

**9.4 RENT REVIEW REQUEST BEATTY PARK PHYSIOTHERAPY PTY LTD**

**Attachments:** 1. Profit & Loss Statement - FY21/22 & YTD 31.01.23 - Confidential

**RECOMMENDATION:**

**That Council:**

1. **APPROVES** a variation of lease with Beatty Park Physiotherapy Pty Ltd (ACN 614 728 095) located at a portion Beatty Park Leisure Centre, 220 Vincent Street, North Perth to reflect rent reduction of 15 per cent of current rent per annum plus GST (equating to \$13,793.60 per annum) for a period of three (3) years or an alternative period as agreed by the Chief Executive Officer (CEO) and Beatty Park Physiotherapy Pty Ltd to commence from the date of Council's approval; and
2. **Subject to final satisfactory negotiations being carried out by the Chief Executive Officer, AUTHORISES** the Mayor and CEO to execute the Deed of Variation of Lease in accordance with the Execution of Documents Policy.

**PURPOSE OF REPORT:**

To consider Beatty Park Physiotherapy Pty Ltd (ACN 614 728 095) (BP Physio) request for rent reduction.

**BACKGROUND:**

BP Physio has leased a portion of the Beatty Park Leisure Centre (Centre) since 26 July 2017 when it took an assignment of the prior physiotherapy tenant's lease which commenced in 2014. Council at its meeting 28 July 2020 resolved to grant a new 5 year lease term to BP Physio commencing 1 October 2020 and expiring 30 September 2025 with an option term of 5 years expiring on 30 September 2030 (Lease).

**DETAILS:**

Pursuant to the Lease, rent commenced at \$82,170 per annum including GST subject to annual CPI. The current rent payable is \$8,249.40 per month totalling \$101,152.80 per annum including GST. Rent has increased by approximately 20 per cent since the commencement of the Lease in 2020.

Rent under the Lease was based on the market rental valuation received in 2020 and negotiated with BP Physio based on the valuer's advice on the then market conditions and BP Physio's previous financial assistance application during the COVID-19 pandemic in 2020.

The COVID-19 Relief and Recovery Committee approved financial relief to BP Physio at its 12 May 2020 Meeting. Council at its meeting 28 July 2020 provided a further waiver to BP Physio obligation to pay an estimated 30 per cent of rent and variable for the period 1 July 2020 to 30 September 2020.

BP Physio’s current proposal and justifications for rent reduction are on the following terms:

|                           |  |
|---------------------------|--|
| Agreed Terms              | 15% rent reduction equating to \$13,793.60 per annum totalling \$41,380.80 for 3 years   |
| BP Physio’s justification | <ul style="list-style-type: none"> <li>• Physiotherapy clinic has been running at a loss</li> <li>• Long serving tenant of more than 10 years</li> <li>• Strong relationship with Beatty Park Leisure Centre (BPLC)</li> <li>• Provide services to the community</li> <li>• Supportive of the City’s works in and around BPLC and large events that have been disruptive to their clients and have been detrimental financially</li> <li>• Supporting BPLC and community:             <ul style="list-style-type: none"> <li>○ Offering discount to BPLC members for all services offered by BP Physio</li> <li>○ Promoting BPLC membership to clients</li> <li>○ Providing pilates classes for BPLC</li> </ul> </li> <li>• Future developments:             <ul style="list-style-type: none"> <li>○ BP Physio has invested in becoming a NDIS provider. They are due to receive approval and will have the ability to provide physiotherapy services to people with disabilities.</li> <li>○ Plans to merge with another physiotherapy clinic and create a physiotherapy hub.</li> <li>○ Offer mentoring programme for students and employ new graduates.</li> <li>○ Expand community involvement by providing a variety of pilates programmes and Physio Led Exercise.</li> </ul> </li> </ul> <p>Rent reduction would allow BP Physio to launch NDIS, complete merger and introduce new programmes.</p> |

Administration is supportive of BP Physio’s proposal above on the basis that:

- Rent since inception of the Lease has increased by approximately 20% due to annual CPI increases and the fact that CPI has markedly increased in the last two years.
- Based on the BP Physio’s profit and loss statements (from 1 July 2021 to 31 January 2023) **Confidential Attachment 1**, the clinic operated at a loss of total income of approximately 20% from FYE 2022 until today.
- The sole director of BP Physio, Katie Holtham returned from maternity leave in 2022 and has been instrumental in rebuilding and expanding the physiotherapy clinic as outlined above.
- Although BP Physio is a category 3 tenant and considered as a commercial entity, it has serviced and continues to enhance their services to the community through providing their services (outlined above) to the BPLC members and patrons.
- Administration concurs that past and continuing works undertaken in BPLC has affected the businesses within BPLC including BP Physio.

These works include:

- Indoor pool closed for renovation January 2021 to August 2021
- Gym closed for flooring upgrade May 2020 to June 2020
- Grandstand facade waterproofing (scaffolding across front of building for 5 months 2022)
- Electrical upgrade works to grandstand – in progress expected completion June 2023
- In addition, upcoming planned works may contribute to further disruptions to BP Physio’s business:
  - Outdoor pools are planned to be retiled over the next 18 months leading to further disruptions to access, noise and loss of use of the pool area for several months.
- The City’s Beatty 2062 Project is looking at future uses for the whole of the grandstand area at BPLC and BP Physio will be a major stakeholder during these discussions over the coming years.

**CONSULTATION/ADVERTISING:**

Administration has met with BP Physio to discuss their proposal and negotiated the agreed terms for the variation of the Lease.

**LEGAL/POLICY:**

BP Physio is a Category 3 tenant under the Property Management Framework. Delegation 2.2.18 of the City's Delegated Authority Register does not extend to variation of leases under category 3 which require a specific resolution of Council.

**RISK MANAGEMENT IMPLICATIONS**

It is low risk for Council to provide the rent reduction.

**FINANCIAL/BUDGET IMPLICATIONS:**

The table below demonstrates the recommended response to BP Physio's request for rent reduction associated with their existing Lease:

|                       |   |
|-----------------------|---|
| <b>Rent reduction</b> | 15% rent reduction equating to \$13,793.60 per annum totalling \$41,380.80 for 3 years. |
|-----------------------|---|

**COMMENTS:**

BPLC provides an important space for various activities, programs and services that strengthen our local community through improved community connections, social participation and health and wellbeing.

BP Physio plays an important role in the community and continues to contribute an essential service to the community which is wholly supported by the City.

It is acknowledged that inflation rate for the past two years has increased significantly and it has impacted a number of tenants including BP Physio. The proposed rent reduction will enable BP Physio to get the business back on its feet and grow their business as outlined above.