

ITEM 4. GRANTS AND SPONSORSHIP – ACCOMMODATION GRANTS PROGRAM – ROUND TWO 2017/18 – TENANCY 1 – PADDINGTON TOWN HALL - AND GRANT RENEWALS

FILE NO: S117676

SUMMARY

The Accommodation Grants Program (the Program) is one of 16 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 Grants are provided to organisations that provide services that meet the needs identified in *Sustainable Sydney 2030*, and the City's strategic plans and policies. Grants are available to non-profit organisations, and to for-profit organisations where they demonstrate a public benefit. Currently, there are 84 leases held by 76 organisations located across 54 City properties managed under the Program. Recipients of grants enter into leases or licences with the City for a fixed term.

This report recommends the awarding of an Accommodation Grant for Tenancy 1, Paddington Town Hall, and the renewal of two existing Accommodation Grant leases.

Tenancy 1, Paddington Town Hall

The City called for applications for Tenancy 1, Paddington Town Hall, on 19 June 2017. Four eligible applications were received. The incumbent tenant, Cobbstar Productions Pty Ltd, is recommended to occupy the property under the Program.

184 Glebe Point Road, Glebe, formerly Glebe Nurses Quarters

Kil.n.it Experimental Ceramic Studio Inc was awarded a one-year grant with a one-year option, with a further hold over period approved to 31 December 2017. It is recommended that the grant for the Glebe Nurses Quarters is now renewed up to 30 June 2021, in line with the Accommodation Grants Program lease renewal cycle.

Abraham Mott Millers Point Activity Centre – Space 1 and 2

Sydney School of Arts and Humanities was awarded a one-year grant only in 2016 that expires on 25 October 2017. It is recommended that the grant is renewed for two years up to 25 October 2019.

All figures in this report and its attachments are exclusive of GST. All market rental values in this report are calculated with a fixed annual increase of three per cent per annum and exclusive of GST.

RECOMMENDATION

It is resolved that:

- (A) Council approve an additional Accommodation Grant to Cobbstar Productions Pty Ltd pertaining to Tenancy 1, Paddington Town Hall, for a period of up to four years on a two-year lease, with the option of an additional two years on the following subsidy, noting that all amounts are per annum:

	Market Rental Value	Grant Subsidy	Grant Amount	Rent to be paid
Year 1	\$80,340	86%	\$69,092	\$11,248
Year 2	\$82,750	84%	\$69,510	\$13,240
Year 3	\$85,233	81%	\$69,038	\$16,194
Year 4	\$87,790	77%	\$67,598	\$20,192

- (B) Council approve an Accommodation Grant for Kil.n.it Experimental Ceramic Studio Inc for Glebe Nurses Quarters Creative Studios, 184 Glebe Point Road, Glebe, from 1 January 2018 up to 30 June 2021 as outlined below, noting that all amounts are per annum:

	Market Rental Value	Grant Subsidy	Grant Amount	Rent to be paid
Year 1	\$60,132	100%	\$60,132	\$0
Year 2	\$61,936	99%	\$61,317	\$619
Year 3	\$63,794	98%	\$62,518	\$1,276
Year 4	\$32,854 up to 30 June 2021	98% up to 30 June 2021	\$32,197 up to 30 June 2021	\$657 up to 30 June 2021

- (C) Council approve an Accommodation Grant for Sydney School of Arts & Humanities Pty Ltd for Abraham Mott Activity Centre, Space 1 and 2, 15a Argyle Street, Millers Point, for a period of two years from 26 October 2017 to 25 October 2019 as outlined below, noting that all amounts are per annum:

	Market Rental Value	Grant Subsidy	Grant Amount	Rent to be paid
Year 1	\$7,184	25%	\$1,796	\$5,388
Year 2	\$7,400	25%	\$1,850	\$5,550

- (D) Council note that all grant amounts are exclusive of GST; 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 in accordance with the Grants and Sponsorship Policy.

