

4.3: NEW LEASE – RANDALL WIGGINS – AIRPORT HANGAR SITE 7 – ALBANY REGIONAL AIRPORT

Land Description : Portion of Lot 213 on Diagram 94445 and the whole of the land contained in Certificate of Title Volume 2158 Folio 588, at 35615 Albany Highway, Drome

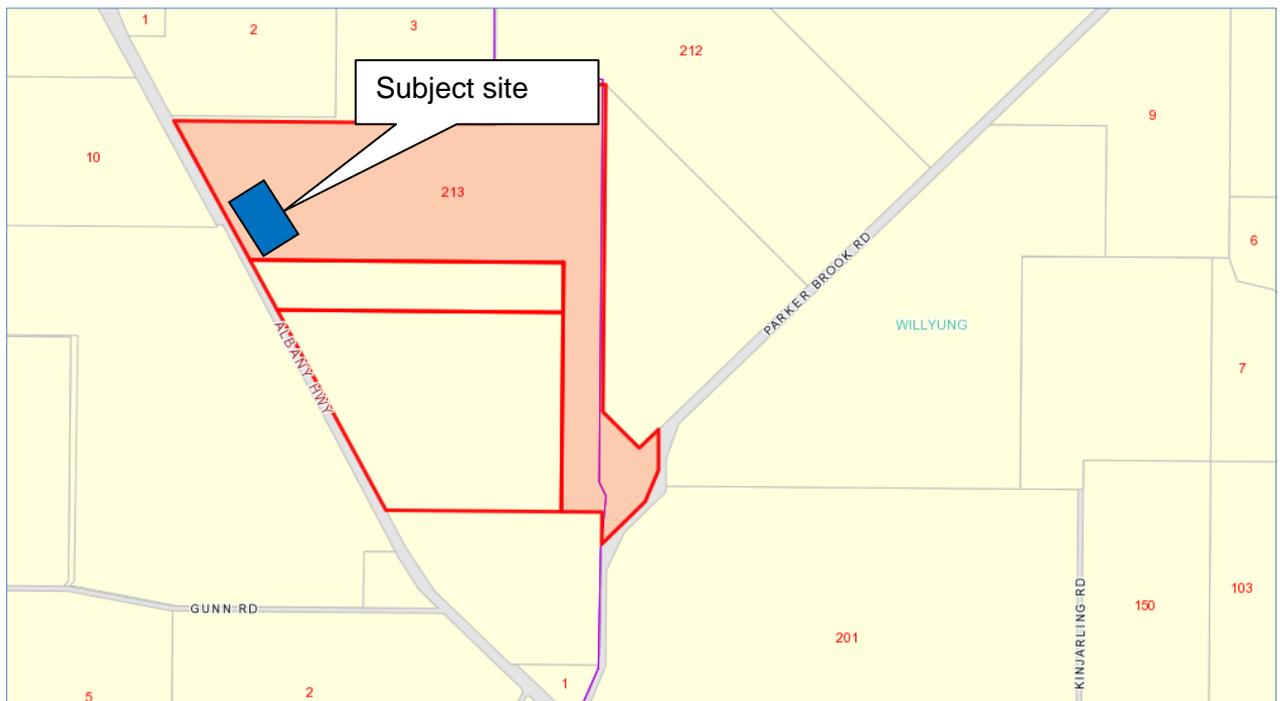
Proponent : Randall Wiggins

Owner : City of Albany

Attachments : Nil

Responsible Officer(s) : Executive Director Corporate Services (G Adams)

Maps and Diagrams:



IN BRIEF

- Council is requested to consider Mr Randall Wiggins request for a new lease over the area he currently occupies being hangar site 7, Albany Regional Airport at 35615 Albany Highway, Drome.
- Lease term being 10 years with an option for a further 10 year term for the purpose of airport hangar for aircraft hangarage only.
- The Lease request proposal complies with the 2012 Albany Regional Airport Master Plan recommendations.

ITEM 4.3: RESPONSIBLE OFFICER RECOMMENDATION

VOTING REQUIREMENT: SIMPLE MAJORITY

That Council **APPROVE** the request from Mr Randall Wiggins for a new lease for hangar site 7 at the Albany Regional Airport on portion of Lot 213 on Diagram 94445 at 35615 Albany Highway Drome, subject to:

1. Lease term being 10 years commencing 1 April 2013, with an option for a further 10 year term.
2. Lease rental fee being determined by a current market valuation provided by a licensed Valuer.
3. Lease rent being reviewed by current market valuation every three years with Consumer Price Index applied for intervening years.
4. Lease area being approximately 180 square metres.
5. Lease purpose being Aircraft hangar for aircraft hangarage only.
6. Section 3.58 of the *Local Government Act 1995* advertising requirements.
7. All costs associated with the preparation, execution and completion of the Deed of Lease being payable by the Lessee.
8. All costs associated with the ongoing operations of the lease premises being payable by the Lessee.
9. Lease being consistent with Council Policy – Property Management – Leases and Licences.

