

**REPORT 2**  
(1215/52/IM)

**REPORT BACK ON THE DRAFT LEASES POLICY FOR  
COMMUNITY AND RECREATION GROUPS CONSULTATION**

**1. Purpose of report**

This report presents:

- Feedback from the public consultation undertaken on the draft Leases Policy for Community and Recreation Groups; and
- The amended Leases Policy for Community and Recreation Groups (Appendix 1) for Committee agreement to be referred to Council for adoption.

**2. Executive summary**

On 5 April 2012, the Strategy and Policy Committee approved the draft policy for Community and Recreation Groups (draft policy) and agreed to release it for consultation.

The draft policy included four substantial changes to the Leases Policy for Community and Recreation Groups (Leases Policy) as follows:

- A set of guiding principles that were developed to guide Council's responses to groups when granting and managing leases;
- The assessment criteria were modified to ensure all necessary requirements are considered when assessing eligibility of groups who apply to lease Council owned land and/or buildings;
- A new rental model to be applied to ground and premises leases giving groups a rental subsidy of 86.67%; and
- A new maintenance fee structure to be applied to premises leases.

The draft policy was publicly consulted on from 26 June 2012 to 3 August 2012. Forty one written submissions were received, five of which made verbal submissions to the Strategy and Policy Committee on 16 August 2012. An additional group made an oral submission but no written submission was provided. Refer to Appendix 2 for a detailed summary of the submissions and officers comments.

The submissions have been considered by officers and subsequent amendments to the draft policy have been made.

An amended version of the policy (policy) is attached as Appendix 1 for the Committee's consideration and approval.

### **3. Recommendations**

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Note that the draft leases policy for community and recreation groups was publicly consulted on from 26 June 2012 to 3 August 2012.*
3. *Note that forty two submissions were received.*
4. *Note that if adopted, the Leases Policy for Community and Recreation Groups would be effective from 1 January 2013 with the new rental model and maintenance fee structure being effective from this date where applicable and existing lease provisions allow.*
5. *Note that where existing lease provisions allow for the rental model to be adopted, rental increases greater than \$500.00 per annum will be phased in over a period of three years (i.e. on third increase each year).*
6. *Agree to recommend to Council that it adopt the Leases Policy for Community and Recreation as shown in Appendix 1.*
7. *Agree that the Chief Executive and the Community Facilities Portfolio Leader have the authority to make any minor editorial changes required as a result of Strategy and Policy Committee amendments, prior to the Leases Policy for Community and Recreation Groups being referred to Council for approval.*

### **4. Background**

#### **4.1 Leases Policy for Community and Recreation Groups**

The Council leases land and building to approximately 125 community and recreational groups. These leases are granted and managed in accordance with the Leases Policy, which was adopted by Council in 2001.

A review of the Leases Policy was required due to a range of issues that emerged since it was adopted. These issues include changes in recreational trends; decreasing use of leased land and buildings by groups; the sale of buildings on leased land; inequities created by the current rental model between those who own their own buildings and those who are in Council owned buildings; and inequities in rental across the community and recreation portfolio.

The draft policy clarifies the Council's role in leasing land and buildings to community and recreation groups and provides guidance on granting leases,

managing leases and the standard to which land and buildings will be maintained to ensure appropriate asset management.

The objectives of the draft policy are to ensure maximum community benefit is derived from Council owned land and buildings; strengthen participation and engagement in community and recreational activities; and ensure leases are managed fairly, processes are transparent and Council officers have the flexibility to respond to community needs.

#### **4.2 Consultation and Engagement**

A copy of the draft policy was sent to all community and recreation groups who currently lease land and/or buildings from Council, relevant regional sports organisations and interested stakeholder organisations such as the Friends of the Town Belt and Action For the Environment. The consultation was advertised in the 'Our Wellington' page of the Dominion Post at the beginning of the consultation period. All the relevant documents were placed on the Council's website and hard copies of the draft policy were available from the Council Service Centre and all libraries.

