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I hereby give notice that an Economic and Environment Committee Meeting will be held on:

Date: Monday, 6 July 2020
Time: 5.30 p.m.
Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier

CONFIDENTIAL AGENDA

**Economic and Environment
Committee Meeting
6 July 2020**

A handwritten signature in black ink, appearing to read 'A Meddle', with a long horizontal line extending to the right.

Andrew Meddle
Chief Executive Officer
2 July 2020

7 CONFIDENTIAL ITEMS

7.1 COMMERCIAL LEASE - REQUEST FOR EXTENDED LEASE – REPORT NO. AR20/38059

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Economic and Environment Committee orders that all members of the public, except Mayor L Martin, C Greco, K Amoroso, M Bruins, B Hood, P Jenner, S Mezinec, F Morello and Council Officers B Cernovskis, N Serle, J Nagy, M McCarthy and M Telford be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 7.1 AR20/38059 Commercial Lease - Request for Extended Lease.

The Economic and Environment Committee is satisfied that, pursuant to section 90(3) (a), (b) and (d) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead)
- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is
 - conducting business; or
 - proposing to conduct business; or
 - to prejudice the commercial position of the Council
- commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected:
 - to prejudice the commercial position of the person who supplied the information, or
 - to confer a commercial advantage on a third party

The Economic and Environment Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be considered includes financial and commercial information of the operators and Council's own commercial position in relation to the leased facility, the premature disclosure of which would be an unreasonable release of personal information regarding the operators intentions and could reasonably be prejudice the commercial position of the Council and the party that provided the information and confer an advantage on 3rd parties.

The public interest in the consideration of this matter in open session is outweighed by the benefits associated with ensuring a sound commercial outcome is achieved by Council on behalf of the community for its commercially let property.



7.1 COMMERCIAL LEASE - REQUEST FOR EXTENDED LEASE – REPORT NO. AR20/38059

Committee:	Economic and Environment Committee
Meeting Date:	6 July 2020
Report No.:	AR20/38059
CM9 Reference:	AF19/331
Author:	Michael McCarthy, Manager Executive Administration
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	This report presents a proposal received from an existing Council tenant requesting Council grant extended lease periods for their commercial operation.
Community Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage

The Committee is satisfied that, pursuant to Section 90(2) & (3) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this agenda item is:

- (a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead)
- (b) information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business; or proposing to conduct business; or to prejudice the commercial position of the Council
- (d) commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected: to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

REPORT RECOMMENDATION

1. That Economic and Environment Committee Report No. AR20/38059 titled 'Commercial Lease - Request for Extended Lease' as presented on 06 July 2020 be noted.
2. Council notes the Old Gaol tenant's intention to exercise their second and final right of renewal for the period 1 October 2020 to 30 September 2025.
3. Council provides in-principle support to the granting of further tenure for the Old Gaol site from 1 October 2025 for 15 years, comprising 3x5 year rights of renewal, subject to the consideration of the results of public consultation on the proposed leasing for a period greater than 5 years.
4. That a further report be presented to Council to consider any objections received in response to public consultation on the extended leasing proposal.
5. In the event that no submissions are received, or no submissions objecting to the extended leasing proposal, then the Chief Executive Officer and Mayor (or delegate/s) be authorised to negotiate and execute such further tenure arrangements beyond 30 September 2025 as envisaged by Report No. AR20/38059 and resolution 3.



BACKGROUND

The Old Mount Gambier Gaol has, since 2010, been under a commercial tenancy arrangement to James and Melissa Stephenson who over this period have transformed the facility from a virtual homeless shelter to a boutique accommodation venue with accompanying industry recognition.

As part of their business operations from this facility James and Mel have also been responsible for a range of community activities and events.

From a property management perspective this tenancy is considered an example of a successful arrangement for such a historical facility accompanied by a range of significant physical constraints.

The existing contractual arrangements for the Old Gaol included a 5+5+5 year licence, with the final 5 year renewal term due to commence from 1 October 2020.

James and Mel have indicated their intention to exercise their remaining 5 year right of renewal, and in doing so have requested that Council also consider granting further tenure beyond 2025, so that they may continue to plan their business, as well as ultimately, their exit strategy.

Whilst the granting of the remaining 5 year renewal is an administrative formality, this report is presented for Council to consider the secondary issue of granting further tenure beyond 2025.

DISCUSSION

Discussions with the tenants of the Old Gaol during their first and subsequent 5 year licence periods have been limited to the terms and conditions associated with their current licence and renewals. With the upcoming exercise of their second and final renewal period, James and Mel have indicated their future intentions to secure further tenure of the Old Gaol.

With the requirement to formally document the next renewal period and having received written communication requesting Council consider the granting of further tenure beyond 2025 then, should Council be agreeable to granting further tenure, to document these matters together thus providing both Council and tenant with a level of certainty in the last five years of the current arrangement.

The Stephenson's request is for an additional 15 years beyond their current 5 year right of renewal. The aggregate period is within the maximum 21+21 years allowable under Section 202 of the Local Government Act 1999.

Council is under no obligation to grant the extended tenure at this or any subsequent time, but should also note that doing so is entirely consistent with commercial practice outside the local government environment where a landlord and tenant may commit to extended arrangements at any time.

Council must however comply with the relevant provisions of the Local Government Act relating to leasing/licensing of community land which for any period exceeding 5 years provides that Council must follow the relevant steps set out in its public consultation policy.

Council is also restricted in approving the use of community land for a business purpose contrary to the provisions of a management plan. The Community Land Management Plan for the precinct including Olympic Park and the Old Gaol anticipates leasing for commercial (business) purposes.

Accordingly, whilst Council may grant in-principle consent to the granting of further tenure to the current tenants of the Old Gaol beyond the existing contracted period to 2025, public consultation must first be undertaken on the proposed further (greater than 5 year) lease/licence period.

It should be noted that the necessity to undertake consultation on an extended lease period from 1 October 2025 has no influence on the licence renewal from 2020 to 2025 being a contractual right associated with the grant of licence endorsed by Council in 2010.



CONCLUSION

Having presented the current tenants request for extended tenure of the Old Gaol site beyond their last renewal period from 2020 to 2025, this report recommends that Council grant in-principle support to further tenure, subject to undertaking public consultation on the proposal.

Should any submissions be received objecting to the extended leasing proposal, a further report will be presented to Council to consider the submissions.

ATTACHMENTS

1. Old Gaol Lease Renewal Letter
2. Old Mount Gambier Gaol Lease Extension - Supporting Information

CONFIDENTIAL



To: Michael McCarthy and Mount Gambier City Councillors
Re: The Old Mount Gambier Gaol Lease Agreement

Monday 15th June 2020

Warmest greetings Councillors,

We hope this email finds you all well and adapting to life during Covid-19. We realise our lease agreement is the least of your concerns right now and we regret to add to your no doubt extended workload. However, we have been advised by Michael McCarthy that the time is nearing for us to advise how we wish to proceed with our lease. Please see below for our formal requests and an explanation/ break down of our planning and strategy for The Old Mount Gambier Gaol. Please know, that we are more than happy to provide extra information or to meet with you to discuss the matter further if required.

