



Draft Property Policy 2019

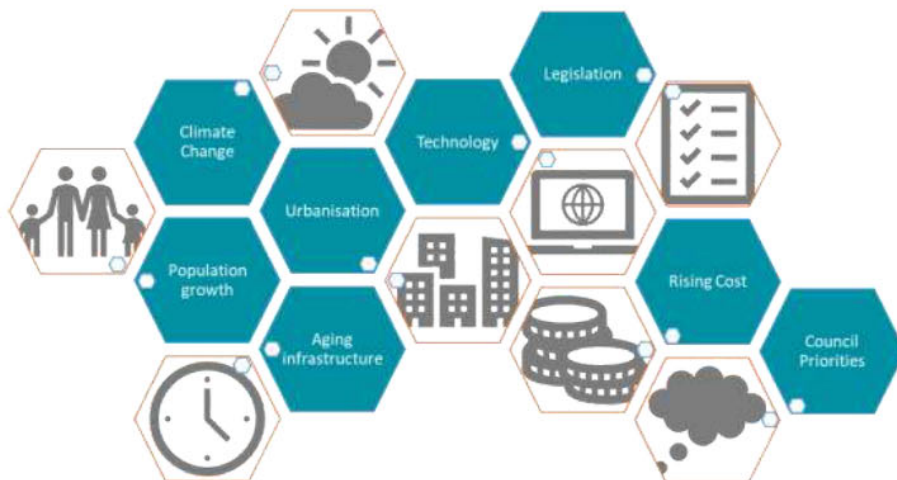
Property Policy Consultation Review

City of Port Phillip Council is developing a new Property Policy that responds to the changing needs of the community and plans for future challenges and opportunities in the City of Port Phillip.

The policy will guide the management of Council's property portfolio for repurposing land and buildings, for acquiring and selling land and for leasing facilities to commercial and community organisations.

Challenges

As a dynamic asset that delivers services to the community, Council property must be managed in a way that responds to the changing needs of Port Phillip, while also providing consistency and certainty in service delivery. Since Council's existing property policy was adopted in 2009, significant changes have occurred within the City of Port Phillip.



Opportunities

Continuing the current property management practices with the associated cost to Council, with an aging portfolio of buildings, a significant outstanding maintenance liability, new accessibility compliance



standards and the current rates capping environment will likely result in unsustainable portfolio management practices and significant impacts to one generation.

Council's goal

To sustainably manage and improve land and building assets in a way that responds to community need, minimises impact to the environment and demonstrates best practice.

Achieving this goal will require a change to the way Council manages the portfolio.



Engagement overview

The communications campaign for this policy commenced in March. Given the complexity, detail and impact of Council's new property policy, **two phases** of community and stakeholder engagement has been undertaken including:

- engagement on proposed policy changes – online survey
- engagement on draft Property Policy - workshop



Phase 1 – Online Survey

A Have Your Say Survey delivered the first round of consultation with the wider community. It was designed to enable the wider community to provide feedback in relation to the amendments proposed to the Property Policy.

The approach taken was aimed at obtaining broad community feedback and included:

- A direct invitation to over 200 council tenants and key stakeholder groups; and
- An intercept survey conducted over 4 days throughout pockets of the municipality.

Participant profile

The survey produced 159 responses with the participant profile representing a balanced view of the municipality. The largest number of respondents were Port Phillip residents between the ages of 25 and 59.

Consultation workshop – Key Themes

The feedback provided through this first phase of community consultation helped inform and shape the draft property policy. Key themes from this consultation included:

- Support for the guiding principles and recommended changes
- Support for tenants to contribute towards the building running costs with Council to continue provide subsidies to community organisations in need.
- Recommendations for assessment criteria for tenant contribution, length of tenancy and multi-use venues.



Phase 2 – Consultation Workshop

On 21 July 2019, KJA facilitated a stakeholder engagement workshop for the City of Port Phillip.

This workshop delivered the second round of consultation and was designed to inform stakeholders about proposed changes, allow stakeholders to express their views and concerns, and assess the level of support and potential impact of the proposed policy changes.

The workshop was held in the St Kilda Town Hall and was delivered using a 5 stage methodology:

1. **Information sharing** - Presentation delivered by Joanne McNeill, Property Project Manager at City of Port Phillip. The presentation provides context for the subsequent discussions, giving background information on why the review is currently being conducted, the proposed changes, processes, potential impacts and benefits.
2. **Issues Identification** – A facilitated full group discussion giving all participants an opportunity to raise the themes that concerned them the most and ‘have their say’. The themes were captured and grouped on posters as they are identified.
3. **Community Priorities** – Through a visibly democratic process of ‘dot-mocracy’ all participants can identify priority themes through the use of sticky dots.
4. **Concerns** – In depth discussions of four themes related to proposed changes in small groups which allow each stakeholder to discuss each of the four themes and suggest ideas to address them. The themes were identified by the workshop organisation team and confirmed by Council prior to the workshop with the aim of grouping potential challenges and giving every stakeholder the opportunity to express their ideas on the different aspect of the policy implementation. The four themes are:
 - implementation of the policy: transition, timelines, communications.
 - financial arrangements: rental amount, rent reviews, outgoings, maintenance and renewal costs, council support/funding.
 - lease negotiations: Lease and licence lengths, direct negotiations vs Expression of Interest (public advertisement), application of assessment criteria.
 - multi-use of Council property: security, sensitive use, subletting, shared responsibilities, negotiation of multi-use.
5. **Summary of Outcomes** - Outcomes of the session are presented to participants together with next steps in the process.



Poll Everywhere was used to allow groups to anonymously ask questions and comment throughout the presentation

Participant Profile

The same list of over 200 stakeholders from the first round were invited to register their interest in attending the workshop with **40** of the identified stakeholders responding and subsequently invited to attend the workshop.

The final mix of attendees included representatives of Council buildings tenants, community groups, child care services and schools, sporting clubs, commercial tenants as well as other special interest groups including unchain.

A further invite for written submissions was sent out to groups who advised they were unable to attend. This feedback has been considered as part of this review.

Consultation workshop – Key Themes

The workshop produced valuable information about stakeholders' priorities and concerns. Participants generally appreciated the opportunity to learn about the proposed policy changes and share their views. A handful of participants, however advised that they had not participated in the first round of consultation and felt that they should have been more involved in the development of the draft property policy.

