation obtained on 13th January 2016, provided a market rental value for suites 2, 3 and 4 of between \$235 to \$260 per week (exclusive of GST and outgoings). An offer of within 10% of the assessed rental range would be considered fair and reasonable. Outgoings are estimated to be approximately \$30 per week per suite. Therefore the proposed rental offered by Connect Hearing is in line with the 2016 valuation and the current rental amounts paid by the Lessee of Suite 1.

The stagnation of the commercial rent market coupled with the location of the Suites and the use to which they can be put, place some limitations on the type of tenant that could be attracted and the level of rent they might generate.

Additionally the proponent, Connect Hearing, is willing to pay the current market value and lease all 3 vacant suites. A valuation at this time could possibly risk a reduction in the rental amount and securing the tenant due to the timeframes involved. The proponents current lease arrangements

have come to an end and they wish to move into the suites as soon as possible after 30th April 2017. Any delay could result in them finding alternative premises.

CONCLUSION

As the most favourable submission under the EOI process and taking into account factors such as the limitations on the suitability of the Suites and the general conditions of the market it is considered that the offer from Connect Hearing should be accepted and statutory advertising undertaken without the requirement for an up to date valuation.

OPTIONS

Council could come to the view that the valuation dated 13 January 2016 does not provide a true indication of the current market valuation and seek an up to date valuation. This will cost approximately \$1,300 inclusive of GST and will take approximately one month to receive.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Advertising of the proposed disposition will take place as soon as possible for a period 14 days. A further report will be presented to Council if any submissions are received.

OFFICER RECOMMENDATION

That the Council:

1. In accordance with Section 3.58(4) (c) (ii) of the Local Government Act 1995, declare that the valuation carried out by Landgate Property and Valuation Services Country South West indicating the market rent for the Health suites 2, 3, and 4 Geographe Leisure Centre, 1 Recreation Lane, West Busselton of between \$235 to \$260 per week (exclusive of GST and outgoings), to be a fair value of the current market rental value of the health suites.
2. Advertises the proposed disposition of land to Hearing Retail Group Pty Ltd in accordance with Section 3.58 of the Local Government Act 1995 for the term and conditions outlined in this report and if there are no adverse objections authorise the CEO to enter into a lease agreement with the Hearing Retail Group Pty Ltd.



Our Ref: 183793 / 00143-2016
Enquiries: Niall McMahon Ph: 9721 0807
E-mail: Niall.McMahon@landgate.wa.gov.au

19th February 2016

Emma O'Brien
Administration Officer
City of Busselton
Locked Bag 1,
Busselton, WA, 6280

Dear Emma,

MARKET RENTAL VALUATION - GEOGRAPHE LEISURE CENTRE - HEALTH SUITE OFFICES 1- 4 AND CAFÉ - 1 RECREATION LANE, WEST BUSSELTON

In response to your instructions dated 24th December 2015, requesting a market rental valuation for the above property, you are advised as follows;

- **LEGAL DESCRIPTION:** Part of Lot 300, on Deposited Plan 50595; being the whole of land in Certificate of Crown Title Volume LR3137, Folio 982.
- **LEASE AREA:**
 - Health suite 1: 16m² approximately
 - Health suite 2: 17m² approximately
 - Health suite 3: 25m² approximately
 - Health suite 4: 23m² approximately
 - Café shop: 24m² approximately
- **LESSEES:**
 - Health suite 1: Julie Ferry "Health Smart Nutrition"
 - Health suite 2: Vacant
 - Health suite 3: Emma Blackwell "People 1st Programme"
 - Health suite 4: Vacant
 - Café shop: Vacant

Property & Valuation Services - Country South West
9th Floor, 61 Victoria Street, Bunbury, Western Australia 6230
Postal Address: PO Box 177 Bunbury WA 6231
Telephone (08) 9721 0800 Facsimile: (08) 9721 4465
Email: bunburyvs@landgate.wa.gov.au Web: www.landgate.wa.gov.au
Western Australian Land Information Authority ABN 86 574 793 858



- **LEASE TERMS:**

Health suite 1: The lease is for a period of six (6) months commencing on 2nd November 2015 and with two (2) further options of six (6) months and one (1) year respectively after the expiry date on 1st May 2016. CPI increases on each anniversary of the commencement of the lease. Current rental: \$13,442 (including GST).