Regards,

Melissa and James Stephenson
The Old Mount Gambier Gaol

Formal Requests

We hereby formally advise that we wish to use our remaining five-year lease, commencing the 1st of October 2020.

We also wish to advise our interest in beginning a new long-term lease arrangement, to begin once our remaining five-year lease concludes in 2025.

We are seeking a renewal of 5 years x 5 years x 5 years.

We would like to include an option/ clause in our new contract to acknowledge and allow us to have a saleable product.

We kindly request Council members to decide upon the above this year. If our proposed lease agreement is left on the table for the incoming council to decide upon, we will only be left with two years of our lease at that stage. We would appreciate and prefer to know exactly what time we have left, so we can finalise our business plans.

Explanation/ Break down

Our relationship with Council began back in 2010. We went through the tender process and commenced our lease agreement on the 1st of October that year. From the very beginning we have worked closely with Council. Previous tenants had left the Old Gaol in a bad state of disrepair and we recognised we needed to be transparent and open with our planning and intentions. This transparency has helped us to gain both Council and the greater communities trust.



The first few years of our business were really spent cleaning and prioritising what needed repairing, as well as laying the foundation of the business we hoped to create. From the very beginning we have always planned to pay respect to this unique, heritage building and its history, create a profitable accommodation business that is unlike any other in the country and to promote a space for events that are community oriented. Our business still uses these three factors as our core values when strategizing and planning in any way and we are proud to have stayed true to our vision and commitment to our Council and community.

Please find attached in this email a document named 'The Old Mt G Gaol License Renewal'. This document was created by us a few years ago which we have now updated to reflect what we have done over the last 5 years. It enables new staff or councillors unfamiliar with our background to learn a little about what we do and have done over the last decade. It allows new staff to understand our lease agreement and how involved we are with building maintenance, budget allocation, history promotion, local tourism, etc. We ask you to each please read this document before making any decision about our lease renewal.

Over the last ten years we have worked hard to create a business that is small, but profitable and we feel adds value to our town and community profile. We feel like we are just getting started, like we finally understand this old building, how she runs and what is needed to keep her maintained to a great standard.

We are currently shut down for accommodation due to the recent Covid-19 pandemic. We have used this time to go within, research our industry, brainstorm new ideas and ways to make revenue if accommodation is slow to begin again. It is our humble opinion that accommodation and tourism will forge its way ahead in time and we are confident that our accommodation numbers will increase as Australia's confidence in their health and safety returns. We are choosing a conservative approach to reopening. We plan to open to the public within the next few months. As most of our kitchens and bathrooms are communal, we have decided to err on the side of caution and use this time to continue with our garden and décor upgrades and re-brand and re-launch the gaol when ready.

The Covid-19 shutdown initially left us feeling disappointment and despair. This year our business turns ten and we hoped to celebrate with our community during the year, it was also devastating to lose all Winter bookings within two weeks. The upside of this shutdown is that we have had time to re-evaluate. We have had time to look within our business and see where it can be, tweaked and adjusted. We have had time to research options if we need to diversify and we have had time to look into what our community may need post-Covid-19 and how we might be able to again serve our community and boost morale and community spirit. We are confident and excited with the new direction we intend to pursue.

In part it feels as if we have been given a new opportunity for our business to evolve. We realise we have five years left of our agreement but would dearly like to begin a new lease agreement to secure our future and work toward some long-term community and tourism goals.

With those long-term goals in mind, we feel it is imperative that we have an option or clause included in our new agreement that allows our business to be acknowledged as a saleable product. We have worked tirelessly to establish a reputable business, one that promotes our town and region with its name alone. We have won numerous awards and achieved recognition on a local, national and international level. We are excited to continue to build our business and our reputation but would like the option to sell on our business at any stage. We have no intention of selling and leaving our business in the foreseeable future, however, we wish to be armed with choice as we do



not know what lies ahead for us personally. If anything in our personal position did change and mean we could not continue to run The Old Mount Gambier Gaol, we would like to see the business sold on so it could proceed to be a valuable fixture of the community and a financially viable asset for Council. We would of course wish to work closely with Council if we chose to sell at any stage to find fitting new leasee's to continue the business. Again, we wish to acknowledge that selling our business is not something we aspire to do in the immediate future, but having the option is an essential part of our new lease agreement and future planning.

CONFIDENTIAL





Monday 15th June 2020

To whom it may concern,

Thank you for taking the time to read the following document. This document outlines our business history regarding The Old Mount Gambier Gaol and showcases what we have developed and implemented within the community during our time here.

As we are a somewhat unique commercial lease and keeping in mind that many of the council employees we now liaise with may not have been with us from the beginning of our journey, we thought it may help to provide an overview of processes past as well as our future business aspirations. It is difficult to gauge how much we personally invest into the council owned premises. But thought it may help to highlight what we do, have done and plan to do to assist council in understanding the gaol's value to the community and to assist us in any future negotiation process.

In the beginning: First five years (2010 – 2015)

From the very beginning we have always worked in alignment with our strategic plan. When preparing our plan for the first five years of business we had to incorporate a number of negative challenges that came with the building.

On the first of October 2010 we began our commercial lease, upon entering our new location we discovered we had inherited:

- The previous tenants/ business owners. This couple lived on the property for three months, rent free, with roaming dogs and were still actively taking guests money for accommodation without our knowledge. We did seek council assistance to have them removed from the property but were told it would be "character building" for us to work it out ourselves. We eventually had no choice but to move them out ourselves and store their leftover belongings for them until they came to pick them up.
- The previous tenants had utilised almost 60% of the gaol space with hordes of junk, broken machinery and rubbish.
- We had six homeless men living in a section of the gaol. These men each had individual issues and sensitivities. We allowed them to stay whilst we worked with local agencies to find them new accommodation.



- Originally the local media were publishing negative articles about our new tenancy, one front page article was headlined "James and Melissa: Kicking homeless out in the cold".
- A heritage building in major disrepair.
- A council asset/ building with a terribly negative reputation internationally and nationally. The internet was awash with filthy photos, devastating reviews and negative remarks about the building. This reputation had also reached international bus tour group companies, backpacker sites, traveller guides and booking sites. There was documentation of guests requiring medical assistance from bed bug infestations and documented assaults from inside the venue.

From the commencement of our lease we met regularly with then CEO Greg Muller to build confidence with councillors and the community. Together we began working towards creating a saleable business and something the community could call an asset.