Officers met with a number of the submitters to discuss their submissions in more detail and clarify parts of the proposed policy where required. All submitters were sent a letter responding to their submissions and advising them of the process moving forward.

### **5. Discussion**

Forty one written submissions were received on the draft policy.

Five of these submissions were followed up with oral submissions, which were heard by the Strategy and Policy Committee on 16 August 2012. One additional group made an oral submission only.

Thirty five of the written submissions were from existing groups who lease land and/or buildings from the Council, two from regional sports organisations, three from interested stakeholder organisations and two from members of the public. Refer to Appendix 2 for a detailed summary of the submissions received and officer's comments.

The following section provides a summary of the submissions received that relate to the four substantial changes proposed in the draft policy and officers responses to the submissions.

#### **5.1 Guiding principles**

Seventeen submissions were made in relation to the guiding principles proposed in the draft policy. Fifteen of the seventeen submissions agreed with the guiding principles proposed and believed they would assist Council in granting and managing leases. Two submissions did not agree with the guiding principles. For a detailed summary of the submissions relating to the guiding

principles and officers comments, refer to Appendix 2, submissions 7, 10, 11, 12, 13, 18, 21, 23, 24, 25, 26, 27, 28, 30, 31, 32 and 34.

Substantive points raised by submitters

Issues raised	Response
<p>The guiding principles appear to be fair and reasonable. However, there needs to be some scope for flexibility where the application of these principles could lead to hardship for a particular group. It is not clear that principle 4 would cover this.</p>	<p>Officers have included the following into the policy (refer to Appendix 1, page 9) to address the submitters concern: <i>“In some cases a reduction in the rental or maintenance fee may be considered where a community or recreation group is facing demonstrated financial hardship. In these circumstances all community and recreation groups will be considered on a case by case basis and any reductions will be negotiated with individual groups”.</i></p>
<p>Does not agree with the guiding principles and believes that Council should be supporting the growth of voluntary organisations by providing a path of least resistance.</p>	<p>Noted.</p>
<p>The guiding principles note that the Council will support groups whose activities contribute to Council’s priorities and long term community outcomes. Does this mean that as the Council’s priorities change, clubs who at one time met these priorities but no longer do will not have their lease renewed? How is a club to assess if they continue to meet these priorities?</p> <p>This lack of clarity and certainty means that clubs feel vulnerable to the proposed policy changes.</p>	<p>Clubs contribute to a wide range of community outcomes. While Council priorities do shift over time, the main focus of this Policy is to strengthen participation and engagement in community and recreational activities. Lease renewals will always be considered on this basis.</p>
<p>The guiding principles will assist Council in deciding who to support. However, vexatious matters will not be resolved through applying the principles. The principles require further definition.</p>	<p>The purpose of the guiding principles is to assist Council in granting and managing leases and sets out the principles on which the relationship between Council and lessees is based. The purpose of the guiding principles is not to resolve vexatious matters.</p>
<p>The guiding principles need to be amended to recognise Council’s arts and culture strategy.</p>	<p>This submission was from the Wellington Potters Association Incorporated who has a historical lease with Council. The existing Leases Policy is predominantly related to community and recreation groups.</p>
<p>The sportsville/amalgamation model may</p>	<p>The guiding principles have been</p>

be applied to strictly by Council and should only be encouraged where appropriate.	amended to include instances where Council will encourage a sportsville/amalgamation model (Appendix 4, page 4).
Amalgamation is only appropriate for groups with diminishing membership, fragile viability and where it is appropriate.	The guiding principles have been amended to include instances where Council will encourage a sportsville/amalgamation model.

The submissions have been considered by officers and the subsequent amendment to Section 4 – ‘*Guiding principles*’ is proposed:

- The guiding principles have been amended to include instances where groups will be encouraged to adopt a sportsville model by Council (refer to Appendix 1, page 4).

