

16.1 LATE ITEM - LEASE OF LOT 361 MULGA WAY, WICKHAM

File No:	A73237
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Governance and Organisational Strategy
Date of Report:	16 September 2015
Applicant/Proponent:	360 Health + Community
Disclosure of Interest:	Nil
Attachment(s):	Letter from 360 Health + Community

PURPOSE

To consider the future use and/or disposal of the building located on Lot 361 Mulga Way, Wickham.

BACKGROUND

The City has received a request from the organisation 360 Health + Community (360) to lease Lot 361 Mulga Way in Wickham. 360 is a statewide primary and community care charitable organisation that provides a suite of health services including mental health, wellness, chronic disease management, aboriginal health, nursing and potentially some general practice to those clientele who are not able to pay gaps to access health and community services. All surpluses generated from high margin work are reinvested to expand existing services for core clientele.

Lot 361 Mulga Way is approximately 2007m² in area and located adjacent to the Wickham Shopping Centre. The land is owned by the Crown and is leased by the Minister for Lands to a consortium of Robe River Mining Co. Pty Ltd, Mitsu Iron Ore Development Pty Ltd, North Mining Ltd, Nippon Steel Australia Pty Ltd and Sumitomo Metal Australia Pty Ltd. The land is subleased at a peppercorn rental to the City for the purposes of health, welfare services and community services. The City constructed an Infant Health Centre for the community of Wickham and it was used for this purpose for a number of years. The lease to the City expired on 30 October 2012 and a month by month arrangement has since been in effect. Over the past few years the building has been neglected since the previous occupants vacated and is in need of repairs. The building incurred some minor external and wall damage with TC Christine in December 2013. Whilst the building does not have a permanent tenant, a local not-for-profit community group (Alcoholics Anonymous) uses the building on a casual basis.



The Director Community Services, Manager Governance & Organisational Strategy and the Building Maintenance Coordinator visited the site on 28 August and noted that if the building was to be leased, maintenance would be required to the building to make it good to a point

where it could be safely occupied. Estimates from Building Maintenance suggest approximately \$7,500 (ex GST) would need to be spent to bring the building to a standard that could be occupied. This includes electrical safety checks, water, air-conditioning, painting, repairs to walls, doors and cupboards and repairs to external eaves. The Building Maintenance Coordinator advised that:

“... as the building has had little or no attention for some years now there will inevitably be many more issues / requirements for additional work in the short term. This should be considered in any lease arrangement or provision of an appropriate budget.... Based on previous clinics an annual maintenance budget of \$7000-\$10000 pa for statutory inspections and air conditioning maintenance could be reasonably expected. This excludes improvement works.”

A further site inspection was undertaken on 7 September 2015 with 360 representatives and the Manager Governance and Organisational Strategy. 360 representatives were better able to assess the building condition and consider fit out needs. 360 has proposed a 12 month plus 12 month lease to assess the success of the service based on a peppercorn rental. 360 has committed to providing the upfront contribution to bring the site up to appropriate accreditations for a general practice and to fund the internal fit-outs at their own cost. 360 has also offered to provide afterhours general practice and will make the building available to other not for profit community organisations compatible to the community health and wellbeing philosophy. 360 would also be responsible for all general outgoings and minor maintenance associated with the facility. Any surplus funds generated from their service would be set aside and a sub-committee formed to determine how these surpluses are allocated in expanding the service within the community. 360 would like to obtain occupancy of the property as soon as possible.

Officers have for some time been considering possible options for the use of this site, including:

1. Advise the sub-lessors that the City is to relinquish the land and the current sublease can be terminated and the building can be removed or demolished; or
2. Seek to obtain the land in freehold and then consider the ongoing use of the land and building; or
3. Formally renew the sublease for a set term and consider the options of making the building available to other groups consistent with the original purpose.

Given the interest from 360 it is not recommended that the City pursue any of these alternative options at the current time, however the period of the proposed sublease could be used to resolve the long term future of the site.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of low significance in terms of Council's ability to perform its role however it will address growing community and social pressures for health services.

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place between the Director Community Services, Manager Planning Services and Building Maintenance Coordinator in regard to the building maintenance, community needs and future town planning perspectives.

COMMUNITY CONSULTATION

As this is effectively a disposal of property, the City will need to invite public submissions regarding the proposed disposal.

STATUTORY IMPLICATIONS

Section 3.58 of the *Local Government Act 1995* requires that Council give local public notice of a proposed disposition of property other than by tender or public auction.

