

**ITEM 3. GRANTS AND SPONSORSHIP – CITY RECITAL HALL LIMITED – GRANT FOR NEW KITCHEN****FILE NO: X000633****SUMMARY**

City Recital Hall opened in 1999 as a purpose built chamber music venue with a capacity of 1,246. The City has responsibility for the venue via a 99 year lease from AMP and, since its opening, the venue has been managed by a third party on the City's behalf. On 1 October 2015, the City Recital Hall Limited took on the operational responsibilities under a sublease expiring on 30 June 2020 with a two year option to renew.

Under this new management, the City Recital Hall Limited board have established a four year business plan. The plan details the organisation's artistic and business strategic directions mapping their goals in becoming one of Sydney's premier venues. To establish a secure and self-sustaining business model, the organisation has identified potential to increase income, including the improvement of catering options for functions and special events at the venue. There is currently no dedicated catering kitchen and the City Recital Hall requires a kitchen to service functions and events.

The new kitchen will remain a City asset. This capital investment will improve the return on the City's asset and assist this new organisation to diversify income streams beyond their box office revenue. This capital improvement is a key element towards their self-sustaining business model.

Since 2013, the City's Property Services Unit has been in discussions with the previous City Recital Hall management about the lack of catering kitchen facilities at the venue. A series of assessments were undertaken to determine the most suitable catering kitchen model given the physical restrictions of the property. Subsequently, a Development Application was lodged and Notice of Determination issued in 2014. These works were not undertaken at that time, due to the proposal to change the operating model of the venue.

The new City Recital Hall management have further scoped the project against their business model, and have determined that a new caterer's kitchen is the best option. This model is in keeping with the type of facilities provided by similar venues of the City Recital Hall's calibre. Quotes indicate a budget of around \$266,000 is required to deliver the project. City Recital Hall have sought a contribution to this cost from the City.

A panel including representation from the City's Property Services Unit, Finance and Creative City examined the request for a new catering kitchen and agree that the current facilities are inadequate to provide an appropriate service. They have carefully reviewed the budget and quotes for the project and recommend a grant of \$150,000 be allocated to City Recital Hall Limited towards the costs of the new catering kitchen.

The City's Capital Works Program includes a provision of \$150,000 in anticipation of this work. If approved to provide the funds under the City's Grants and Sponsorship program, the \$150,000 will represent an increase to the operating budget, which will be offset by the permanent saving in the Capital Works future years' forward estimates.

This proposal provides further evidence of the strengths of the new management and in the long term will reduce their dependence on the City. After one year of successful operations, they have launched a new curated program for 2017 and have already seen significant expansion and growth in their audience numbers and income.

**RECOMMENDATION**

It is resolved that:

- (A) Council approve a cash grant of \$150,000 (excluding GST) to City Recital Hall Limited to contribute to the costs of a new catering kitchen at the City Recital Hall; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer an agreement with City Recital Hall Limited for the grant detailed in clause (A).

**ATTACHMENTS**

Nil.

**BACKGROUND**

1. Following construction of the City's first customised recital hall, in 1999 the City leased the City Recital Hall from AMP for a 99 year term and opened the venue at a gala event on 30 October that year.
2. Since its opening in 1999, the venue has supported a regular client base comprising Australia's major music organisations. It has also been used for concerts, conferences, presentations, ceremonies and functions by a range of other hirers, including not-for-profit arts and community organisations, commercial concert promoters, educational institutions and corporations.
3. From 1999 to 30 September 2015, Pegasus Venue Management Pty Ltd (Pegasus) managed the City Recital Hall under various contracts with the City. The fees paid to Pegasus were based on the shortfall between the City Recital Hall's operating income and expenditure plus a management fee. The management fee and operating costs had increased over that time.
4. In a review of the City Recital Hall's venue utilisation and activation, it was agreed to undertake testing in the market for other approaches to the management of City Recital Hall that could deliver higher levels of venue activation and better value to the cultural sector, local businesses and the broader community.
5. After considerable consultations across the industry and a detailed review of recent government practice in the management of cultural infrastructure; environmental conditions; activity levels in benchmarked facilities; and long-term opportunities for sustainable growth, the establishment of a separate not-for-profit entity to manage the City Recital Hall as the most appropriate model for the City to pursue was recommended.
6. On 30 March 2015, Council agreed to:
  - (a) support the establishment of a not-for-profit organisation with primary responsibility for operating the City Recital Hall and optimising its social, cultural and economic value;
  - (b) make an application for the Minister's consent to establish the new entity;
  - (c) appoint the initial company directors in accordance with the agreed constitution;
  - (d) establish a subleasing agreement to 2020 with an option of two years to allow the organisation to occupy the City Recital Hall (which includes payment of property expenses previously covered by the City, such as Land Tax, Council rates, rent and any minor building maintenance – valued at more than \$70,000 p.a.); and
  - (e) enter into a funding agreement for \$450,000 for the set-up costs and first nine months of operation within the 2015/16 financial year.
7. Since this time, the City has received Ministerial consent to establish the new entity, established the new entity and appointed a board, and negotiated the lease to 2020. In 2015, the City allocated a \$450,000 grant for the first nine months of operation and monitored the organisation's development and fiscal management through the grant contract and regular reports from the new management.