- We created our business from scratch. There was no other business we could compare ourselves to. We are entirely unique. At the time there was no other ex-prison facility in Australia that provided accommodation seven days a week as a commercial business.
- We began holding functions within the gaol.
- We held 'open days' 'community weekends' where the community were invited to come inside the gaol to see the changes being made to their asset and become informed about planned changes we were working towards.
- We researched the gaol's history and created interactive signage throughout the gaol to inform and educate visitors and guests.
- We created self-guided tours throughout the gaol
- We began emptying, cleaning and organising the gaol so that it was clean and usable. Council provided tools and materials and we did the majority of painting and maintenance ourselves.
- We travelled to ITE events (International Tourism Exchange). Began introducing ourselves, repairing relationships, showcasing our building and our town, explaining our vision for our business and what it will offer international guests.
- We donated the piece of land behind the gaol to The Community Garden instead of charging them rent as another source of income.
- We helped to create local project "Pathways to Construction" where students would spend time in the gaol learning and assisting tradesmen to restore and maintain parts of the building.

In the next few years of our business we realised we were moving in the right direction as backpackers and travellers began to come back to the gaol for accommodation. We were still solely relying on the events and functions aspect of our business to cover our expenses but accommodation was picking up. During this time we:

- became a part of council's Sustainable Communities Visit each year
- began hosting an annual weekend camp for local children involved with Camp Quality
- received recognition and positive review in SA Weekend
- won a Mount Gambier Chamber of Commerce Outstanding Business Award for Tourism/Hospitality and Accommodation
- partnered with White Lion and ran a "Bail Out" event raising monies to be used for disengaged local youth



- were voted the 'number one ex prison accommodation in the world' by booked.net
- continued to deal with locals who called on the gaol building as a 'halfway house'
- rejected an offer from YHA to become business partners. We decided to stay independent to see what we could build ourselves first
- Brought Australian hip hop group 'Bliss n Eso' to town. They played to a local crowd of three thousand, which was the biggest show in Mount Gambier at the time
- Secured a weekly contract with international bus tour group G. Adventure. This relationship and contract is ongoing
- Won 2013 Influential Women In Business Award for 'Best Small Business'
- Became members of SATIC
- Began hosting school groups in SA and Vic for both school camps and excursions
- Received Booking.Com guest review 'Award of Excellence' in 2013, 2014
- Created the 'Jailhouse Blues Fest' in 2014
- Brought further large scale community events to town. Ie. Hilltop Hoods and Xavier Rudd

Our fifth to tenth year of business: (2015-2020)

Just before our five-year anniversary we updated our business plans. We used this time to revisit past plans, see if we were on track and to tweak and revise future plans and aspirations. We were happy to see we were on track with our original vision. Even amongst having babies and raising our young family were still in line with our original goal and on track with where we imagined our business would be at the five-year mark. During this time, we worked on the following:

- Business Course implementation. We both completed a very intense business course designed for business owners and entrepreneurs to extend their vision. This course encouraged us to dissect every aspect of our business design and evaluate its effectiveness. We were then challenged to work out how we could improve each aspect to better our business.
- We researched each area of our business to ensure we were moving in the right direction. We discovered some time ago that backpacker numbers were dwindling and decided to move towards attracting older guests, couples and families. After we made this decision, we saw many hostels along the Great Ocean Road implementing the same changes we had already made.
- We started the process of mindfully building our business. We had spent the first five years establishing who we were and what we and our town had to offer. We have worked really hard to attract a wide variety of guests. We worked towards building an accommodation business with longevity and stability.
- We began the process of entirely re-branding our business. The business courses assisted us to better understand our guests, we now knew what they were seeking and worked through a detailed task list in order to make sure we surprised and delighted our guests from the beginning of their interactions with us up until they left after staying with us.
- We are now no longer a hostel or backpacker venue. We are a 'Unique Hotel'. We offer an array of accommodation options for families, small or large groups, couples and singles. We have kept twelve 'backpacker beds', the rest of our configuration is designed to cater for bus groups, school camps, sporting groups, families travelling together and couples. Moving away from backpackers has been really positive for our business. We have become increasingly popular for school camps and group accommodation.



- We began to re-décor all rooms and living spaces within the gaol.
- We started planting out the entire gaol complex with native plants. We planted over two hundred natives out the front of the property. We planted three gardens inside the gaol and have finally worked out what type of plants work in certain areas of the gaol and how to maintain them throughout the year.
- James became the first Mount Gambier person to ever sit on the SATIC board giving our region a direct voice regarding tourism. At the same time, he joined forces with other local hoteliers and helped to create the 'Mount Gambier Tourism Board'.
- We regularly received international media requests asking us for photos and descriptions of our business and town. This information is routinely used in international articles.
- James worked consistently with different musicians, agents and production companies to ensure Mount Gambier was a reputable destination for the Australian Music Industry. James is constantly negotiating with big musicians to play here in Mount Gambier.
- After two years of negotiations, James secured 'The Red Hot Summer Tour', which continues to provide the community with a great assortment of Australian Rock Legends. This partnership proved to be a success for our business, our community and for the promoters. The Old Mount Gambier Gaol is now, apart from Mannum the longest serving venue on the tour. This annual event brings over a million dollars into our community with each show and is so well received by our town that we now sell out at 4-4,500 people. Patrons travel from all over South Australia and Victoria to see these shows. Some big names we have hosted are: Bliss n Eso, Hilltop Hoods, Xavier Rudd, Geoff Lang, Mia Dyson, The Angels, Hunters and Collectors, Jimmy Barnes, James Reyne, Icehouse, Noiseworks, Killing Heidi, Living End, Screaming Jets, Daryl Braithwaite, Suzi Quattro, Shannon Noll and John Farnham.
- Our 2020 Red Hot Summer Tour almost did not go ahead due to the fires that swept across Australia. When it did proceed, we put out the challenge to our community to dig deep and raise money for our local volunteer fire fighters and their families. We are proud to have raised \$30,000 on that day.
- In 2016 the gaol building celebrated its 150th birthday. To celebrate this milestone, we held several community-oriented events scattered throughout the year. We created 'Dinners for Peace', a very successful regular event where locals were invited to come and share a meal, meet new people and learn about other community members stories and struggles. We held school exhibitions within our courtyards. We worked with our Aboriginal Elders and held sessions where the community were invited to come and sit around a campfire and learn as our elders shared story. We also opened the gaol to primary schools in our community for the bday year and invited as many as possible to enjoy complimentary excursions staggered throughout the year
- We began working again with 'White Lion' to hold two 'Bail Out' events in the gaol. These events are designed to invite local business owners, councillors and politicians to participate and understand what it is like for our youth to be incarcerated. The event shows people what it might be like to be handcuffed, processed and put in prison, whilst also sharing real stories of kids who have come through the system. The event promotes understanding and education for the wider community, whilst also raises money to stay in our region and assist our local disengaged youth. Both events were well supported and raised over \$50,000 which was spent locally.



- We began to implement our updated marketing strategy. Our immediate priority was to target the International market. Internationally we targeted tour groups and booking sites with the hope to further expose and expand our brand recognition of our business and Mount Gambier. Thanks to this marketing, we were able to secure some of the largest international bus companies in Australia such as Top Deck, Groovy Grape, Adventure Tours and G Adventures. We are now the highest review rated venue in Mount Gambier on Booking.com, Expedia and Trivago. We are also in the top ten percent of venues worldwide on Trip Advisor.