Relating to specific policy details, the main feedback was focused around obtaining clarity on how the changes will work in practice with limited recommendations for changes within the draft policy. Key themes included:

- The process of how 'community benefit' will be assessed and implemented needs
- Concern about the relationship of the Property Policy and other policies including the Community Funding Policy and the Child Care Policy that is currently under review.
- perception that the policy has an overly commercial view of the property portfolio and should be split into two separate policies.
- The request for further engagement regarding the implementation of the policy.

For the full list of questions and responses please refer to Appendix 1.

Please note that Officers have made a number of minor changes within the policy that have not come from the consultation feedback but have been made on further internal review of the draft policy, to better align the policy with other internal operations.



Consultation Findings

The following sections provide further information about how the consultation feedback has been reviewed to inform the policy.

Guiding principles

Overview

To support the achievement of the goal of sustainable management of the property portfolio, Council has adopted ten guiding principles for the property policy. Council endorsed these principles on 20 March 2019.

STRATEGIC ALIGNMENT Ensuring the use, acquisition, disposal and redevelopment of Council property is strategically aligned with Council's Annual Plan.	EQUITY Ensuring equitable distribution of Council's contribution within sectors through consideration of allocation between users.	FIT FOR PURPOSE Building assets will deliver agreed levels of service to the organisation and the community, relative to the benefits received in terms of function.	COMMUNITY BENEFIT Use of Council assets and leverage of Council facilities maximise defined community benefits.	FINANCIAL SUSTAINABILITY Decisions and practices ensure that Council has the funds to care for, improve and grow its building assets to allow for continued service delivery for current and future generations.
INNOVATION Seeking opportunities to increase service delivery through innovative and cost-effective ways.	TRANSPARENCY Ensuring a transparent, equitable, consultative and consistent process for granting new leases or licences.	ENVIRONMENTAL SUSTAINABILITY Identifying opportunities to build resilience to climate change and embed best practice sustainability principles into all leases and licences.	BALANCED PORTFOLIO Balance community, commercial and Council demands with financial imperatives and the need to deliver service to the community.	COMMERCIAL PORTFOLIO Manage properties for the purpose of returning a commercial profit to support service delivery across the portfolio.

Feedback on guiding principles

The first phase of consultation saw 80% of respondents showing support for the guiding principles with suggestions for items such as affordable housing and the importance of Heritage Assets which are covered through other Council policies.

While the guiding principles were discussed during the consultation workshop in the second phase consultation, no feedback was received as participants were focussed on the application of the policy.



Recommendation

Officers recommend no changes to the guiding principles that have previously been endorsed by Council.

Minor changes

Overview

Some of the changes proposed in the draft property policy are straightforward and considered necessary to ensure best practice management of the property portfolio. It is envisaged that they will have a minor impact on the day-to-day operation of current tenants, and include:

- Strategic Property Direction
- Acquisitions & Disposals
- Commercial Lease Management
- Tenant Reporting

Feedback

An average of **91%** of respondents in the first round of consultation were in support of the minor changes, and no major changes have been identified through the second round. The main questions raised during the workshop regarding the changes included Council's ability to make the right decisions when acquiring new properties and whether they can afford them and Council's prior track record in managing leases.

Assessment

Over the last few years, Council has been developing the internal structures and processes to help deliver effective and sustainable management of the property portfolio. A key component of this is developing a robust property policy that helps guide the management of Council's property portfolio in a way that responds to community need, minimises impact to the environment and demonstrates best practice.

Work is underway to develop a draft portfolio plan, that outlines the priority property projects for council over the next 10 years, including any redevelopments, upgrades, sale and acquisitions of property. The purpose of this plan is to document the operational plan needed to deliver the Council Plan priorities that rely on property interventions. It will also provide a structure for the strategic management of the portfolio providing clarity on the long-term direction and structure opportunities within the portfolio.

Recommendation

Officers recommend no changes to the policy in regard to the minor changes.



Major Changes

Overview

Other changes proposed in the draft property policy relate to the benefits generated, and the costs associated with the property portfolio. It is expected that these changes may have a significant impact on the types of agreements offered in the future. These issues are discussed in further detail below, and relate to:

- The amount that tenants contribute to outgoings
- The amount that tenants contribute to maintenance costs
- The length of leases and licenses
- The multi-use of Council property
- The process at lease renegotiation
- The amount of rent charged
- The method of Council support

As the first phase of consultation was designed to help inform the development of the draft property policy no feedback from this phase has been included in the following section. Feedback provided by participants within the consultation workshop of phase two is discussed in the following section.

Method of council support

Council supports around 48% of all organisations within council buildings via peppercorn rent. This support is provided to those who deliver benefits to the wider community however, there is a lack of guidance, consistency and transparency around how this support is assessed and awarded

The draft policy recommends that the level of council support be considered holistically through the criteria set in the Community Funding Policy, similar to a grants process where all types of support is assessed together – direct funding, subsidies etc.

Feedback

During the workshop, participants raised questions around how the community benefit was to be assessed, in terms of how it is used as a criterion to assess the monetary benefit received by community tenants. This point received the most votes (30) out of the entire workshop.



Participants appeared to view this provision as not including enough detail, especially as it is a critical part of the implementation of the policy, and worried that the implementation process would be too “subjective”.

Assessment

There is support from the community for Council to continue to provide subsidies to those who are in need however there is concern over how this will be implemented.

It is important to note that the draft Property Policy does not specify who will be allocated access to council property, nor does it identify the level of Council support that will be allocated to a particular group. It does however set out the requirement for clearly articulating the reason for allocation of property to a particular group, and the level of associated Council support via discounted rent, direct funding, covering of operating costs, to support informed Council decision making. It also provides guidance on the minimum criteria that needs to be considered as part of this process which has been developed through the feedback obtained throughout the community engagement process.

The draft property policy proposes that the Community Funding Policy, endorsed by Council in April 2018 will be used to guide the level of Council support for each community group or organisation that is proposed by Officers for Council consideration, across all grants and subsidy programs, including for building related support such as discounted rent, payment of outgoings, maintenance and direct funding linked to leases.