8. The City Recital Hall Limited commenced operations on 1 October 2015. In January 2016 they appointed their CEO, Ms Elaine Chia, and commenced a review of the Priority One Hirers Program to align with the venue's annual programming strategies. They have been working to transform the venue from a 'hall for hire' to a venue with a curated management approach.
9. City Recital Hall have launched their new annual program format for January 2017. The new program offers a more unified program of events which will greatly increase utilisation of the venue and unlock its cultural, social and economic value.
10. On 16 May 2016, the City approved a four year sponsorship to enable the City Recital Hall Limited to achieve the strategies identified in their four year plan. The sponsorship is for \$450,000 for 2016/17, \$425,000 for 2017/18, \$400,000 for 2018/19 and \$375,000 for 2019/20 (excluding GST).
11. The four year business plan identifies a number of physical changes required to the City Recital Hall building that would enable smarter use of the facility. This will assist the organisation to improve the flexibility in the use of the spaces provided, generate additional hiring opportunities and, consequently, improve their income streams.
12. Since 2013, the City's Property Services Unit has been in discussions with City Recital Hall management about the lack of catering kitchen facilities at the venue. A series of assessments have been undertaken to determine the most suitable catering kitchen model given the physical restrictions of the property. A Development Application was subsequently lodged on 30 June 2014, and a Notice of Determination issued on 10 September 2014.
13. The scope of the works included a new cool room, caterer's kitchen, dry refuse room, and chilled refuse room.
14. In 2016, further discussions were held with the new City Recital Hall management regarding the kitchen facilities. They revisited the Notice of Determination and plans dated 30 June 2014 and intend to lodge a Section 96 Modification application to address minor changes to the kitchen and cool room layout and existing passageway.
15. City Recital Hall management have completed a cost analysis of the revised scope of works, and have been quoted \$265,751 including total construction costs and professional fees.
16. The revised scope of the works will deliver a new cool room, caterer's kitchen, dry refuse room, and chilled refuse room.
17. The new kitchen layout will be subject to approval from the building owner, AMP.
18. The City Recital Hall management have agreed to meet the costs in excess of the City's grant to deliver this project.
19. The City will work with City Recital Hall Limited during the design and construction phase of this project to ensure necessary compliance and commissioning.

20. It is recommended the City contribute \$150,000 towards the kitchen. Whilst this is a significant investment by the City, it should be noted that:
- (a) it aligns the City Recital Hall's facilities and services with other premier venues in Australia;
  - (b) as the new kitchen is part of the base building, it will form a City asset; and
  - (c) the new kitchen will support the business case presented by the City Recital Hall Ltd in their application for funding and subsequent recommendations for sponsorship endorsed by Council in May 2016.

## KEY IMPLICATIONS

### Strategic Alignment - Sustainable Sydney 2030

21. *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. This grant is aligned with the following strategic directions and objectives:
- (a) Direction 5 - A Lively and Engaging City Centre – the City Recital Hall contributes to the city centre's iconic status by providing the only purpose-built facility for recitals and chamber music. In doing so, it creates a mature and diverse night time culture by attracting a unique demographic interested in a specific cultural form; and
  - (b) Direction 7 - A Cultural and Creative City – the City Recital Hall supports cultural activity, participation and interaction by providing specialised cultural infrastructure appropriate to a global city. This ensures audiences can access the work of leading international and Australian performing artists in a building with the appropriate facilities and acoustic standards.

## Risks

22. The proposed scope of works will ensure adequate catering kitchen and facilities that will better service contracted caterers and minimise the risks associated with work, health and safety best practice in food preparation and handling.

## Social / Cultural / Community

23. The City Recital Hall is the only custom-built venue serving chamber orchestra, musical recitals and similar cultural performances in Sydney. The development of these new facilities is vital to the operational and financial outcomes for the organisation to achieve diversified income streams. This work is consistent with the organisation's four year business plan, which will assist City Recital Hall Limited's transition to greater financial independence and ensure the venue use is optimised for the local community and visitors to Sydney.

## Economic

24. Maximising the use of City Recital Hall as a performance venue with high levels of utilisation optimises its economic value through the employment of additional technical, administrative and artistic labour, and also increasing footfall and spend in the precinct.

25. The inclusion of the kitchen will improve the venue's offering and broaden the revenue options for the City Recital Hall to support their endeavours to increase their financial sustainability.

**BUDGET IMPLICATIONS**

26. The City's 10 Year Capital Works Program includes a provision of \$150,000 in anticipation of this work. If approved to provide the funds under the City's Grants and Sponsorship program the \$150,000 will represent an increase to the operating budget. This expense will be offset by a permanent saving in the Capital Works future years' forward estimates.

**RELEVANT LEGISLATION**

27. Section 356 of the Local Government Act 1993.

**CRITICAL DATES / TIME FRAMES**

28. It is important the renovations be completed as soon as possible. The City Recital Hall has scheduled venue down time in January 2017 to allow this work to occur. Alternatively, if the work cannot be done in January, the work will not be able to commence until July 2017 or thereabouts, depending on programming commitments.

**ANN HOBAN**

Director City Life

Jennifer Trinca, Cultural Projects Coordinator – Funded Programs