Our future plan: (2020 and beyond)

Due to the Covid-19 Pandemic the majority of our plans for this year have been put on the back burner, this is both deeply disappointing and out of our control. As it is our business's tenth birthday this year, we had planned on celebrating with community events, but like so many other business owners, we were forced to cease trading.

This forced shut down has been heart breaking for us. We lost all our Winter bookings within days. As our kitchens and bathrooms are all communal, we still have not re-opened yet.

We have used this down time to reassess our visions and plans and spend time with our children. We have again, adapted and changed our business planning to move forward with new set goals for The Old Gaol. These new goals include a strong focus on what we can do as a local business to uplift our community and restore our sense of 'togetherness'.

We recognise we will be starting all over again in many ways. This is of course frustrating, but also a challenge we look forward to. We, like many other local businesses will need to re-focus, adapt and be creative moving forward.

We are set to commence our third, five-year lease at The Old Mount Gambier Gaol as of the 1st of October 2020. We are also seeking a renewal of fifteen years.

We would like to include an option clause in our new contract to acknowledge and allow us to have a saleable product.

We realise that because our commercial lease with council is so different from others there is nothing set in stone so to speak about how we may sell on our business at the end of our lease. We have since the conception of our business worked towards our exit strategy which has always been with the intention to potentially, one day sell our business. Our focus in this time would be:

- To liaise with council about our intention to begin searching for the right types of buyers of our business
- Be transparent with council about what we have to sell: the two aspects of our business which are not really saleable are our functions and events. Accommodation business on the other hand is worth dollar for dollar. So if we work towards having the accommodation aspect of our business reaching \$200,000 consistently per annum, then that is the benchmark for what 'The Old Mount Gambier Gaol' business is worth.
- explain to council why we feel it is valuable for council to enable us to find the right buyer: if we work for fifteen to twenty years establishing a unique accommodation



business with a fantastic international reputation we feel it would be in the communities best interest to ensure its longevity. Whether the right buyer for council is an international organisation like YHA or another local family like us, we feel by working together we can pass the torch to someone that will fit into councils' future plans.

- This building provides so much to our community. It is such a unique asset for a town like ours to have. To us it has always made sense to create something our community feels an ownership of, something of value, and something that inspires people to dream, something that shows you can recycle old buildings and provide entertainment and education whilst doing so. This is why we named our business 'The Old Mount Gambier Gaol', we have always hoped to create something with such value that our community and council would appreciate its worth and wish to keep it going long after we are gone.

We have always enjoyed a great relationship with council. We thought we would take this opportunity to share our past, where our business has come from and our future strategic plan so we can share our aspirations and maybe work with council in regards to future strategic planning of the gaol building.

We understand our rent is low and in all honesty would not yet be able to remain operating if it was increased. Our overheads such as electricity, gas and water are sizeable. To heat and light up a building of this size brings much expense. With a hundred and fifty year old building comes leaking taps, bursting pipes and aged electrics. It is just part and parcel of our tenancy and we accept this. We are understanding of our regular cpi increase and would hope that we could keep any licence fee increase to a bare minimum. We are hopeful that all that we do and intend to continue doing for the building, the business and our town will aide us in our request.

Warmest regards,

James and Melissa Stephenson



CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 7.1 AR20/38059 Commercial Lease - Request for Extended Lease and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (a), (b) and (d) be kept confidential and not available for public inspection until 12 months have elapsed or a new arrangement has been entered into for the subject property, whichever is the later.
2. Further that Council delegates the power to review, revoke, but extend of the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CONFIDENTIAL

**MINUTES OF ECONOMIC AND ENVIRONMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE,
MOUNT GAMBIER ON MONDAY, 6 JULY 2020 AT 5.30 P.M.**

PRESENT: Mayor Lynette Martin (OAM), Cr Christian Greco, Cr Kate Amoroso, Cr Max Bruins, Cr Paul Jenner, Cr Sonya Meziniec, Cr Frank Morello

OFFICERS IN ATTENDANCE: General Manager Community Wellbeing - Ms B Cernovskis
General Manager City Infrastructure - Mr N Serle
General Manager City Growth - Dr J Nagy
Manager Executive Administration - Mr M McCarthy
Executive Administration Officer - Mrs M Telford

7 CONFIDENTIAL ITEMS

7.1 COMMERCIAL LEASE - REQUEST FOR EXTENDED LEASE – REPORT NO. AR20/38059

COMMITTEE RESOLUTION

Moved: Cr Christian Greco
Seconded: Cr Kate Amoroso

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Economic and Environment Committee orders that all members of the public, except Mayor L Martin, Councillors C Greco, K Amoroso, M Bruins, P Jenner, S Meziniec, F Morello and Council Officers B Cernovskis, J Nagy, N Serle, M McCarthy and M Telford be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 7.1 AR20/38059 Commercial Lease - Request for Extended Lease.

The Economic and Environment Committee is satisfied that, pursuant to section 90(3) (a), (b) and (d) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

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- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is
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- commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected:
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The Economic and Environment Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be considered includes financial and commercial information of the operators and Council's own commercial position in relation to the leased facility, the premature disclosure of which would be an unreasonable release of personal information regarding the operators intentions and could reasonably be prejudice the commercial position of the Council and the party that provided the information and confer an advantage on 3rd parties.

The public interest in the consideration of this matter in open session is outweighed by the benefits associated with ensuring a sound commercial outcome is achieved by Council on behalf of the community for its commercially let property.

CARRIED

COMMITTEE RESOLUTION

Moved: Cr Christian Greco

Seconded: Cr Kate Amoroso

1. That Economic and Environment Committee Report No. AR20/38059 titled 'Commercial Lease - Request for Extended Lease' as presented on 06 July 2020 be noted.
2. Council notes the Old Gaol tenant's intention to exercise their second and final right of renewal for the period 1 October 2020 to 30 September 2025.
3. Council provides in-principle support to the granting of further tenure for the Old Gaol site from 1 October 2025 for 15 years, comprising 3x5 year rights of renewal, subject to the consideration of the results of public consultation on the proposed leasing for a period greater than 5 years.
4. That a further report be presented to Council to consider any objections received in response to public consultation on the extended leasing proposal.
5. In the event that no submissions are received, or no submissions objecting to the extended leasing proposal, then the Chief Executive Officer and Mayor (or delegate/s) be authorised to negotiate and execute such further tenure arrangements beyond 30 September 2025 as envisaged by Report No. AR20/38059 and resolution 3.

CARRIED

COMMITTEE RESOLUTION

Moved: Cr Christian Greco

Seconded: Cr Kate Amoroso

CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 7.1 AR20/38059 Commercial Lease - Request for Extended Lease and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (a), (b) and (d) be kept confidential and not available for public inspection until 12 months have elapsed or a new arrangement has been entered into for the subject property, whichever is the later.