ATTACHMENTS

- Attachment A:** Not Recommended for Funding – Accommodation Grants Program – Tenancy 1, Paddington Town Hall – 2017/18 Round Two

BACKGROUND

1. The Accommodation Grants Program (the Program) presently makes available spaces for 84 leases held by 76 organisations located across 54 City properties managed under the Program. The total cost of the Program in revenue forgone for the 2017/18 financial year is estimated as \$4.4 million.

Tenancy 1, Paddington Town Hall

2. In assessing the grant applications, the assessment panel considered the Creative City Cultural Policy and Action Plan in their recommendations, and sought to identify an organisation working in the film or creative industries, which:
 - (a) could make use of the existing green screen;
 - (b) is a sector-focused organisation with considerable expertise; and
 - (c) presented sound management and financial plans for the delivery of the proposed tenancy.
3. The Accommodation Grants Program is open to for-profit entities. The recommended applicant for this property is a for-profit organisation, Cobbstar Productions Pty Ltd (Cobbstar).
4. The assessment process included advice and recommendations from key stakeholders on the assessment panel, depending upon the nature of each submission. The integrity of the proposed budget, project plan, contributions and partnerships are assessed, scored and ranked against defined criteria. Once recommended applications are approved by Council, a lease or licence is prepared, which includes performance criteria that must be adhered to and acquitted against.
5. The panel assessing the submitted applications comprised of the Manager Cultural Strategy, Cultural Projects Manager and Cultural Projects Co-ordinator - Creative Spaces. Feedback during the shortlisted interview process was provided by the City's Business Analyst.
6. The panel considered the applicant's ability to pay rent when determining the level of subsidy per year. As part of the application process, applicants provided details of the level of rent they can afford to pay and the subsidy level they wish to receive. The panel considered this information and how the organisation ranks against the Program criteria.
7. All grants are recommended on the condition that any required approvals, permits and development consents are obtained by the applicant.
8. The terms and conditions of the agreement between the tenant and the City are detailed in each lease or licence, which sets out specific Key Performance Indicators and performance measures for each tenant.
9. The Accommodation Grants Program is highly competitive. Applications that are not recommended did not score as highly against the assessment criteria as the recommended organisation.

10. The premises is part of Paddington Town Hall and is currently occupied by Cobbstar, who applied in 2016/17 for a short-term tenancy expiring 31 January 2018. A shorter lease was offered at that time to ensure that the premises was utilised while strategic longer-term uses for the entire property were considered. Prior to this, the space was occupied by Metro Screen which, after losing its Screen Australia core funding, vacated the premises.
11. Longer-term uses for the Paddington Town Hall are still being considered, and will not be resolved prior to 31 January 2022. It is recommended to maintain use of the premises while these strategies are being developed, and a long-term lease was offered through the Accommodation Grants Program in this application round.
12. This multi-faceted space was offered for use by a cultural or creative organisation or project for up to four years on a two-year lease, with the option of a two-year extension. The space retains purpose-built features amenable to screen production, including a green screen studio that was, under the Metro Screen tenure, one of the only affordable facilities in the Sydney metropolitan region. Given the existing infrastructure, preference was given to projects that have a film, video, writing for film production, festivals and/or events focus, and to organisations working in these areas.
13. The premises is to be managed by a single organisation. Applications were accepted that proposed one of two models: sole use of property by the applying organisation, or direct management by the applying organisation of multiple entities that would activate and share the premises.
14. Four eligible applications were received. The incumbent tenant, Cobbstar Productions Pty Ltd (Cobbstar), is recommended to occupy the property under the Program.
15. Cobbstar is a company producing film, television and web entertainment. The applicant has requested the use of Tenancy 1, Paddington Town Hall, to continue its use as Cobbstar Studios - a multiplatform film, entertainment and creative hub that is able to take advantage of the unique production space the property provides.
16. In the short time that Cobbstar has activated the space, they have demonstrated rapid results through the relieved financial pressure of subsidised rent. The benefits and opportunities offered through the subsidised space (including affordable rent and hire rates) are passed on to their 10 permanent tenants, two semi-permanent tenants and multiple casual users and hirers. The model employed by Cobbstar Studios is based on providing the opportunity for each of the small independent companies to grow and become financially sustainable in ways that they otherwise could not.
17. The proposal for Cobbstar Studios for the additional four years is a continuation and consolidation of the support offered so far, maximising the advantages of access to subsidised space.
18. Cobbstar Studios currently houses a mix of tenants, including screen content companies, a theatrical agency, a music production company and acting schools. The space is also hired and accessed on a casual basis for rehearsals, meetings, green screen studio hire, film shoots and hot desk space.

