

ITEM 10. ACCOMMODATION GRANT PROGRAM – SELF-ASSESSMENT, LEASE RENEWALS AND NEW TENANT RECOMMENDATION 2015**FILE NO: S117676****SUMMARY**

The Accommodation Grant Program (the Program) is one of 15 programs adopted as part of the City's Grants and Sponsorship Policy. The Program supports community, cultural and sustainability focused organisations by providing accommodation in Council-owned buildings within the community property portfolio at nil or below market rent.

Accommodation Grant recipients are organisations that provide services that meet the needs identified in Sustainable Sydney 2030 and the City's strategic plans and policies. In this way, the City and the community act collaboratively to bring to life the City of Villages. Demand for properties remains strong, with more than 300 organisations currently listed on a notification list for future properties.

Currently, there are 69 organisations located across 46 City properties managed under the Program. These tenancies were approved by Council as Accommodation Grants. Recipients of Accommodation Grants enter into leases or licences with the City for a fixed term of appropriate length, usually three years, subject to annual review.

Each year, the City coordinates the annual performance review with the Accommodation Grant recipients (tenants) to review their performance against the criteria in their lease or licence agreements. This year, 68 tenants were requested to complete an annual performance review. This includes four tenants that vacated their properties in 2014.

There were also seven tenants that did not complete an annual performance review as they have not held an Accommodation Grant lease/licence for a period of more than six months during the assessment period.

Two organisations have not fully met their performance criteria or conditions of their lease/licence. These tenants are recommended to be placed 'on notice', with the continuation of their lease/licence beyond 30 June 2015 being subject to working closely with City staff, improved performance and adherence to the terms of the grant and lease/licence conditions during this time.

This report also notes properties that have been vacated, renewals and changes to leases/licenses, new Accommodation Grant recipient recommendations, and upcoming properties that will be managed under the Program in the future.

The City called for Expressions of Interest for a new tenant to provide Creative Tenancy Management Services for the Glebe Nurses Quarters Creative Studios (Nurses Quarters) as part of the Program. Four applications were received, with one organisation recommended for an Accommodation Grant and one organisation waitlisted.

All figures in this report and its attachment are exclusive of GST.

RECOMMENDATION

It is resolved that:

- (A) Council note the continuation of the current Accommodation Grant leases/licenses for the 66 tenants that have met the performance criteria of their Accommodation Grants;
- (B) Council note that Rinse Out and Rosebery Child Care Centre were rated 'B' in 2014 and were placed 'on notice' until 30 June 2015, however this year these tenants have demonstrated improvement and met their performance criteria and so have been rated 'A';
- (C) Council note that Glebe Music Project has been rated 'B' in 2015 and will be given a further 12 months to demonstrate improvement and meet its performance criteria;
- (D) Council note that Tribal Warrior was rated 'B' in 2013 and 2014 and placed on a 12 month lease/licence until 30 June 2015 and, as they have been rated 'B' again this year rather than 'C', the tenant will be given a further 12 months to demonstrate improvement and meet its performance criteria;
- (E) Council approve the extension of the Accommodation Grant and extension of the current lease/licence for Tribal Warrior for 12 months from 1 July 2015 to 30 June 2016;
- (F) Council approve the Accommodation Grant Program recommendation for Glebe Nurses Quarters Creative Studios (Nurses Quarters) at 184 Glebe Point Road, Glebe, listed as follows:

Organisation	Market Rental (per annum)	Recommended Grant Amount and Subsidy
Kil.n.it	\$56,680	\$56,680 on a 100 per cent subsidy in the first year of occupation from 1 July 2015 to 30 June 2016 and, pending annual review and approval by the City, \$43,785 on a 75 per cent subsidy in the second year of occupation from 1 July 2016 to 30 June 2017.

- (G) in the event that Kil.n.it in Clause (F) either declines to take up the subject property or moves on from the property within one year, Council approve the Accommodation Grant Program waitlisted recommendation for the Nurses Quarters listed as follows:

Waitlisted Organisation	Market Rental (per annum)	Recommended Grant Amount and Subsidy
The Assembly Marrickville	\$56,680	\$34,008 (excluding GST) on a 60 per cent subsidy for the first year and, based upon review of performance, \$35,028 (excluding GST) on a 60 per cent subsidy for the second year.

- (H) Council note that the market rental value is calculated with an annual increase of 3 per cent per annum and excludes GST; and

- (l) authority be delegated to the Chief Executive Officer to negotiate, execute and administer agreements with any organisation approved for an Accommodation Grant on terms consistent with this resolution and in accordance with the Grants and Sponsorship Policy.

