

**QLDC Council
31 January 2019**

Report for Agenda Item: 1

Department: Property and Infrastructure

Tables and Chairs Licences in a Public Place – Fee Review

Purpose

The purpose of this report is to consider increasing fees for Licences to Place Tables and Chairs in a Public Place.

Recommendation

That Council:

1. **Note** the contents of this report;
2. **Approve** increasing fees for Tables and Chairs Licences in a Public Place in accordance with the following schedule at the next renewal in the Wanaka ward in September 2019 and Queenstown ward in December 2019:

Location	Proposed rate per m² (all figures ex GST) per annum
Queenstown Mall	\$200
Queenstown Lakefront	\$160
Beach and Shotover Streets	\$140
Remaining Queenstown Pavements	\$140
Arrowtown – Buckingham Street	\$70
Remaining Arrowtown Pavements	\$70
Wanaka Waterfront	\$100
Remaining Wanaka Pavements	\$70
Glenorchy	\$35

3. **Agree** that fees for Tables and Chairs Licences in a Public Place be reviewed again prior to the 2020 renewal.

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24/01/2019

Reviewed and Authorised by:



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24/01/2019

Background

- 1 The Queenstown Lakes District Council oversees a number of *Licences to Place Tables and Chairs in a Public Space* (herein called referred to as “the Licences”) throughout the district. The licences are intended to encourage al fresco dining, and provide an active street frontage that is vibrant, dynamic, comfortable and attractive.
- 2 The Licences are currently granted and administered in accordance with QLDC’s *Tables and Chairs in Public Space Policy 2006* (herein called the “Policy”). The policy established an annual rental fee based on the location and size of the licence area.
- 3 Despite the policy noting that the fees may be reviewed every 3 years, the fees have remained the same since the adoption of the policy in 2006, largely due to debate over what the new proposed fees should be set at, and the method for applying the fee.
- 4 Council has previously considered review of the pricing within the Policy during 2011, 2014 and 2016. None of these reviews was ultimately progressed due to debate between Council and the licensees, as well due to internal Council discussion. Council has signalled licensees during the annual renewal process in 2017 and 2018 of a potential for pricing to be reviewed by the Council.
- 5 A registered valuation has been completed to assess the current market rents for all Table and Chair licences held by Council. The assessed rents in the valuation have been broadly discounted, due to weather and temporary interruption to arrive at the proposed rent. The assessed rental rates constitute a significant increase from those originally set in 2006, reflecting the 12-year period of change in the market since when fees were last set.
- 6 A summary of existing rates (ex GST) is as follows:

Table 1 – Table and Chair Fees Currently Being Charged by Council

Location	Current rate per m ²
Queenstown Mall	\$100
Earnslaw Park / Steamer Wharf	\$80
Queenstown Pavements	\$70

Arrowtown	\$35
Wanaka Waterfront	\$50
Wanaka Pavements	\$35
Glenorchy (not mentioned in the Policy)	\$35

Comment

- 7 Rental rates under the Council's Table and Chair Policy have not increased since it was adopted in 2006. The rents are now under market, when compared to the private rentals.
- 8 A valuation has been undertaken which has concluded that current market rents for the Council licences should be as follows if set at current market rates:

Table 2 – Assessed Current Market Rates

Location	Proposed rate per m² per annum
Queenstown Mall (lower)	\$600
Queenstown Mall (upper)	\$400
Queenstown Lakefront	\$550
Beach and Shotover Streets	\$350
Remaining Queenstown Pavements	\$200
Arrowtown – Buckingham Street	\$140
Remaining Arrowtown Pavements	\$90
Wanaka Waterfront	\$160
Remaining Wanaka Pavements	\$130
Glenorchy	\$35

- 9 Council's current fees were set by the policy in 2006 and have not been adjusted over the past 12 years. The proposed increase for the 2019 licence renewals are recommended to reflect a first step in increasing the rents to become more in line with assessed current market rents.