Submitters who agreed with the guiding principles proposed made the following comments:

- Will assist Council in granting and managing leases.
- Will provide a sound basis for discussion and a vehicle for consistency in decision making.
- More meaningful and collaborative engagement with Council is welcomed.
- Reflects a flexible approach which encourages engagement between lessees and Council.
- Gives lessees more responsibility to administer facilities in a business like manner and creates a level playing field. It also takes the burden of upkeep of facilities from ratepayers.
- Will create an overarching framework so decisions can be made appropriately and consistently.
- Agrees with Council taking a more proactive approach and trying to ensure leased land and buildings are utilised to their maximum potential.

## **5.2 Assessment criteria**

Thirteen submissions were made in relation to the assessment criteria proposed in the draft policy. Twelve of the thirteen submissions were in support of the assessment criteria proposed and one was not. For a detailed summary of the submissions relating to the assessment criteria and officers comments, refer to Appendix 2, submissions 7, 10, 12, 13, 14, 18, 22, 23, 24, 26, 30, 32, and 34.

### Substantive points raised by submitters

<b>Issues raised</b>	<b>Response</b>
‘Utilisation of buildings to their maximum potential’ should be amended to the ‘the	The principle behind this is to assess whether the leased land and buildings are

fullest extent possible’.	being utilised well. Such an assessment will always be subjective to some extent however, officers will take individual circumstances into account as well as comparing utilisation levels with other clubs on Council owned land and buildings.
A measure of whether the assessment criteria are fair and reasonable can only be assessed through ongoing dialogue with Council.	Noted.
The guiding principles reflect a flexible approach which encourages engagement between lessees and Council but there is a focus to maximise efficient use of facilities. Hopes assessment criteria process allows for groups to present their case where there may not be direct alignment to some of the assessment criteria.	The assessment process will allow groups to discuss their position with Officers in regards to meeting the assessment criteria and where possible, Officers will work with groups to assist them in meeting the assessment criteria.
The assessment criteria could be subject to different interpretations depending on the individual officer making the assessment.	Although officers assessing each application for a lease against the assessment criteria may differ, officers feel that the assessment criteria as set out in the policy, combined with the fact that the decision to grant a lease is made by Council or a subcommittee will ensure a consistent approach is adopted when granting leases.
The following two questions could not be answered if the submitter was applying for a new lease or renewal: <i>‘What are the additional facilities and programmes proposed; What additional benefits will the proposal bring to the community’.</i>	Officers believe that such questions could be answered by all groups that currently lease land and or buildings from Council. Officers will assist groups’ answer any questions under the assessment criteria as required.
There is very little detail in the assessment criteria surrounding the criteria that will be applied when a lessee wishes to erect a new building or extend an existing building or seek landowner consent from Council to grant a new lease or extend a lease.	Appendix 1, section 8.10 deals with existing lessees who wish to erect a new building or extend an existing building. Approval will be granted based on whether the lessee is meeting the assessment criteria set out in Appendix 1, section 7 of the policy and the proposal is compliant with all relevant legislative requirements and management plans.  In order to grant a new lease or extend a lease, a lessee will also need to meet the assessment criteria as set out in Appendix 1, section 7 of the policy.
Lessees should have to meet all the assessment criteria in order to be eligible for renewals.	Under the policy, lessees are required to meet all the assessment criteria in order to be eligible for a renewal. Officers recommend clarifying this further in