This change to the process will provide a holistic approach to community funding and will allow for:

- Increased community benefit and alignment with Council priorities.
- Consistency within decision making across all types of grants, through a guided and considered approach.
- Increased transparency over the level of funding provided by Council.
- Efficiency and clarity within processes for all parties.

Work is currently being undertaken to enable delivery of the Community Funding Policy through consolidation of the funding streams via a Funding Implementation Framework, which will allow for the development of eligibility criteria for the Property Policy as part of the implementation plan.

Recommendation

As the queries relate to the implementation of the policy, Officers do not recommend changes to this section of the policy.

However, in order to keep moving forward and get clear on the Community Funding Policy implementation regarding this funding stream, we have engaged a consultant who worked with the City of Sydney to bring



in their funding program including the Accommodation Grant. This is similar to what is being proposed here at the City of Port Phillip regarding funding.

We envision the evaluation criteria and process will be similar to what is happening now in the Community Facility Access and Allocation Policy, which sets out criteria for the allocation of council facilities to community groups but does not contain criteria for the allocation of financial support in any of its forms. Further information will be provided at a later date on this separate, but inter-related, piece of work.

Maintenance & Outgoings

Council currently absorbs the costs for 66% of all tenants for their maintenance costs and 46% of tenants for their outgoings costs. In order to ensure equity, as well as sustainability of service delivery into the future, Council needs to improve cost allocation to ensure that tenants with capacity to pay are paying the costs associated with use of Council facilities.

The draft policy suggests that all tenants pay the costs associated with the operation of the service, with exceptions to be identified on a case by case basis.

Feedback

During the workshop, participants raised queries around how much responsibility would be placed on community and voluntary groups for these costs, whether groups had to pay for council contractors and why tenants have to pay for maintenance in buildings they don't own.

Assessment

Council is committed to ensuring that Council property remains suitable and safe for its intended use, and that the building lifecycle is extended as far as practical for the benefit of future communities. Undertaking the required maintenance in a proactive and professional manner assists in extending the life of the building and reduces reactive maintenance costs.

Many maintenance items are required to be undertaken by reputable contractors to ensure compliance including plumbing, electrical and building works. Due to the size of the property portfolio, Council can achieve efficiencies of scale on these requirements which in turn reduces the overall cost to the portfolio.

The cost of maintenance of a building is part of the cost to Council of providing the asset for use by a particular community group, or collection of different community users. Given that maintenance forms part of the cost of provision of the space for use, it is proposed that, where there is capacity, there be a reasonable contribution by the users of the facilities towards the cost of the building maintenance.

While there is a need to have certain works undertaken by Council contractors, consideration will be had for areas where tenants can find cost savings such as cleaning and internal painting.



Prior to the entry into any agreement, Council will ensure that the maintenance and renewal requirements are mapped out and factored into the decision. The Tenant and Council will clearly identify the responsibilities at the start of the agreement. Council will consider the extent of a tenant's maintenance responsibilities in line with the method of council support and/or the amount of rent being paid by the tenant.

Recommendation

This is aligned to the feedback from the first round of consultation and relates back to how Council will implement the property policy rather than the guidelines contained within it.

Officers recommend no changes to this section of the policy.

Rent

There is currently a lack of consistency in the amount of rent charged for Council property across service categories and tenant classes and the rental levels are not necessarily reflective of the benefit/use of the asset, the revenue generating abilities of the tenant, or the delivery of benefits by the tenant.

The draft property policy recommends that the rental amounts reflect the different purpose of Commercial and Community Organisation tenants and is guided by portfolio targets set by Council. This amount will be assessed and documented at the commencement of each agreement, as well as upon the exercise of any option by the tenant or every five years. The amount of rental discount from market rate will be assessed through Council's Funding Framework.

Feedback

During the workshop, participants raised concerns around:

- The unknown extent of changes and impact on groups
- The dependency on other policies
- Commercial rent being the basis of assessing community benefit
- The discount rates not being highlighted within the policy.

Assessment

Accounting standards require Council to recognise all "peppercorn" leases at their fair value. To ensure consistency and comparability within accounts, the fair value is assessed on the Net Annual Value or market rental assessment. The difference between the fair value and the peppercorn rate determined through the Council Support assessment process will be the level of discount recognised within the agreement.



Recommendation

The queries raised through the consultation appear to be around clarity of how the new policy will work. This being the case, Officers do not recommend any changes to this section within the policy.

Lease Terms

Council agreements are currently a mix of short, medium and long term agreements, with little guidance as to when each will be used. Long term leases lack performance targets, don't allow for adherence to an updated Council Plan and may not be up to date with current best practice management.

The draft property policy recommends standardised lease and licence terms with negotiation of a non-standard term being available in specified circumstances. The standard terms are as follows:

- Leases maximum of 5 years
- Licenses maximum of 3 years

Feedback

During the workshop, participants raised queries regarding:

- The length of defined lease terms as it does not assist with staff retention and planning.
- The limited detail within the policy about how to obtain longer leases.
- The possible reasons for not meeting a standard lease term.
- The lack of guidance on the terms for sub-leases.
- Lack of distinction made between commercial and community agreements.
- Shorter terms reducing the willingness of tenants to invest in their properties.

Assessment

An appropriate length of occupancy term needs to be long enough to allow an organisation to successfully plan but needs to be short enough to allow for a review of terms, group expansion or contraction and any changes in legislation. The draft property policy has attempted to set a standard term that fits within this definition and aligns to the guidelines contained within the Retail Leases Act and the Crown Land Act.

The draft policy recognises that these terms are unlikely to be suitable for all agreements and it allows Council to consider an extended term if it can be assessed that the agreement:

- is for a premises whose use is unable to be changed and is linked to a specific tenant that has had a history of delivering good outcomes;



- the level of capital investment in the building (made or planned) requires amortisation over an extended period of time (longer than 5 years); or
- There is a licence agreement that must align to a lease for a particular tenant.

It is important to note that Crown Land is governed by the State, and the Minister is ultimately responsible for approving the length of occupancy on this land

Recommendation

Officers recommend no change to the terms listed as they consider a balance between lease review and administration costs, align with industry standards and funding deed terms while providing options for extended terms where applicable.

