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# **Community and Recreation Lease Policy**

## **Auckland City Council**

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Approved by the Community Services Committee of  
Auckland City Council on 10 June 2009.

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of this document.

# Introduction

Auckland City Council recognises the vital role that community and recreational groups play in developing a sense of belonging and engagement in the city. Through innovative programmes and the utilisation of local knowledge, community groups help ensure that Auckland's community issues are addressed, community needs are provided for and future challenges are met. In addition, recreational groups provide opportunities for residents to get active and enjoy healthy lifestyles.

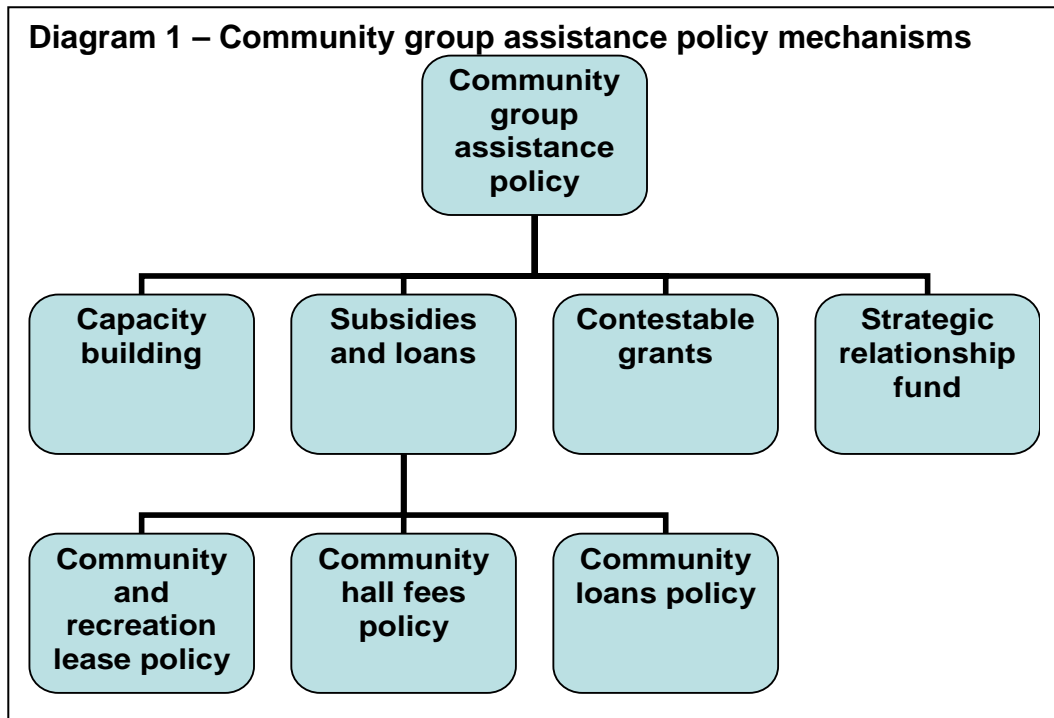
The Community and recreation lease policy outlines how Auckland City Council provides subsidised leases to ensure space is available for residents and groups to meet, network and participate in community and recreational activity. The policy will:

- define the purpose of the Community and recreation lease policy and how it relates to Auckland City Council's strategies
- outline the scope of the policy and the type of groups and activities it applies to
- outline the principles and application process for groups wishing to receive a community and recreation lease.

## Policy and strategic links

### Policy

The Community and recreation lease policy sits under the umbrella of the Community group assistance policy. Along with the Community halls fees policy and Community loans policy it guides council's subsidies and loans to community groups.



