

MEETING DATE: 20 November 2012

DRAFT PROPERTY MANAGEMENT FRAMEWORK

WARD:	All																		
RESPONSIBLE DIRECTOR:	Mr Jamie Parry Governance and Strategy																		
FILE NUMBER:	101409, 101515 43387 46747 63627 101271 101279 101265 23039 89513																		
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PURPOSE

To outline the content of the draft *Property Management Framework* (Attachment 1), draft inventories (Attachments 2 and 3) and draft *Facility Hire Subsidy Policy* (Attachment 4).

EXECUTIVE SUMMARY

The draft *Property Management Framework* (Attachment 1) is intended to provide the City with a guide to managing all property under the City's ownership, care and control. It contains specific requirements for the classifying of property and its usage.

BACKGROUND

The City of Joondalup manages 148 facilities over 19,000 square metres of land either as freehold or managed property which is reserved or dedicated under the *Land Administration Act 1997*. This property has been set aside for a diversity of purposes, such as recreation, public open space, drainage and administrative or infrastructure purposes.

In previous years, property management arrangements for City-owned and -managed property have been approached on an ad-hoc basis. This has resulted in varying management methods and inconsistent leasing, licensing and facility hire conditions (including the application of subsidised use).

The attached draft Framework (Attachment 1) takes a broad approach and addresses the myriad of issues involved in property management. It is intended to provide a consistent and concise methodology for the future.

DETAILS

The draft *Property Management Framework* provides the City with a guide to managing all property under the City's ownership, care and control. The draft Framework takes into account the City's statutory obligations and the desire to promote the wellbeing of all people in the community through support of recreational and community groups and the provision of high quality and accessible facilities.

The objectives of the draft Framework are as follows:

- a To define the classifications for which City-owned and -managed property is held.
- b To establish the categories and associated principles under which City-owned and -managed property may be used and occupied.
- c To promote equitable, effective and sustainable management practices for the use and occupation of City-owned and -managed property.

Issues and Options Considered:

Classification of Property:

The draft *Property Management Framework* divides all property owned in freehold by the City, or managed under a Management Order on behalf of the Crown, into one of the following three classifications which describe the primary purpose for which the property is held.

- a Property held for *Community Purposes* (such as community halls; clubrooms; community centres; libraries; toilets/changerooms; drainage sites; and parks/public open spaces; etc.)
- b Property held for *Capital Appreciation* (such as vacant lots; underdeveloped sites; etc.)
- c Property held for *Income Generation* (such as car parks, commercial buildings; etc.)

The draft Framework proposes that properties within each classification are not necessarily static and may be re-classified following a review by Council. Additionally, it is noted that whilst these classifications are intended to capture all property owned and managed by the City, it is recognised that not all relevant property will fit exactly within these classifications. Appropriate discretion therefore, should be used by the City when dealing with any such property (including hiring, leasing/licensing, liquidating etc.).

A full inventory of classified freehold property has been developed as the *Inventory of City Freehold Property* (Attachment 2). An additional inventory of property managed under Management Orders is also included as the *Inventory of (Managed) Crown Property* (Attachment 3). These properties do not need to be formally classified as they are all considered to be held for *Community Purposes*.

Property Utilisation by Groups:

The draft *Property Management Framework* specifies that, depending on the appropriateness of a site, City-owned and -managed property may be utilised by groups such as government agencies, business entities and community groups. The appropriateness of a site to be utilised for a particular purpose will be determined by the Council, based on the classification of the property (see 'Classification of property' above).

The draft Framework proposes that the following types of property utilisation may be granted to groups:

- a Facility hire
 - (Terms and conditions specified by the separate documents: *Schedule of Fees and Charges* and the draft *Facility Hire Subsidy Policy*.)
- b Lease agreement
 - (Terms and conditions specified by the section of the Framework: 'Standard Tenure Arrangements — Leases and Licences'.)
- c Licence agreement
 - (Terms and conditions specified by the section of the Framework: 'Standard Tenure Arrangements — Leases and Licences'.)

The draft Framework stipulates that, in general, the City will endeavour to make City-owned or -managed property available for use by the wider community. In particular, property held for *Community Purposes* should be accessible to the general public wherever possible. With this in mind, the draft Framework proposes that facility hire arrangements are to be established in preference to leases and licences.