19. Whilst Cobbstar is a for-profit entity, their proposed use of the tenancy to operate Cobbstar Studios is a distinct project from their content production operations. The studios do not generate profit for the company. Surplus funds generated through the management of the studios will be invested into staff and specialist equipment to enhance the operations of the studio to the benefit of all tenants and users. Access to this quality equipment and other resources will allow the users to undertake projects and pitch for jobs that may otherwise have been beyond their reach as small, independent operators. This is a key opportunity for accelerated growth.
20. The assessment panel concluded that the project proposed aligned with both the Program's requirements and the needs of the organisation. The applicant demonstrated excellent partnerships, links and support from Screen NSW, the LGBTIQ community, and the wider film sector, as evidence of the suitability of their application.
21. The assessment panel concluded the organisation presented suitable models towards:
 - (a) activating and hiring out the green screen, including affordable rates for community groups;
 - (b) advertising and marketing the project to the film and creative communities; and
 - (c) managing the facility on a day-to-day basis, including WHS requirements and noise mitigation strategies given the residential location of the space.
22. The start date for the new lease is 1 February 2018 for a two-year period with the option of an additional two years up to 31 January 2022.
23. It is recommended that Cobbstar be awarded an Accommodation Grant for Tenancy 1, Paddington Town Hall, for a period of up to four years on a two-year lease with the option of an additional two years on the following rental subsidy:
 - (a) Year 1 - 86% subsidy valued at \$69,092
 - (b) Year 2 - 84% subsidy valued at \$69,510
 - (c) Year 3 - 81% subsidy valued at \$69,038
 - (d) Year 4 - 77% subsidy valued at \$67,598

184 Glebe Point Road, Glebe, formerly Glebe Nurses Quarters

24. Glebe Nurses Quarters Creative Studios (Nurses Quarters) is located at 184 Glebe Point Road, Glebe. The current market rental value of the property is \$58,380 per annum.
25. The space is occupied by Kil.n.it Experimental Ceramics Studio Inc (Kil.n.it) who commenced in 2015 for a one-year term with a one-year option. The grant is for 100% subsidy valued at \$58,380.
26. The lease for the Glebe Nurses Quarters Creative Studios is due to expire in December 2017. It is recommended that Kil.n.it be awarded a grant in line with the annual performance review reporting cycle, with a new end date of 30 June 2021.

27. Kil.n.it are a not-for-profit organisation providing opportunities for creative practitioners to learn, collaborate and investigate what is possible in ceramics.
28. They host a year-round program of artists' studios and conduct ceramics workshops. Kil.n.it provide affordable creative work space for a diverse mix of ceramic artists of varied skill and career levels, provide affordable access to professional ceramic production equipment, and administer workshops and educational programs.
29. During their first tenure, Kil.n.it have met or exceeded their performance criteria. Demand for their workshops and education programs has increased steadily. They have invested in the fit out of the Nurses Quarters property to make it suitable for use as artist studios and undertaken cosmetic improvements to enliven the building.
30. These first two years have allowed the organisation to test their business model. Initial projected models and budgets have had to be adjusted. The set up and operations have been capital intensive, requiring specialist equipment to be purchased and maintained. While there is steady demand for classes and programs, and the organisation meets projected income targets for these, this activity is cost-neutral at this stage, after staff resourcing and materials are accounted for. However, there is potential for growth in casual workshop/studio uses, and additional classes.
31. The facility remains community-focused. Affordable rents and hire rates are offered and Kil.n.it invest in the ongoing maintenance and purchasing of equipment to enhance the facilities available to the sector. It is recognised that an organisation and offer of this nature requires time to develop the staff capacity to manage the growth toward financial sustainability. Support in the form of substantial rental subsidy for the next lease term will ensure that Kil.n.it are able to focus on evenly-paced growth and business development, whilst harnessing the incredible sector enthusiasm for their facility and nurturing the artists which have established themselves at its core.
32. It is recommended that the grant for Kil.n.it Experimental Ceramic Studio Inc at Glebe Nurses Quarters Creative Studios, 184 Glebe Point Road, Glebe, be renewed up to 30 June 2021 as follows.
33. Glebe Nurses Quarters Creative Studios up to 30 June 2021 as below:
 - (a) Year 1 – 100% subsidy valued at \$60,132
 - (b) Year 2 – 99% subsidy valued at \$61,316
 - (c) Year 3 – 98% subsidy valued at \$62,518
 - (d) Up to 30 June 2021 – 98% subsidy valued at \$32,197

