

ITEM 5. SUPPORT FOR KINGS CROSS CULTURAL INITIATIVES**FILE NO: S094174****SUMMARY**

The City's ongoing commitment to a diversified and thriving day and night time economy and the well-being of residents, workers and business in Kings Cross is demonstrated in a number of ways including:

- the Kings Cross Plan of Management;
- funding initiatives;
- outdoor dining trials;
- transport improvements;
- research;
- telecommunications and lighting upgrades; and
- road upgrades, new street trees, gardens and other public domain works.

The newly refurbished Kings Cross Library and Neighbourhood Service Centre was also launched in February 2015. Transformed into a modern, hi-tech space, the library's improvements include new computers, a Wi-Fi lounge area, facilities for adult learning and a function space. In addition, the City manages a range of properties in the area including the Rex Centre, which provides meeting, conference and large function spaces and the Reginald Murphy Centre, which is home to a community theatre and hire spaces.

To ensure ongoing support of day time activity and night time entertainment offerings, the City provides an Accommodation Grant to Hayes Theatre for the Reginald Murphy Centre and licences a short term space to Alaska Projects in the Kings Cross Car Park. In addition, the City has supported the Kings Cross Festival (coordinated by the Potts Point Partnership) over the past three years.

Hayes Theatre Company commenced tenancy under the Accommodation Grant Program in 2014 and, with a full year of successful operation, now has a better understanding of the operational and staffing costs associated with the running of the theatre and what is required to 'scale up' these activities over time. The Company has approached the City requesting that their rental subsidy be increased for 2015 and 2016 to ensure managed and sustainable growth.

Alaska Projects currently occupy offices in the Kings Cross Car Park. Originally approved on a short-term basis, since opening they have delivered more than fifty exhibitions and showcased the works of more than 300 artists. In late 2014, Alaska Projects expanded their operations in the car park, creating a studio and exhibition space that focusses on Aboriginal and Torres Strait Islander artists.

The success of this initiative is testament to the investment that Alaska Projects has made and their commitment to establishing cultural activities in a most constrained and unusual space. To ensure the ongoing success of these cultural projects, this report recommends:

- an increased subsidy level for Hayes Theatre Company under the Accommodation Grant Program for the remainder of year two and for all of year three of their tenancy at Reginald Murphy Centre; and
- that the two spaces currently occupied by Alaska Projects in Kings Cross Car Park be extended to align with the City's Oxford Street Creative Spaces Program to formalise performance criteria, maximise opportunities for collaboration and community engagement, and to ensure the City can capture and celebrate the outcomes of this initiative.

In addition, as part of the Festivals and Events Sponsorship Program (Village and Community) Round One allocation for 2015/16, the Potts Point Partnership applied for multi-year cash funding to support the Kings Cross Festival in 2015, 2016 and 2017. A recommendation of \$60,000 (cash) per year for three years (totalling \$180,000) was made and reported to the meeting of the Cultural and Community Committee on 11 May 2015. At the Committee meeting, the Partnership made representations to Council and staff met with the Partnership subsequent to the meeting. On 18 May 2015, Council resolved that the Chief Executive Officer meet with the Partnership to discuss options for the Kings Cross Festival model, including opportunities for other sources of revenue, with a view to submitting a new grant application.

The Partnership has requested that the City provide scaled funding over the three year period to enable them to consider the Festival's model (including scale, format and focus), as well as building revenue streams to ensure the financial viability of the event into the future. This report recommends that the Potts Point Partnership be awarded funding of \$80,000 for 2015, \$60,000 for 2016 and \$40,000 for 2017 to support the Kings Cross Festival.

All figures in this report exclude GST.

RECOMMENDATION

It is resolved that:

- (A) Council approve an increase in rental subsidy to Hayes Theatre Company for the Reginald Murphy Centre from 75 per cent to 100 per cent for the period from 1 July to 31 December 2015 at a value of \$39,140 in revenue forgone;
- (B) Council approve an increase in subsidy to Hayes Theatre Company from 50 per cent to 75 per cent for the 2016 calendar year at a value of \$60,471 in revenue forgone;
- (C) Council approve an option to renew the Accommodation Grant to Hayes Theatre Company from 1 January 2017 to 30 June 2019 at a 50 per cent subsidy per annum with an annual increase of 3 per cent in 2018 and 2019, which represents a total value of \$106,319 in revenue forgone;