CARRIED EN BLOC

BACKGROUND

1. In April 1993 the former Shire of Albany granted a new lease for hangar site 7, an area of approximately 180 square metres at the Albany Regional Airport to Mr Ian Reeves for the purpose of airport hangar for airport hangarage only.
2. Hangar site 7 is located on portion of Lot 213 which is City of Albany owned freehold land and adjacent to the Airport Terminal.
3. The lease was assigned to Randall Wiggins as of 10 December 2007 and has since expired on 31 March 2013 with no option for a further term.
4. As there had been a degree of uncertainty regarding the term outlined in the earlier hangar leases, legal advice was sought and determined the term to be 20 years with no options for a further term.
5. At Ordinary Council Meeting 19 August 2008, Council resolved to limit hangar leases to a maximum term of 20 years. All hangar Lessees were informed of the resolution and how this would affect their individual leases.
6. In January 2013 the City wrote to the Mr Wiggins informing him the current lease was due to expire on 31 March 2013, and requested Mr Wiggins to advise the City of his intentions with regard to applying for a new lease over hangar site 7.

7. The City has received a request from Mr Wiggins for a new lease over hangar site 7, the area he currently occupies, for a term of 10 years with an option for a further 10 year term.
8. The Lessee continues to occupy the leased area on a holding over basis as a month to month tenant. The conditions of the tenancy preserve the obligations of the lease, except in respect to the term of the lease.
9. The lease request proposal complies with the 2012 Albany Regional Airport Master Plan recommendations.

DISCUSSION

10. In October 2010 the City's lawyers developed a standard lease for Airport hangar sites. Since this time, the City has provided a copy of the proposed draft Deed of Lease to Lessees for their review.
11. The City received feedback from the Lessees and after extensive discussions the lease was amended to address a number of concerns. However, the Lessees advised they still had outstanding concerns regarding some lease provisions and requested that the City further consider these matters.
12. In March 2013 City staff including Executive Director Corporate Services and Manager responsible for the Airport, met with hangar Lessee representatives to discuss their concerns regarding the proposed standard hangar site lease and the 2012 Airport Master Plan.
13. The City taking into consideration the Lessees concerns and as a gesture of goodwill addressed each matter as follows:
 - a. Clause 5.1 (c) Common Areas: The Lessees disagreed with the provision that Lessees pay their proportion of costs towards the maintenance of hangar common areas, should this be required.
Outcome: The City will consider the requirement for the common area clause with a view to removing this clause and all consequential references from the lease.
 - b. Clause 17 Relocation: The Lessees disagreed with Lessee costs associated with relocating hangars or vacating hangar sites should the City require the site.
Outcome: The City will investigate and seek legal advice to amend the clause to reflect:
 - **Should the City require relocation for legislative requirements such as an Airport security upgrade then the Lessee would be liable for costs of relocation.**
 - **Should the City require relocation or vacant possession for reasons other than for legislative requirements the City will be liable for such costs.**

- c. Schedule Item 4 Rent: The Lessees challenged the market ground rental valuation provided by a licensed Valuer determining the rent of \$9.50 per square metre plus GST.

Outcome: The City offered to cover the costs associated with undertaking a second market rental valuation using a licensed Valuer nominated by the Lessees to further consider the rent for hangar site leases.

- d. Airport Master Plan: Lessees sought more information on the impact of the proposed 2012 Airport Master Plan.

Outcome: The City provided clarification on the Airport Master Plan.

13. A second valuation was undertaken by licensed Valuer Aon Risk Solutions, Global Risk Consulting Valuation Services on the 6 June 2013, which determined a market ground rental valuation of \$7.50 per square metre plus GST for airport hangar site.
14. The City has considered both valuations provided by licensed Valuers, Opteon (Albany and Great Southern WA) and Aon Risk Solutions, Global Risk Consulting Valuation Services. The City agrees to adopt Aon market valuation rent, being \$7.50 per square metre plus GST for all airport hangar leases currently being negotiated.
15. The Lessee has occupied hangar site 7 for approximately five years and has fulfilled the obligations of the previous lease, including meeting a (fixed) rental rate of \$244.00 per annum.
16. The Lessee maintains the hangar building and infrastructure upon the leased area at no cost to Council. The site is neat and tidy and free of weeds and rubbish.
17. The rental for the 180 square metre lease area will be \$1,350.00 plus GST per annum.
18. Lease rent reviews will be set with market valuations at three year intervals with Consumer Price Index, All Groups (Perth) determining rental increases per annum for the intervening years.
19. The Lessee will be responsible for all maintenance, insurance and utilities for the Leased Premises.
20. The proposed new lease will be negotiated in line with Council's Policy – Property Management – Leases and Licences.