Abraham Mott Millers Point Activity Centre – Space 1 and 2

34. Abraham Mott Activity Centre – Space 1 and 2 is located at 15a Argyle Street in Millers Point. The current market rental value of these spaces is \$6,975 per annum.
35. These spaces are currently occupied by Sydney School of Arts & Humanities Pty Ltd, who commenced in 2016 for a one-year term ending 25 October 2017. The grant is for 25 per cent subsidy valued at \$1,744.

36. Sydney School of Arts & Humanities Pty Ltd assists emerging and local community creative writers to successfully complete their own writing projects and be published online. The tenant uses the space to hold creative writing workshops, to provide desk space for emerging writers, and as office space.
37. Sydney School of Arts & Humanities' program offers the local community opportunities for learning and knowledge-sharing, and a place to share stories with other community members.
38. This short-term lease was originally offered in order for the City to review the long-term use of the Abraham Mott Activity Centre. The Millers Point community and surrounding areas are changing significantly, with the relocation of social housing residents and the emergence of a new community profile, as well as construction of Barangaroo. City staff will continue to assess the way in which community spaces are best utilised as the profile of the community changes.
39. This review is not yet complete and a change in future uses is unlikely to be determined prior to 25 October 2019.
40. It is recommended that the Accommodation Grant for Sydney School of Arts & Humanities Pty Ltd be renewed for two years for Abraham Mott Activity Centre – Space 1 and 2 for a two-year term as follows:
 - (a) Year 1 - 25% subsidy valued at \$1,796
 - (b) Year 2 - 25% subsidy valued at \$1,850

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030 Vision

41. 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 grants 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 Grants Program 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

42. 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

43. The total cost of the Program in revenue forgone for the 2017/18 financial year is estimated as \$4.4 million.
44. The total grant value for grants recommended in this report is \$495,292 based on the lease terms. \$60,052 of this will be reported in the 2017/18 financial year and the remaining \$435,240 (including an annual increase of 3 per cent) will be reported in future years.

RELEVANT LEGISLATION

45. The requirements of section 356(3) of the Local Government Act 1993 have been satisfied in respect of the proposed for-profit recipient.

CRITICAL DATES / TIME FRAMES

46. The intended start date for the tenant at Tenancy 1, Paddington Town Hall, is 1 February 2018.
47. Accommodation Grants tenants noted in this report as requiring lease/licence renewals hold leases/licences expiring between 25 October 2017 and 31 December 2017. New leases/licences are therefore required to ensure tenants can remain in their properties as outlined above.

PUBLIC CONSULTATION

48. For Tenancy 1, Paddington Town Hall, the property was open for inspection by registration for a total of six sessions over three days, with two sessions available 28 June 2017, 5 July 2017 and 12 July 2017. Sixteen organisations represented by 22 people registered to attend the property inspections.
49. Information about the Program (such as application dates, guidelines, eligibility criteria and sample applications) was made available on the City's website. The City actively promoted the programs through Facebook, Twitter, What's On, Avant Cards, an ArtsHub publication with a native content piece and affiliated website and Facebook promotion. Email campaigns were also utilised to target interested parties who have applied previously for grants at the City or who have expressed an interest in the City's programs.

ANN HOBAN

Director City Life

Marni Jackson, Cultural Projects Manager