## Strategy

The Community and recreation lease policy fits well with Auckland City Council's strategic goals, as outlined in the following two strategies:

- the **Strong and Healthy Communities Strategy**: *having a city where there are independent, inclusive and resilient communities – a city that has a wealth of volunteers who invest their time in organising and participating in community activities*
- the **Lifestyle Choices Strategy**: *fostering a vibrant and sophisticated city that attracts people to live, work and invest.*

Strategy	Objective	How community and recreation leases deliver
<b>Strong and Healthy Communities</b>	Fostering connected communities	<ul style="list-style-type: none"> <li>• provides space for community groups to meet and network</li> <li>• motivates responsibility for the safety and appearance of neighbourhoods</li> </ul>
	Foster a sense of pride and belonging	<ul style="list-style-type: none"> <li>• provides subsidised space that enables community and family events</li> <li>• encourages clean, tidy and well cared for public and community space</li> </ul>
	Make places for people	<ul style="list-style-type: none"> <li>• provides subsidised places for communities to meet</li> </ul>
	Support healthy communities	<ul style="list-style-type: none"> <li>• supports groups delivering recreational and sporting services to the public</li> </ul>
<b>Lifestyle Choices</b>	A wide range of leisure opportunities	<ul style="list-style-type: none"> <li>• supports arts, recreational, cultural and sport groups</li> <li>• supports facilities that provide recreation and leisure services</li> </ul>

# Purpose and objectives

## Purpose

The purpose of this policy is to guide the provision of subsidised leases to community and recreation groups. This policy will:

- provide clarity on the types of community and recreation leases Auckland City Council offers, and the purpose of each
- provide clarity on the processes and principles of each type of community and recreation lease, including lessee responsibilities
- provide clear processes for community groups wishing to apply for a community and recreation lease.

## Objectives

The objectives of the policy are to:

- ensure a wide range of community activities, projects and programmes are supported through the provision of subsidised space for community activities
- increase the capacity of community groups in Auckland city through the provision of subsidised space for community activities
- recognise that the council is not in the business of subsidising commercial activities
- facilitate the charging of fair and equitable rentals to community groups conducting community activities alongside commercial activities.

## Policy scope

This policy covers leases to community and recreation groups undertaking community activities.

Community and recreation groups are defined as:

A non-profit organisation or association of persons with the primary aim of working to provide services and benefits to the community. Community group membership or participation in activities is available to everyone who wishes to join. Community groups may be special interest or advocacy groups for particular sections of the community, but community groups do not impose restrictions such as setting fees at a level that exclude most people who might want to participate.

Groups meeting the definition of a community and recreation group, and who intend to operate community activities from a leased facility, are eligible to apply for a community and recreation lease through this policy. Factors including alignment with council strategies, type of service provided, zoning requirements, ability to fulfil maintenance requirements and the level of community need for the activity proposed will be considered when assessing applications. Facility requirements a group may have will be assessed in relation to the facilities available. In order to maximise the usage and benefits of these facilities, community groups willing to share space with other groups will be favoured.

Leases issued under this policy cover several types of spaces. These include:

- council owned land
- council owned buildings
- rooms within larger council owned buildings (i.e. a room/office in a community centre)
- land held by the council for public amenity and open space purposes, including land held under the Reserves Act 1977
- land and/or facilities on-leased by council.

This policy excludes the following leases, groups and facilities:

- groups and entities who do not meet the definition of a community and recreation group as defined in this policy
- facilities where community groups undertake only commercial activities
- groups where religious worship is the primary purpose
- political groups.

## Pre-school services

Council is not in the business of subsidising childcare as it does not subsidise activities that compete with commercial ratepayers. Council does however provide space to a number of playgroups and pre-school services which are not childcare (e.g. kindergartens, playcentres, Kohanga Reo and Pununga).

Pre-school services that meet the following three mandatory conditions and one of the two elective conditions are eligible for subsidised leases:

<b>Mandatory</b>	<ul style="list-style-type: none"><li>• do not provide all-day care<sup>1</sup></li><li>• offered free of charge or at nominal rates</li><li>• the service operates only during school terms</li></ul>
<b>Elective</b>	<ul style="list-style-type: none"><li>• the service is sessional in nature, with each session lasting no longer than four hours</li><li>• the service is provided on a school-day based model, meaning it operates approximately the same hours as a primary school</li></ul>

Services that do not meet these conditions are considered to be childcare centres and are not eligible for a subsidised community and recreation lease.

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<sup>1</sup> All-day care is considered to be seven or more hours per day.

# Lease principles and application process

## Leases

Community and recreation leases are designed to provide low-cost space for community activities, and exclude the subsidisation of commercial activity. The types of leases that fall under this policy reflect this purpose.