Under the Crown lease the property can be sublet provided the use is for a number of specified purposes, including health, welfare and community services.

POLICY IMPLICATIONS

The Town Planning team has been in discussions with Rio Tinto representatives about the ongoing land tenure issues with this site. Lot 361 is the only lot along Mulga Way that is subject to a special lease and most other lots in the street are freehold or Crown Reserve, and property either side of Lot 361 is freehold to different parties. The Wickham Structure Plan includes Lot 361 in a large Town Centre Area and within the Town Centre Revitalisation Masterplan, Lot 361 is in a Main Street Based Commercial Precinct with buildings designed to address the street. Feedback is pending from Rio Tinto regarding the land tenure issues.

FINANCIAL IMPLICATIONS

Ray White has indicated that the 200m² building could potentially yield a rental of \$300m² per annum realising a commercial rate of \$60,000 per annum.

There is an upfront level of maintenance, estimated to be around \$7,500, required for the property to be used for the purposes requested. The Applicant has indicated that they would be prepared to carry out these works so they can establish their office requirements to meet appropriate accreditations for general practice, mental health and general health.

360 have indicated that their business model is to put any surplus funds back into the community by expanding their services.

The City will need to make a budget provision for building maintenance to the facility of up to \$10,000 per annum.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2015-2016 provided for this activity:

Our Program:	1.d.1.2	Provide a contemporary, innovative family facilities that provide a variety of family orientated services
Our Services:	1.d.1.2.1	Promote and support families and children services within the City.
Our Program:	2.a.1.1	Facilitate the development of small business in conjunction with key stakeholders.
	2.a.1.4	Facilitate and advocate for the development of partnerships and investment opportunities to promote sustainable economic growth for the City.

RISK MANAGEMENT CONSIDERATIONS

There are no risk management considerations applicable.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation. Land tenure and lease negotiations can be finalised with existing resources.

RELEVANT PRECEDENTS

There are no relevant precedents related to this matter.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2 (Commercial Rental)

That Council by SIMPLE Majority pursuant to Section 3.58 of the *Local Government Act 1995* RESOLVES to:

1. ADVERTISE the proposed disposition of Lot 361 Mulga Way by way of a sub-lease to 360 Health + Community;
2. Subject to no material submissions being received during the advertising period, DISPOSE of Lot 361 Mulga Way by way of a sub-lease to 360 Health + Community on the following terms:
 - a) A lease term of 12 months plus an option for a further 12 months;
 - b) The purpose of the land is not to be inconsistent with health, welfare services and community services;
 - c) Market rental and 360 Health + Community:
 - i. Fund the upgrade to the existing facilities to meet accreditation standards for a health service;
 - ii. Fund any additional internal fit out work in liaison with City staff;
 - iii. Cover all costs for rates, utility charges, general outgoings and minor maintenance associated with the facility;
 - iv. Commit to operate a level of afterhours general practice from the property;
 - v. Provide open access (within reason) to any not-for-profit community organisations that would like to use the facility on a peppercorn basis; and
 - vi. Establish a sub-committee that includes representation from the City to consider the allocation of surplus funds for community services;
3. OBTAIN approval from:
 - a) The sub-lessor of Lot 361 Mulga Way to an extension of the existing lease agreement for the land to cover the above proposal (as a minimum); and
 - b) The sub-lessor and the Minister for Lands to the proposed sub-lease with 360 Health + Community; and
4. AUTHORISE execution of all leasing and land transfer documents (under seal if required) to effect the sub-lease with 360 Health + Community.

Option 3

That Council by SIMPLE Majority pursuant to Section 3.58 of the *Local Government Act 1995* RESOLVES to DEFER any decision on this matter pending further consideration of the proposal.

CONCLUSION

360 Health + Community has requested that the City enter into a peppercorn lease arrangement for the former Infant Health Centre located Lot 361 Mulga Way, Wickham to facilitate the establishment of a health service in Wickham. The building has been vacant for a number of years and is in need of maintenance. 360 has offered to undertake the necessary maintenance to bring the building up to a level where it can be used as a health practice. This arrangement would improve the availability of health services and the business model under which 360 operates supports reinvestment of surplus funds back into the community.