2. Further that Council delegates the power to review, revoke, but extend of the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CARRIED

CONFIDENTIAL





Civic Centre, 10 Watson Terrace
Mount Gambier SA 5290

PO Box 56
Mount Gambier SA 5290

Telephone 08 87212555
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city@mountgambier.sa.gov.au

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I hereby give notice that a Council Meeting will be held on:

Date: Tuesday, 21 July 2020
Time: 6.00 p.m.
Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier

CONFIDENTIAL AGENDA

Council Meeting
21 July 2020

A handwritten signature in black ink, appearing to read 'A Meddle', written over a horizontal line.

Andrew Meddle
Chief Executive Officer
17 July 2020

26.2 COMMERCIAL LEASE - REQUEST FOR EXTENDED LEASE – REPORT NO. AR20/38059

Committee:	Economic and Environment Committee
Meeting Date:	6 July 2020
Report No.:	AR20/38059
CM9 Reference:	AF19/331
Author:	Michael McCarthy, Manager Executive Administration
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	This report presents a proposal received from an existing Council tenant requesting Council grant extended lease periods for their commercial operation.
Community Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage

The Committee is satisfied that, pursuant to Section 90(2) & (3) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this agenda item is:

- (a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead)
- (b) information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business; or proposing to conduct business; or to prejudice the commercial position of the Council
- (d) commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected: to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

REPORT RECOMMENDATION

1. That Economic and Environment Committee Report No. AR20/38059 titled 'Commercial Lease - Request for Extended Lease' as presented on 06 July 2020 be noted.
2. Council notes the Old Gaol tenant's intention to exercise their second and final right of renewal for the period 1 October 2020 to 30 September 2025.
3. Council provides in-principle support to the granting of further tenure for the Old Gaol site from 1 October 2025 for 15 years, comprising 3x5 year rights of renewal, subject to the consideration of the results of public consultation on the proposed leasing for a period greater than 5 years.
4. That a further report be presented to Council to consider any objections received in response to public consultation on the extended leasing proposal.
5. In the event that no submissions are received, or no submissions objecting to the extended leasing proposal, then the Chief Executive Officer and Mayor (or delegate/s) be authorised to negotiate and execute such further tenure arrangements beyond 30 September 2025 as envisaged by Report No. AR20/38059 and resolution 3.



BACKGROUND

The Old Mount Gambier Gaol has, since 2010, been under a commercial tenancy arrangement to James and Melissa Stephenson who over this period have transformed the facility from a virtual homeless shelter to a boutique accommodation venue with accompanying industry recognition.

As part of their business operations from this facility James and Mel have also been responsible for a range of community activities and events.

From a property management perspective this tenancy is considered an example of a successful arrangement for such a historical facility accompanied by a range of significant physical constraints.

The existing contractual arrangements for the Old Gaol included a 5+5+5 year licence, with the final 5 year renewal term due to commence from 1 October 2020.

James and Mel have indicated their intention to exercise their remaining 5 year right of renewal, and in doing so have requested that Council also consider granting further tenure beyond 2025, so that they may continue to plan their business, as well as ultimately, their exit strategy.

Whilst the granting of the remaining 5 year renewal is an administrative formality, this report is presented for Council to consider the secondary issue of granting further tenure beyond 2025.

DISCUSSION

Discussions with the tenants of the Old Gaol during their first and subsequent 5 year licence periods have been limited to the terms and conditions associated with their current licence and renewals. With the upcoming exercise of their second and final renewal period, James and Mel have indicated their future intentions to secure further tenure of the Old Gaol.

With the requirement to formally document the next renewal period and having received written communication requesting Council consider the granting of further tenure beyond 2025 then, should Council be agreeable to granting further tenure, to document these matters together thus providing both Council and tenant with a level of certainty in the last five years of the current arrangement.

The Stephenson's request is for an additional 15 years beyond their current 5 year right of renewal. The aggregate period is within the maximum 21+21 years allowable under Section 202 of the Local Government Act 1999.

Council is under no obligation to grant the extended tenure at this or any subsequent time, but should also note that doing so is entirely consistent with commercial practice outside the local government environment where a landlord and tenant may commit to extended arrangements at any time.

Council must however comply with the relevant provisions of the Local Government Act relating to leasing/licensing of community land which for any period exceeding 5 years provides that Council must follow the relevant steps set out in its public consultation policy.

Council is also restricted in approving the use of community land for a business purpose contrary to the provisions of a management plan. The Community Land Management Plan for the precinct including Olympic Park and the Old Gaol anticipates leasing for commercial (business) purposes.

Accordingly, whilst Council may grant in-principle consent to the granting of further tenure to the current tenants of the Old Gaol beyond the existing contracted period to 2025, public consultation must first be undertaken on the proposed further (greater than 5 year) lease/licence period.

It should be noted that the necessity to undertake consultation on an extended lease period from 1 October 2025 has no influence on the licence renewal from 2020 to 2025 being a contractual right associated with the grant of licence endorsed by Council in 2010.



CONCLUSION

Having presented the current tenants request for extended tenure of the Old Gaol site beyond their last renewal period from 2020 to 2025, this report recommends that Council grant in-principle support to further tenure, subject to undertaking public consultation on the proposal.

Should any submissions be received objecting to the extended leasing proposal, a further report will be presented to Council to consider the submissions.

ATTACHMENTS

1. Old Gaol Lease Renewal Letter [↓](#)
2. Old Mount Gambier Gaol Lease Extension - Supporting Information [↓](#)

CONFIDENTIAL



To: Michael McCarthy and Mount Gambier City Councillors
Re: The Old Mount Gambier Gaol Lease Agreement

Monday 15th June 2020

Warmest greetings Councillors,

We hope this email finds you all well and adapting to life during Covid-19. We realise our lease agreement is the least of your concerns right now and we regret to add to your no doubt extended workload. However, we have been advised by Michael McCarthy that the time is nearing for us to advise how we wish to proceed with our lease. Please see below for our formal requests and an explanation/ break down of our planning and strategy for The Old Mount Gambier Gaol. Please know, that we are more than happy to provide extra information or to meet with you to discuss the matter further if required.

Regards,

Melissa and James Stephenson
The Old Mount Gambier Gaol

Formal Requests

We hereby formally advise that we wish to use our remaining five-year lease, commencing the 1st of October 2020.

We also wish to advise our interest in beginning a new long-term lease arrangement, to begin once our remaining five-year lease concludes in 2025.

We are seeking a renewal of 5 years x 5 years x 5 years.

We would like to include an option/ clause in our new contract to acknowledge and allow us to have a saleable product.

We kindly request Council members to decide upon the above this year. If our proposed lease agreement is left on the table for the incoming council to decide upon, we will only be left with two years of our lease at that stage. We would appreciate and prefer to know exactly what time we have left, so we can finalise our business plans.

