

## Item 5.

### Accommodation Grant Program – Annual Performance Review and Lease Renewals 2019

File No: S117676

#### Summary

The Accommodation Grant Program (the Program) is one of 17 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 520 organisations currently on a notification list for future properties.

Currently, there are 79 leases held by 71 organisations located across 53 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 an annual performance 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 2018 calendar year), were requested to complete an annual performance review. All tenants that met the performance criteria and conditions of the lease/licence are recommended for renewal. In approving the renewal of a lease, Council approves a grant which is a subsidy based on the market rental value of the property. This report outlines the outcomes of this annual performance review and provides recommendations for leases due for renewal.

For the 2018 assessment period, 77 lease holders were requested to complete an annual performance review. There were three 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. Youth Food Movement vacated their space in December 2018 however did complete an annual performance review.

Seventy-six current tenants were assessed and all are recommended for continuation on the program. This includes:

- 74 lease holders recommended to continue in accordance with their existing leases; and
- two leases that are due to expire (In The Pipeline (Arts) Ltd and Radio Eastern Sydney Co-operative Limited) and are recommend for renewal for up to five years.

The assessment process found three 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 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.

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 76 tenants that have met the performance criteria of their Accommodation grants or that have been placed 'on notice' and are continuing in the Program;
- (B) Council approve a renewal of the Accommodation Grant for In The Pipeline (Arts) Ltd for Reginald Murphy Centre, 19 Greenknowe Street, Elizabeth Bay for five years up to June 2024 as outlined below noting that all amounts are per annum:

	<b>Market Rental Value</b>	<b>Grant Subsidy</b>	<b>Grant Amount</b>	<b>Rent to be paid</b>
Year 1 – June - Dec 2019 *6 months only	\$44,000.00	77%	\$33,880.00	\$10,120.00
Year 1 – Jan - June 2020 *6 months only	\$44,000.00	57%	\$25,080.00	\$18,920.00
Year 2 - 2020/2021	\$90,640.00	57%	\$51,664.80	\$38,975.20
Year 3 - 2021/2022	\$93,359.20	57%	\$53,214.74	\$40,144.46
Year 4 - 2022/2023	\$96,159.98	57%	\$54,811.19	\$41,348.79
Year 5 - 2023/2024	\$99,044.78	57%	\$56,455.52	\$42,589.25

- (C) Council approve a renewal of the Accommodation Grant for Radio Eastern Sydney Cooperative Limited for Paddington Town Hall, 247 Oxford Street, Paddington from July 2019 for five years up to June 2024 as outlined below noting that all amounts are per annum:

	<b>Market Rental Value</b>	<b>Grant Subsidy</b>	<b>Grant Amount</b>	<b>Rent to be paid</b>
Year 1	\$34,200.00	86%	\$29,412.00	\$4,788.00
Year 2	\$35,226.00	86%	\$30,294.36	\$4,931.64
Year 3	\$36,282.78	86%	\$31,203.19	\$5,079.59
Year 4	\$37,371.26	86%	\$32,139.29	\$5,231.98
Year 5	\$38,492.40	86%	\$33,103.47	\$5,388.94

- (D) 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 Program - Annual Performance Review Ratings

## Background

1. The Accommodation Grant Program presently makes available 79 spaces for 71 organisations in 53 buildings. The total cost of the Program in revenue forgone for the 2018/19 financial year is estimated as \$4.31 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.

## 2018 Annual Performance Review

3. The annual performance review of Accommodation Grant recipients was undertaken between January 2019 and March 2019 and is based on the 2018 calendar year. Seventy-seven lease holders were requested to undertake this year's annual performance review. Additionally, three lease holders did not undertake the self-assessment as they were not required to and are outlined in Attachment A.
4. Lease holders submitted their annual performance reviews online. City staff members evaluated the submissions provided and the lease holders' overall performance in 2018 against the criteria contained in the respective lease/license. Final evaluations were agreed upon during assessment meetings using the following ratings:
  - A - meeting or exceeding performance criteria;
  - A/B - meeting the majority of 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.
5. All 77 tenants participating in the annual review have met their performance criteria and have been rated 'A', 'A/B' or 'B' (see Attachment A).
6. It is noted that City staff will continue to work closely with eight tenants rated A/B, Australian Guild of Screen Composers, Australian Unity Alleena Warrambucca Homecare, Babana Aboriginal Men's Group Incorporated, Cobbstar Productions, Glebe Junior Australian Football Club, Music Council Of Australia Pty. Limited, Tribal Warrior Association Inc and Wrap with Love over the next 12 months. City staff have noted that there are a number of improvements that have been identified with these tenants such as proactive and regular communication, establishing expectations around reporting and updating performance criteria. Tenants and City staff will continue to work together to ensure that performance criteria are met and these properties continue to meet the diverse needs of our community.