- 10 It is recommended to partially increase rents for the next renewal, in order to balance the need to increase rents towards market, with the needs of the operators to be able to plan ahead and budget for the cost of rent. On this basis, operators should expect further increases over coming years.
- 11 It is recommended that Council further review rents prior to the 2020 renewals. This will also allow consideration of key upgrades to the districts Town Centres as Council moves through its significant schedule of long-term plan projects. Upgrades to the Town Centres are likely to have a significant benefit to the licensees and therefore rents should be expected to increase faster towards assessed current market rents shown in Table 2, in those areas where significant developments are completed.
- 12 To compare the Council fee increases against, privately rented prime retail indicative rents in Queenstown are between \$1,250 and \$1,650/m², whilst secondary retail rents are between \$550 and \$900/m². The proposed rents therefore represent a significant discount on the private rental rates.
- 13 The combined table and chair licence income currently generates \$86,546+GST per annum. With the proposed pricing for the 2019 renewal, the income is expected to increase to \$177,704.
- 14 A review of the rates being paid by Commercial operators in the town centres for the 2018/19 year has been completed. Of those sampled, the majority of the properties have received small rate decreases in the 2018/19 year, with only 3 of the sample of 11, set to increase and those are of between 0.4% and 5.1%.
- 15 Extra income derived from the fee increases will primarily go towards funding Council's maintenance operating budget in the district. Some of the funding may also be channelled towards specific appropriate town centre projects.
- 16 The next licence renewals are not due until September and December 2019, therefore Council will be able to work with any existing operators to adjust licence areas, as a result of fee increases before they are charged the higher rent.

Options

- 17 Option 1 Council can choose to leave the rates as currently set.

Advantages:

- 18 The licensees will welcome the fees remaining the same and may invest in improving their existing furniture.
- 19 Will result in a similar level of public dining, ambience and public use of land as is currently being achieved.

Disadvantages:

- 20 Council will not receive an increase in rent from the current level.
- 21 Option 2 Council can increase the rates immediately as shown in Table 2 – Assessed Current Market Rates.

Advantages:

- 22 Council will increase their income immediately from the Licences, to contribute towards civic spending and new developments in the district.
- 23 Licence fees will be set immediately at the current market rent.

Disadvantages:

- 24 Some licensees will be unhappy with the large immediate increase, some experiencing an increase of 685%.
 - 25 May result in some licensees either cancelling or reducing their licence.
 - 26 May decrease the level of public dining, ambience and public use of land that is currently being achieved.
- 27 Option 3 Council can partially increase rents for the 2019 renewal, with further reviews over coming years.

Advantages:

- 28 Council will be able to increase its rental income.
- 29 Licensees will be better positioned to manage the increase on a stepped basis, subject to further Council resolutions.

Disadvantages:

- 30 Some licensees may be unhappy with the increase for the 2019 renewal.
 - 31 May result in some licensees either cancelling or reducing their licence area.
 - 32 May decrease the level of public dining, ambience and public use of land that is currently being achieved.
- 33 This report recommends **Option 3** for addressing the matter as it will increase table and chair rents towards market but help stagger the increase to enable a transition in pricing for the licensees.

Significance and Engagement

- 34 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy as it considers a change from existing policy which will impact 60 businesses throughout the district.

Risk

- 35 This matter related to the operational risk OR11 decision making – working within legislation, as documented in the Council's risk register. The risk is classed as low. The matter relates to this risk because the options highlighted require the Council to follow a regulatory process in order to amend a policy.

Financial Implications

36 The recommended option is to partially increase rental rates, which is likely to increase total income from the licences to \$177,704. If the full market increase was to be adopted, this would potentially increase annual income to \$414,555.

Council Policies, Strategies and Bylaws

37 The following Council policies, strategies and bylaws were considered:

- Tables and Chairs in Public Space Policy 2006 - Requiring regular rent reviews
- Property Sale and Acquisition Policy 2014 – Setting Market Rent

38 The recommended option is consistent with the principles set out in the named policies.

39 This matter is not included in the 10-Year Plan / Annual Plan. Rental income derived by this licence will contribute to existing property budget provisions.

Local Government Act 2002 Purpose Provisions

40 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by setting appropriate rates for commercial use of public land;
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

41 The persons who are affected by or interested in this matter are the businesses with existing Licences as well as the users of the service.

42 Council intends to work with local groups such as Downtown QT to identify any suitable projects which could be considered for funding as a result of the increased fee income from the licences.

43 Annual renewal letters sent out to all licence holders in 2017 and 2018 warned that Council was in the process of reviewing its fees and that if adopted may be applied to licences on a pro-rata basis. We are unaware of any licence holders that objected to the renewals on that basis.

44 Previous consultation has occurred between the Restaurant Association and the Council in 2013-14, however agreement on pricing was not reached at that time.