Explanation/ Break down

Our relationship with Council began back in 2010. We went through the tender process and commenced our lease agreement on the 1st of October that year. From the very beginning we have worked closely with Council. Previous tenants had left the Old Gaol in a bad state of disrepair and we recognised we needed to be transparent and open with our planning and intentions. This transparency has helped us to gain both Council and the greater communities trust.



The first few years of our business were really spent cleaning and prioritising what needed repairing, as well as laying the foundation of the business we hoped to create. From the very beginning we have always planned to pay respect to this unique, heritage building and its history, create a profitable accommodation business that is unlike any other in the country and to promote a space for events that are community oriented. Our business still uses these three factors as our core values when strategizing and planning in any way and we are proud to have stayed true to our vision and commitment to our Council and community.

Please find attached in this email a document named 'The Old Mt G Gaol License Renewal'. This document was created by us a few years ago which we have now updated to reflect what we have done over the last 5 years. It enables new staff or councillors unfamiliar with our background to learn a little about what we do and have done over the last decade. It allows new staff to understand our lease agreement and how involved we are with building maintenance, budget allocation, history promotion, local tourism, etc. We ask you to each please read this document before making any decision about our lease renewal.

Over the last ten years we have worked hard to create a business that is small, but profitable and we feel adds value to our town and community profile. We feel like we are just getting started, like we finally understand this old building, how she runs and what is needed to keep her maintained to a great standard.

We are currently shut down for accommodation due to the recent Covid-19 pandemic. We have used this time to go within, research our industry, brainstorm new ideas and ways to make revenue if accommodation is slow to begin again. It is our humble opinion that accommodation and tourism will forge its way ahead in time and we are confident that our accommodation numbers will increase as Australia's confidence in their health and safety returns. We are choosing a conservative approach to reopening. We plan to open to the public within the next few months. As most of our kitchens and bathrooms are communal, we have decided to err on the side of caution and use this time to continue with our garden and décor upgrades and re-brand and re-launch the gaol when ready.

The Covid-19 shutdown initially left us feeling disappointment and despair. This year our business turns ten and we hoped to celebrate with our community during the year, it was also devastating to lose all Winter bookings within two weeks. The upside of this shutdown is that we have had time to re-evaluate. We have had time to look within our business and see where it can be, tweaked and adjusted. We have had time to research options if we need to diversify and we have had time to look into what our community may need post-Covid-19 and how we might be able to again serve our community and boost morale and community spirit. We are confident and excited with the new direction we intend to pursue.

In part it feels as if we have been given a new opportunity for our business to evolve. We realise we have five years left of our agreement but would dearly like to begin a new lease agreement to secure our future and work toward some long-term community and tourism goals.

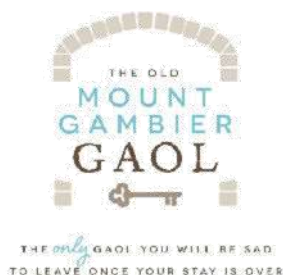
With those long-term goals in mind, we feel it is imperative that we have an option or clause included in our new agreement that allows our business to be acknowledged as a saleable product. We have worked tirelessly to establish a reputable business, one that promotes our town and region with its name alone. We have won numerous awards and achieved recognition on a local, national and international level. We are excited to continue to build our business and our reputation but would like the option to sell on our business at any stage. We have no intention of selling and leaving our business in the foreseeable future, however, we wish to be armed with choice as we do



not know what lies ahead for us personally. If anything in our personal position did change and mean we could not continue to run The Old Mount Gambier Gaol, we would like to see the business sold on so it could proceed to be a valuable fixture of the community and a financially viable asset for Council. We would of course wish to work closely with Council if we chose to sell at any stage to find fitting new leasee's to continue the business. Again, we wish to acknowledge that selling our business is not something we aspire to do in the immediate future, but having the option is an essential part of our new lease agreement and future planning.

CONFIDENTIAL





Monday 15th June 2020

To whom it may concern,

Thank you for taking the time to read the following document. This document outlines our business history regarding The Old Mount Gambier Gaol and showcases what we have developed and implemented within the community during our time here.

As we are a somewhat unique commercial lease and keeping in mind that many of the council employees we now liaise with may not have been with us from the beginning of our journey, we thought it may help to provide an overview of processes past as well as our future business aspirations. It is difficult to gauge how much we personally invest into the council owned premises. But thought it may help to highlight what we do, have done and plan to do to assist council in understanding the gaol's value to the community and to assist us in any future negotiation process.

In the beginning: First five years (2010 – 2015)

From the very beginning we have always worked in alignment with our strategic plan. When preparing our plan for the first five years of business we had to incorporate a number of negative challenges that came with the building.

On the first of October 2010 we began our commercial lease, upon entering our new location we discovered we had inherited:

- The previous tenants/ business owners. This couple lived on the property for three months, rent free, with roaming dogs and were still actively taking guests money for accommodation without our knowledge. We did seek council assistance to have them removed from the property but were told it would be “character building” for us to work it out ourselves. We eventually had no choice but to move them out ourselves and store their leftover belongings for them until they came to pick them up.
- The previous tenants had utilised almost 60% of the gaol space with hordes of junk, broken machinery and rubbish.
- We had six homeless men living in a section of the gaol. These men each had individual issues and sensitivities. We allowed them to stay whilst we worked with local agencies to find them new accommodation.

25 Margaret Street, Mount Gambier SA 5290
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- Originally the local media were publishing negative articles about our new tenancy, one front page article was headlined "James and Melissa: Kicking homeless out in the cold".
- A heritage building in major disrepair.
- A council asset/ building with a terribly negative reputation internationally and nationally. The internet was awash with filthy photos, devastating reviews and negative remarks about the building. This reputation had also reached international bus tour group companies, backpacker sites, traveller guides and booking sites. There was documentation of guests requiring medical assistance from bed bug infestations and documented assaults from inside the venue.

From the commencement of our lease we met regularly with then CEO Greg Muller to build confidence with councillors and the community. Together we began working towards creating a saleable business and something the community could call an asset.

- We created our business from scratch. There was no other business we could compare ourselves to. We are entirely unique. At the time there was no other ex-prison facility in Australia that provided accommodation seven days a week as a commercial business.
- We began holding functions within the gaol.
- We held 'open days' 'community weekends' where the community were invited to come inside the gaol to see the changes being made to their asset and become informed about planned changes we were working towards.
- We researched the gaol's history and created interactive signage throughout the gaol to inform and educate visitors and guests.
- We created self-guided tours throughout the gaol
- We began emptying, cleaning and organising the gaol so that it was clean and usable. Council provided tools and materials and we did the majority of painting and maintenance ourselves.
- We travelled to ITE events (International Tourism Exchange). Began introducing ourselves, repairing relationships, showcasing our building and our town, explaining our vision for our business and what it will offer international guests.
- We donated the piece of land behind the gaol to The Community Garden instead of charging them rent as another source of income.
- We helped to create local project "Pathways to Construction" where students would spend time in the gaol learning and assisting tradesmen to restore and maintain parts of the building.