Community and recreation lease agreements will establish the core community activities that a group undertakes from the facility. Any commercial activities will be subject to the charging of additional rentals and will require council approval.

Commercial activities are characterised as user pays services that compete with commercial operators and/or other non-subsidised groups. Appendix one illustrates how council will work with groups to identify their core community activities and the types of activities, facility use and revenues that will attract additional rental charges.

There are two types of leases issued under this policy:

- **fully subsidised leases** of \$500 per annum for community and recreation groups leasing land and/or buildings for community activities. These leases have a further subsidy of \$250 where groups are made up of predominantly young people
- **hybrid leases** for community and recreation groups leasing land and/or buildings for both community and commercial activities. The group will be charged a rate of \$500 per annum and an additional charge of five percent of revenue generated from their commercial activity(s). Total rental paid will be capped at the market rental for the facility. Appendix two offers a worked example of how hybrid charges are calculated.

Community and recreation leases are not available for the groups, activities and facilities excluded from this policy. Council may decide to enter into a commercial lease with these entities on commercial terms, conditions and rentals. The following table summarises the leases that council may enter into with community and recreation groups:

Lease	Fully subsidised lease	Hybrid lease	Commercial lease
Lease issued under this policy	Yes	Yes	No
Use of facility	Community activities	Community <u>and</u> commercial activities	Commercial activities
Example	<ul style="list-style-type: none"> <li>• rugby club</li> <li>• Plunket</li> <li>• kindergarten</li> <li>• playgroup</li> </ul>	<ul style="list-style-type: none"> <li>• recreational groups using a facility to generate revenue from bar, food or commercial retail sales</li> <li>• groups sub-leasing a facility to commercial or corporate groups</li> </ul>	<ul style="list-style-type: none"> <li>• stand alone childcare centre</li> </ul>
Treatment	Rental of \$500 per annum or \$250 per annum for groups made up of predominantly young people	Rental of \$500 per annum plus five percent of revenue generated from commercial activity	Commercial lease on commercial terms

## **Lessee responsibilities**

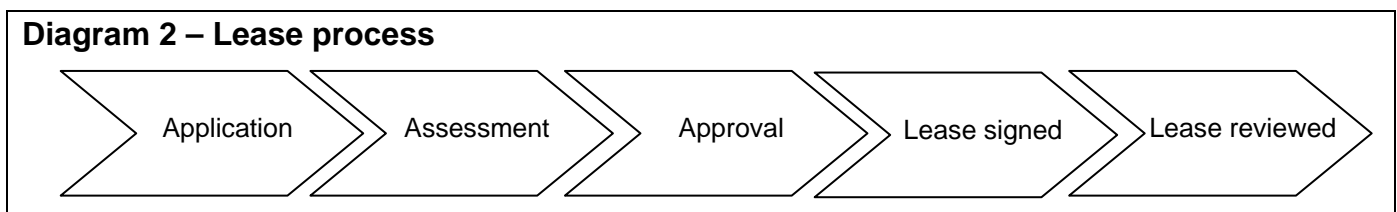
Community and recreation leases will be for a 15-year period, with a review of the lease occurring every five years. Lessees are required to submit an annual report and complete an annual accountability form, which will include information on the group's activities, membership and revenues. The report will separately account for any commercial activities and revenues generated from the facility. Council reserves the right to audit community group annual reports.

Where council owns the building, non-structural maintenance obligations such as graffiti removal or replacement of windows are the responsibility of the lessee. Structural maintenance such as roof and exterior wall repairs will be the responsibility of the council.

Where the lessee owns the building, both structural and non-structural maintenance will be the responsibility of the lessee.

Legal fees and costs for resource consents are also the responsibility of the lessee.

## **Application and lease process**



Groups wishing to apply to council for a community and recreation lease under this policy can register their interests by contacting Auckland City Council's customer service centre. When a new space becomes available for lease, council will invite applications through open advertisement and direct notification to groups who have registered interest.

