

17.1 LATE ITEM - DAMPIER COMMUNITY HUB LEASE

File No:	CP.329
Responsible Executive Officer:	Director Community Services
Reporting Author:	Manager Partnerships & Engagement
Date of Report:	11 October 2017
Applicant/Proponent:	HWHW Corporation Pty. Ltd.
Disclosure of Interest:	Nil
Attachment(s)	Dampier Community Hub Coffee Hut Area

PURPOSE

For Council to consider a proposal to lease the former Coffee Hut space within the Dampier Community Hub to a pharmacy provider.

BACKGROUND

The Dampier Community Hub (DCH) began operations in 2016 and has performed well over the initial 15 months. The Coffee Hut component of the DCH was constructed as a flexible, low operating cost, commercial space. The design intent was for a small operator to provide coffee and largely pre-packaged goods from a space that carried little overheads. The area is included as an attachment to this report for Council's reference.

It was forecast that should the City not secure a hospitality provider, the space could easily be adapted as a lounge area and absorbed into the library space at little cost.

The initial lease for the Coffee Hut was awarded to 360 Health + Community (360) who then sub-let the space to a local company, Hullabaloo, to provide the small café style service as intended. In October 2016, the City was advised by 360, via email that 360's subcontractor Hullabaloo had withdrawn from their Lease and Services Agreement, and were subsequently ceasing operations at the Coffee Hut. It is noted that Hullabaloo have continued their café and lunch bar operations within the shopping centre, some 150m from the DCH.

Following the withdrawal of Hullabaloo, the proprietors of Montessori Early Years Child Care Centre (located at the Dampier Hub) expressed an interest in operating the Coffee Hut, in addition to their child care services. Negotiations in the period from November 2016 to February 2017 anticipated that 360 would engage Montessori under a sub-lease, similar to the previous arrangement with Hullabaloo. On 2 February 2017 Montessori advised 360 and the City this was longer a business venture they were interested in.

Throughout the period February to July officers continued, unsuccessfully, to secure an operator of the Coffee Hut. In August 2017, with agreement from 360 to surrender their lease of the Coffee Hut, the City released a Request for Proposal to the market, seeking interest from a range of service providers for use of the Coffee Hut space.

The sole respondent was HWHW Corporation Pty Ltd proposing to retro fit the Coffee Hut as a small pharmacy. Officers had not progressed this lease discussion due to the failure of 360's GP service in Dampier.

However, recent negotiations have confirmed the continued operation of the DCH GP Clinic by another provider, subject to the assignment of the lease to the new provider. This has been dealt with administratively.

360 remain amenable to relinquishing the lease over the Coffee Hut, and in lieu of seeking to assign that lease to a new operator, it is opposed that the existing lease be determined and a new lease prepare for the pharmacy operator.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of social issues and economic issues.

COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

COMMUNITY CONSULTATION

Officers released a Request for Proposal (RFP) in August 2017. This was advertised in local papers and forums. Whilst several parties expressed an interest in the space, only one submission was received. The conditions of this response are outlined below;

Item	Request	Officer comments
Name:	HWHW Corporation Pty Ltd	
Details:	Business established in March 2017, with its primary objective of providing viable pharmacy service in Dampier. Its Director is also the proprietor of three rural pharmacies in the South West.	Small operator, however with little overhead costs could succeed.
Proposed opening hours:	Monday to Friday (9-5)	Suitable
Establishment period:	Up to three months. Requires approval from Pharmacy Board and Medicare Australia	Space is currently not occupied. Suitable
Fit out:	Has request building modifications including internal remodel and new entry door to space.	This is currently under investigation with the City Building department.
Proposed lease term:	18 months + 3 years + 3 years + 3 years. At sole discretion of tenant.	This aligns with the proposed GP service initially. Respondent requires minimum 10 years security for bank approval.
Proposed Lease fee:	\$500 per month (\$6000 per annum).	Suitable
Maintenance:	At the cost of the tenant. With exception of major structural repairs.	Suitable
Outgoings:	At the cost of the tenant.	Suitable
Signage:	To be approved by the City	Needs to align with building signage strategy.
Other:	Has also requested access to storage within the Hub, adjacent to the GP suites.	Achievable.

During the 15 months of operation, the DCH has only had a functioning Coffee Hut for three months. At all other times the space has been unoccupied.

