



Item No: 19.1
 File No: 20.71.2.47
 Date: 20 April 2020
 Attachment: Nil.

Meeting: Council

Title: COVID-19 – Lease/Licence Rent Waiver Projections

Responsible Manager: Group Manager Corporate Services, Katy Bone

Author: Business Analyst (Property & Contracts), Scott Reardon

Key Focus Area: Strategic Community Plan Focus area 3 - Transparent and accountable local tier of Government

Key Focus Area: Financial Guiding Principle 2 – Invest sustainably in community assets for the future

Type of Report: Information Only

Pursuant to Section 83(5) of the *Local Government Act 1999*, the Chief Executive Officer indicates that the matter contained in this report may, if the Council so determines, be considered in confidence pursuant to Section 90(2) of the *Local Government Act 1999* on the basis that the information contained in the attached report is information of the nature specified in subsections 90(3)(b) of the Act being commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information or that would confer a commercial advantage on a third party and that would, on balance, be contrary to the public interest.

Recommendation (Public)

Pursuant to s90(3)(b)

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except the Chief Executive Officer Kiki Cristol, Group Manager Asset & Infrastructure Joshua Bowen, Group Manager Planning, Environment & Regulatory Services Andreea Caddy, Group Manager Corporate Services Katy Bone, Group Manager Customer Experience Danielle Garvey, Manager Community Development & Engagement Fiona Deckert, Business Analyst (Property & Contracts) Scott Reardon and Council Secretariat Vanessa Davidson, be excluded from attendance at the meeting for Agenda Item 19.1 COVID-19 – Lease/Licence Rent Waiver Projections.

The Council is satisfied that, pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item 19.1, is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council may propose to conduct business and would therefore prejudice the commercial position of the Council.

Recommendation (Public)

That Council receives and notes this report.

Recommendation (Public)

Pursuant to s.91(7)

That having considered Agenda Item 19.1 COVID-19 – Lease/Licence Rent Waiver Projections in confidence under section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council, pursuant

to section 91(7) of that Act orders that the report and attachments relevant to this Agenda Item be retained in confidence for a period of 12 months or the matter has been finalised, excepting that Council authorises the release of the minutes to substantive party / parties to enable enactment of the resolution and that pursuant to Section 91(9)(c) of the *Local Government Act 1999* the Council delegates to the Chief Executive Officer the review and power to revoke this Order

and

That Council resolves to end its confidential deliberations pursuant to Section 90(2) of the *Local Government Act 1999* and re-admit the public.

Summary

As a direct result of the current global COVID-19 pandemic many businesses, community groups and sporting clubs within the Township have been adversely affected by both the sudden downturn in the economy and the social distancing restriction imposed State and Federal Governments.

The Town of Walkerville currently has seven (7) tenants occupying various properties throughout the Township by way of Lease, Licence and/or Management Agreement. Anticipating that these tenants may become further impacted by additional restrictions (thus limiting their ability to generate and maintain a sustainable income) it is likely Administration will receive hardship claims over the course of the next few months. As such, this report outlines a preliminary analysis of the projected impacts to the 2019/20 financial year should each tenant apply for a three (3) rent free period.

It should be noted that a full analysis of projected rental revenue losses to the 2020/21 financial year will be picked up in Budget Workshop 3.

Background

The World Health Organisation declared COVID-19 a Global Pandemic on 11 March 2020. The Commonwealth Government announced restrictions on social gatherings of up to and including 500 people on 16 March 2020. Commencing midday 23 March 2020 cafes, restaurants, clubs, gyms and sporting venues were forced to close as part of further national COVID-19 restrictions. The South Australian Commissioner for Police executed a decree under the *Emergency Management Act 2004* on 28 March 2020 which placed further restrictions on social gatherings; limited gatherings to no more than (10) people.

Town of Walkerville Lessees/ Licensees

The Town of Walkerville currently has five (5) community lease tenants and two (2) commercial lease tenants. Combined, these tenants generate approximately \$531,000.00 per year for Council by way of rental revenue. The following table outlines each respective tenant's rental obligations for the 2019/20 financial year. It should be noted that all amounts quoted are ex GST.

Community Leases	2019/20 Rental Obligation
INEA YMCA Inc.	\$ 11,441.00
St Andrew's School Inc.	\$ 9,454.00
Walkerville Bowling & Community Club Inc.	\$ 1,246.00
Walkerville Lawn Tennis Club Inc.	\$ 3,112.00
Walkerville Sport Club Inc.	\$ 3,000.00
	\$ 28,253.00

Commercial Lease

Angie & Corey Burford – Walkerville Pre-Kindy	\$ 19,175.00
Ryad Hill Pty Ltd – Levi Caravan Park	\$ 483,569.00
	\$ 502,744.00
Total Rental Revenue	\$ 530,997.00

Projected Financial Implications 2019/20

In the current climate, many South Australian Councils are implementing blanket rent free periods (generally for three (3) months) and/or offering alternative subsidies in order to support their community and commercial tenancies. On this basis, the following “*worst case scenario*” has been projected to highlight the possible impacts to the 2019/20 acting on the assumption that all tenants apply for a three (3) month rent free period between 1 April and 30 June 2020.

It should be noted that all amounts quoted are ex GST, and amounts quoted for the 2020/21 do not include CPI increases.

Worst Case Scenario - Three (3) Month Rent Free Period

The following table outlines the current budgeted annual rental obligations for each tenant, any outstanding amounts payable as at 31 March 2020, what the tenant’s respective calculated rental discount would be and the associated impacts for the 2019/20 financial year.

Community Leases	Annual Charge	Outstanding amounts as at 31 March 2020	Discount - Three (3) Month Rent Free Period
INEA YMCA Inc.	\$ 11,441.00	Nil	\$ - 2,860.25
St Andrew’s School Inc.	\$ 9,454.00	Nil	\$ - 2,363.50
Walkerville Bowling & Com. Club Inc.	\$ 1,246.00	Nil	\$ - 311.50
Walkerville Lawn Tennis Club Inc.	\$ 3,112.00	Nil	\$ - 778.00
Walkerville Sport Club Inc.	\$ 3,000.00	Nil	\$ - 750.00
	\$ 28,253.00	Nil	\$ - 7,063.25

Commercial Leases

Pre-Kindy	\$ 19,175.00	Nil	\$ - 4,793.75
Ryad Hill Pty Ltd	\$ 483,569.00	\$ 40,297.42	\$ - 120,892.25
	\$ 502,744.00	\$ 40,297.42	\$ - 125,686.00

	2019/20
Original 2019/20 Budget - Rental Revenue	\$ 530,997.00
Loss of Rental Revenue through Rent Relief	\$ - 132,749.25
Total Revised 2019/20 Budget - Rental Revenue	\$ 398,247.75

Next Steps

Administration will undertake full projection for possible rental revenue loss for 2020/21 and provide and update as part of Budget Workshop 3.

Any/all hardship/relief applications will be submitted to Council on a case by case basis.