Multi-use

Not all tenants require the exclusive, round-the-clock access to property that is offered through a lease. Exclusive use limits the benefit of property to one organisation, resulting in potential underutilisation of assets, increased costs for tenants, lack of community access, and inability for Council to respond quickly to emerging community needs.

The draft property policy recommends that the need for exclusive use of facilities be reviewed at the commencement of all agreements with Community Organisations, with the preference being shared use agreements to reduce tenant cost and increase community benefit.

Feedback

During the workshop, participants raised questions around

- How this part of the policy would be assessed and implemented
- How service planning for groups within multi-use facilities will work
- Whether fit-for-purpose facilities would be subject to multi-use conditions.
- Storage, damage, cleaning and compatibility of tenants was also raised.

Assessment

Council is committed to maximising access to, and use of, Council facilities for the benefit of the community however the draft policy does recognise that not all tenants or buildings will be suitable for multi-use and provides guidance on key factors that could indicate a need for exclusive use. These factors include:

- the tenant's service needs (sensitive work, space requirements, commercial premises)
- the level of capital investment (made or planned)
- the defined benefit to be achieved from tenancy



- the type of facilities (e.g custom built etc)
- the maintenance requirements of the property.

As the community organisation is best placed to advise on the operational requirements of their service, they will need to provide the required information for Council to assess any request for exclusive use.

Council will continue to work with groups to ensure we are working towards common goals in planning for the future. In addition, the standard lease terms contained within the draft policy are short enough to adjust agreements where required at the end of a term.

Recommendation

There appears to be support for the shared use of facilities, within reason. The draft policy provides factors for Council to consider when considering exclusive use.

This is in line with the feedback from the first round of consultation where the main considerations were in regards to those working with vulnerable people, undertaking confidential work or paying market rent.

Lease negotiations

Currently, there is a lack of consistency and transparency regarding the process at lease renegotiation. This leads to uncertainty for both tenant and Council, as well as being resource intensive.

The draft property policy recommends that direct negotiations will be undertaken unless there is reason to suggest a competitive process is required.

Feedback

While there was limited feedback regarding this section, there has been clear support for guidance on this topic with the main concern being around the criteria and process for deciding how to negotiate or not to negotiate with the current tenant and how it will be communicated.

Assessment

The draft policy sets out the requirement for Officers to communicate the preferred process, timeframes and requirements. The document does not specify the timeframes or the process as the appropriateness of this communication and timeframes will be dependent on the type of agreement in place as well as the current tenant arrangements or the required renewal process.



Recommendation

Timeframes have not been included within this clause as this may depend on the terms within the particular agreement and the requirements of the Crown. Internal processes will ensure the team will provide the tenant appropriate notice to allow to plan for any expected changes.

Officers recommend no changes to this section of the draft policy.

Implementation

Procedures are the specific methods employed to express policies in action in day-to-day operations of the organisation. Together, policies and procedures ensure that a point of view held by the Councillors is translated into steps that result in an outcome compatible with that view.

Many of the concerns raised throughout the consultation period were regarding the implementation of the policy. In order to move forward with the implementation and develop the processes we must first agree on the guidelines which we must work within and the outcomes we are seeking.

A transition section has been added to the policy to allow for a stepped process when implementing changes that have a significant impact on tenants. We have taken on participant feedback and amended this section to allow up to 12 months notice to affected groups.

Next steps

The value that community groups provide is hard to capture and needs careful consideration on a case by case basis. This is to be supported by a key piece of work within the Community Funding Policy which is well underway.

The team have been setting up for the implementation for some time and have brought in a number of processes to help support the implementation.

Officers have already sought Council feedback on agreements due to expire up until April 2020 and Officers will continue to work with the consultants and Community Funding Implementation Project to move forward on providing further clarity regarding these sections.

Appendix 1: Draft Property Policy – Consultation Workshop Feedback - July 2019

Community Concerns	Comments/Changes to Policy
Overview	
What about lease to own arrangements that have been discussed with Child Care?	<p>The decision to dispose of council property would follow the policy guidelines set out in Section 3 of the draft policy, which requires Council to:</p> <ul style="list-style-type: none"> • undertake a land assessment and determine that the property is not required for retention. • undertake appropriate due diligence and research in accordance with policy and legislative requirements. • Consider the general principles for the sale of land as provided in the Local Government Best Practice Guidelines. <p>Council can make a decision to sell a property by direct negotiation rather than a full market process if there is a strong reason to do so. Council can also decide on the sale conditions, which may include a 'lease to own' arrangement. Council must comply with the local government act when considering the process of sale of an asset.</p>
<p>It appears that Council has an overly commercial view on the property portfolio, should there be a separate policy for both commercial and community property?</p> <p>In order to make decision and give meaningful feedback, can we have more information about how this Policy is sitting in relation to other policies, such as funding and child care policies?</p>	<p>The draft property policy has been designed to provide a clear framework to guide consistent decision making allowing for best practice property management.</p> <p>This holistic and operational approach has been developed to provide Council the tools to sustainably manage and improve land and building assets in a way that responds to community need, minimises impact to the environment and demonstrates best practice. It is other policies and strategies, including the Community Funding Policy, that provides guidance on how Council wishes to support community or commercial organisations.</p> <p>It is these policies which complement the administrative processes to inform Officers recommendations to Council regarding the needs of the community, allocation of properties to community organisations and the associated proposed level of council support.</p>

Community Concerns	Comments/Changes to Policy
	<p>The draft Property Policy does not specify who will be allocated access to council property, nor does it identify the level of Council support that will be allocated to a particular group. Rather, the draft policy sets out the requirement for clearly articulating the reason for allocation of property to a particular group, and the level of associated Council support via discounted rent, direct funding, covering of operating costs, to support informed Council decision making.</p> <p>Therefore, the draft policy should encompass the whole portfolio and sit within, and compliment, other policies such as the Community Funding Policy which are better placed to assess the needs of the community and support required to these groups.</p>
<p>It was raised that previous engagement was open to the general public but only 159 responses out of how many were received. Are the respondents even stakeholders in the proposed changes?</p>	<p>Given the complexity, detail and impact of Council's new property policy, two phases of community and stakeholder engagement has been undertaken including:</p> <ul style="list-style-type: none"> • Engagement on proposed policy changes via a "have your say" survey which helped inform the draft Policy, and; • A consultation workshop which was designed to inform stakeholders about proposed changes, allow stakeholders to express their views and concerns, and assess the level of support and potential impact of the proposed policy changes. <p>In the first round of community consultation, Council sent invitations directly to more than 200 known stakeholders including all tenants within Council Buildings to participate in the survey. In addition, an intercept survey undertaken at key locations across the municipality to ensure that the broader community had their say on key policy changes.</p> <p>The same list of over 200 stakeholders were then invited to register their interest in attending the workshop. Forty of the identified stakeholders responded and were subsequently invited to attend the workshop.</p>