Given the extensive period of negotiations and exploration by staff to source a suitable entity to operate a café service from the DCH, officers are now recommending Council approve a lease over the Coffee Hut area for the purpose of a pharmacy. Should Council endorse the officer’s recommendation, execution of the lease would be subject approval from Medicare Australia and the Pharmacy Board of Western Australia.

Alternatively, Council has two other options, both of which are considered plausible.

Firstly, the Coffee Hut could be absorbed into additional Library space as per the original contingency design and intent. Should this be progressed there would be a cost incurred by Council to alter the building (estimated at \$35,000), and there would be a reduction in facility income of \$6,000 per annum. This option would be welcomed by the Library department who would then be able to offer additional lounge/IT space and a coffee service for patrons.

Secondly, Council has the option to reject the current proposal and request staff to further seek a lessee of a hospitality nature as per the original intent. Should this option be progressed, the Coffee Hut would remain vacant for the foreseeable future. Council would continue to hold 360 responsible for lease rental payments under the current lease.

STATUTORY IMPLICATIONS

Section 3.58 of the *Local Government Act 1995* is pertinent to this report. For the purpose of the Local Government Act the RFP released by Officers meets the requirement of public tender, hence Council has authority to approve the lease without further public notifications.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

As outlined above in this report, Council has three options available which present the following financial implications

Option	Lease Income	Cost to Council
1. Lease with HWHW (Pharmacy)	\$6000 per annum	50% of lease establishment costs. All capital and operating cost paid by the tenant. *initial outlay of up to \$50k by tenant.
2. Include the space within the Library	\$0	Increased cleaning and operating cost. Building works to modify space (approx. \$35k)
3. Seek alternative café operator	Up to \$6000 per annum (the existing lease with 360 expires in June 2019. Hence the City should be remunerated for this period)	Nil.

As identified, the cost implication to Council regarding any of the options is not considered to be high. Hence, Officers suggest the decision on selecting an option would be based on community service and impact, rather than cost to Council.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2017-2018 provided for this activity:

Programs/Services: 1.a.2.3 Community Facility Management

RISK MANAGEMENT CONSIDERATIONS

The level of risk is considered to be moderate to the City in terms of community access to services and facilities. The ability to alter the service in the future should also be considered given the request is for a 10-year commitment.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

Council leases premises of both a commercial and community nature on a regular basis. Additionally, Council has utilised purpose built facilities for an alternative activity due to market demands (or lack of) and community need. An example of this was the use of the Pam Buchanan Family Centre Child Care space as a library for the first 12 months of operation. However, the space has been returned to its original purpose.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Section 3.18 of the *Local Government Act 1995* RESOLVES to:

1. REJECT all submissions relating to the coffee hut space within the Dampier Community Hub; and
2. INCORPORATE the coffee hut space within the Dampier Library.

Option 3

That Council by SIMPLE Majority pursuant to Section 3.18 of the *Local Government Act 1995* RESOLVES to:

1. REJECT all submissions relating to the coffee hut space within the Dampier Community Hub; and
2. INVESTIGATE further options to attract a café operator and report back to Council at the December Ordinary Council Meeting.

CONCLUSION

The Dampier Community Hub ‘Coffee Hut’ has been vacant for approximately 12 months. Officers have attempted on several occasions to source a suitable café operator to occupy the space, to no avail. Through a public procurement process, only one submission was made for the flexible space, which came from a proponent requesting to operate a pharmacy service. The pharmacy service is considered to be both a compatible and desirable adjunct to the GP medical clinic operating from the DCH. There is a level of risk associated with the required length of tenure, however Officers are suggesting all other avenues have been exhausted to attract a café serve.