7. Three tenants have been rated B as part of this year's review: Creativity Incorporated, South East Neighbourhood Centre and Vibewire Youth Services. 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.

### **Lease Renewals**

8. Two leases/licences are recommended for renewal for up to five years. These lease/licence renewals relate to In The Pipeline (Arts) Ltd and Radio Eastern Sydney Cooperative Limited.

#### **In The Pipeline (Arts) Ltd - Reginald Murphy Centre, 19 Greenknowe Street, Elizabeth Bay**

9. Recommended that In the Pipeline (Hayes Theatre) are renewed on a five year lease from July 2019 to June 2024 on the following subsidy based on a market value of \$88,000 per annum plus a 3 per cent annual increase.
10. Hayes Theatre 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. In 2018, Hayes Theatre played to an audience of over 30,000 people.
11. It is recommended that In the Pipeline are awarded a subsidy of 57 per cent across the five year lease with an initial six month subsidy of 77 per cent.
12. The initial higher subsidy is given to assist the organisation in covering some unexpected costs incurred as a result of the recent renovations to the building. The tenant is very grateful for the renovations and the outcomes are positive, but the works have resulted in expenses including cleaning and re-racking sound equipment, a detailed clean of the theatre, re-fitting the security system and intercom, building a new box office to fit the changed shape of the foyer, servicing the foyer air-conditioner. The higher subsidy would assist in covering these costs.
13. With the increase in market value of the property, the increase in subsidy to 57 per cent from the current 50 per cent across remainder of the lease period means that the rent payable stays relatively similar and manageable for the organisation.

#### **Radio Eastern Sydney Cooperative - Paddington Town Hall, 247 Oxford Street, Paddington**

14. Radio Eastern Sydney have been broadcasting Eastside Radio since 1983, serving the eastern and central regions of the Sydney metropolitan area. Every week, Eastside Radio provides 90 different programs with around 100 people presenting them live to air.
15. With the increase in market value of the property, the slight increase in subsidy to 86 per cent from the current 83 per cent across the five year lease period means that the tenant maintains manageable rent for the organisation. The tenant continues to maintain similar income levels each year.

## Tenants Vacating Properties

16. Youth Food Movement vacated 53 Forsyth Street, Glebe and left the Accommodation Grant Program in December 2018. The City is investigating the option of a short-term creative tenancy under the Short Term Empty Property (STEP) program, while an open process for a longer term tenant is undertaken.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030 Vision

17. 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 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

18. 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

19. Based on the current list of Accommodation Grant recipients the total grant value of the Accommodation Grant Program in the 2019/20 financial year is estimated at \$4.226 million in revenue foregone.

**Relevant Legislation**

20. Section 356 of the Local Government Act 1993. Section 356 of the Local Government Act 1993 provides that a council may, in accordance with a resolution of the council, contribute money or otherwise grant financial assistance to persons for the purpose of exercising its functions.
21. Section 356(3)(a) - (d) is satisfied for the purpose of providing grant funding to for profit organisations because:
  - (a) the funding is part of the Accommodation Grant Program;
  - (b) the details of these programs have been included in Council's operation plan for financial year 2019/20;
  - (c) the program's proposed budget does not exceed 5 per cent of Council's proposed income from ordinary rates for financial year 2019/20; and
  - (d) this program applies to a significant group of persons within the local government area

**Critical Dates / Time Frames**

22. Accommodation Grant tenants noted in this report as requiring lease/licence renewals hold leases/licences expiring July 2019. New leases/licences are therefore required to ensure tenants can remain in the properties as outlined above.

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A/Director City Life

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