



Business Plan under s3.59
of the *Local Government Act 1995*

Ground Lease of Pt Lot 804 Elmsfield
Road, Midvale
Additional Time Term Options

by the Shire of Mundaring

Background

The Shire of Mundaring is the owner in fee simple of Lot 299 Elmsfield Road, Midvale.

In 2007, the Shire adopted a Property Strategy. Under that Strategy, freehold land owned by the Shire is classified by the purpose for which it is held, being for social, economic or investment purposes.

Freehold land classified as investment involves the creation of a new and enduring income stream other than rates, fees and charges to assist with funding of the provision of services to the community.

The land that is the subject of this Business Plan is classified as being held for investment purposes in the Shire's Property Strategy. A business case was prepared for a ground lease and publicly advertised for a ground lease arrangement.

A commercial lease agreement for Pt Lot 804 Elmsfield Road, Midvale was subsequently formed between the Shire and JDE commenced on 1 February 2013 with an initial term of five years and an option to renew four further terms each of 10 years. Rent Review Dates consist of a Market Review on each 5th anniversary of the commencement date and a Percentage Review on each 3rd anniversary of the commencement date.

In October 2017 JDE exercised their option to renew the term of the lease for a further 10 years commencing 1 February 2018 and expiring 31 January 2028.

The lease was also extended in December 2020 for a further one year term, expiring 31 January 2029. This was as a result of Commercial Tenancy Rent Relief authorised by Council Decision (C16.12.20) as part of COVID-19 relief measures.

JDE initiated contact with the Shire in February 2022 to commence discussions about the potential sale and transfer of the lease and to extend the lease term for a 100 year term, noting currently 37 years currently remains. To achieve this it is proposed to modify the existing lease by granting an additional six ten-year options providing up to 97 years of ground lease.

The value of this extension would make it fall into the category of a major land transaction as defined under the *Local Government Act 1995*. Before commencing on a major land transaction or undertaking a major trading undertaking, section 3.59 of the *Local Government Act 1995* requires a local government to prepare and advertise a business plan for public comment.

A 'major land transaction' is essentially where a local government intends to acquire, dispose of, or develop land where the total value is worth more than \$5M. The rent received over the additional 60 years would exceed this threshold.

The business plan is to include an overall assessment of the major trading undertaking or major land transaction and is to include details of —

- (a) its expected effect on the provision of facilities and services by the Shire;
- (b) its expected effect on other persons providing facilities and services in the district;
- (c) its expected financial effect on the Shire;
- (d) its expected effect on matters referred to in the Shire's current plan prepared under section 5.56;
- (e) the ability of the Shire to manage the undertaking or the performance of the transaction; and
- (f) any other matter prescribed for the purposes of this subsection.

Expected effect on the provision of facilities and services by the Shire

There is no anticipated negative effect on the provision of facilities and services by the Shire as a result of this proposal. Proceeds from the development of this land are to be applied to the provision of new or upgraded community assets and facilities by the Shire over the long term.

Expected effect on other persons providing facilities and services in the district

There is no anticipated negative effect on other persons providing facilities and services in the district as a result of this proposal.

Expected financial effect on the Shire

The Shire has an existing ground lease in place and extending the period of this lease continues an income stream for the Shire potentially for an additional 60 years providing a positive financial effect .

Expected effect on matters referred to in the Shire's current plan prepared under section 5.56

The effect of this proposal on the Shire's Strategic Community Plan is expected to be positive as it provides certainty for a significant alternative revenue stream to rates and charges.

The ability of the Shire to manage the undertaking or the performance of the transaction

The Shire currently manages the commercial lease arrangement and would continue to manage the existing lease on the basis of options for additional ten year terms.

Any other matter prescribed for the purposes of this subsection.

Nil.

Queries

Queries can be directed to Dee Roberts, Property Management Officer on (08) 9290-6666.

Submissions

Submissions about this business plan can be made and need to be received by 12 noon on Wednesday 31 August 2022 and are to be addressed to:

Chief Executive Officer
Shire of Mundaring
7000 Great Eastern Highway
MUNDARING WA 6073