	Appendix 1, page 7, paragraph 2 of the policy to read, <i>“If at renewal time a lessee does not meet <b>all</b> the assessment criteria, officers will prepare a committee or subcommittee report to seek approval to revoke the renewal and terminate the lease. If the lessee does meet <b>all</b> the assessment criteria, officers will renew the lease”.</i>
Some of the language used in this section reflects a well resourced corporate view of the world and is not reflective of the small scale nature of sports clubs. For example, scheduled maintenance programme, clear distinction between governance and management.	Officers have defined ‘scheduled maintenance’, ‘reactive maintenance’, ‘exterior renewals’ ‘governance’ and ‘management’ in the definitions section of the policy.
Groups should share land and/ or buildings but only where appropriate.	Groups will only be encouraged to share land and/or buildings where appropriate.
Sharing of land and/or buildings should be managed by groups.	Council will be involved to various degrees where a group leasing Council owned land and/or buildings wish to share or amalgamate with other groups. Council can facilitate sharing and help groups solve any problems they may face to achieve the desired outcome. Council will also need to ensure that any activity undertaken on the land is compliant with relevant legislation, policies and plans.

The submissions have been considered by officers and the subsequent amendments to Section 7 – ‘*Assessment criteria*’ and the ‘*Definitions*’ section are proposed:

- Amended to clarify that lessee’s are required to meet all the assessment criteria at renewal time (refer to Appendix 1, page 7).
- The definition of ‘sportsville model’ has been amended to provide clarification on what the model entails (refer to Appendix 1, page 16).
- Definitions for exterior renewals, reactive maintenance, scheduled maintenance, governance and management have been included (refer to Appendix 1, page 15).

Submitters who agreed with the assessment criteria proposed commented that they were fair, reasonable and clearly outlined.

### **5.3 Rental determination**

Thirty six submissions were made in relation to the rental model proposed in the draft policy. Fourteen of the thirty six submissions were in support of the rental model proposed and found it to be equitable, nineteen submissions did not support the rental model, two submissions noted that they could not comment on whether the rental model is equitable due to a lack of financial analysis provided. One submitter recommended clarification of the rental

determination section. For a detailed summary of the submissions relating to the rental model and officers comments, refer to Appendix 2, submissions 1, 2, 5, 7, 8, 9, 10, 11, 12,13, 14, 15, 16, 17, 18, 20, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, and 42.

Substantive points raised by submitters

<b>Issues raised</b>	<b>Response</b>
<p>The value of the land should have no bearing on the rental set. The land cannot be sold therefore, determining a market value is meaningless.</p>	<p>Officers obtained advice from an independent registered valuer who assessed 'base' land value rates per square metre for the land upon which the recreational leases are located. These land value rates take into account the restricted nature of open space zoning plus the different size bands which relate to exiting areas leased.</p>
<p>Council would better serve the community by keeping ground lease costs down thereby enabling lessees to direct their funds to ensure buildings, equipment and grounds are well maintained.</p>	<p>The rental model proposed provides a rental subsidy of 86.67% and takes into account the restrictive nature of open space land.</p>
<p>The policy only goes into specific costs for ground leases in section 8.1. There is no explanation as to what these funds are for but officers advised they are not for maintaining the buildings and that this is what the maintenance fee is for.</p>	<p>Ground lease rentals are used to maintain reserve and community land and cover a small proportion of the costs that relate to managing this portfolio. Any money incurred from maintenance fees will be used to offset building costs relating to Council owned buildings subject to premises leases.</p>
<p>The three year phase in period is not sufficient.</p>	<p>Officers believe the three year phase in period proposed for any rental increases of \$500 per annum or more is fair. The same phase in period was included in the Early Childhood Centres Policy. Officers have also included the following into the policy (refer to Appendix 1, page 9) to address the submitters concern: <i>"In some cases a reduction in the rental or maintenance fee may be considered where a community or recreation group is facing demonstrated financial hardship. In these circumstances all community and recreation groups will be considered on a case by case basis and any reductions will be negotiated with individual groups"</i>.</p>
<p>One submitter requested that the rental model only be applied to the footprint of the building as their situation differs to</p>	<p>Officers have assessed the Groups circumstances and believe that the Group should only have a lease covering their</p>



