

ITEM 5. ACCOMMODATION GRANT PROGRAM – ANNUAL PERFORMANCE REVIEW 2016 AND LEASE RENEWALS**FILE NO: S117676****SUMMARY**

The Accommodation Grant Program (the Program) is one of 16 programs adopted as part of the City's Grants and Sponsorship Policy. The Program supports community, cultural, economic and sustainability focused organisations by providing accommodation in Council-owned buildings within the 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 360 organisations currently listed on a notification list for future properties.

Currently, there are 77 leases held by 71 organisations located across 49 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 five 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. 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. All tenants that were in a property for six months or more in the assessment period (the 2016 calendar year), were requested to complete an annual performance review. This report outlines the outcomes of this review and provides recommendations for leases due for renewal.

For the 2016 assessment period, 71 lease holders were requested to complete an annual performance review. There were six tenants that were not requested to 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. Additionally, the Dictionary of Sydney Trust vacated their space in December 2016, however, was not required to complete an annual performance review as their Accommodation Grant was acquitted satisfactorily as part of their last grant acquittal. The Glebe Chamber of Commerce vacated their space in December 2016, however, did complete an annual performance review. One organisation has had their lease terminated.

Of these 71 lease holders, this report is recommending the continuation of the leases of the remaining 69, following the departure of two organisations from the program who completed their annual performance review.

All tenants that met the performance criteria and conditions of the lease/licence are recommended for renewal where appropriate. In approving the renewal of a lease, Council approves a grant which is a subsidy based on the market rental value of the property.

The City is currently working with the operators of the child care facilities to review lease arrangements. Council will be informed of the outcomes of the review.

Of the 77 current leases/licences, a total of two leases for 107 Projects Inc and Older Woman's Network NSW are due for renewal in 2017. The two lease/licence renewals are recommended to be brought into line with the annual performance review reporting cycle with new end dates of 30 June 2021. Renewal subsidy levels are based on the current market rental value of the property. Additionally, Kil.n.it Experimental Ceramics Studio is recommended to continue on a month to month lease until December 2017 to align with the expiry of their second lease at Glebe Town Hall Classroom. It is anticipated that both expiring leases for Kil.n.it Experimental Ceramics Studio will be presented to Council for renewal later in 2017.

This report also notes properties that have been vacated.

Separate to the organisations participating in the Accommodation Grant Program, Mardi Gras Arts Ltd's current reduced rate lease has expired. It is recommended that Council approve a one year lease under the Accommodation Grant Program for Suites 6-8/94 Oxford Street at the reduced rental value of \$68,426 per annum. The current market valuation for the leased area on this property is \$98,440 per annum. The reduced rent represents \$29,482 per annum in forgone revenue to the City.

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

RECOMMENDATION

It is resolved that:

- (A) Council note the continuation of the current Accommodation Grant leases/licences for the 69 tenants that have met the performance criteria of their Accommodation grants and are continuing in the program;
- (B) Council approve the renewal of the two Accommodation Grant leases/licences for 107 Projects Inc and Older Woman's Network NSW as outlined in the table for four years from 1 July 2017 to 30 June 2021:

Organisation	Property Address	Recommended Grant Amount and Subsidy	Rent to be paid years 1-4
107 Projects Inc	Level 1, 107 Redfern St, Redfern	\$70,706 on a 100 per cent subsidy in the first year. \$72,827 on a 100 per cent subsidy in the second year. \$75,012 on a 100 per cent subsidy in the third year. \$77,262 on a 100 per cent subsidy in the fourth year.	\$0
Older Woman's Network NSW	Jane Evans Day Centre, 8-10 Victoria Street Newtown	\$74,220 on a 100 per cent subsidy in the first year. \$76,447 on a 100 per cent subsidy in the second year. \$78,740 on a 100 per cent subsidy in the third year. \$81,102 on a 100 per cent subsidy in the fourth year.	\$0

- (C) Council note the continuation of Kil.n.it Experimental Ceramics Studio on a month to month lease until 31 December 2017;
- (D) Council approve a one year lease at the rental subsidy level of \$29,482 per annum for Mardi Gras Arts Ltd under the Accommodation Grants Program for Suites 6-8/94 Oxford Street commencing 1 July 2017 at a reduced rental value of \$68,426 per annum, representing a thirty per cent reduction of the market rent for this space; and

- (E) 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 the Grants and Sponsorship Policy.