GOVERNMENT CONSULTATION

21. No Government consultation is required as lease area is located within City of Albany owned freehold land.

PUBLIC CONSULTATION / ENGAGEMENT

22. Section 3.58 of the *Local Government Act 1995* defines the requirements for the disposal of property, including leased land and buildings. The Act requires the following:
- a. A local government must give local public notice of the proposed lease inviting submissions from the public, for a period of two weeks.
 - b. Any submissions are to be considered by Council and their decision with regard to those submissions, to be recorded in the minutes.
 - c. A local government can then proceed with the lease.
23. The proposed new lease will be advertised to comply with the requirements of Section 3.58 of the *Local Government Act 1995*.

STATUTORY IMPLICATIONS

24. Section 3.58 of the *Local Government Act 1995* defines the requirements for the disposal of property, including leased land and buildings.
25. Under the City's Town Planning Scheme Number 3, the subject land is zoned "Rural", the existing use of hangar was approved in 1985 under Building Licence 6689 under delegation, in accordance with the Scheme.
26. The Western Australia Planning Commission (WAPC) has not been consulted with regard to the proposed new lease as per Section 136 of the *Planning and Development Act*, as no comment is required from WAPC when a lease term does not exceed twenty years.

STRATEGIC IMPLICATIONS

27. This item relates directly to the following elements of the City of Albany Strategic Plan (2011-2021)

Key Focus Area

- *Organisational Performance.*

Community Priority

- *Policy and Procedures.*

Proposed Strategies

- *Develop clear processes and policies and ensure consistent, transparent application across the organisation.*

POLICY IMPLICATIONS

28. Council adopted a revised Property Management – Leases and Licences Policy in September 2012.
29. The Policy aims to ensure that all requests for leases and licences will be treated in a fair and equitable manner using open and accountable methodology and in line with statutory procedures.

30. The recommendation is consistent with Council Policy – Property Management – Leases and Licences.

RISK IDENTIFICATION & MITIGATION

31. The risk identification and categorisation relies on the City’s Risk Management Framework:

Risk	Likelihood	Consequence	Risk Rating	Mitigation
<i>Council does not approve a new lease – reputational loss to the City</i>	<i>Unlikely</i>	<i>Minor</i>	<i>Low</i>	<i>Seek to negotiate terms to Council satisfaction. Collaborate with prospective Lessee to reach a mutually agreeable outcome.</i>
<i>Council does not approve a new lease – loss of rental income in short term</i>	<i>Possible</i>	<i>Moderate</i>	<i>Medium</i>	<i>Seek to negotiate terms to Council satisfaction. Collaborate with prospective Lessee to reach a mutually agreeable outcome.</i>

FINANCIAL IMPLICATIONS`

32. The new lease rental determined by a current market valuation provided by licensed Valuer, Aon Risk Solutions, will be \$1,350.00 plus GST per annum, with rent reviews in line with Council’s Policy – Property Management – Leases for this category of lease agreement.
33. The new lease rental will be directed to COA 138130 Income – Airport Lease Rents.
34. All costs associated with the preparation, execution and completion of the new lease documentation including but are not limited to legal, advertising, survey and valuation will be borne by the Lessee.

LEGAL IMPLICATIONS

35. The proposed Deed of Lease will be prepared by the City’s lawyers.

ALTERNATE OPTIONS

36. Council may:
- a. Approve the request for a new lease; or
 - b. Decline the request.
37. Should Council decline the request, the Lessee would be required to vacate the leased premises and find an alternate location to store the aircraft.

38. The Lessee would within three months of expiration of the lease be required to remove fixtures and fittings and if the City of Albany directs remove hangar and structures erected on the leased premises and restore the area at the Lessee's cost.
39. If Lessee fails to remove the improvements as directed by the City of Albany, the improvements will become the property of the City of Albany.
40. Council could then invite expressions of interest to lease this hangar site with Council considering any new lease for the vacant premises.

SUMMARY CONCLUSION

41. The current Lessee is seeking a new lease over hangar site 7, for a term of 10 years with an option for a further 10 year term for the purpose of airport hangar for airport hangarage only.
42. The Lessee has occupied this site for the past five years.
43. The Lessee has met the obligations of the previous lease including payment of rent and outgoings, at no cost to Council.
44. The lease request proposal complies with the 2012 Albany Regional Airport Master Plan recommendations.
45. The lease request to allow Mr Randall Wiggins to continue to lease hangar site 7 at the Albany Regional Airport, is supported.

Consulted References	<ul style="list-style-type: none"> • Council Policy – Property Management – Leases and Licences • <i>Local Government Act 1995</i> • <i>Planning and Development Act</i>
File Number (Name of Ward)	PRO172, A160468 (Kalgan Ward)
Previous Reference	OCM 19/08/2008 Item 13.3.1