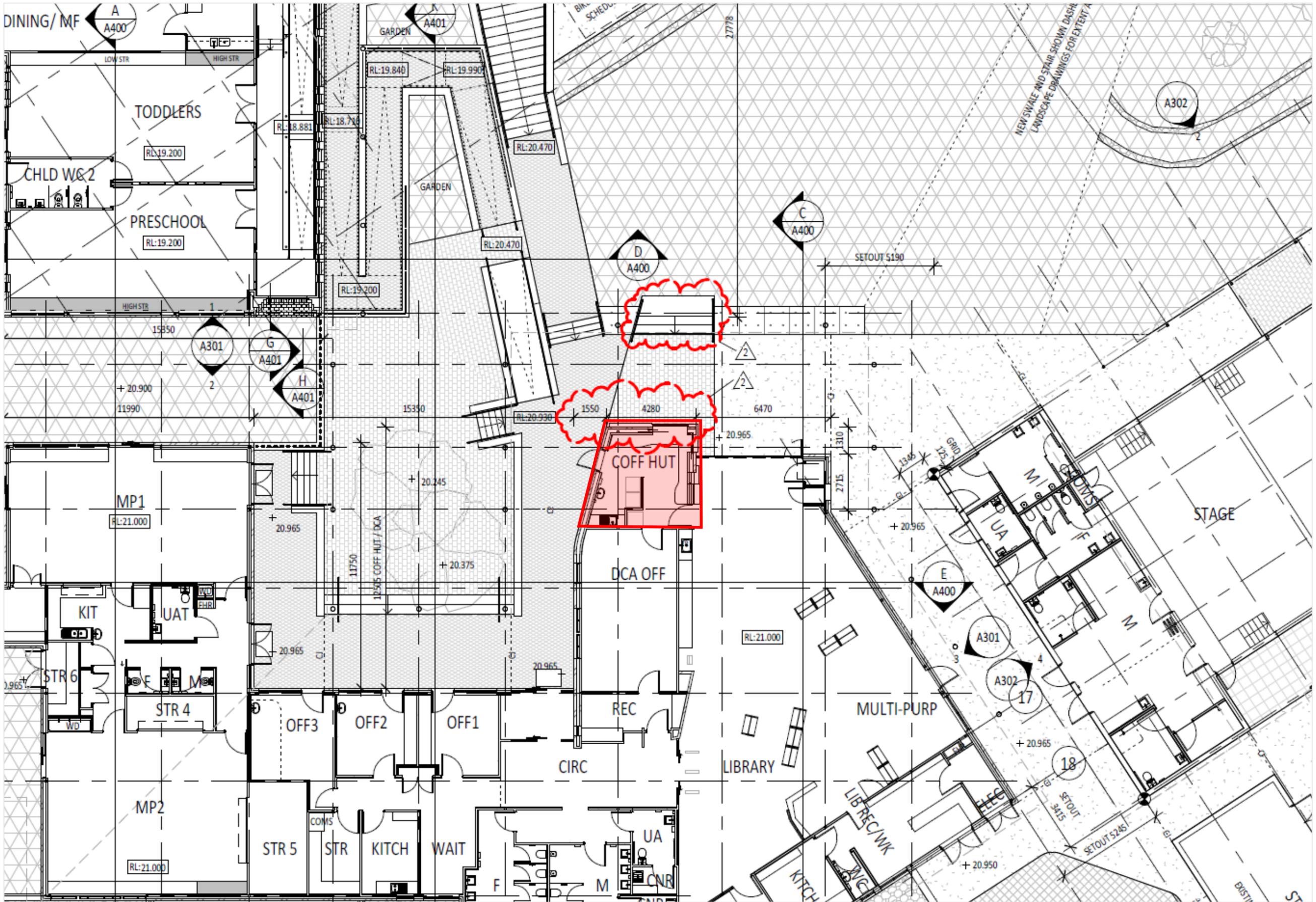
OFFICER’S RECOMMENDATION

That Council by SIMPLE Majority pursuant to Section 3.58 of the *Local Government Act 1995* RESOLVES to:

1. **AGREE** to the request from 360 Health and Community to **TERMINATE** the current Coffee Hut lease, subject to a new lease being executed for the proposed pharmacy operation. The termination date of the existing 360 Health and Community lease to be 15 October 2017 and the commencement date of the lease with HWHW Corporation Pty Ltd to be 16 October 2017; and
2. **EXECUTE** a lease for the tenantable area known as the Coffee Hut located at the Dampier Community Hub as detailed in the attachment under the following terms:

Lessee	HWHW Corporation Pty Ltd
Property:	Dampier Community Hub Coffee Hut
Coffee Hut Area	18.34m²
Term	From 16 October 2017 to 31 May 2019 + 3 years + 3 years + 3 years
Funding arrangements	\$500 per month
Maintenance:	Tenant responsible, with the exception of major structural maintenance.
Fitout/Improvements:	Tenant responsibility.
Outgoings:	Tenant responsibility

Attachment 1 – Detailed Design: Coffee Hut



Site Plan – Dampier Community Hub