OFFICER'S RECOMMENDATION

That Council by SIMPLE Majority pursuant to Section 3.58 of the *Local Government Act 1995* RESOLVES to:

- 1. ADVERTISE the proposed disposition of Lot 361 Mulga Way by way of a sub-lease to 360 Health + Community;**
- 2. Subject to no material submissions being received during the advertising period, DISPOSE of Lot 361 Mulga Way by way of a sub-lease to 360 Health + Community on the following terms:**
 - a) A lease term of 12 months plus an option for a further 12 months;**
 - b) The purpose of the land is not to be inconsistent with health, welfare services and community services;**
 - c) A peppercorn rental on the understanding that 360 Health + Community:**
 - i. Fund the upgrade to the existing facilities to meet accreditation standards for a health service;**
 - ii. Fund any additional internal fit out work in liaison with City staff;**
 - iii. Cover all costs for rates, utility charges, general outgoings and minor maintenance associated with the facility;**
 - iv. Commit to operate a level of afterhours general practice from the property;**
 - v. Provide open access (within reason) to any not-for-profit community organisations that would like to use the facility on a peppercorn basis; and**
 - vi. Establish a sub-committee that includes representation from the City to consider the allocation of surplus funds for community services;**
- 3. OBTAIN approval from:**
 - a) The sub-lessor of Lot 361 Mulga Way to an extension of the existing lease agreement for the land to cover the above proposal (as a minimum); and**
 - b) The sub-lessor and the Minister for Lands to the sub-lease with 360 Health + Community; and**
- 4. AUTHORISE execution of all leasing and land transfer documents (under seal if required) to effect the sub-lease with 360 Health + Community.**

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8 September August 2015

Mr Henry Eaton
Manager Governance and Organisational Strategy
City of Karratha
Lot 1083 Welcome Road
PO Box 219
Karratha WA 6714

Dear Henry,

360 Health + Community – Company Information and Proposal for Lease of Lot 361 Mulga Way, Wickham for delivery of a General Practice, Mental Health and Chronic Disease Services

360 Health + Community (360) was formally launched in July 2015 through the integration of five already well established not-for-profit health and community service organisations who saw the opportunity in combining resources to broaden scope of services and quality of delivery. 360's founding partners has been trading in WA for 5-25 years.

360 is a not for profit charity. Our main activity is the delivery of no or low gap Mental Health, Chronic Disease Management, Aboriginal Health, General Practice and Health Promotional services to clients who need them most – clients who would otherwise find it difficult to access the healthcare system if low cost services were not available.

The organisation now operates as a social enterprise and we deliver services in higher margin areas e.g. private general practice, corporate health and to the privately insured. Surpluses made in these areas are reinvested into our core activities within the communities that they are generated.

360 now operates 16 services centres in WA. Our operations span from Exmouth to Esperance, but Wickham will be our first centre in the Pilbara or Kimberley regions. Although initially our General Practice and Integrated Mental Health/Chronic Disease clinicians will service the population of Wickham, we do anticipate this being the first of a number of centres in the region.

Please note that as a not for profit organisation, we are intent on playing our part in the broader health and social care system. With the significant gaps in service relative to demand across WA we look to partner with, support and build capability into other service providers – not in any way compete with established agencies.

Following establishment of our health services business, we intend on making a suite of community services (focused on aged care and disability clients living independently within their own home) available within the Pilbara – as we believe that there is significant demand for these services. Additionally, with our focus on community development I can assure the

City that we will be proactively working with stakeholders to increase local workforce training and participation in 360's services.

In terms of our proposed use of the premises located at Lot 361 Mulga Way, Wickham we believe that the population of the town and surrounding catchment are significantly under provisioned for both general practice and ancillary health services. This shortage is more profound when considered within the context of the FIFO population and future planned industrial activity and population growth.

In terms of the detail of our offer, I propose the following:

- An initial lease duration of 12 months + 12 months
- Peppercorn rental
- 360 funding of the estimated \$7,500 required to ensure that the facility is again fit for occupancy (works completed by the City)
- 360 funding all additional works required to ensure the facility is fit for purpose and of a standard to attain appropriate accreditations for general practice, mental health and general health (works completed by the City based on 360 specifications)
- Commitment to operate a level of after hours general practice (not currently available in the town)
- Open access (within reason) to any community organisations who would like to use the facility on a peppercorn basis
- 360 responsibility for all rates, utility costs, general outgoings and minor maintenance associated with the facility

I look forward to your favourable response and to working closely with the City on this and many other projects going forward.

In good faith and in line with our urgency to commence service provision I would be very comfortable for you to invoice 360 for the initial works so that this can be expedited.

Yours Sincerely,

Paul Hersey
CEO