ATTACHMENTS

Attachment A: Accommodation Grant Recipients List, including 2014 Annual Performance Review Outcomes

Attachment B: Accommodation Grant Program list of applicants for Glebe Nurses Quarters Creative Studios

BACKGROUND

1. The Accommodation Grant Program (the Program) presently makes available spaces for 69 organisations in 46 buildings. The total cost of the Program in revenue forgone for the 2013/14 financial year was \$2,905,392. Based on the current list of tenants, the total grant value of the Program for 2014/15 is \$3,034,095.
2. The terms and conditions of the agreement between each Program tenant and the City are detailed in a lease or licence, which also sets out specific Key Performance Indicators and performance measures. At the time of renewal, the following options exist: continuation; improvement; termination; or a variation to the existing lease or licence terms.

2014 Annual Performance Review

3. The annual performance review of Accommodation Grant recipients was undertaken between December and April 2015 and is based on the 2014 calendar year. 68 grant recipients were requested to undertake this year's annual performance review. Seven grant recipients did not undertake the self-assessment and are not included in this report. These tenants did not complete a self-assessment as they have not held an Accommodation Grant for a year.
4. Applicants used the online grants management system 'SmartyGrants' to write and submit their self-assessments, and these submissions were assessed by a specialist panel of City staff. Ratings were agreed upon during an assessment panel meeting. City staff then met with all 'B' rated tenants. No tenants were rated 'C'.
5. A rating system was used to evaluate the information received and to assess the performance of the organisations against the criteria set in return for subsidised accommodation:
 - A - meeting or exceeding performance criteria;
 - B - not meeting performance criteria, on notice (one year to improve performance); or
 - C - not meeting expectations after one year, leases to be terminated.
6. 66 of the 68 eligible tenants have met their performance criteria and have been rated 'A' (see Attachment A). This includes two of the three tenants that were rated 'B' and placed on notice to improve their performance in 2014: Rinse Out and Rosebery Child Care Centre. These organisations have worked with the City over the past 12 months to improve their performance in delivering services to our community. These organisations currently hold a lease/licence until 30 June 2016.
7. Two tenants have been rated 'B' as part of this year's annual review: Tribal Warrior and Glebe Music Project. These organisations have either not met their performance criteria or have failed to comply with the conditions of their lease/licence. These organisations will be required to work with City staff to improve their performance over the next 12 months. City staff met with these organisations to discuss their self-assessments and seek further information.

8. Tribal Warrior was rated 'B' in the 2013 and 2014 annual assessments and has been rated 'B' again in the 2015 annual assessment. In 2013, Tribal Warrior's three year lease agreement was due for renewal. As the organisation was rated 'B', they were placed on a 12 month lease. Because of the 'B' rating again in 2014, Tribal Warrior was placed on another 12 month lease until 30 June 2015. It is recommended that the organisation's lease be extended for a further 12 month period until 30 June 2016. City staff have met with Tribal Warrior to discuss the use of space, reporting requirements and setting up regular meetings with the City. City staff are satisfied with the actions set through the meeting and will work closely with the organisation over the year to ensure it can fulfil its performance criteria.
9. It is also noted that City staff will be working closely with Australian Guild of Screen Composers, Australian Guild of Screen Editors, Jessie Street Women's Library, Pride History Group and Women in Film and Television over the next 12 months. City staff have noted that these group's performance criteria are outdated and have had initial discussions about updating these and working together to ensure that they are achieved.

Variations to Lease/Licence Terms of Tenants

10. The Dictionary of Sydney, which has met its performance criteria and been rated 'A', require a lease/licence renewal for a term shorter, or differing from, the standard three year term. The Dictionary of Sydney is currently located at Benledi House, Glebe Community Centre on a lease that expires in March 2016. It is proposed that the tenant be placed on a holdover lease from March 2016 until 30 June 2016 to bring it into line with other Accommodation Grant leases and licences. The lease would be reviewed and renewed at this time.

Organisations Vacating Properties

11. East Sydney Community College vacated a property at 73-75 William Street, Woolloomooloo in March 2015, due to the organisation winding up its operations because of a change in funding. Further use of this space is currently under review.
12. Regenesys vacated a space at Abraham Mott Hall, Millers Point in January 2015, due to the organisation winding up its operations because of a change in funding. Further use of this space is currently under review.

New Property and Tenant Recommendation

13. Glebe Nurses Quarters Creative Studios (Nurses Quarters) is located at 184 Glebe Point Road, Glebe. The current market value of the property for 2015/16 under the Program is \$56,680 per annum (excluding GST).
14. The Nurses Quarters is a community building within a heritage area in Glebe. The building has a history of use as a residential premise supporting an original Government Hospital, and more recently as a studio and living space for artists.
15. The Nurses Quarters comprise of seven studios, a residential creative live/work apartment and an office space. The previous lead tenant, Glebe Chamber of Commerce, subleased studios to artists during their tenure.