Standard Tenure Arrangements — Leases and Licences:

The draft *Property Management Framework* outlines the standard tenure guidelines for the development of leases and licences for City-owned and -managed property. In developing these guidelines, the City conducted a benchmarking exercise comparing the standard tenure arrangements for all of the local governments in the Perth Metropolitan Area. The City also researched property management methods used by local governments in other parts of Australia. From this exercise, it was concluded that there is a vast diversity of tenure arrangements across local governments, with many local governments stating that large-scale reviews were currently underway or planned for the near future.

Following this benchmarking, the City determined that tenure arrangements for its properties should be based on the following key principles:

- a The City acknowledges its obligation to provide and maintain its properties to meet community needs for present and future generations.
- b The City recognises and supports the contribution made by community groups in achieving an active and sustainable community.
- c The City encourages the use of its properties by organisations which provide a benefit to the community.
- d The City promotes tenure arrangements which are consistent, transparent and equitable.
- e The City promotes tenure arrangements which provide for access to the property by the wider community.
- f The City promotes tenure arrangements which contribute to the financial viability of the City.

Based on these key principles, the draft Framework provides tenure guidelines which are intended to form the basis of new lease/licence agreements with all current groups who (exclusively) occupy any City-owned or -managed property. These guidelines are presented in the draft Framework as 'general' guidelines intended for all lessees/licensees (excluding Telecommunications Carriers) with 'additional' guidelines for the five different types of groups:

- a Commercial Organisations
- b Telecommunications Carriers
- c Government Departments/Agencies
- d Not-for-Profit Community Groups
- e Other Groups

The 'general' and 'additional' tenure guidelines are provided in full in the draft *Property Management Framework* (Attachment 1). In general, the draft Framework proposes that all lessees/licences be responsible for their own operational costs (such as electricity, water, gas, telecommunications, etc.), with different rental charges applied depending on the type of group. A comparison of the different tenure guidelines is provided as Appendix 1 to the draft Framework (Attachment 1).

Review of the Property Management Framework:

The draft *Property Management Framework* proposes a four yearly review in alignment with the City's 10-Year Strategic Community Plan — *Joondalup 2022*.

Legislation/Strategic Plan/Policy Implications:

Legislation:

The City of Joondalup plays a significant role in property management. Depending on the type of property, the City is responsible for maintenance and disposal, including leasing/licensing and facility hire.

In addition to this broad role, the City has certain obligations under State and Federal legislation with regard to property management, including:

- *Land Administration Act 1997* (State)
- *Local Government Act 1995* (State)
- *Telecommunications Act 1997* (Federal)
- *Local Government and Public Property Local Law 1999* (City of Joondalup)

Descriptions of the relevant sections of these pieces of legislation are provided, in full, in the draft *Property Management Framework* (Attachment 1).

In addition to these, there are sections of the *Local Government Act 1995* that relate specifically to amending the *Schedule of Fees and Charges* during a financial year. These are described below.

6.16 Imposition of fees and charges

1 *A local government may impose* and recover a fee or charge for any goods or service it provides or proposes to provide, other than a service for which a service charge is imposed.*

** Absolute majority required.*

2 *A fee or charge may be imposed for the following:*

a *providing the use of, or allowing admission to, any property or facility wholly or partly owned, controlled, managed or maintained by the local government;*

3 *Fees and charges are to be imposed when adopting the annual budget but may be:*

a *imposed* during a financial year; and*

b *amended* from time to time during a financial year.*

** Absolute majority required.*

6.19 Local government to give notice of fees and charges

If a local government wishes to impose any fees or charges under this Subdivision after the annual budget has been adopted it must, before introducing the fees or charges, give local public notice of:

- a *its intention to do so; and*
- b *the date from which it is proposed the fees or charges will be imposed.*

Strategic Community Plan:

Key Theme — Financial Sustainability

Objective — Effective Management: To conduct business in a financially sustainable manner.

Key Theme — Quality Urban Environment

Objective — Quality Open Spaces: To have urban and green spaces which are attractive, well-utilised and enrich the lives of the community.

