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**GRANTING OF LEASES TO EARLY CHILDHOOD CENTRES IN  
ACCORDANCE WITH THE EARLY CHILDHOOD CENTRES  
POLICY**

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**1. Purpose of report**

The purpose of this report is to obtain approval to grant leases to five early childhood centres (refer to Appendices 1 & 2) in accordance with the Early Childhood Centres Policy (refer to Appendix 3).

**2. Executive summary**

The Early Childhood Centres Policy was adopted by Council on 27 May 2009 and sets out the Council's role regarding early childhood centres. The Early Childhood Centres Policy provides guidance on how and when the Council may offer support to early childhood centres and for managing their leases.

On 16 June 2010 and 11 August 2010, Council officers obtained approval from the Regulatory Processes Committee to grant leases to 13 of the 21 early childhood centres in accordance with the Policy. This report seeks approval to implement new leases for six of the remaining centres.

**3. Recommendations**

Officers recommend that the Regulatory Processes Committee:

- 1. Receive the information.*
- 2. Agree to granting new leases relating to Fee Simple land to the early childhood centres in accordance with Appendix 1, Schedule 1 of this report under the Early Childhood Centres Policy and subject to the Local Government Act 2002.*
- 3. Agree to granting a new lease relating to Local Purpose Reserve land to the early childhood centre in accordance with Appendix 1, Schedule 2 of this report under the Early Childhood Centres Policy and subject to the Reserves Act 1977.*
- 4. Agree to granting new leases relating to Local Purpose Reserve land to the early childhood centres in accordance with Appendix 1, Schedule 3 of this report under the Early Childhood Centres Policy and subject to the Reserves Act 1977. Note that due to the land area of these centres a concessionary rental has been calculated using the rental model set out in the Leases Policy for Community and Recreation Groups.*

5. *Note that unless specified differently within the recommendations the terms of the leases are as follows:*  
**Commencement Date:** 1 July 2010  
**Term:** 10 years plus a 10 year right of renewal  
**Ground Lease Rental:** 1% of the revenue of each early childhood centre  
**Premises Lease Rental:** 4% of the revenue attributable to each early childhood centre  
**Incremental Rental:** Where a centre has a rental increase greater than \$500.00 per annum the new rent will be phased in over a period of three years (as shown in Appendix 1).
6. *Note any approval to grant a lease for Fee Simple land is conditional on:*
  - (i) *appropriate consultation in accordance with section 138 of the Local Government Act 2002;*
  - (ii) *there being no sustained objections resulting from the abovementioned consultation or notification; and*
  - (iii) *the legal and advertising costs associated with preparing the leases are met by the Lessee.*
7. *Note that any approval to grant ground and premises leases for Local Purpose Reserve is conditional on:*
  - (i) *the leases being publicly notified in accordance with section 119 and 120 of the Reserves Act 1977;*
  - (ii) *there being no sustained objections resulting from the abovementioned consultation or notification; and*
  - (iii) *the legal and advertising costs associated with preparing the leases are met by the Lessee.*
8. *Agree that officers will finalise and negotiate the lease details.*

#### **4. Background**

On 27 May 2009, the Strategy and Policy Committee agreed to adopt the Early Childhood Centres Policy. The major change to the majority of the centres related to the rent they would pay under the new Policy.

On 16 June 2010 and 11 August 2010 Council officers obtained Committee approval to implement the Policy to 13 early childhood centres who lease land and/or buildings from Council.

#### **5. Discussion**

The Policy sets out standard provisions for rental determination and management provisions that apply to all centres that have a lease with Council. These standard provisions are as follows:

##### **5.1 Term**

All centres will be granted a ten year term with a ten year right of renewal.

## **5.2 Rental**

The rental will be calculated annually based on each centres' revenue for the previous year and is due on a monthly or quarterly basis, depending on what suits each centre. After the end of each year a final payment or refund may be due if there is a difference between the current and previous years' revenue.

Rental for ground leases will be based on 1% and rental for premises leases will be based on 4% of the revenue attributable to each centre. Revenue is defined in the Policy as being Ministry of Education payments (excluding equity grants) and income received by each centre that constitutes payment for childcare services (including fees, donations and subsidies from Work and Income New Zealand).