In the next few years of our business we realised we were moving in the right direction as backpackers and travellers began to come back to the gaol for accommodation. We were still solely relying on the events and functions aspect of our business to cover our expenses but accommodation was picking up. During this time we:

- became a part of council's Sustainable Communities Visit each year
- began hosting an annual weekend camp for local children involved with Camp Quality
- received recognition and positive review in SA Weekend
- won a Mount Gambier Chamber of Commerce Outstanding Business Award for Tourism/Hospitality and Accommodation
- partnered with White Lion and ran a "Bail Out" event raising monies to be used for disengaged local youth



- were voted the 'number one ex prison accommodation in the world' by booked.net
- continued to deal with locals who called on the gaol building as a 'halfway house'
- rejected an offer from YHA to become business partners. We decided to stay independent to see what we could build ourselves first
- Brought Australian hip hop group 'Bliss n Eso' to town. They played to a local crowd of three thousand, which was the biggest show in Mount Gambier at the time
- Secured a weekly contract with international bus tour group G. Adventure. This relationship and contract is ongoing
- Won 2013 Influential Women In Business Award for 'Best Small Business'
- Became members of SATIC
- Began hosting school groups in SA and Vic for both school camps and excursions
- Received Booking.Com guest review 'Award of Excellence' in 2013, 2014
- Created the 'Jailhouse Blues Fest' in 2014
- Brought further large scale community events to town. Ie. Hilltop Hoods and Xavier Rudd

Our fifth to tenth year of business: (2015-2020)

Just before our five-year anniversary we updated our business plans. We used this time to revisit past plans, see if we were on track and to tweak and revise future plans and aspirations. We were happy to see we were on track with our original vision. Even amongst having babies and raising our young family were still in line with our original goal and on track with where we imagined our business would be at the five-year mark. During this time, we worked on the following:

- Business Course implementation. We both completed a very intense business course designed for business owners and entrepreneurs to extend their vision. This course encouraged us to dissect every aspect of our business design and evaluate its effectiveness. We were then challenged to work out how we could improve each aspect to better our business.
- We researched each area of our business to ensure we were moving in the right direction. We discovered some time ago that backpacker numbers were dwindling and decided to move towards attracting older guests, couples and families. After we made this decision, we saw many hostels along the Great Ocean Road implementing the same changes we had already made.
- We started the process of mindfully building our business. We had spent the first five years establishing who we were and what we and our town had to offer. We have worked really hard to attract a wide variety of guests. We worked towards building an accommodation business with longevity and stability.
- We began the process of entirely re-branding our business. The business courses assisted us to better understand our guests, we now knew what they were seeking and worked through a detailed task list in order to make sure we surprised and delighted our guests from the beginning of their interactions with us up until they left after staying with us.
- We are now no longer a hostel or backpacker venue. We are a 'Unique Hotel'. We offer an array of accommodation options for families, small or large groups, couples and singles. We have kept twelve 'backpacker beds', the rest of our configuration is designed to cater for bus groups, school camps, sporting groups, families travelling together and couples. Moving away from backpackers has been really positive for our business. We have become increasingly popular for school camps and group accommodation.



- We began to re-décor all rooms and living spaces within the gaol.
- We started planting out the entire gaol complex with native plants. We planted over two hundred natives out the front of the property. We planted three gardens inside the gaol and have finally worked out what type of plants work in certain areas of the gaol and how to maintain them throughout the year.
- James became the first Mount Gambier person to ever sit on the SATIC board giving our region a direct voice regarding tourism. At the same time, he joined forces with other local hoteliers and helped to create the 'Mount Gambier Tourism Board'.
- We regularly received international media requests asking us for photos and descriptions of our business and town. This information is routinely used in international articles.
- James worked consistently with different musicians, agents and production companies to ensure Mount Gambier was a reputable destination for the Australian Music Industry. James is constantly negotiating with big musicians to play here in Mount Gambier.
- After two years of negotiations, James secured 'The Red Hot Summer Tour', which continues to provide the community with a great assortment of Australian Rock Legends. This partnership proved to be a success for our business, our community and for the promoters. The Old Mount Gambier Gaol is now, apart from Mannum the longest serving venue on the tour. This annual event brings over a million dollars into our community with each show and is so well received by our town that we now sell out at 4-4,500 people. Patrons travel from all over South Australia and Victoria to see these shows. Some big names we have hosted are: Bliss n Eso, Hilltop Hoods, Xavier Rudd, Geoff Lang, Mia Dyson, The Angels, Hunters and Collectors, Jimmy Barnes, James Reyne, Icehouse, Noiseworks, Killing Heidi, Living End, Screaming Jets, Daryl Braithwaite, Suzi Quattro, Shannon Noll and John Farnham.
- Our 2020 Red Hot Summer Tour almost did not go ahead due to the fires that swept across Australia. When it did proceed, we put out the challenge to our community to dig deep and raise money for our local volunteer fire fighters and their families. We are proud to have raised \$30,000 on that day.
- In 2016 the gaol building celebrated its 150th birthday. To celebrate this milestone, we held several community-oriented events scattered throughout the year. We created 'Dinners for Peace', a very successful regular event where locals were invited to come and share a meal, meet new people and learn about other community members stories and struggles. We held school exhibitions within our courtyards. We worked with our Aboriginal Elders and held sessions where the community were invited to come and sit around a campfire and learn as our elders shared story. We also opened the gaol to primary schools in our community for the bday year and invited as many as possible to enjoy complimentary excursions staggered throughout the year
- We began working again with 'White Lion' to hold two 'Bail Out' events in the gaol. These events are designed to invite local business owners, councillors and politicians to participate and understand what it is like for our youth to be incarcerated. The event shows people what it might be like to be handcuffed, processed and put in prison, whilst also sharing real stories of kids who have come through the system. The event promotes understanding and education for the wider community, whilst also raises money to stay in our region and assist our local disengaged youth. Both events were well supported and raised over \$50,000 which was spent locally.



- We began to implement our updated marketing strategy. Our immediate priority was to target the International market. Internationally we targeted tour groups and booking sites with the hope to further expose and expand our brand recognition of our business and Mount Gambier. Thanks to this marketing, we were able to secure some of the largest international bus companies in Australia such as Top Deck, Groovy Grape, Adventure Tours and G Adventures. We are now the highest review rated venue in Mount Gambier on Booking.com, Expedia and Trivago. We are also in the top ten percent of venues worldwide on Trip Advisor.

Our future plan: (2020 and beyond)

Due to the Covid-19 Pandemic the majority of our plans for this year have been put on the back burner, this is both deeply disappointing and out of our control. As it is our business's tenth birthday this year, we had planned on celebrating with community events, but like so many other business owners, we were forced to cease trading.

This forced shut down has been heart breaking for us. We lost all our Winter bookings within days. As our kitchens and bathrooms are all communal, we still have not re-opened yet.