The following factors will be assessed when considering an application:

- alignment with council strategies
- the type of service the group provides
- if the group is willing to share the facility and/or building
- zoning requirements
- ability to fulfil maintenance requirements
- level of community need for the community activity proposed
- accessibility of the community activity proposed
- community group facility requirements
- an assessment of the impact of the proposed activity on open space (where the lease is on open space)
- whether there are alternative accommodation options for the applicant.

Applications are assessed and presented to the community board in the area of the proposed lease. The community board then makes a recommendation to the relevant committee for final approval. Once applicants are informed of the final decision, the lease is signed and terms and conditions come into effect.

## **Lease review**

Leases will be reviewed every five years. Factors considered will be:

- compliance with the core community activities as stated in the lease agreement
- compliance with lessee responsibilities such as maintenance and annual reporting
- the level of membership fees
- whether council requires the land and/or buildings for another purpose which, in the opinion of council, is of higher public interest
- the commercial activities the group is undertaking.

# Appendix 1 - activities

## Activities

As part of a lease application or review, council will usually meet with community groups and discuss the activities proposed or currently being undertaken from the leased facility. Community and recreation leases will identify the activities that a group is authorised to operate from the facility. Examples of community activities include:

- arts groups (such as dance, drama and music organisations)
- operation of a sports club (such as a rugby, soccer, boating or netball club)
- operation of pre-school services (such as a kindergarten or playcentre)
- delivery of community services (such as a Plunket, Citizens Advice Bureau or Family Budgeting Service)
- social and cultural groups (such as Marae, RSAs and Senior Citizens Clubs).

When discussing use of the leased facility, consideration will be given to the revenue streams generated from the authorised activities. Revenue streams will be identified as either:

- community activity revenues
- commercial activity revenues.

## Community activity revenues

Community activity revenues will not attract additional rental charges over and above the fixed amount (i.e. \$250 or \$500 per annum). Community activity revenues include:

- membership fees
- sponsorship
- donations
- grants
- sub-leasing of the facility to other community groups on a cost-recovery basis
- ad hoc rental of a facility by other community groups and members of the public on a cost-recovery basis.

## Commercial activity revenues

Council recognises that a number of community groups operate commercial activities alongside their community activities. Commercial activities require council approval and the revenue generated from these activities will result in additional rental charges. Additional charges are set at five percent of the revenue generated from these activities.

The proposed activities and revenue streams associated with each lease will be assessed on a case-by-case basis. When assessing revenue streams, commercial activities will be characterised as user pays services that compete with commercial operators and/or other non-subsidised groups. These services are often available to the public and include the following:

- food and beverage sales
- retail sales
- ticket sales
- gaming machine revenue

- rental from sub-leasing, renting or hiring space to commercial or corporate groups.

Council will exempt the first \$100,000 of revenue from commercial activities if these are related to the underlying community activity.

## Appendix two - worked example

Lessee - XYZ Soccer Club

Approved activities to be operated from the leased facility:

- soccer club
- including the operation of an associated bar.

XYZ Soccer Club Income statement For the year ended 30 September 2009	
<b>Bar operations</b>	
Sales	<u>125,000</u>
Less: cost of sales	<u>105,000</u>
Gross profit from bar operations	20,000
Membership fees / subscriptions	35,000
Sponsorship	17,000
Donations	10,000
Raffles	10,000
Clubroom hire	<u>6,000</u>
Total revenue	98,000
<b>Less expenses:</b>	
Administration	18,000
Depreciation	6,000
Electricity	8,000
Repairs and maintenance	12,000
Travel expenses	8,000
Wages and staff costs	<u>35,000</u>
Total expenses	<u>87,000</u>
Surplus	<u>11,000</u>

*Commercial activity revenue*

*Community*

*Community*

*Community*

*Community*

*Community – if charges are levied at a cost recovery level*

### *Annual rental calculation*

<i>Fixed charge</i>		\$500
<i>Additional commercial activities charge</i>		
<i>Revenue from food and beverage sales</i>	\$125,000	
<i>Less threshold</i>	<u>\$100,000</u>	
<i>Chargeable revenue</i>	\$25,000	
<i>Additional rental (5% of chargeable revenue)</i>		<u>\$1,250</u>
<i>Total rental</i>		<u>\$1,750</u>