Health suite 2: Vacant

Health suite 3: The lease is for a period of two (2) years commencing on 31st of August 2015 and with no further options, expiring on 30 August 2017. CPI increases on each anniversary of the commencement of the lease. Current rental: \$15,600 (including GST).

Health suite 4: Vacant

Café shop: Recently vacated, however at the time of vacating in January 2016 the rental as per lease was \$34,891.92 per annum (including GST).

- **ZONING:**

Under the City of Busselton Local Planning Scheme No. 21 the land is zoned 'Recreation'.

- **DESCRIPTION OF PREMISES:**

The subject building comprises brick and rendered brick / iron roof construction, built in circa 2000. The café is located internally behind the entrance reception area and presents to a modern standard of finish comprising; vinyl floor coverings and a stainless steel kitchenette which includes a two bowl sink. The café is air-conditioned and the leisure centre is alarmed. The café is available to be operated during the leisure centre normal operating hours. There is a meals area of approximately 48m² associated with the café shop and a storage area of approximately 10m², however these areas do not seem to be included in the recently vacated lease details.

The health suites vary in size and each suite comprises a hand basin, carpet flooring, telephone point, power and data points, air-conditioning, window and external access, allowing each suite to function separately from Geographe Leisure Centre operations. Health suite 4 includes a small waiting area / passage.

- **DATE OF VALUATION:**

13th January 2016, being the date of inspection.

- **BASIS OF VALUATION:**

The valuation assessment is based on comparable rental evidence as analysed to a per week basis.



- **EVIDENCE COMMENTS:** Comparable rental evidence held on file for the health office suites has been drawn from smaller office space rentals within the Busselton location. Generally, rental rates vary from \$160 per week to \$320 per week net per annum (p.a.) ex-GST, depending on the quality of the premises, street exposure and location within Busselton.

Having considered the subject health office suites and available rental evidence within Busselton, a range of \$235 per week to \$270 per week plus GST and outgoings is considered a realistic rental range in the current market. An offer of within 10% of the assessed \$235 to \$270 per week rental range to lease the vacant health office suites would be considered fair and reasonable.

There is limited rental evidence of cafés situated within leisure centres in the south-west region of WA and therefore we have considered rental evidence of cafes, kiosks and kitchens leased within Busselton and the surrounding locations of Dunsborough and Bunbury. In completing investigations into cafés which are currently operated within leisure centres throughout the south-west of WA, it has become evident that the majority of cafés in the region are internally run by the respective shire where the leisure centre is situated. Should the café remain vacant for a period of time that extends beyond management's expectations, running the café internally may be an option to consider.

Having considered the subject café and available rental evidence held on file, a rental range of \$280 per week to \$320 per week net p.a. plus GST and outgoings for the café shop within the Geographe Leisure Centre is considered appropriate. An offer of within 10% of the assessed \$280 to \$320 per week rental range to lease the vacant café shop would be considered fair and reasonable.



• MARKET RENT:

Having regard to the above factors, the market rental for the subject premises is as follows:

- Health suite 1:
\$235 per week net p.a., (disclosing \$12,200p.a.),
excluding GST and outgoings
- Health suite 2:
\$235 per week net p.a., (disclosing \$12,200p.a.),
excluding GST and outgoings
- Health suite 3:
\$270 per week net p.a., (disclosing \$14,040p.a.),
excluding GST and outgoings
- Health suite 4:
\$260 per week net p.a., (disclosing \$13,520p.a.),
excluding GST and outgoings
- Café shop:
\$300 per week net p.a., (disclosing \$15,600p.a.),
excluding GST and outgoings

This valuation has been prepared by Niall McMahon under delegation of the Valuer-General as defined in Part II of the *Valuation of Land Act 1978*.



Assumptions, Conditions and Recommendations

- This assessment has been based on the information provided from you via email, our office records and other advice from Real Estate Agents active in the Busselton area.
- It is unknown whether a prospective tenant will have exclusive access to the waiting / passage area for health suite 4 as the passage provides internal access to an existing fitness room within the Geographe Leisure Centre. This has been reflected in the assessment of the market rental for health suite 4.

This report has been prepared for the private and confidential use of the client to whom it is addressed and should not be reproduced, either wholly or in part, or relied upon by third parties for any use, without the express authority of the Valuer-General.

Should you have any further queries, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Niall McMahon', written over a horizontal line.

NIALL McMAHON, AAPI
LICENSED VALUER NO. 44723,
PROPERTY & VALUATION SERVICES,
COUNTRY SOUTH WEST