- (D) Council approve the use of Office 3 (Level 5) and Display Room (Level 2) of Kings Cross Car Park by Alaska Projects at a rental amount of \$100 excluding GST and outgoings per week from 1 July 2015 to 31 December 2018, with annual increases of 5 per cent per annum, which represents a revenue forgone value of \$8,580 for 2015/16;
- (E) Council approve a Festivals and Events Sponsorship to the Potts Point Partnership for the 2015, 2016 and 2017 Kings Cross Festival comprising of:
 - (i) \$80,000 cash (excluding GST) and value-in-kind (VIK) for banner pole hire waiver up to the value of \$6,200 for 2015;
 - (ii) \$60,000 cash (excluding GST) and VIK for banner pole hire waiver up to the value of \$6,200 for 2016; and
 - (iii) \$40,000 cash (excluding GST) and VIK for banner pole hire waiver to the value of \$6,200 for 2017;
- (F) Council approve a one off grant of \$7,500 cash (excluding GST) for the Potts Point Partnership to engage an external consultant to undertake a review of the Festival and create a Business Plan that specifically includes a recommended model for the Festival (relating to the structure, format and scale of the Festival) and financial model that will support the Festival over the coming three years; and
- (G) authority be delegated to the Chief Executive Officer to enter into lease/licence agreements with the Hayes Theatre Company and Alaska Projects and agreements with the Potts Point Partnership on terms consistent with this resolution and in accordance with the Grants and Sponsorship Policy.

ATTACHMENTS

Nil.

BACKGROUND

1. The City's ten village precincts are places with distinct and diverse character based around key community main streets and centres of economic activity. The Macleay Street & Woolloomooloo Village covers the suburbs of Potts Point, Woolloomooloo, Rushcutters Bay and Elizabeth Bay and the locality of Kings Cross.
2. This village is one of the most densely populated urban areas in Australia. With its diverse architectural styles and a colourful history, Kings Cross continues to draw young revellers from across the city, while the village is home to a broad variety of residents, including high income professionals and public housing tenants. The area is also a focal point for backpacker accommodation, adding to the youthful and international image of the village.
3. The City's ongoing commitment to a diversified and thriving day and night time economy in Kings Cross is demonstrated in a number of ways including:
 - (a) most recently, the Kings Cross Plan of Management in collaboration with the State Government;
 - (b) funding programs supporting small business and events;
 - (c) public art;
 - (d) outdoor dining trials;
 - (e) transport improvements;
 - (f) research;
 - (g) telecommunications and lighting upgrades; and
 - (h) road upgrades, new street trees, gardens and other public domain works.
4. The newly refurbished Kings Cross Library and Neighbourhood Service Centre was launched in February 2015 and provides a central focal point for community engagement and services. In addition, the City manages a range of properties in the area including the Rex Centre and the Reginald Murphy Centre, both providing access to event, function and community hire spaces.
5. Cultural tenants in the area are fundamental to a diversified night time offering and day time activity. Two key City tenants in the Kings Cross precinct include Hayes Theatre Company, located at the Reginald Murphy Centre, and Alaska Projects, who call the Kings Cross Car Park home.
6. Hayes Theatre Company and Alaska Projects have separately approached the City seeking support to ensure their ongoing financial viability and to maintain the level of activity, profile, community engagement and success they have both achieved in recent times.
7. In addition, the City supports a range of festivals and events that celebrate and engage our communities. In the last three years, Council has awarded \$180,000 to the Kings Cross Festival organised by the Potts Point Partnership, and the Partnership is seeking support for the 2015, 2016 and 2017 Festivals.