<p>other groups who lease land from Council.</p>	<p>clubrooms and not the surrounding land area. It has been agreed that this is an acceptable way forward considering the area surrounding the clubrooms is open to the public at all times. It has been agreed that the Group will remain responsible for the maintenance of their clubrooms and the surrounding land they utilise at their cost.</p>
<p>Clubs are facing significant cost increases in regards to insurance and building maintenance. Therefore, they should not be charged rent at all considering they offer sufficient public benefits.</p>	<p>The rental model proposed is heavily subsidised to acknowledge the public benefit community and recreation groups provide. The income derived from this portfolio is used to cover a small proportion of what it actually costs to maintain reserve and community land and the resources required to manage this portfolio.</p>
<p>The proposed policy changes could be made more palatable if there was change in attitude from Council that would allow clubs to earn more revenue. For example, allowing more than six special liquor licences per year.</p>	<p>The Regulatory arm of Council has set the limit of six special liquor licences per year for community and recreation groups leasing Council owned land and/or buildings based on case law.</p>
<p>Rents should be increased by negotiation at the end of a lease.</p>	<p>The Club that made this submission is subject to a lease that does not expire until 30 November 2022. The lease does not include any rent review provisions. Therefore, if adopted, the new rental model cannot be applied until the Club's lease expires on 30 November 2022. Officers advised the Club of this in a letter dated 26 June 2012.</p>
<p>It is unfair for one club to incur costs to maintain other less well managed facilities.</p>	<p>Rents set as per the rental model only take into account the area of land leased by each individual group. The proposed rental model does not aim to recoup the cost to Council of maintaining facilities which are not maintained well by other lessees.</p>
<p>Where a club has no building on the leased land, the rental model should not be applied as there is no cost to Council in relation to maintenance or services.</p>	<p>Rent is calculated at a per square metre rate and does not take into account whether there is a building on the land or not. Rent is purely based on the amount of land leased.</p>
<p>A more modest increase in rent would be fairer.</p>	<p>Officers believe the rental model proposed provides a substantial rental subsidy at 86.67% and takes into account the restrictive nature of open space land.</p>
<p>The rental model is equitable but there is no commitment from Council to keep the rental at the 87% subsidy for rent reviews. This should be documented.</p>	<p>The rental model provides for a rental subsidy of 86.67%. Where existing lease provisions allow for the rental model to be adopted, rent reviews will be undertaken</p>

	<p>every three years and will be in accordance with the percentage change in the Consumer Price Index. A market based review will be undertaken every nine years by an independent registered valuer. The level of subsidy provided cannot be increased during a rent review and can only be increased by amending the policy which would require officers to publicly consult on the amendment and seek Council approval.</p>
<p>Market rates are not sustainable. If maintenance costs are recovered by Council, then there are no extra costs to Council for rental subsidies.</p>	<p>The rental model does not calculate rent at a market rates. Officers obtained advice from an independent registered valuer who assessed 'base' land value rates per square metre for the land upon which the recreational leases are located. These land value rates take into account the restricted nature of open space zoning plus the different size bands which relate to exiting areas leased.</p>
<p>Section 8.1 does not clearly set out how the variable rental rates will be applied to premises leases and should be amended to address the different types of leases to be covered by the policy and how the rental rates apply to each.</p>	<p>Section 8.1 (Appendix 1, page 8) of the policy has been amended to reflect the fact that the rental model will be applied to both ground and premises leases in the same way.</p>
<p>The draft policy states that <i>'triennial rent reviews will be undertaken in accordance with the percentage change in the CPI'</i>. Does this mean that rental will be increased to keep pace with CPI? If so, the policy should say so. The use of the word <i>'review'</i> is confusing. Will the nine yearly market based reviews establish new market base land values? It is not clear from the way things are phrased.</p>	<p>For clarification, the 'base land value/m<sup>2</sup>' column has been deleted from the policy as these values are not required to calculate the rental. The rent review undertaken every 9 years may change the m<sup>2</sup> rental rates and the rent review undertaken every three years will be increased in accordance with the CPI.</p>
<p>The proposed cost recovery means there is less money available for clubs to maintain their overall viability and impairs their ability to provide the necessary services that their members require. This may mean that clubs have to raise their fees in an attempt to cover any shortfall. Increased costs to members have the potential to reduce numbers joining or renewing their membership, thereby placing additional strain on the remaining members. This may lead a club into a position where it is not able to meet their lease terms and the assessment criteria.</p>	<p>Officers will work with lessees who are struggling to meet their lease terms and or assessment criteria on a case by case basis.</p>
<p>Unable to comment on whether the rental model is equitable due to there being no</p>	<p>Officers assessed the effect the rental model would have on the rent levels of</p>