Community Concerns	Comments/Changes to Policy
Definitions	
Should the plan consider DDA compliance of buildings in the forecast?	<p>The purpose of the Strategic Property Portfolio Plan is to make sure Council is appropriately managing all of its buildings, which includes making sure they are fit for purpose, compliant and sustainable. One aspect of this is addressing DDA compliance. Other considerations include heritage significance, resilience to climate change, changing service needs, building condition building issues, and the cost of maintenance and renewal over the lifecycle of each building. All of these things are considered when assessing the future of each of council's buildings.</p> <p>Council also has a 10 year asset management plan for its buildings, that underpins the annual capital program of renewal and compliance work to the building portfolio. This plan includes an annual program of DDA compliance work, guided by the priorities outlined in the Access and Inclusion Plan and building audits.</p>
What is the future plans for each of the buildings within Council?	<p>Work is underway to develop a draft portfolio plan, that outlines the priority property projects for council over the next 10 years, including any redevelopments, upgrades, sale and acquisitions of property.</p> <p>The purpose of this plan is to document the operational plan needed to deliver the Council Plan priorities that rely on property interventions. It will also provide a structure for the strategic management of the portfolio providing clarity on the long-term direction and structure opportunities within the portfolio.</p> <p>In preparation for this, Council is currently undertaking condition assessments for all buildings within its portfolio against a number of criterion including physical, social, function, climate change, political, visual, locational, regulatory and financial.</p>

Community Concerns	Comments/Changes to Policy
2.4 Negotiations	
The criteria and process for deciding how to negotiate or not to negotiate with current tenant of a property and the communicating of this with the tenant is not adequately provided for in this clause, can this be amended?	The draft policy sets out the requirement for Officers to communicate the preferred process, timeframes and requirements. The document does not specify the timeframes or the process as the appropriateness of this communication and timeframes will be dependent on the type of agreement in place as well as the current tenant arrangements or the required renewal process.
2.5 Term of Agreement	
Should this section consider that some leases enable organisations to sub-let or license parts of the building to other parties and what the length that license should be?	Tenants operating under a Lease may be permitted to assign their rights via a subletting arrangement. All sub-letting arrangements must be consistent with the terms of the head lease and have the consent of council. This requirement has been clarified within the draft property policy under <i>2.7 Assignment and sub-leasing</i> .

Community Concerns	Comments/Changes to Policy
<p>Would it be possible to consider 15-20 year leases to assist with staff retention and planning?</p> <p>Have you considered that agreement terms may need to change over time?</p> <p>When might a longer lease be important?</p> <p>How can the assessment criteria for longer leases be made easier to understand and meet?</p> <p>Does this match Federal legislation?</p> <p>Is there an extension process for lease length? Is this something that can be negotiated or will all terms be the same?</p>	<p>An appropriate length of occupancy term needs to be long enough to allow an organisation to successfully plan but needs to be short enough to allow for a review of terms, group expansion or contraction, any changes in legislation or Council direction. The draft property policy has attempted to set a standard term that fits within this definition and aligns to the guidelines contained within the Retail Leases Act and the Crown Land Act.</p> <p>The draft policy recognises that these terms are unlikely to be suitable for all agreements and it allows Council to consider an extended term if it can be assessed that the agreement:</p> <ul style="list-style-type: none"> • is for a premises whose use is unable to be changes and is linked to a specific tenant that has had a history of delivering good outcomes; • the level of capital investment in the building (made or planned) requires amortisation over an extended period of time (longer than 5 years); or • There is a licence agreement that must align to a lease for a particular tenant. <p>It is important to note that Crown Land is governed by the State, and the Minister is ultimately responsible for approving the length of occupancy on this land.</p>
<p>Can the maximum term be included within the policy?</p>	<p>As the maximum term may change or be affected by other factors within the legislation, our policy points to the relevant legislation to ensure it remains aligned with these requirements.</p> <p>The term granted must be appropriate to that use and not necessarily the maximum lease term permitted under the relevant Act. The current maximum lease terms under the applicable legislation is as follows:</p> <ul style="list-style-type: none"> • 21-year maximum under <i>Crown Land (Reserves) Act 1978</i> • 50-year maximum under <i>Local Government Act 1989</i>

Community Concerns	Comments/Changes to Policy
2.6 Multi-Use	
<p>Multi-use is not supported for security reasons</p> <p>Why is the onus of placed on the community organisation to justify a request for exclusive use?</p> <p>Why is community benefit not one of the factors to be used in an assessment process?</p> <p>Do you think that all buildings are suitable for multi-use situations?</p> <p>Will Council work to maximise the use of the spaces by choosing organisations who could potentially cooperate or share equipment?</p> <p>Will my venue be rented out for private social events, which will affect reputation management and cleaning costs?</p>	<p>Council is committed to maximising access to, and use of, Council facilities for the benefit of the community. Accordingly, for all agreements with Community Organisations, the need for exclusive use of facilities will be reviewed at the commencement of the agreement, with the preference being shared use licence agreements.</p> <p>The draft policy does recognise that not all tenants or buildings will be suitable for multi-use and provides guidance on key factors that could indicate a need for exclusive use. These factors include:</p> <ul style="list-style-type: none"> • the tenant's service needs (sensitive work (such as child safety) space requirements, commercial premises) • the level of capital investment (made or planned) • the defined benefit to be achieved from tenancy • the type of facilities (e.g custom built etc) • the maintenance requirements of the property. <p>As the community organisation is best placed to advise on the operational requirements of their service, they will need to provide the required information for Council to assess any request for exclusive use.</p>
<p>How will groups be able to plan expansion with this requirement?</p>	<p>Council will continue to work with groups to ensure we are working towards common goals in planning for the future. In addition, the standard lease terms contained within the draft policy are short enough to adjust agreements where required at the end of a term.</p>

