

Item 4.

Grants and Sponsorship - Accommodation Grant Program – Annual Performance Review and Lease Renewals 2022

File No: S117676

Summary

The Accommodation Grant Program (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. Demand for properties remains strong, with more than 627 organisations currently on a notification list for future properties.

For the 2021 calendar year annual review, there were 74 leases held by 67 organisations located across 53 City properties managed under the Program. These tenancies were approved by Council as Accommodation Grants. Recipients of Accommodation Grants enter leases or licences with the City for a fixed term of appropriate length, usually five years, subject to an annual performance review. There are a number of organisations that hold multiple leases through this grant program.

Each year, the City coordinates the annual performance review with the Accommodation Grant recipients (lease holders) 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 the annual performance review for the 2021 calendar year.

For the 2021 assessment period, 74 lease holders were in the Accommodation Grants program and 73 were requested to complete an annual performance review. One lease holder was not required to complete a review as they have not been in the program for a full 12 months and will submit a review next year.

Of the 73 lease holders requested to complete an annual performance review, one lease holder has not been assessed as they will remain in holdover until the City is able to fulfil its Crown land management requirements over the associated land, and another four lease holders have or will be vacating the program by 30 June 2022.

This report is recommending Council note the continuation of the 68 lease holders who were reviewed, have met their performance criteria and will be continuing in the program.

This report includes a recommendation to approve a new subsidy for the Australian Design Centre at 101-111 and 113-115 William Street Darlinghurst for their previously approved five year lease.

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 68 lease holders that have satisfactorily completed their annual performance review for the 2021 calendar year and are continuing in the Program;
- (B) Council note the Museum of Chinese in Australia Ltd at 744 George Street was not required to complete an annual performance review and are continuing in the Program;
- (C) Council note the City has not provided an annual rating for The Roman Catholic Church for The Archdiocese of Sydney (Catholic Care) for the property at 1b Cathedral Street, Woolloomooloo as the lease is currently on monthly holdover;
- (D) Council approve the new subsidy and grant level for the Australian Design Centre at 101-111 and 113-115 William Street, Darlinghurst for their previously approved five year lease for the period 1 July 2022 to 22 March 2026 on the following rental subsidy:

	Market Rental Value	Grant Subsidy (Rounded)	Grant Amount	Rent to be paid
Pro rata Year 2 01/07/22 – 22/03/23 (265 days)	\$215,668	100%	\$215,668	\$0
Year 3 23/03/23 – 22/03/24	\$305,964	95%	\$290,666	\$15,298
Year 4 23/03/24 – 22/03/25	\$315,142	93%	\$293,082	\$22,060
Year 5 23/03/25 – 22/03/26	\$324,597	90%	\$292,137	\$32,460

- (E) authority be delegated to the Chief Executive Officer to correct minor errors to the matters set out in this report, noting that the identity of the recipient will not change, and a CEO Update will be provided to Council advising of any changes made in accordance with this resolution; and

- (F) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the agreement with the Australian Design Centre at 101-111 and 113-115 William Street, Darlinghurst on terms consistent with this resolution and in accordance with the Grants and Sponsorship Policy.

Attachments

Attachment A. Annual Performance Review Ratings

Background

1. For the 2021 calendar year annual review, there were 74 leases held by 67 organisations located across 53 City properties managed under the Program. Of these, 73 lease holders were requested to complete an annual performance review.
2. The Museum of Chinese in Australia Ltd was not required to complete a review as they have not been in the program for a full 12 months and will submit a review next year.
3. Four lease holders have or will be vacating the Program by 30 June 2022 and as a result the outcome of their performance reviews have not been included in this report.
4. As at 30 June 2022, the Accommodation Grant Program will make available 70 spaces for 63 organisations in 50 buildings. The total cost of the Program in revenue forgone for the 2022/23 financial year is estimated at \$7.5 million.
5. 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 2021 Annual Performance Review

6. The annual performance review of Accommodation Grant recipients was undertaken between January 2022 and March 2022 and is based on the 2021 calendar year.
7. Lease holders submitted their annual performance reviews online. City staff members evaluated the submissions provided and the lease holders' overall performance in 2021 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.
8. The 68 lease holders who participated in the annual review process have been rated 'A' or 'A/B' against their performance criteria and will be continuing in the Program (see Attachment A).
9. The City has not provided an annual rating for The Roman Catholic Church for The Archdiocese of Sydney (Catholic Care) for the property at 1b Cathedral Street, Woolloomooloo. This lease is on holdover until Crown land management requirements over the associated land are resolved. Once this has been resolved the City will review the use of the property and determine ongoing use.

10. It is noted that City staff will work closely with six lease holders who were rated A/B over the next 12 months; Gay & Lesbian Rights Lobby, Geoff Holmes trading as Glebe Music Project, Kil.n.it Experimental Ceramics Studio (both tenancies), The Bower Re-use & Repair Centre Co and Tribal Warrior Association Incorporated. Several areas for improvement have been identified with these lease holders, such as proactive and regular communication, establishing expectations around reporting and updating performance criteria.