We have used this down time to reassess our visions and plans and spend time with our children. We have again, adapted and changed our business planning to move forward with new set goals for The Old Gaol. These new goals include a strong focus on what we can do as a local business to uplift our community and restore our sense of 'togetherness'.

We recognise we will be starting all over again in many ways. This is of course frustrating, but also a challenge we look forward to. We, like many other local businesses will need to re-focus, adapt and be creative moving forward.

We are set to commence our third, five-year lease at The Old Mount Gambier Gaol as of the 1st of October 2020. We are also seeking a renewal of fifteen years.

We would like to include an option clause in our new contract to acknowledge and allow us to have a saleable product.

We realise that because our commercial lease with council is so different from others there is nothing set in stone so to speak about how we may sell on our business at the end of our lease. We have since the conception of our business worked towards our exit strategy which has always been with the intention to potentially, one day sell our business. Our focus in this time would be:

- To liaise with council about our intention to begin searching for the right types of buyers of our business
- Be transparent with council about what we have to sell: the two aspects of our business which are not really saleable are our functions and events. Accommodation business on the other hand is worth dollar for dollar. So if we work towards having the accommodation aspect of our business reaching \$200,000 consistently per annum, then that is the benchmark for what 'The Old Mount Gambier Gaol' business is worth.
- explain to council why we feel it is valuable for council to enable us to find the right buyer: if we work for fifteen to twenty years establishing a unique accommodation



business with a fantastic international reputation we feel it would be in the communities best interest to ensure its longevity. Whether the right buyer for council is an international organisation like YHA or another local family like us, we feel by working together we can pass the torch to someone that will fit into councils' future plans.

- This building provides so much to our community. It is such a unique asset for a town like ours to have. To us it has always made sense to create something our community feels an ownership of, something of value, and something that inspires people to dream, something that shows you can recycle old buildings and provide entertainment and education whilst doing so. This is why we named our business 'The Old Mount Gambier Gaol', we have always hoped to create something with such value that our community and council would appreciate its worth and wish to keep it going long after we are gone.

We have always enjoyed a great relationship with council. We thought we would take this opportunity to share our past, where our business has come from and our future strategic plan so we can share our aspirations and maybe work with council in regards to future strategic planning of the gaol building.

We understand our rent is low and in all honesty would not yet be able to remain operating if it was increased. Our overheads such as electricity, gas and water are sizeable. To heat and light up a building of this size brings much expense. With a hundred and fifty year old building comes leaking taps, bursting pipes and aged electrics. It is just part and parcel of our tenancy and we accept this. We are understanding of our regular cpi increase and would hope that we could keep any licence fee increase to a bare minimum. We are hopeful that all that we do and intend to continue doing for the building, the business and our town will aide us in our request.

Warmest regards,

James and Melissa Stephenson



CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 26.2 AR20/38059 Commercial Lease - Request for Extended Lease and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (a), (b) and (d) be kept confidential and not available for public inspection until 12 months have elapsed or a new arrangement has been entered into for the subject property, whichever is the later.
2. Further that Council delegates the power to review, revoke, but extend of the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CONFIDENTIAL

**CONFIDENTIAL MINUTES OF COUNCIL MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE,
MOUNT GAMBIER ON TUESDAY, 21 JULY 2020 AT 6.00 P.M.**

PRESENT: Mayor Lynette Martin (OAM), Cr Sonya Mezinec, Cr Kate Amoroso, Cr Max Bruins, Cr Christian Greco, Cr Ben Hood, Cr Paul Jenner, Cr Frank Morello

OFFICERS IN ATTENDANCE:

Chief Executive Officer	- Mr A Meddle
General Manager Community Wellbeing	- Ms B Cernovskis
General Manager City Infrastructure	- Mr N Serle
General Manager City Growth	- Dr J Nagy
Media and Communications Coordinator	- Mrs A Watson
Manager Executive Administration	- Mr M McCarthy
Executive Administration Officer	- Mrs E Solly

26 CONFIDENTIAL ITEMS OF COMMITTEES

**26.1 CONFIDENTIAL ITEMS OF THE ECONOMIC AND ENVIRONMENT COMMITTEE
HELD ON 6 JULY 2020**

**26.2 COMMERCIAL LEASE - REQUEST FOR EXTENDED LEASE – REPORT NO.
AR20/38059**

RESOLUTION 2020/288

Moved: Cr Christian Greco
Seconded: Cr Max Bruins

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except Mayor L Martin, Councillors S Mezinec, K Amoroso, M Bruins, C Greco, B Hood, P Jenner and F Morello and Council Officers A Meddle, B Cernovskis, J Nagy, N Serle, M McCarthy, A Watson and E Solly be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 26.2 AR20/38059 Commercial Lease - Request for Extended Lease.

The Council is satisfied that, pursuant to section 90(3) (a), (b) and (d) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead)
- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is
 - conducting business; or
 - proposing to conduct business; or



- to prejudice the commercial position of the Council

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

- commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected:
 - to prejudice the commercial position of the person who supplied the information, or
 - to confer a commercial advantage on a third party

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be considered includes financial and commercial information of the operators and Council's own commercial position in relation to the leased facility, the premature disclosure of which would be an unreasonable release of personal information regarding the operators intentions and could reasonably be prejudice the commercial position of the Council and the party that provided the information and confer an advantage on 3rd parties.

The public interest in the consideration of this matter in open session is outweighed by the benefits associated with ensuring a sound commercial outcome is achieved by Council on behalf of the community for its commercially let property.

CARRIED

Items 26.3 and 26.4 minuted after 27.1.



RESOLUTION 2020/289

Moved: Cr Christian Greco

Seconded: Cr Ben Hood

1. That Economic and Environment Committee Report No. AR20/38059 titled 'Commercial Lease - Request for Extended Lease' as presented on 06 July 2020 be noted.
2. Council notes the Old Gaol tenant's intention to exercise their second and final right of renewal for the period 1 October 2020 to 30 September 2025.
3. Council provides in-principle support to the granting of further tenure for the Old Gaol site from 1 October 2025 for 15 years, comprising 3x5 year rights of renewal, subject to the consideration of the results of public consultation on the proposed leasing for a period greater than 5 years.
4. That a further report be presented to Council to consider any objections received in response to public consultation on the extended leasing proposal.
5. In the event that no submissions are received, or no submissions objecting to the extended leasing proposal, then the Chief Executive Officer and Mayor (or delegate/s) be authorised to negotiate and execute such further tenure arrangements beyond 30 September 2025 as envisaged by Report No. AR20/38059 and resolution 3.

CARRIED

RESOLUTION 2020/290

Moved: Cr Sonya Meziniec

Seconded: Cr Paul Jenner

CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 26.2 AR20/38059 Commercial Lease - Request for Extended Lease and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (a), (b) and (d) be kept confidential and not available for public inspection until 12 months have elapsed or an new arrangement has been entered into for the subject property, whichever is the later.
2. Further that Council delegates the power to review, revoke, but extend of the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CARRIED

Items 26.3 and 26.4 minuted after 27.1.