16. The Nurses Quarters became available when Glebe Chamber of Commerce vacated the property in April 2015 to relocate to another property managed under the Program.
17. The City called for Expressions of Interest for the Nurses Quarters for Creative Tenancy Management Services to provide artists and cultural practitioners affordable space to work and live. Four applicants were received.
18. Kil.n.it is a not-for-profit organisation that emerged as a response to the increasing popularity of ceramics and limited access to well-equipped ceramic studios in the City of Sydney Local Government Area. Kil.n.it's mission is to provide space for creative ceramic practice and promote collaboration between emerging and established artists by:
 - (a) providing affordable creative work space for a diverse mix of artists of varied skill and career levels;
 - (b) offering professional ceramic production equipment;
 - (c) administering workshops, educational programs, and site visits for the broader community; and
 - (d) managing a live/work apartment as an affordable residency program for visiting intrastate, interstate and international artists.
19. It is recommended that Kil.n.it be awarded an Accommodation Grant for the Nurses Quarters at the value of \$56,680 per annum on a 100 per cent subsidy in the first year, and \$43,785 on a 75 per cent subsidy in the second year (with year two pending annual review and approval by the City).
20. It is also recommended that The Assembly Marrickville (The Assembly) be waitlisted for this property should Kil.n.it decline to accept the offer of the property or move on from the space within the first 12 months.
21. The Assembly is an unincorporated not-for-profit arts organisation. Managed by a collective of creatives, The Assembly aims to provide affordable space and foster a productive hub for creative people who make and do things. The Assembly would run three community engagement programs including artist/maker studios, a 'Hub' office with hot desks and a meeting space, and a work/study/live-in residency space.

Upcoming Properties

22. The Program will be seeking Expressions of Interest for properties in July this year for new leases to commence in late 2015. Interested organisations will be asked to complete online applications, which will be assessed by the City's internal assessors and recommended to Council for approval. Information regarding the properties available and the application process will be available in July and reported through a CEO update.
23. An Expression of Interest (EOI) is being prepared to call for Provider Approved, Not- for-Profit Child Care Operators to deliver long day care services from Bourke Street Children's Centre, The Crescent Early Education Centre, Huntley Street Early Education Centre and Sydney Park Early Education Centre. These centres will be ready for operations in early 2016.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

24. *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. The Accommodation Grant Program is aligned with the following strategic directions and objectives:
- (a) Direction 6 - Vibrant Local Communities and Economies – the provision of accommodation to a varied group of community and cultural organisations contributes to the diverse range of services and support that the City provides for our community. The diversity of these groups contributes to the vibrancy of the city's villages and the communities within them.
 - (b) Direction 7 - A Cultural and Creative City – approximately one third of the Accommodation Grant tenants are cultural/arts organisations. These organisations support cultural development through the support of artists, and the delivery of culturally stimulating activities that engage our communities.

Social / Cultural / Community

25. The contribution of the community and cultural organisations that are part of the Program to the development, coordination and management of the many services and activities available to our community is invaluable. In this way, the City and the community act collaboratively to bring to life the City of Villages.

BUDGET IMPLICATIONS

26. Based on the current list of Accommodation Grant recipients, the total grant value of the program is \$3,034,095 in revenue forgone for the 2014/15 financial year.
27. This report also recommends that an Accommodation Grant be awarded to one organisation for a new property (Nurses Quarters) as part of the Program. The total value of this grant is \$56,680 (excluding GST) in revenue forgone for 2015/16 and \$43,785 (excluding GST) in revenue forgone for 2016/17.
28. City Properties is currently projecting an income of \$3,648 for 2015/16 for the Nurses Quarters. This recommendation will result in a net impact of \$3,648 of reduced income. The property had been leased as part of a long term agreement signed by Leichhardt Council, at significantly below market rent.

RELEVANT LEGISLATION

29. Section 356 of the Local Government Act 1993.

CRITICAL DATES / TIME FRAMES

30. Accommodation Grant tenants noted in this report as requiring lease/licence renewals will be held over on a month-to-month basis, as their current leases/licences expire on 30 June 2015. New leases/licences are therefore required to ensure tenants can remain in their properties.
31. Organisations that have been rated 'B' (on notice) have been notified of this recommendation.

32. In order to minimise the time that the Nurses Quarters is vacant, it is important a decision on a new tenant is made as soon as possible.

PUBLIC CONSULTATION

33. City staff liaise with Accommodation Grant tenants throughout the year, and as part of the annual performance review process. In addition, specific meetings have been held with organisations that have been rated 'B', and with tenants currently occupying premises that they are due to either vacate pending commencement of capital works, or those that are subject to new lease arrangements.
34. The EOI for the Nurses Quarters opened on 3 March 2015 and closed on 23 April 2015, and the property was open for inspection on 9 and 16 April 2015.
35. The EOI was advertised in The Sydney Morning Herald, Inner West Courier and on Arts Hub. It also advertised on the Creative City Sydney website and the opportunity emailed to subscribers to the Creative City notification list and the Accommodation Grant Program notification list.
36. There were 50 downloads of the EOI documentation, with 10 organisations attending the site inspections.

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