ATTACHMENTS

Attachment A: Accommodation Grant Recipient List

BACKGROUND

1. The Accommodation Grant Program presently makes available spaces for 71 organisations in 49 buildings. The total cost of the Program in revenue forgone for the 2017/18 financial year is estimated as \$4.81 million.
2. The terms and conditions of the agreement between each lease holder and the City are detailed in a lease or licence, which also sets out specific key performance criteria and performance measures. Lease holders are reviewed every 12 months against these criteria and measures. Based on these reviews, the following options exist: continuation, improvement, termination, or a variation to the terms of the existing lease or licence.

2016 Annual Performance Review

3. The annual performance review of Accommodation Grant recipients was undertaken between January 2017 and March 2017 and is based on the 2016 calendar year. Seventy-one lease holders were requested to undertake this year's annual performance review. Additionally, seven lease holders did not undertake the self-assessment as they were not required to and are outlined in Attachment A to the subject report.
4. Lease holders submitted their annual performance reviews online. City staff members evaluated the submissions provided and the lease holders' overall performance in 2016 against the criteria contained in the respective leases/licenses. Final evaluations were agreed upon during assessment meetings using the following ratings:
 - (a) A - meeting or exceeding performance criteria;
 - (b) A/B - meeting the majority of performance criteria;
 - (c) B - not meeting performance criteria, on notice (one year to improve performance); or
 - (d) C - not meeting expectations after one year, leases to be terminated.

Seventy of the 71 tenants participating in the annual review have met their performance criteria and have been rated 'A' (see Attachment A to the subject report). One organisation is in the process of having their lease terminated.

Lease Renewals and Tenants on Hold Over

5. Two leases/licences are recommended for renewal for 4 years. These lease/licence renewals relate to 107 Projects Inc and Older Woman's Network NSW and will be brought into line with the annual performance review reporting cycle.
6. Kil.n.it Experimental Ceramics Studio operates two sites under two Accommodation Grants at Glebe Nurses Quarters and the Glebe Town Hall Classroom where they host a year-round program of artists' studios and conduct ceramics workshops. It is recommended to holdover Kil.n.it's expiring Glebe Nurses Quarters lease from July 2017 to December 2017. This will then align with the expiry of the Glebe Town Hall Classroom lease and allow for both leases to be renewed at once, streamlining the management of both spaces.

7. Since 2008, the City has provided Mardi Gras Arts Ltd with office suites located at 6-8/94 Oxford Street at a reduced rental rate. This support allows the organisation to maintain a visible presence in the Oxford Street community as a not for profit organisation delivering a cultural, social and economic service to the LGBTIQ community. The current lease provides a rental subsidy of \$29,482 per annum and represents a thirty per cent reduction of the rental value. This lease expired in February 2017 and has remained on a monthly holdover basis at the same subsidised rent until 30 June 2017.
8. It is recommended that Council approve an additional one year lease under the Accommodation Grants Program commencing 1 July 2017 for the Oxford Street property at the reduced rental value of \$68,426 per annum. The current market valuation for the leased area is \$98,440 per annum, representing \$29,482 per annum in revenue forgone.

Tenants Vacating Properties

9. The Glebe Chamber of Commerce and the Dictionary of Sydney Trust vacated spaces at Benledi House and left the Accommodation Grant Program in December 2016. These spaces went out for application in March 2017 and recommendations are currently being presented to Council in a separate report.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

10. *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

11. The contribution of the community and cultural organisations that are part of the Program to support 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

12. Based on the current list of Accommodation Grant recipients the total grant value of the Accommodation Grant Program in the 2017/18 financial year is estimated at \$4.81 million in revenue foregone.

RELEVANT LEGISLATION

13. Section 356 of the *Local Government Act 1993*.

CRITICAL DATES / TIME FRAMES

14. Accommodation Grant tenants noted in this report as requiring lease/licence renewals hold leases/licences expiring between 14 May 2017 and 2 December 2017. New leases/licences are therefore required to ensure tenants can remain in their properties as outlined above.

ANN HOBAN

Director City Life

Phoebe Arthur, Grants Program Coordinator