

*Variety in Terms and Conditions.*

The scope for variety in the terms and conditions which the provisions of the Municipal Corporations Act allows in respect of leases has been taken advantage of, so that, generally speaking, each municipality has a form of its own. It apparently seeks to adopt the kind of lease which best suits local opinion, and this differs considerably.

*Long-term Lease v. Renewable Lease.*

In Auckland, for example, a long-term lease—say, of fifty or sixty years—appears to be preferred. The Auckland Harbour Board for a time adopted the renewable-lease system, but has now reverted to the long-term lease. In Dunedin a perpetually renewable auction lease is the rule. In Wellington, according to the evidence before us, the opinion of business men as to whether a long lease or a short-term renewable lease is preferable appears to be divided. Recently the city offered two sections for lease either for a long term of years without renewal, or, at the option of the tenderers, for twenty-one years with the right of renewal in perpetuity. One section was taken up for the long term and the other as a renewable lease.

It is argued that with business sites and a term equal to the life of the building a business man knows definitely beforehand what sinking fund he must establish and his finance is fixed, whereas with a revaluation every fourteen or twenty-one years, or the like, that is not so. We venture to think this objection is more theoretical than practical.

In our opinion municipalities should be chary of, if not prohibited from, granting long leases of endowments within the city or borough (except in the case of virgin or undeveloped areas, such, for example, as reclaimed lands, and then only in the first instance) unless the lease provides for a revaluation of the rent at periods of, say, twenty-one or, at the most, twenty-five years; otherwise the municipality parts with the benefit of the increment in value for too long a period. Experience also has shown that it is difficult, if not almost impracticable, to keep the tenant up to his repairing covenants, and that at the end of the lease the ground is encumbered with buildings so out of date or dilapidated as to require to be pulled down. So that the landlord gets no benefit from the buildings to compensate for the loss of the increment in value.

*Renewal Periods.*

Then, again, there is a difference in practice as regards the length of the term in the case of renewable leases. In Dunedin the city leases are renewable every twenty-one years; those of the Harbour Board and Presbyterian Church Board every fourteen years. In Wellington the Harbour Board leases are for twenty-one years at the outset, followed by renewals every fourteen years. The Wellington City Corporation leases are renewable every fourteen years.

*Twenty-one Years preferable.*

The opinion most generally expressed, and one which the representatives of the Wellington City Council fully endorsed, was that twenty-one years was a preferable term and calculated to produce better rents. We cannot say that this result is altogether borne out by the experience in Dunedin. Certainly the system there prevailing of valuing the rents does not appear to lay much stress upon the difference in term. With a fourteen-years rest the landlord may come into the increment in value more quickly, but the tenant gains earlier relief if values go down. We think that the period of renewal should be left to the discretion of the local body so as to adapt it to its own local circumstances, but we find no sufficient reason for a longer period than twenty-one years.

*Auction Renewals.—No Competition.*

Attention should be drawn to the practical operation of auction renewals. In Dunedin, where they have prevailed, experience has shown that it is only in the rarest cases (only two or three instances could be recalled by the various witnesses