Community Concerns	Comments/Changes to Policy
<p>Will Council consider an internet time-booking system to ensure maximum use of space without clashes?</p> <p>How will storage be dealt with or damage of equipment?</p> <p>How do you deal with conflicts of use at peak times?</p> <p>What are the financial and logistical divisions of services like cleaning or maintenance being dealt with?</p> <p>Who would be responsible for facilitating and administering the process?</p> <p>Will we consider City of Melbourne's 'hub policy' surrounding multi-use?</p> <p>Do the administration and bureaucratic costs exceeding potential gains?</p>	<p>The process for managing multi-use will remain unchanged.</p> <p>Council will work with Tenants to get the best outcomes for all parties and ensure that the appropriate agreements are in place. For those tenants who share space within a building, the outgoings are charged at a proportionate rate which is often considered as part of the licence fee to ensure certainty of cost.</p> <p>Council is generally responsible for managing space allocation within their buildings unless the Tenant has an agreement with Council that allows them to sub-let their space directly. Council is currently embarking on a customer experience project which includes investment in a booking management tool which will provide an easy to use platform for bookings as well as administration of multi-use sites.</p>
2.8 Rental	
<p>Why are we using commercial rent as the basis of council property assessing community benefit?</p> <p>How can you base the discount on a percentage of market rate if the percentage has not been included in the policy?</p> <p>How will this percentage rate be determined? Will there be a scale to determine this?</p>	<p>Accounting standards require Council to recognise all "peppercorn" leases at their fair value. To ensure consistency and comparability within accounts, the fair value for these leases will either be assessed on the Net Annual Value (NAV) or market rental assessment with the preference being on the NAV where available.</p> <p>Any rental discount will be assessed through the Community Funding Policy with the difference between the fair value and the peppercorn rate determined through the assessment process, being recognised as the percentage recognised within the agreement.</p>

Community Concerns	Comments/Changes to Policy
2.11 Insurance	
Shouldn't this be the responsibility of the owner of the building (i.e. Council) to hold building insurance?	<p>Council will take out and maintain building insurance for buildings on Council owned or controlled land for their full replacement value. As this is a cost of operating the building, it is needs to be considered as part of the tenancy agreement.</p> <p>This is in line with standard property management practices where the landlord generally passes on all costs associated with the operation, maintenance or repair for the leased premises, including building insurance.</p>
2.12 Maintenance	
<p>Why should we reimburse Council when it costs more to use Council Contractors?</p> <p>What about essential services and OHS, should this be in the policy?</p> <p>What happens on heritage sites that have higher costs?</p> <p>Why should community organisations pay full price for maintenance?</p> <p>Isn't it Councils responsibility to maintain Council buildings?</p> <p>Rather than taking on full responsibility for all repairs/maintenance of a property, could a tenant pay for the regular, ongoing costs of the essential services inspection, etc?</p>	<p>Council is committed to ensuring that Council property remains suitable and safe for its intended use, and that the building lifecycle is extended as far as practical for the benefit of future communities. Undertaking the required maintenance in a proactive and professional manner assists in extending the life of the building and reduces reactive maintenance costs.</p> <p>Many maintenance items are required to be undertaken by reputable contractors to ensure compliance including plumbing, electrical and building works. While other items such as ESM are required to be undertaken by the landlord. Due to the size of the property portfolio, Council can achieve efficiencies of scale on these requirements which in turn reduces the overall cost to the portfolio.</p> <p>The cost of maintenance of a building is part of the cost to Council of providing the asset for use by a particular community group, or collection of different community users. Given that maintenance forms part of the cost of provision of the space for use, it is proposed that, where there is capacity, there be a reasonable contribution by the users of the facilities towards the cost of the building maintenance.</p>

Community Concerns	Comments/Changes to Policy
	<p>While there is a need to have certain works undertaken by Council contractors, consideration will be made for areas where tenants can find cost savings such as cleaning and internal painting.</p> <p>Prior to the entry into any agreement, Council will ensure that the maintenance and renewal requirements are mapped out and factored into the decision. The Tenant and Council will clearly identify the responsibilities at the start of the agreement. Council will consider the extent of a tenant's maintenance responsibilities in line with the method of council support and/or the amount of rent being paid by the tenant.</p>
2.13 Method of Support	
<p>What is the assessment process and criteria for council support?</p> <p>What is the process of assessment of community benefit?</p> <p>Is aligning to council's goals and priorities appropriate?</p> <p>Are the costs for providing the service considered?</p> <p>Should costs to be transferred to volunteer, NFP or emergency organisations?</p> <p>How is tenant investment acknowledged?</p> <p>What if an organisation cannot meet its obligations?</p> <p>Can we indicate that our financial support may be linked to facilities in terms of the quality, size, functionality etc.?</p> <p>Could council support linked to shared facilities and encourage multi-use?</p>	<p>It is important to note that the draft Property Policy does not specify who will be allocated access to council property, nor does it identify the level of Council support that will be allocated to a particular group. It does however set out the requirement for clearly articulating the reason for allocation of property to a particular group, and the level of associated Council support via discounted rent, direct funding, covering of operating costs, to support informed Council decision making. It also provides guidance on the minimum criteria that needs to be considered as part of this process which has been developed through the feedback obtained throughout the community engagement process. This minimum criterion includes:</p> <ul style="list-style-type: none"> a) alignment with Council's vision, objectives and Council Plan; b) delivery of core services on behalf of Council; c) extent of external funding; d) service and program fees; e) level of capital and financial contribution to the asset infrastructure; and f) extent of sustainability initiatives. <p>Other policies and strategies, including the Community Funding Policy, provide further guidance on how the Council plan priorities will be delivered. These are used to inform Officers recommendations to Council regarding the needs of the community, allocation of</p>

