

Leasing of City Property in a competitive manner

Policy scope

This policy relates to the leasing of all City property – these are categorised as either:

1. Investment properties.
2. Community properties.

This policy does not apply to City infrastructure or public assets, only land or property that is available for lease.

Policy statement

This policy enables interested parties to compete in an open and competitive manner for City land and properties (with some exceptions) when they become available for lease. It aims to achieve a strong financial return on investment and strong community outcomes from the City's property portfolio because:

1. Investment property is to be used for investment and economic development purposes only.
2. Community property is to be used for community purposes only.

1. Investment property:

1.1 Approaching the conclusion of lease terms (between 6-12 months prior to expiry of lease), interested parties will be given an opportunity to compete in an open and competitive manner to lease investment properties, except for the following circumstances:

- a. A property is leased to a tenant that:
 - i. is paying full commercial market rate or above, and
 - ii. adds significant value to Fremantle's overall tenancy mix and appeal for visitors (e.g. Gino's). Or
- b. A property is to be leased for six months or less. Or
- c. A property is not logistically accessible to any other party except for the current lease holder (e.g. Esplanade Hotel's use of Essex Street Laneway).

1.2 As part of the competitive process, there will be a presumption in favour of the applicant that offers the most favourable financial terms for the City, except where:

- i. That applicant is assessed as being unfavourable for Fremantle's overall tenancy mix and appeal for visitors, and
- ii. A different applicant is assessed as offering close to full commercial market rate, and adds significant value to Fremantle's overall tenancy mix and appeal for visitors.

1.3 Commencement rent will be negotiated based on the prevailing market conditions at the time of the lease agreement, including an independent market valuation.

2. Community property

2.1 Approaching the conclusion of lease terms (between 6-12 months prior to expiry of lease), interested parties will be given an opportunity to compete in an open and competitive manner for community properties, except for the following circumstances:

- a. A property is to be leased for six months or less. Or
- b. A property is leased to a well operated sporting club and there is no known interest from another party. Or
- c. A property is leased as a well operated community garden and there is no known interest from another party. Or
- d. The City's management order specifies a use that means there is only one realistic tenant (e.g. a primary school).

2.2 Agreements for tenants of community property should include a performance agreement (with the exception of sporting clubs) that is intended to deliver outcomes aligned to the City's Strategic Community Plan. That agreement should include where possible, the City ensuring that community property is made available for hire by other Fremantle based community groups at an affordable rate.

2.3 The aim should be that the community portfolio should operate as close as possible to an independent and financially self-sustaining portfolio and tenants of community property should not be reliant on capital or ongoing funding from the City in order to be financially sustainable.

2.4 Exceptions to all the above points are where:

- a. A partnership agreement exists between the City and the tenant to deliver community services (e.g. Men's Shed, Arthur Head cottage for Round House guides).
- b. The community group offers a critical service to the Fremantle community (e.g. Bizlink employment service, Citizen's advice bureau).
- c. Council has regular access to the building for core operational purposes (e.g. Hilton P.C.Y.C.).

Definitions and abbreviations

Investment property –

- a. City owned freehold property, excluding those used for City operations.
- b. Crown land where the City holds a management order for the purpose of commercial activity.

Community property –

- a. Crown land where the City holds a management order for the purpose of community activity.
- b. Freehold property purchased by the City for the specific purpose of community use.

Land Lease – A situation where the City leases land only and the lessee constructs a building on that land (typically the building is paid for in entirety or predominately by the lessee).

Lease – “Any agreement that provides for exclusive occupation of premises in Western Australia” (the Act).

License – A type of lease contract outlining the terms and conditions by which a lessor conveys land or property non-exclusively to a lessee for a specified period time. It does not convey any right of exclusive possession over the licensed area to the Licensee.

Retail shop –

- a. *“Those situated in a retail shopping centre that are used wholly or predominantly for the carrying on of a business; or*
- b. *Those not situated in a retail shopping centre that are used wholly or predominantly for the carrying on of a retail business”* (the Act).

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