Key Theme — Community Wellbeing

Objective — Quality Facilities: To provide facilities of the highest quality which reflect the needs of the community now and into the future.

Policies:

The draft Property Management Framework has implications for a number of City of Joondalup policies; these are described below.

Management of Community Facilities Policy (current):

The current City Policy — *Management of Community Facilities* (Attachment 6) provides specific guidelines for the development of lease/licence arrangements with pre-school centres, surf life saving clubs and groups that contributed to the cost of building a facility.

These guidelines have been re-drafted and standardised as part of the draft *Property Management Framework* and it is therefore recommended that this Policy be revoked in its entirety.

Setting Fees and Charges Policy (current):

The current Council Policy — *Setting Fees and Charges* (Attachment 7) describes the various fees and charges that the City is permitted to raise. Namely, fees and charges are permitted for City-provided 'goods' and 'services'. It is considered that this is adequately provided for under the *Local Government Act 1995*, and is therefore unnecessary to repeat in a Council Policy.

The *Setting Fees and Charges Policy* also describes the basis for hire fees. Namely, that hire fees for 'inside venues' will be based on 100% cost recovery, and that hire fees for 'outside venues' will be based on 20% cost recovery. In practice, this is generally not applied (such fees are usually much less than 100% and 20%). Again, it is considered that this is adequately provided for under the *Local Government Act 1995*, and is therefore unnecessary to repeat in a Council Policy.

The Policy also provides guidelines for developing lease agreements. These guidelines have been re-drafted and standardised as part of the draft *Property Management Framework*.

It is therefore recommended that this Policy be revoked in its entirety.

Hire of Community Facilities and Venues Policy (current):

The current City Policy — *Hire of Community Facilities and Venues* (Attachment 8) outlines the subsidised hire fees that are available for some not-for-profit community groups. These subsidies have been re-drafted and expanded upon in a new policy (draft *Facility Hire Subsidy Policy*). It is therefore recommended that this Policy be revoked in its entirety.

Facility Hire Subsidy Policy (draft):

The draft *Facility Hire Subsidy Policy* (Attachment 4) is a new policy which has been developed to align with the principles and objectives of the draft *Property Management Framework*. This draft Policy builds on the current *Hire of Community Facilities and Venues Policy* to provide greater subsidised use to not-for-profit community groups in the City.

The objectives of the draft Policy are:

- To provide guidance on determining the extent of subsidy to be offered to groups hiring City-managed facilities.
- To ensure facility hire subsidies are applied in a consistent, transparent and equitable manner.

The intention of the draft Policy is for the City to subsidise the cost of facility hire charges for City-managed facilities for local not-for-profit community groups and groups from educational institutions if the group is able to demonstrate that at least 50% of its active members/participants reside within the City of Joondalup.

A comparison of the facility hire subsidies provided by the draft *Facility Hire Subsidy Policy* and the current *Hire of Community Facilities and Venues Policy* is provided as Attachment 5.

Risk Management Considerations:

There is risk of an adverse response from community groups whose new lease/licence agreement prescribe additional payments under the draft *Property Management Framework*. For this purpose, the City has drafted approximate costs for each affected group and will be approaching individual groups on a case-by-case basis.

In a similar manner, there is also risk of an adverse response from community groups whose subsidised hire arrangements prescribe additional payments under the draft *Facility Hire Subsidy Policy*. Subsidies under the draft Policy were constructed in such a way as to minimise any additional payments; however, the Chief Executive Officer has the delegated authority to waive costs if groups require additional hours to those prescribed under the Policy. Nevertheless, the City has estimated that there are very few groups that will be adversely affected.

Financial/Budget Implications:

Financial/budget implications for the draft *Property Management Framework* will be largely dependent on the pace in which new lease/licence arrangements can be put into place. There is likely to be an initial cost of implementing a number of agreements, as the majority of current leases/licences have now expired. Costs will be related to obtaining valuations and drafting lease/licence documentation.

Financial/budget implications for the draft *Facility Hire Subsidy Policy* will be dependent on the hours that groups affected by the Policy choose to book. Based on current bookings, it is estimated that the City will experience a loss of hire fee revenue of approximately \$50,000. However, groups may increase or decrease their bookings and this will change the revenue.