Hayes Theatre Company

8. On 2 April 2012, Council resolved to undertake an Expression of Interest process seeking a new operator for the 100-seat performance venue at the Reginald Murphy Centre, targeting a 'resident company' operating model. Council also delegated authority to the Chief Executive Officer (CEO) to negotiate and enter into an agreement if an appropriate operator was identified through this process.
9. On 16 May 2013, the CEO approved Hayes Theatre Company (Company) as the successful applicant under a scaled rental subsidy of:
 - (a) 100 per cent for 2014;
 - (b) 75 per cent for 2015; and
 - (c) 50 per cent for 2016.
10. The Company is run by the not-for-profit organisation Independent Music Theatre, and has provided a home for small-scale musical theatre and cabaret since moving into Reginald Murphy Centre in February 2014. The Company provides venue space to new productions and is a presenting partner together with independent producers and artists.
11. Since opening in 2014, the Company has attracted more than 25,744 audience members, delivered eight main stage music theatre presentations, over 21 cabaret productions. In addition, the Company received a number of national accolades including three Helpmann Awards.
12. Following a full year operating from the Reginald Murphy Theatre, the Company now has a better understanding of the operational and staffing costs associated with the running of the property and the resources required to 'scale up' these activities over time. The most significant cost to the Company is staffing and they currently rely heavily on volunteers.
13. In February 2015, the Company wrote to the City requesting an increased rental subsidy for the theatre of:
 - (a) 100 per cent (up from the 75 per cent) for 2015. However, the City cannot provide retrospective funding or subsidy, and any request would only be effective from the date it is approved by Council. City staff recommend that a 100 per cent subsidy be effective from 1 July 2015 to 31 December 2015, which is valued at \$39,140 in revenue foregone; and
 - (b) 75 per cent (up from 50 per cent) for 2016, which is valued at \$60,471 in revenue foregone.
14. An increased rental subsidy is sought to allow the Company to:
 - (a) continue the employment of the Development Manager, which is essential in achieving diversified partnership and revenue streams (i.e. private, government and philanthropic); and
 - (b) ensure the continued provision of affordable venue and equipment hire rates that are critical to Sydney based emerging artists and companies, allowing them to test work and gain exposure to new audiences.

15. To ensure the financial sustainability of the Company and the continued provision of affordable venue and equipment, an increased subsidy is recommended for 2015 and 2016. In 2017, there will be an option to extend the lease at 50 per cent subsidy until 30 June 2019. This expiry aligns the lease term with all other Accommodation Grant leases to ensure operational efficiencies.

Alaska Projects

16. Alaska Projects is a Sydney based Artist Run Initiative established in November 2011 to exhibit contemporary visual art in unused or disused spaces, following approval by the City to occupy a display area of the Kings Cross Car Park.
17. Since launching this space, Alaska Projects has produced more than fifty exhibitions and showcased the works of more than 300 artists. In late 2014, Alaska Projects expanded their operations in the car park, creating a studio and exhibition space that focussed on Aboriginal and Torres Strait Islander artists.
18. On average, the original space attracts 80 visitors per week, with the expanded space now open to the public during exhibition periods on Saturdays and Sundays, with launches occurring Saturday afternoons. These spaces engage the artistic community and a broader audience.
19. Alaska Projects is already highly visible both nationally and internationally and there continues to be high demand for artist studio and exhibition space in the city.
20. To maintain the momentum and profile of Alaska Projects in a formerly underutilised space; support better engagement with the City and its initiatives; and ensure a suitable framework is in place, City staff have assessed their activities against the management model developed for the Oxford Street Creative Spaces tenancies that were previously approved by Council.
21. This management model complements the type and nature of support provided by the City through other accommodation programs. In addition, key activation objectives specific to Kings Cross have been considered. Applying this model of assessment and management to Alaska Projects informs tenure length, year on year rental increases of 5 per cent (determined to be appropriately scaled increases for creative tenants preparing for commercial rents when they exit the program), reporting frameworks and the specific performance criteria that Alaska Projects will be required to deliver against in return for a reduced rental amount.
22. Under the management model for the Oxford Street Creative Spaces Program, Alaska Projects would be defined as 'Precinct Enhancers'. These are highly visible tenants, well known companies or key organisations that rely on high levels of engagement and are customer facing. This group of tenants is generally paying approximately 50 per cent of market rental.

23. This report recommends that Alaska Projects pay 38 per cent of market rental across the spaces. While they play a significant role in the cultural ecosystem, supporting emerging creative practitioners, and might be considered a major contributor in provision of opportunities for artists, they are not a commercial operation or a funded organisation. This rental rate allows them to develop their capacity to pay rent over the course of the license period, and will be in-line with other 'Precinct Enhancers' by the end of their licence. Under licences, Alaska Projects will be required to adhere to minimum hours of operation; engage with and collaborate with other creative tenants and City initiatives; and report on the cultural and economic outcomes of their projects and activities.
24. To ensure operational efficiencies, it is also recommended that Alaska Projects' licence term aligns with the Oxford Street Creative Spaces licence terms that will conclude on 31 December 2018.
25. The provision of these affordable cultural and creative spaces meets the overarching objectives of both the Creative City Cultural Policy and the Economic Development Strategy.