Where a centre faces a rental increase greater than \$500 per annum as a result of renewing its lease, the new rent will be phased in over a period of three years as shown in Appendix 2 attached.

Officers have prepared draft leases in accordance with the Policy and have met with each of the centres to discuss the implications of the Policy. Although the finer details of each lease still needs to be negotiated, all the Centres have agreed to the rental figures proposed and terms as set out in Appendix 1.

## **5.3 Wellington Region Free Kindergarten Association – Johnsonville West Kindergarten & Ngaio Kindergarten**

Wellington Region Free Kindergarten Association (WRFK) is leasing approximately 322m<sup>2</sup> of land for Johnsonville West Kindergarten and approximately 133m<sup>2</sup> for Ngaio Kindergarten from the Council. The Johnsonville West and Ngaio Kindergarten buildings are situated on adjoining land owned by the Ministry of Education. The Council owned land is used by both kindergartens for the purposes of an outdoor play area.

If the rental formula was applied in accordance with the Policy, WRFK would be required to pay approximately \$5,400.00 plus GST per annum for the land leased for Johnsonville West Kindergarten and \$5,627.00 plus GST per annum for the land leased for Ngaio Kindergarten. Officers believed that for the small amount of land leased for each kindergarten, the rentals would be too high.

At the time officers met with WRFK, it was agreed that the rental formula as set out in the Leases Policy for Community and Recreation Groups (Leases Policy) would be used to calculate a more acceptable rental for these two kindergartens.

Therefore, WRFK will be required to pay an initial rental of \$223.00 plus GST per annum for the Council owned land leased for Johnsonville West Kindergarten and \$145.00 plus GST per annum for the land leased for Ngaio Kindergarten. At the next rent review, the rental formula as set out in the Early Childhood Centres Policy will be applied and concessions made to rental based on the area of land leased as per this Policy.

#### **5.4 Maintenance Obligations**

Where a centre has a ground lease, the centre is responsible for all maintenance and compliance costs associated with the building.

Where a centre has a premises lease, the Council is responsible for all exterior and deferred maintenance, compliance costs to meet requirements of the Building Act 2004 and building insurance. The centre is also responsible for all interior maintenance.

Centres with leases are responsible for electricity, water rates and the legal and advertising costs for preparing a new lease when the lease expires or is varied, whether the centre owns the building or not.

#### **6. Conclusion**

Council officers recommend that the Regulatory Processes Committee give their approval to proceed with implementing the Early Childhood Centres Policy to the early childhood centres as set out in Appendix 1.

Contact Officer: *Euan Hogg, Team Leader, Property Management and Hanita Shantilal, Senior Property Advisor, Property Management*

## SUPPORTING INFORMATION

### 1) Strategic fit / Strategic outcome

#### **1) Strategic Fit / Strategic Outcome**

*The Early Childhood Centres Policy supports Council activities as a provider of social infrastructure and community properties. The Policy contributes to the Council meeting the following outcomes:*

- *Improving liveability*
- *Building capability and capacity to support social infrastructure*
- *Promoting and enhancing community participation*
- *Attracting and retaining a highly skilled productive population base.*

### 2) LTP/Annual Plan reference and long term financial impact

*The changes indicated here will lead to an increase in revenue. Details of these fee adjustments are contained within Appendix 2.*

### 3) Treaty of Waitangi considerations

*No Treaty implications have been identified.*

### 4) Decision-making

*This is not considered a significant decision in terms of the Council's Significance Policy.*

### 5) Consultation

#### **a) General consultation**

*Council officers have met with all early childhood centres that are subject to this report and discussed the implications of the Early Childhood Centres Policy in relation to each centre.*

#### **b) Consultation with Maori**

*Not Applicable – The Early Childhood Centres Policy was reviewed by the Manager of Treaty Relations before being adopted by Council.*

### 6) Legal implications

*Legal advice has been obtained.*

### 7) Consistency with existing policy

*This report is consistent with the Early Childhood Centres Policy.*