detailed cost breakdown of their lease and no financial analysis showing the impact of the rental model on clubs.	existing lessees prior to presenting the draft policy to Strategy and Policy Committee on 5 April 2012. Each lessee was advised of the impact such a model would have on their rent during the consultation period.
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The submissions have been considered by officers and the subsequent amendments to Section 8.1 – *'Rental determination'* are proposed:

- The 'base land value / m<sup>2</sup>' column has been deleted from the sliding scale table as it was confusing groups as to how the rental would be calculated and is not required to calculate the rental (refer to Appendix 1, page 8).
- The section has been amended to clarify the fact that the rental model applies to ground and premises leases (refer to Appendix 1, page 8).
- Provision for officers to consider a rental reduction where a community or recreation group is facing demonstrated financial hardship (refer to Appendix 1, page 9).

Submitters who agreed with the rental model proposed made the following comments:

- The policy should be adopted as soon as possible so that it can assist Council in moving forward and shedding some of its community costs.
- Provides for increased transparency and equity amongst lessees.
- One Club who is a current lessee submitted that although their rent will more than double, it is accepted and acknowledged that Council is still providing a substantial subsidy.
- The rental subsidy is very fair, especially considering that a phase in period is applied to increases.

Officers recommend the proposed rental model is adopted. The existing model was implemented some years ago; it is overly complex and difficult to apply which has resulted in some inconsistencies in its application. The proposed model is based on the same principle of a 'base' land value per square metre for open space land, but it seeks to simplify the calculation through setting square metre rates – these rates have been adjusted to reflect a similar subsidy as that currently provided.

#### **5.4 Maintenance fee for premises leases**

Fourteen submissions were made in relation to the maintenance fee structure proposed in the draft policy. Seven of the fourteen submissions were in support of the Council moving towards 100% cost recovery of maintenance costs associated with premises leases, four submissions were not supportive of this proposal, and two submitters expressed the view that maintenance costs needed to be recovered but at a lesser extent. One submitter requested that this section

of the policy be clarified. For a detailed summary of the submissions relating to the maintenance fee structure and officers comments, refer to Appendix 2, submissions 7, 8, 10, 11, 12 13, 14, 18, 23, 28, 31, 32, 33, and 34.