Kings Cross Festival, Potts Point Partnership

26. In the Festivals and Events Sponsorship Program (Village and Community) Round One allocation for 2015/16, the Potts Point Partnership applied for cash funding for the Kings Cross Festival of \$120,000 in 2015, \$100,000 in 2016 and \$90,000 in 2017.
27. The Festivals and Events Sponsorship Program aims to support festivals and events that celebrate, develop and engage the city's communities. Village and Community festivals and events celebrate the spirit of a community and build opportunities to share its cultural characteristics with a wider public and amplify the unique characteristics of the city and village precincts while showcase a local community, including local business.
28. Following an assessment of their application, a recommendation of \$60,000 (cash) per year for three years (totalling \$180,000) was reported to the Cultural and Community Committee meeting on 11 May 2015, where further information was sought regarding the Partnership's request for increased grant funding. Staff met with the Partnership subsequent to the Committee meeting following representations from the Partnership regarding their inability to produce a Festival with the recommended sponsorship amount of \$60,000 per year for three years.
29. On 18 May 2015, Council resolved that the Chief Executive Officer meet with the Partnership to discuss options for the Kings Cross Festival model, including opportunities for other sources of revenue, with a view to submitting a new grant application.
30. City staff have since met with the Partnership, who requested that the City provide scaled funding over the three year period to enable them to consider the Festival's model (including scale, format and focus), as well as how to build revenue streams over time that will ensure the financial viability of the event into the future.

31. The Partnership has requested that the total funding of \$180,000 originally recommended over three years be provided as follows:
 - (a) \$100,000 for the 2015 Festival;
 - (b) \$60,000 for the 2016 Festival; and
 - (c) \$20,000 for the 2017 Festival.
32. Upon assessment of this request, the scaled funding outlined below is recommended:
 - (a) \$80,000 for the 2015 Festival;
 - (b) \$60,000 for the 2016 Festival; and
 - (c) \$40,000 for the 2017 Festival.
33. This recommendation considers budget constraints for this program and the equitable and comparative distribution of funds across the many events and organisations who seek funding under the program; a sustainable level of reduced funding over the funding period; and achievable increased income levels or scaled back activities to be undertaken by the Partnership in the coming three years.
34. If funding is sought for future Festivals, \$40,000 is a comparable level of funding with festivals of a similar size and scale that occur across the City's Village precincts.
35. In addition, to assist the Partnership with assessing an appropriate Festival model and building income levels over time, it is recommended that the City provide a one-off cash grant of \$7,500 to engage a consultant (external to the Partnership) to undertake a review of the Festival and create a Business Plan that specifically includes a recommended model (relating to the structure, format and scale of the Festival) and financial model that will support the event over the coming three years.
36. Similar to reviews the City has supported for other festivals that have experienced significant change, it is anticipated that an independent and supported review will provide the Partnership with information relevant to their planning and decision making for the Festival.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

37. *Sustainable Sydney 2030* is a vision for the sustainable development of the city to 2030 and beyond. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress.

38. The provision of affordable cultural and creative spaces is aligned with the following strategic directions and objectives:
- (a) Direction 1 - A Globally Competitive and Innovative City – the creative industries directly employ almost 150,000 people in NSW. In the five years to 2012, employment in the creative industries in the City of Sydney Local Government Area (LGA) realised the second highest growth rate of the counted industries at 22.2 per cent, and the combined cultural and creative industries make up 9 per cent of the city’s workforce. To ensure continued and sustained growth in the sector and of industries in the City LGA, it is critical that opportunities to grow and support this sector are fostered.
 - (b) Direction 6 - Vibrant Local Communities and Economies – creating opportunities to ensure a dynamic business mix in local precincts, as well as attracting new visitors and money to the area, supports vibrant and resilient local communities and economies. Embedding cultural and creative workers and practice in local precincts also works to foster collaboration and engagement.
 - (c) Direction 7 - A Cultural and Creative City – the lack of affordable space to live, work, rehearse and exhibit work was reinforced during the consultation period of the Creative City Cultural Policy. A key goal under Strategic Priority 3: Sector Sustainability - Surviving and Thriving is the delivery of an increased number of affordable, accessible creative work spaces throughout the City LGA. Meeting this major goal contributes to sector sustainability and precinct distinctiveness, improving access and sharing knowledge.
39. The Kings Cross Festival models some of the key aims and objectives of *Sustainable Sydney 2030* including:
- (a) building a globally competitive and innovative city by enhancing tourism assets - in particular the festival is located in Kings Cross - one of the City’s most renowned tourist destinations - increasing the profile of, and visitation to, this key area;
 - (b) building vibrant local communities and economies – the festival engages the local community with businesses and activities in the Kings Cross locality, encouraging pedestrian activity and enhancing economic vitality; and
 - (c) demonstrating a cultural and creative city – by supporting a range of cultural activities and encouraging participation of local artists and creative practitioners.