Community Concerns	Comments/Changes to Policy
<p>Should NFPs who raise money from 'commercial' operations within the leased facility be required to make additional contributions by way of rental adjustments where additional community benefit is not demonstrable?</p> <p>Should NFPs whose primary purpose is to deliver exclusive benefits for members and who pay significant membership fees be considered as quasi-commercial in spirit?</p> <p>What are the estimated \$ benefits back to the community of activities and services being provided by community-based groups?</p> <p>The implication is that profit is taboo versus profit-for-social-purpose. What are the profits used for and how big are they? That is, are 'profits' used to expand community benefits and services?</p>	<p>properties to community organisations and the associated proposed level of council support.</p> <p>This change to the process will provide a holistic approach to community funding and will allow for:</p> <ul style="list-style-type: none"> - Increased community benefit and alignment with Council priorities. - Consistency within decision making through a guided and considered approach. - Increased transparency over the level of funding provided by Council. - Efficiency and clarity within processes for all parties. <p>The Community Funding Policy was endorsed in April 2018 and work is currently being undertaken on consolidation of the funding streams via the Funding Implementation Framework which will allow for the development of eligibility criteria for the Property Policy as part of the implementation plan.</p> <p>Council will consider appropriate transition arrangements on a case by case basis to assist in managing the impacts of change on affected community groups.</p>
<p>Should Council recognise volunteer effort in its accounting?</p>	<p>Council will recognise volunteer effort in its accounting to the extent it can be reliably measured. It is important to note that fair value of a service may be different to community benefit and there will need to be support from these groups to help reliably determine this.</p>

Community Concerns	Comments/Changes to Policy
Should you be explicit that sharing a facility doesn't necessarily lower the rent paid by the tenant?	Where groups operate out of a multi-use building, the cost to each group will be proportionate to their use.
Can Council provide assistance to groups to help them apply for other state grants that may also benefit Council?	This is not directly related to the property policy but broader community support processes. Council aim to work in partnership with our community groups and as such we may be able to provide support to groups who are applying for external grants and other subsidies where applicable.
2.15 Standard Agreements	
<p>Is there anyway the process can be made easier for volunteer groups?</p> <p>Can the agreements be in plain English?</p> <p>Everyone is unique, why do you think a standard agreement would cover all of a tenant's needs?</p> <p>Can terms be negotiated?</p> <p>What is the flexibility with lease negotiation? Tenants should be able to discuss terms</p>	<p>Council's property portfolio consists of approximately 70% crown land for which Council manages on behalf of the State as the Committee of Management. For this land, Council is required to operate in line with the requirements of the State.</p> <p>One of these requirements is for Council to use the dedicated template, as approved by the Minister, for all agreements on Crown land. The Minister has provided templates for the different types of agreements such as retail, non-retail, exclusive use, non-exclusive use etc, which contain the standard clauses and requirements of the State. Any changes to this template require legal and Minister approval which can be a costly process for all parties. Agreements for Council freehold land will be held to similar conditions.</p> <p>The templates will reflect the type of agreement and any non-standard terms may be negotiated between parties in exceptional circumstances.</p> <p>By adhering to the standard templates aligned to the requirements of this policy and relevant legislation, Tenants can be comfortable that they are being treated equitably.</p>

Community Concerns	Comments/Changes to Policy
2.16 Reporting	
<p>The request for information that extends beyond a leasing relationship such as membership details and fees & sponsorship. Could you please provide the rationale for this detail has not been adequately outlined?</p>	<p>Council may require a tenant to provide Council with annual reporting to ensure compliance with certain aspects of the lease including the compliance with the Funding Deed due to the interdependence of the two documents.</p> <p>Where a tenant has received a Funding Deed with Council, the reporting requirements in both agreements will align ensuring that the requirements of both will be met through one report from the Tenant. The information provided will be key to assessing things such as the level of community benefit, the tenant's capacity to pay and the overall level of support available.</p>
2.18 Environmental	
<p>Shouldn't sustainability be imbedded in capital improvement programs?</p> <p>Shouldn't sustainability be a key factor in building improvements to assist Council and organisations reduce their impact on the environment?</p>	<p>The purpose of the Strategic Property Portfolio Plan is to make sure Council is appropriately managing all of its buildings, which includes making sure they are fit for purpose, compliant and sustainable. Other considerations include heritage significance, resilience to climate change, changing service needs, building condition building issues, and the cost of maintenance and renewal over the lifecycle of each building. All of these things are considered when assessing the future of each of council's buildings.</p> <p>Council also has a 10-year asset management plan for its buildings, that underpins the annual capital program of renewal and compliance work to the building portfolio. This plan includes an annual program of works, guided by the priorities of Council including the Act and Adapt Strategy as sustainability is a key consideration.</p>

Community Concerns	Comments/Changes to Policy
2.24 Transitional Arrangements	
What is the extent of financial impacts for each group? (costs, budget, resourcing, ...)	The financial impacts and any transition plan required for each group will need to be assessed on a case by case basis. This is to be supported by a key piece of work within the Community Funding Policy which is well underway.
Does CoPP have the capacity within its Council staff for implementing the policy? Council doesn't have a great track record in managing leases, how will the terms be managed and enforced? Should CoPP be benchmarking against other councils?	Over the last few years, Council has been developing the internal structures and processes to help deliver effective and sustainable management of the property portfolio. A key component of this is developing a robust property policy that helps guide the management of Council's property portfolio in a way that responds to community need, minimises impact to the environment and demonstrates best practice. To determine best practice, the draft property policy has been benchmarked against other councils undertaking similar amendments.
The timeline currently provided by this draft policy in relation to transitioning is inadequate and fails to understand the tight budgets that many organisations operate in. Would Council consider implementing a longer transition period at least 12 months in advance? Negotiations for exclusive use should commence well in advance of any changed arrangements and Council should foster cultural change with sensitivity to the needs and concerns of the affected organisations. Has this been considered?	We agree and have amended this section accordingly. Consultation with the Tenant will occur between 6 and 12 months before the end of the current agreement dependent on the type of agreement in place, the current tenant arrangements or the required renewal process. Council will also consider appropriate transition arrangements on a case by case basis to assist in managing the impacts of change on community groups.