Substantive points raised by submitters

<b>Issues raised</b>	<b>Response</b>
The maintenance fee will create unfairness where tenants are occupying old buildings that have had relatively low maintenance to date and could face substantial maintenance works in the near future.	Officers met with this submitter to discuss their concerns by explaining how the maintenance fee structure would be applied. The submitter's concerns were addressed.
There should be a longer phase in period based on the age and condition of each building subject to a maintenance fee.	The policy proposes that in the first year of the policy, Council will recover 20% of maintenance costs. In year's two to four, Council will recover 50% of costs and from year five onwards, lessees will be responsible for 100% of the maintenance costs. Officers believe this phase in period is appropriate.
The structure may appear to be equitable, but it may be impractical. With significant increases in costs, sports organisations are already struggling to retain their premises. The maintenance fee structure may need to allow for a grand parenting approach.	All lessees who hold a ground lease with Council are responsible for paying rental as well as maintaining their buildings at their cost. Those subject to ground leases are also facing increased costs.
Lessees subject to a premises lease may not be able to meet the maintenance fee payments which may lead to clubs closing down.	Officers have included the following into the policy (refer to Appendix 1, page 9): <i>In some cases a reduction in the rental or maintenance fee may be considered where a community or recreation group is facing demonstrated financial hardship. In these circumstances all community and recreation groups will be considered on a case by case basis and any reductions will be negotiated with individual groups".</i>
Council should recover maintenance costs at a maximum of 50%.	Lessees who are subject to ground leases are responsible for paying a rental for the land leased as well as maintaining their buildings at their cost. Therefore, officers believe adopting the maintenance fee structure as proposed will create equity between ground and premises lease holders.
Approves of the maintenance fee structure but recommends an expenditure agreement between lessees and Council is required.	Lessees will be advised in writing of the annual maintenance fee and works to be undertaken by Council annually.
Council's maintenance charges need to be clearly defined and communicated to all	Lessees will be advised in writing of the annual maintenance fee and works to be

clubs.	undertaken by Council annually.
<p>Section 8.2 does not:</p> <p>(a) set out whether, or how, lessees will be notified as to what scheduled maintenance, reactive maintenance, building compliance or exterior renewals (maintenance) will be conducted by Council.</p> <p>(b) state whether lessees will be notified when maintenance will be conducted by Council.</p> <p>(c) set out how the annual maintenance fee will be calculated.</p> <p>(d) set out exactly what the annual maintenance fee will apply to.</p>	<p>Section 8.2 (Appendix 1, page 8 &amp; 9) of the policy has been amended to address the points raised.</p>
<p>Section 8.5: a sub-tenant operating under a premises lease is responsible for all interior maintenance, surface and subsurface structures and fencing. On this basis it is presumed that such responsibilities will not fall within the annual maintenance fee. This however, is not clear from the drafting of section 8.2.</p>	<p>Groups subject to a premises lease are responsible for interior maintenance, surface and subsurface structures and fencing. Any maintenance obligations which are the responsibility of a group under the lease are not included in the maintenance fee. The maintenance fee covers Council's costs relating to maintenance undertaken on Council owned buildings. Section 8.2 (Appendix 1, page 8 and 9) has been amended to clarify this.</p>

The submissions have been considered by officers and the subsequent amendments to Section 8.2 – *'Maintenance fee for premises leases'* are proposed:

- Further clarification on how the maintenance fee will be calculated (refer to Appendix 1, page 8 & 9).
- Clarification on what the maintenance fee covers (Appendix 1, page 8).
- Includes the fact that lessees will be advised in writing of the annual maintenance fee and works to be undertaken by Council annually (Appendix 1, page 9).
- Provision for officers to consider a reduction to the maintenance fee where a community or recreation group is facing demonstrated financial hardship (refer to Appendix 1, page 9).

Submitters who agreed with the maintenance fee structure proposed made the following comments:

- Moving towards a 100% cost recovery for building maintenance for those with premises leases is equitable.
- The phase in period proposed is fair.

## **5.5 Additional amendments made to the policy**

The following amendments have been made in consideration of submissions received:

### *Section 6 Public notifications:*

- This section has been incorporated to provide clarification on when the public notification process will be undertaken (refer to Appendix 1, page 5 & 6).

### *Section 8.4 Reporting requirements:*

- Amended to note that reporting requirements are required to ensure lessees are meeting the assessment criteria throughout the tenure of their lease (refer to Appendix 1, page 9).

### *Section 8.7 Insurance:*

- Amended to clarify that Council will insure Council owned buildings for full replacement value (refer to Appendix 1, page 11).

### *Section 8.8 Commercial activities:*

- This section has been incorporated to provide guidance on when a commercial activity may be permitted on Council owned land and/or buildings and the process required for approval of such activities (refer to Appendix 1, page 11 & 12).