Organisational Impact

40. Tenancies will continue to be managed by City Property and Projects, supported by Creative City and Grants to support tenant delivery of key performance indicators, coordinate and evaluate quarterly reporting and annual reviews.
41. The grants and sponsorships contract management process involves key staff across the City of Sydney. Identified staff set contract conditions and performance measures for each approved project and review project acquittals, which include both narrative and financial reports.

Social / Cultural / Community

42. *Sustainable Sydney 2030* identifies the value of culture and the arts to the social and economic well-being of the community. Reaffirmed through the development of the recently endorsed Creative City Cultural Policy, the provision of creative work space remains in high demand and initiatives such as this provide opportunities for cultural, creative and commercial activity that may otherwise not be viable or possible in this area at this scale.
43. The City aims to support festivals and events that celebrate, develop and engage the city's communities. The City recognises the important contribution festivals and events make to the economy and cultural ecosystem of the city, locally and internationally. Festivals and events can also provide forums to share knowledge, create opportunities for active community participation or celebrate the unique social and cultural character of a village.

Economic

44. Council's commitment to the ongoing, successful activation and occupation of its properties demonstrates its commitment and ongoing contribution to Kings Cross.
45. Priority one of the City's Economic Development Strategy is to strengthen Sydney's competitiveness. It commits the City to using its portfolio of community and commercial properties productively by achieving a balance between financial returns and the broader economic and social outcomes achieved through making spaces available for social and creative enterprise.
46. The creative industries make up nearly 10 per cent of the city's total workforce and, as highlighted in the City's Economic Development Strategy, the local village economies play a fundamental role in the city's economic output (approximately \$25 billion per annum).
47. Creative tenants living and working in the area assists in revitalisation through the enhancement of local commercial and retail economies; creating opportunities that develop knowledge, skills and organisational capacity; and offers opportunities for learning and collaboration that enhances sustainable economic practices.
48. Community festivals and events celebrate the spirit of a community and build opportunities to amplify the unique characteristics of the city and village precincts, meet the City's broader place-making objectives and showcase a local community, including local business.

BUDGET IMPLICATIONS

49. The increased Accommodation Grant for Hayes Theatre Company from 75 per cent to 100 per cent (from 1 July to 31 December 2015) and 50 per cent to 75 per cent (from 1 January to 30 June 2016), represents a revenue foregone value of \$69,376.
50. City Properties have forecast an income of \$29,942 for 2015/16 for the Reginald Murphy Centre property, and therefore the proposed subsidy changes will result in a net reduction in income of \$19,864.

51. The rental rate of \$100 per week (excluding GST and outgoings) recommended for Alaska Projects is 38 per cent of market value. Rental income for the two spaces in Kings Cross Car Park will be \$5,200 per annum, representing a revenue forgone value of \$8,580 for 2015/16. The rental income from Alaska Projects is higher than the current projected rental income for these spaces.
52. Provision for the ongoing operational costs to manage these properties will be made as part of the normal operational budget process each year.
53. \$80,000 cash and banner pole hire waiver to the value of \$6,200 to the Potts Point Partnership for the Kings Cross Festival is provided for in the Festivals and Events Sponsorship (Village and Community) 2015/16 budget, and \$100,000 cash for 2016 and 2017 will be allowed for in future financial years.
54. \$7,500 cash to the Potts Point Partnership to undertake a review of the Kings Cross Festival and develop a Business Plan is provided for in the Festivals and Events Sponsorship (Village and Community) 2015/16 budget.

RELEVANT LEGISLATION

55. The tenants will be required to obtain any approvals or consents (e.g. change of use development applications or minor works) required under legislation.
56. Section 356 of the Local Government Act 1993.

CRITICAL DATES / TIME FRAMES

57. It is proposed that new leases be issued to include the new rental rates from 1 July 2015, therefore approval is sought from Council as soon as possible.

ANN HOBAN

Director City Life

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