Notwithstanding the above, it should be noted that the draft *Property Management Framework* is intended to provide the City with a guide to managing property in an equitable and efficient manner. It is not intended to provide a mechanism for income generation.

Regional Significance:

Not applicable

Sustainability Implications:

The draft *Property Management Framework* aims to support the equitable, efficient and effective management of City-owned and -managed properties. The draft Framework recognises the value and community benefit of activities organised and provided for by community groups, by subsidising such groups where appropriate. The draft Framework also aims to protect and enhance the City's property assets for the benefit of the community and for future generations.

Consultation:

The importance of consultation with each lessee/licensee that will be affected as a result of changes to leasing and licensing arrangements under the draft *Property Management Framework* is acknowledged. As outlined above, in order to minimise the impact of the changes, the City will approach individual groups on a case-by-case basis as each lease/licence agreement is developed.

COMMENT

The draft *Property Management Framework* provides the City with a guide to managing all property under the City's ownership, care and control. The draft Framework takes into account the City's statutory obligations and the desire to promote the wellbeing of all people in the community through support of recreational and community groups and the provision of high quality and accessible facilities. The draft Framework also recognises the City's obligations to support not-for-profit community groups through subsidisation.

It should be noted, that the majority of leases and licences with groups (particularly not-for-profit community groups) have expired, therefore it is likely that initial implementation will be protracted. However, once the Framework is in place, it is predicted that property management will be more straightforward and streamlined, enabling the City to provide a more efficient and

effective service to the community which takes into account the principles of fairness and equity.

With regard to facility hire arrangements, the City has substantially reduced the hire charges for several types of not-for-profit community groups. The hire charges for adult recreational or sporting groups, for example, have been reduced by 50%. It is anticipated that this reduction in fees will help these non-commercial groups in continuing to provide important recreational and sporting opportunities to the community and will assist the City in achieving a greater utilisation of its assets.

Notwithstanding the above, there are some groups which, based on their current bookings, will be adversely affected by the proposed levels of subsidisation. Throughout the period October to November, the City has consulted directly with those groups who will be *most* affected throughout the period. In general, these groups were appreciative of the City's view to establishing equity across similar types of groups with similar hire arrangements. Some groups indicated that it may be a financial challenge for them to meet the increased costs, but acknowledged the Chief Executive Officer's delegated authority to waive fees under special circumstances. Some groups indicated that their bookings may not necessarily reflect their actual usage and several groups indicated a capacity to reduce booked hours in the future. These circumstances can be considered by the City on a case-by-case basis.

The City's current practices relating to leasing/licensing and facility hire have been approached on an ad-hoc basis. Without a broad framework to operate under, this has resulted in varying management methods and inconsistent leasing/licensing and facility hire conditions. With a *Property Management Framework*, it is anticipated that the City will be able to apply a consistent and concise methodology to property management.

VOTING REQUIREMENTS

Absolute Majority.

RECOMMENDATION

That Council:

- 1 **ADOPTS** the draft *Property Management Framework*, provided as Attachment 1 to this Report;
- 2 **ADOPTS** the draft *Inventory of City Freehold Property*, provided as Attachment 2 to this Report;
- 3 **NOTES** the *Inventory of (Managed) Crown Property*, provided as Attachment 3 to this Report;
- 4 **ADOPTS** the draft *Facility Hire Subsidy Policy*, provided as Attachment 4 to this Report;
- 5 **NOTES** the *Comparison of Facility Hire Subsidies (Hire of Community Facilities and Venues Policy versus draft Facility Hire Subsidy Policy)*, provided as Attachment 5 to this Report;
- 6 **REVOKES** the current *Management of Community Facilities Policy*, provided as Attachment 6 to this Report;
- 7 **REVOKES** the current *Setting Fees and Charges Policy*, provided as Attachment 7 to this Report;
- 8 **REVOKES** the current *Hire of Community Facilities and Venues Policy*, provided as Attachment 8 to this Report; and
- 9 In accordance with Section 6.16(3)(a) of the *Local Government Act 1995*, **ADOPTS BY AN ABSOLUTE MAJORITY**, the amended fee schedule for Facility Hire by Community Groups as detailed, provided as Attachment 9 to this Report, to be effective as from 1 January 2013.