

Accommodation Grant Program – Annual Performance Review and Lease Renewals 2020

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 City-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 540 organisations currently on a notification list for future properties.

Currently, there are 76 leases held by 67 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 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 is used to evaluate the information received and assess the performance of the organisations against the criteria set, in return for subsidised accommodation. This report outlines the outcomes of this annual performance review and provides a recommendation for one lease due for renewal.

For the 2019 assessment period, 76 lease holders were requested to complete an annual performance review. 107 Projects were not required to complete the annual performance review as they instead reported against the Key Performance Criteria within their Cultural and Creative Sponsorship. Rosebery Childcare Centre and South Eastern Community Connect were not requested to complete an annual performance review as they vacated the properties in November 2019 and January 2020 respectively. Mardi Gras Arts Ltd has left the Accommodation Grant Program however has completed an annual performance review. This report is recommending the continuation of all 76 lease holders who are continuing on the Program.

The assessment process found one organisation has not fully met their performance criteria or conditions of their lease. This tenant is recommended to be placed 'on notice', with the continuation of their lease being subject to working closely with City staff, improved performance and adherence to the terms of the grant and lease 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 and licences for the 76 tenants that have met the performance criteria of their Accommodation grants and are continuing in the Program;
- (B) Council approve an Accommodation Grant for Sydney School of Arts and Humanities Pty Ltd for Abraham Mott Activity Centre, Space 1 and 2, 15a Argyle Street, Millers Point, for a period of 1 year from 1 July 2020 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	\$12,566	55%	\$6,911.30	\$5,654.70

and

- (C) 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 76 spaces for 67 organisations in 49 buildings. The total cost of the Program in revenue forgone for the 2020/21 financial year is estimated as \$5.7 million.
2. In 2020, additional rental support has also been proposed for Accommodation Grant Program cultural and community tenants and childcare service tenants, by waiving all rent for approximately six months due to the Covid-19 pandemic.
3. 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.

Outcomes of 2019 Annual Performance Review

4. The annual performance review of Accommodation Grant recipients was undertaken between January 2020 and March 2020 and is based on the 2019 calendar year. Seventy-six 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.
5. Lease holders submitted their annual performance reviews online. City staff members evaluated the submissions provided and the lease holders' overall performance in 2019 against the criteria contained in the respective lease or 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.
6. Seventy-five tenants participating in the annual review have met their performance criteria and have been rated 'A' or 'A/B' (see Attachment A).
7. It is noted that City staff will work closely with the Gay and Lesbian Rights Lobby, who were rated A/B, over the next 12 months. A number of improvements 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 performance criteria are met and these properties continue to meet the diverse needs of our community.
8. City staff will work through a formal process with the Feminist Legal Clinic who were rated B, as they did not satisfactorily meet the general performance criteria.

Lease Renewal – Sydney School of Arts and Humanities

9. The Sydney School of Arts and Humanities Pty Ltd is recommended for a lease renewal for a period of one year for the Abraham Mott Activity Centre, Space 1 and 2, 15a Argyle Street, Millers Point.
10. 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 \$7,400 per annum.
11. These spaces are currently occupied by Sydney School of Arts and Humanities Pty Ltd, who commenced in 2016. Their most recent lease expired in October 2019 and has been on hold over since this time. The previous grant was for 25 per cent subsidy valued at \$1,850.
12. Sydney School of Arts and 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, provide desk space for emerging writers, and as office space.
13. Sydney School of Arts and Humanities' program offers the local community opportunities for learning and knowledge-sharing, and a place to share stories with other community members.
14. Short-term leases have been 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.
15. This review is not yet complete and a change in future uses is unlikely to be determined prior to June 2021. This aligns the renewal of this lease with the majority of leases under the Accommodation Grants Program.
16. A new market valuation of the property was undertaken in February 2019, valuing the property at \$12,566 with the standard annual increase of three per cent. The new lease is to be based on these values. It is therefore recommended that the Accommodation Grant for Sydney School of Arts and Humanities Pty Ltd be renewed for Abraham Mott Activity Centre – Space 1 and 2 for a one-year term on a 55 per cent subsidy, valued at \$6,911.30. A higher subsidy is recommended to allow the tenant to continue on a similar level of rent.

Tenants Vacating Properties

17. The lease to Mardi Gras Arts Ltd at suites 6-8, 94 Oxford Street, Darlinghurst, was handed over to the new owners of the building, Ashe Morgan, as part of the Oxford Street Leasehold in November 2019, and for this reason this organisation left the Accommodation Grants Program.
18. Rosebery Childcare Centre at 1 Harcourt Parade, Rosebery ceased operating due to low utilisation and left the Accommodation Grant Program in January 2020.

19. South Eastern Community Connect Inc vacated the Beaconsfield Community Centre, 169 Victoria Street, Beaconsfield, and left the Accommodation Grant Program in September 2019, as their primary customer base and service hub are located in the Bayside Council local government area. This meant they had limited utilisation of the space.

Key Implications

Strategic Alignment - Sustainable Sydney 2030

20. 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 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 or 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

21. 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

22. Based on the current list of Accommodation Grant recipients the total grant value of the Accommodation Grant Program in the 2020/21 financial year is estimated at \$5.7 million in revenue foregone.

Relevant Legislation

23. 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.
24. Section 356(3)(a) to (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 2020/21;
 - (c) the program's proposed budget does not exceed 5 per cent of Council's proposed income from ordinary rates for financial year 2020/21; and
 - (d) this program applies to a significant group of persons within the local government area.

Critical Dates / Time Frames

25. The Accommodation Grant tenant Sydney School of Arts and Humanities Pty Ltd is noted in this report as requiring a lease renewal as they held a lease expiring October 2019 and have been on hold over since this time. A new lease is therefore required to ensure tenants can remain in the property as outlined above.

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