Properties vacated

11. The tenancy at 12a Dadley Street, Alexandria was vacated by Australian Unity in May 2022. After a rental subsidy review in 2021 which took into consideration the organisation's financial position, the organisation opted not to enter into a new lease. Office space will be provided at an alternate organisation's premises. This will not impact outreach Aboriginal Homecare services provided in the local community.
12. The tenancy at Suite 1, Benledi House, 186 Glebe Point Road, Glebe will be vacated by Babana Aboriginal Men's Group Incorporated effective 30 June 2022. During the lockdown period, Babana Aboriginal Men's Group Incorporated adapted their services to continue to support their network and the community. Following lockdown, Babana Aboriginal Men's Group Incorporated have continued operating with flexible workplace arrangements which has reduced their need for the property at Benledi House, Glebe. Moving forward they will utilise office space with Tribal Warrior, a local service in Redfern, to provide complimentary and collaborative services and programs.
13. Tenancy one, 247 Oxford Street, Paddington became vacant in May 2022. The City will review the use of this property to determine ongoing use.
14. The tenancy at Abraham Mott Activity Centre, 2 Watson Road, Millers Point was vacated by Sydney School of Arts and Humanities in June 2021 as the organisation had moved most of their workshops online and no longer require use of this property. The space is currently being used in conjunction with the full time Covid-19 testing clinic established in December 2021 and expected to continue to at least 30 June 2022.

Australian Design Centre

15. Australian Design Centre (ADC) is currently in Year 2 of a five year lease for 101-111 and 113-115 William Street, Darlinghurst - expiring 22 March 2026. The lease was approved to be issued by Council in December 2019. However in March 2021, due to the impacts of Covid-19, Council approved to increase the Accommodation Grants Program lease subsidy of several cultural and community organisations. Australian Design Centre was one of these organisations whose subsidy was increased at this point. At that time Australian Design Centre was impacted by reduced government funding; reduced opportunity for self-generated income; and a greater demand for the organisation's services and support.

16. Despite this subsidy increase, in early 2022, Australian Design Centre reported continued and significant flow on effects from Covid-19. They have been impacted by cancellation of events; the requirement to continue to invest in digital experiences; much lower audience numbers and loss of funding. Australian Design Centre has therefore requested additional rental subsidy to support its efforts to rebuild the organisation and operations. Increased subsidy to the organisation will allow it to recover momentum and rebuild with new opportunities for creative practitioners. It plans to undertake a minor refurbishment of its gallery spaces to increase exhibition opportunities; developing First Nations programs and develop additional programs and audiences.
17. The City recognises the deep impacts of two years of disruption from the pandemic, and that issues continue to be felt across the cultural sector. To support its recovery efforts the subsidy previously approved for the Australian Design Centre has been reviewed and a higher grant level is recommended.
18. The below table shows the proposed subsidy recommendation and notes the total impact on City revenue is \$174,069 across 2022/23, 2023/24, 2024/25 and 2025/26.

ADC Proposed Subsidy Recommendation	Pro rata Year 2 01/07/22 – 22/03/23 (265 days)	Year 3 23/03/23 – 22/03/24	Year 4 23/03/24 – 22/03/25	Year 5 23/03/25 – 22/03/26
Market Value Rent	215,668	305,964	315,142	324,597
Subsidy %	100%	95%	93%	90%
Subsidy amount	215,668	290,666	293,082	292,137
Rent payable	0	15,298	22,060	32,460
ADC Current Subsidy				
Market Value Rent	215,668	305,964	315,142	324,597
Subsidy %	79%	79%	79%	79%
Subsidy amount	170,378	241,712	248,962	256,432
Rent payable	45,290	64,252	66,180	68,165
Difference between current subsidy and recommended new subsidy	45,290	48,954	44,120	35,705

Key Implications

Strategic Alignment - Sustainable Sydney 2030

19. 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 report 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 lease holders 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

20. The community and cultural organisations that are part of the Accommodation Grants Program make an invaluable contribution to our communities through the development and management of services, activities and programs.

Financial Implications

21. Based on the current list of Accommodation Grant recipients the total value of the Accommodation Grant Program in the 2022/23 financial year is estimated at \$7.5 million in revenue foregone, compared to market value rent.

Relevant Legislation

22. 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.
23. 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 were included in Council's adopted operational plan for financial year 2021/22;
 - (c) the program's proposed budget does not exceed five per cent of Council's proposed income from ordinary rates; and
 - (d) this program applies to a significant group of persons within the local government area.

Critical Dates / Time Frames

24. Expiry dates for the leases recommended in this report are from 1 July 2022 to 22 March 2026.

EMMA RIGNEY

Director City Life

Phoebe Arthur, Grants Coordinator