### *Section 8.10 Additions and alterations of any building or improvement:*

- Amended to clarify that all additions and alterations require landowner approval from officers.
- Examples of what is considered a significant addition or alteration have been included (refer to Appendix 1, page 12 & 13).

### *Section 8.11 Ownership of Buildings and/or Structures on Expiry or Early Termination of Leases*

- Amended to clarify that any group that has ceased, or intends to cease, operating as an incorporated society or trust cannot sell or transfer its building – in this instance, the building will revert to Council's ownership without compensation payable (refer to Appendix 1, page 13).

## **5.6 Submissions received and noted**

The draft policy has not been amended to reflect the following submissions:

- Amendments to the guiding principles to specifically recognise Council's arts and culture strategy.
- Amend assessment criteria (5) to read '*the land and/or buildings must be utilised to the fullest extent practicable*' instead of '*the land and/or buildings must be utilised to its maximum potential*'.
- Replace the term 'sportsville model' and 'amalgamation' with 'partnerships'.

- All renewals should go through the public notification process so that interested parties would have the chance to comment on demonstrated support and need within the community.
- Reinstatement of the renewals process in the existing Leases Policy.
- Each Club should be required to have a minimum membership number.
- Buildings owned by clubs on public land should be covered by a bond to Council sufficient to cover costs of removal or demolition in the event rent and maintenance charges have not been paid or are unrecoverable.
- The three year phase in period for rental increases greater than \$500 per annum is not sufficient.
- No rental should be charged to groups as they provide a public benefit.
- A more modest rental increase should be adopted.
- Rental should be increased by negotiation at the end of the lease, not during the term of the lease.
- Maintenance costs should be recovered at a maximum of 50%.
- Maintenance standards should be included in the policy rather than in each individual lease.
- The maintenance fee structure should be reshaped to allow a grand parenting approach.

## **6. Conclusion**

The draft Leases Policy for Community and Recreation Groups has been amended to reflect feedback provided during consultation.

It is recommended that the Strategy and Policy Committee recommend to Council that the amended Leases Policy for Community and Recreation Groups (refer to Appendix 1) be adopted.

If adopted the Policy would be effective from 1 January 2013.

Contact Officer: *Hanita Shantilal, Senior Property Advisor*  
*Paul Andrews, Manager, Parks, Sports & Recreation*

## SUPPORTING INFORMATION

### 1) Strategic fit / Strategic outcome

*The Leases Policy for Community and Recreation Groups (Policy) supports Council's 'Wellington Towards 2040: Smart Capital' vision by encouraging healthy and safe communities within a people-centred city. The Policy supports Council facilitating access to community and recreational opportunities.*

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

*Agreement to the Policy will contribute to Council meeting the outcome of providing subsidised access to recreation activities (refer to LTP outcome 5.2 Recreation Opportunities).*

### 3) Treaty of Waitangi considerations

*No Treaty of Waitangi implications has been identified.*

### 4) Decision-making

*This is not considered a significant decision in terms of Council's Significance Policy, although it affects strategic assets. The impact is considered limited as a significant change to the level of service is not proposed.*

### 5) Consultation

#### a) General consultation

*Targeted consultation was undertaken with all community and recreation groups who currently lease land and/or buildings from Council relevant regional sports organisations and interested groups such as Friends of the Town Belt and Action For The Environment.*

*General consultation with the public was undertaken by advertising the policy in the 'Our Wellington' page of the Dominion Post and making copies of all relevant documentation available at Council's Service Centre, all libraries and on Council's website.*

#### b) Consultation with Maori

*Iwi were consulted directly on the Policy. No submissions from Iwi were received.*

### 6) Legal implications

*The legal implications of applying the rental model and maintenance fee structure to existing leases have been assessed. The rental model and maintenance fee structure will only be applied to existing leases where the lease provisions allow.*

### 7) Consistency with existing policy

*This Policy is consistent with existing policies relating to community and recreation groups.*