Community Concerns	Comments/Changes to Policy
School Use	
How will the proposed policy address the licencing of Council facilities by government schools?	The draft property policy has been designed to provide a clear framework to guide consistent decision making allowing for best practice property management.
Are government schools considered to be commercial or community?	It is important to note that the draft Property Policy does not specify who will be allocated access to council property, nor does it identify the level of Council support that will be allocated to a particular group. It does however set out the requirement for clearly articulating the reason for allocation of property to a particular group, and the level of associated Council support via discounted rent, direct funding, covering of operating costs, to support informed Council decision making.
How does the draft policy address the unique circumstances surrounding the licencing of community facilities by government schools?	Other policies and strategies, including the Community Funding Policy, Open Space Strategy and Community Facility Access and Allocation Policy provide further guidance on how the Council plan priorities will be delivered.
What influence will financial contributions to capital improvements by a government school have on the licence fee?	These are used to inform Officers recommendations to Council regarding the needs of the community, allocation of properties to community organisations and the associated proposed level of council support. In conclusion, this policy has not been designed to distinguish between groups or provide recommendations on how Council chooses to support school use access to Council facilities.
General Property Management	
Why is information about commercial leases so 'non-transparent'?	A register of leases is publicly available on line for public viewing. This register provides details of the agreement length and current rental charged.
How do lease agreements such as with ANAM at the South Melbourne Town Hall fit into this policy framework?	The draft policy provides guidance on how Officers are to assess and consider new agreements.

Community Concerns	Comments/Changes to Policy
What equity is involved with the proposal for beneficial changes to commercial leases?	<p>While the policy prefers direct negotiations with incumbent tenants, a competitive process will be considered in cases where there is evidence that this would maximise benefits to the community.</p> <p>This criterion has been included to assist in assessing agreements such as ANAM and the Vineyard.</p>
Has consideration been given to the inherent potential for a perceived or actual conflict of interest when Council officers or councillors who sit on Committees of Management of these organisations?	Council has a Code of Conduct framework for which Council Officers and Councillors must comply. This framework is governed by the The Local Government Act 1989.
A key aspect of this part of Council's asset management should also address how the Council proposes to identify and equitably distribute its assets across its communities.	<p>The draft property policy has been designed to provide a clear framework to guide consistent decision making allowing for best practice property management.</p> <p>Other policies and strategies, including Community Facility Access and Allocation Policy provide further guidance on how assets are distributed amongst groups and how Council plan priorities will be delivered.</p>
Disposal of Property	
How does the common practice of selling off small parcels of unused lanes or similar, fit into a strategic property management framework? Whilst these are not buildings, they are property assets	As this practice is governed by a statutory process, Council has a separate policy that deals with these matters. The Discontinuance and Sale of Roads Policy 2011 can be found on the Council website.
Acquisition of New Properties	
Is Council in a position to acquire new properties?	Council currently faces both challenges and opportunities from urban development and growth, which means we need to be more considered and proactive to ensure the social,

Community Concerns	Comments/Changes to Policy
<p>Why doesn't Council debt-finance redevelopment of aged and inadequate infrastructure?</p>	<p>cultural and economic wellbeing of our community, and to think differently about how best to support accessibility and diversity.</p> <p>With this, we will consider borrowings for property acquisitions, large capital works or operating projects that provide intergenerational community benefit, and initiatives that deliver sufficient revenue streams to service the debt. Council will also build up reserves over time to partly fund large capital works or appropriate operating projects, where this is considered more efficient than the use of debt.</p> <p>The 10 Year Financial Plan includes using general reserves as an internal source of borrowing for projects that will benefit future generations such as the Ferrars Street Education and Community Precinct works (\$9.8 million). The plan allocates five per cent of Fishermans Bend derived rates to the Municipal Growth Fund to be invested in Fishermans Bend. We will continue to use open space contributions for investment in parks and foreshore open space assets.</p> <p>Over the years, Council has been enhancing asset management planning particularly with buildings with our increasing investment in this area based on more detailed condition assessments.</p> <p>Our focus on improved asset management sees investment prioritised on assets most in need of intervention rather than those in relatively good condition. This translates to an increase in spending on buildings, drainage and technology over the 10-year period of the Plan, partially offset by reducing road and footpath renewal budgets.</p>
<p>The Draft Policy addresses the need for transparency and consistency and equity but doesn't explain why the existing pattern of inconsistency and lack of equity has come to be. Why is this so? The 'how' and 'why' of this needs to be understood if it is not to continue.</p>	<p>The Draft Property Policy provides a guiding framework on how to best manage property into the future. It clearly sets out the guiding principles and outcomes expected to be achieved for which processes must be developed around.</p>

Community Concerns	Comments/Changes to Policy
Asset Management Plan	
<p>Could Council make a distinction between an Asset Management Policy (AMP) and a Property Management Plan (PMP).</p> <p>Fishermans Bend provides a model for establishing some key principles for expanding multi-use service delivery facilities could such a model be delivered in the rest of the city vs the current largely dispersed model?</p> <p>The AMP should provide a framework for considering the outcome of the sector analysis underway. The sector analysis needs to link a forward plan that identifies and quantifies direct and indirect service contributions associated with non-commercial leases and licenses.</p> <p>The policy document provides little detail of what the key components of Council's property portfolio are and how its performance could be improved.</p> <p>More information is needed including sector by sector and geographical population profiles and assessment of density and infrastructure to provide the basis for asset requirements for service delivery.</p>	<p>We have over \$3.0 billion in assets under our management. This includes land, buildings, 293 km of roads, 414 kilometres of footpaths, 232 km of underground drainage pipes, 11,585 drainage pits as well as art, library books and other assets that have been acquired over many years.</p> <p>Considering the importance of these assets to achieving community outcomes, it is vital that we are responsible asset managers. For this reason, Council has created a separate Asset Management Strategy 2018-2021 which is available on the Council website.</p>

Community Concerns	Comments/Changes to Policy
Roles and Responsibilities	
<p>Can you please clarify the role of the Crown?</p> <p>Does the policy align with the state leasing policy? It seems out of step with the government policy.</p> <p>As the property policy also covers crown land assets, will the state government have to sign off on the policy?</p>	<p>Council's property portfolio consists of approximately 70% crown land for which Council manages on behalf of the State as the Committee of Management. For this land, Council is required to operate in line with the requirements of the State.</p> <p>The draft property policy will not be required to be signed off by the state however we have considered all relevant legislation and policy guidelines including the Crown Land (Reserves) Act 1978 and Crown Land Leasing Guidelines (2012) to ensure that we continue to operate in line with these requirements.</p> <p>The draft policy has been amended in some areas to clarify the State's involvement in certain aspects of the process.</p>