

## **Grants and Sponsorship - Accommodation Grant Program - Cultural and Creative Sector - Grants Recommendations and Lease Renewal**

**File No: X035101**

### **Summary**

The Accommodation Grant 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 2030–2050: Continuing the Vision and the City's strategic plans and policies. Demand for properties remains strong, with more than 733 organisations currently on a notification list for future properties.

Currently, there are 72 leases or licences held by 62 organisations located across 50 City properties managed under the Program. Recipients of Accommodation Grants enter into leases or licenses with the City for a five-year lease term and can apply for up to 100 per cent rental subsidy. Recipients of Accommodation Grants are subject to an annual performance review of their performance against the criteria in their lease or licence agreements.

Museum of Chinese in Australia Limited (MOCA) occupies council owned premises at 744 George Street, Haymarket in the former Haymarket Library building, through the Accommodation Grant program. MOCA is establishing the Museum of Chinese in Australia (the museum) to celebrate the stories and achievements of past and present Chinese Australians.

This report seeks Council approval to provide support to MOCA in the establishment phase of the museum through early consideration of its lease renewal and increased rental subsidy. MOCA's request has been assessed against the criteria of the City of Sydney Grants and Sponsorship guidelines.

## Recommendation

It is resolved that:

- (A) Council approve a new subsidy level for Museum of Chinese in Australia Limited at 744 George Street Haymarket for Option Year 1 and Option Year 2 of its current lease (which commenced 21 April 2021) on the following rental subsidy:

Lease year	Period	Market Rent	Subsidy Level	Subsidy Amount	Rent payable
Option Year 1	April 2024	\$639,729	100%	\$639,729	\$0
Option Year 2	April 2025	\$658,921	100%	\$658,921	\$0

- (B) authority be delegated to the Chief Executive Officer to enter into any documentation required to vary the lease for Option Year 1 and Option Year 2 to reflect the new rental subsidy;
- (C) Council note that no further changes to the current lease will be made;
- (D) Council approve an Accommodation Grant for Museum of Chinese in Australia Limited at 744 George Street Haymarket for five years from April 2026 to April 2030 with an option for a further term of five years;
- (E) Council note that the rent and subsidy level of the lease term and option commencing in April 2026 cannot be calculated now, but the amount of the Accommodation Grant in the form of a rental subsidy will be a maximum of:

	Maximum subsidy
Year 1	\$658,328
Year 2	\$678,078
Year 3	\$698,420
Year 4	\$719,373
Year 5	\$740,954
Year 6	\$763,182

Year 7	\$786,078
Year 8	\$809,660
Year 9	\$833,950
Year 10	\$858,969

- (F) authority be delegated to the Chief Executive Officer to finalise the Accommodation Grant to Museum of Chinese in Australia Limited provided that the maximum subsidy is no more than the amounts set out at resolution (E);
- (G) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the lease agreement for years 2026 - 2030 with an option for a further five-year term with the Museum of Chinese in Australia Limited for 744 George Street, Haymarket;
- (H) 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 recipients will not change, and a CEO Update will be provided to Council advising of any changes made in accordance with this resolution; and
- (I) Council notes that at expiry of option term, there is opportunity for future renewal according to the usual Accommodation Grants program process.

## Attachments

Nil

## Background

1. Museum of Chinese in Australia Limited (MOCA) occupies council owned premises at 744 George Street, Haymarket in the former Haymarket Library building. MOCA was the successful applicant in the City's 2019 Accommodation Grant expression of interest opportunity for this premises, decided by Resolution of Council in December 2019.
2. MOCA currently holds a three-year lease commencing April 2021 with a two-year option. During the term MOCA has been granted the following subsidy:
  - (a) 100 per cent subsidy for the period April 2021 to April 2022, valued at \$603,000 per annum and \$0 rent payable.
  - (b) 100 per cent subsidy for the period April 2022 to April 2023, valued at \$621,090 per annum and \$0 rent payable.
  - (c) 100 per cent subsidy for the period April 2023 to April 2024, valued at \$639,723 per annum and \$0 rent payable.
  - (d) 95 per cent subsidy for the period April 2024 to April 2025, valued at Market Rate after a rent review.
  - (e) 90 per cent subsidy for the period April 2025 to April 2026, valued at Fixed percentage review 3 per cent following a rent review in Option Year 1.
3. MOCA was established as an organisation in 2018, is a deductible gift recipient, has charity tax concession status and is registered with the Australian Charities and Not-For-Profit Commission.
4. MOCA is establishing the Museum of Chinese in Australia (the museum) to celebrate the stories and achievements of past and present Chinese Australians, the first of its kind in NSW. The establishment of this new cultural institution strongly aligns with the community vision for Haymarket. The museum has been identified in the City's Haymarket and Chinatown draft revitalisation strategy (August 2023) as a key cultural entity celebrating the social and cultural heritage of Haymarket.
5. MOCA has received development approval for a change of use from a library to a museum. It's completed development plans will deliver three levels of gallery and exhibition space, meeting room, archive and reading room, café and museum store. The plans also include digital displays visible from most windows of the upper levels.
6. MOCA is currently finalising the contract for a builder to undertake the proposed fit-out works with an estimated cost to the organisation of \$3.9 million plus contingency. It expects to confirm provisional sums, complete contract negotiations and appoint the preferred supplier in March.
7. The provisional schedule estimates fit out works to take four to five months with an estimated museum opening date of September 2024. During the building phase it will continue to deliver a small number of public programs in partnership with other venues (such as The Tea Exchange currently exhibited in the Chinese Gardens of Friendship as part of Placemaking NSW Lunar New Year program).

8. The organisation can demonstrate significant progress in fundraising for the capital project and raising revenue for their ongoing operations and programs. MOCA has received significant investment from Create NSW of \$2,280,000 through a Creative Capital cultural infrastructure grant in 2022. It has received more than \$600,000 from state and federal grants for programs and projects through Create NSW and the National Foundation for Australia China Relations.
9. The organisation has strong private partnerships and is managing several million dollars of investment through pro bono services, partnerships and fundraising across all aspects of operations, programming and capital works.
10. The organisation has faced delays in establishing the organisation and commencing the capital project due to the impacts of Covid-19 with lockdowns and economic downturn impacting fundraising ambitions. Further, supply chain issues and inflation have impacted their refurbishment budgets.
11. To date, MOCA has attracted substantial investment in both the operational budgets for the organisation and the capital project. However, it reports challenges in raising philanthropic funds for capital works for a civic building for which it has only limited confirmed tenure, with a perception from some donors that its short lease reflects lack of security for the museum.

#### **Lease renewal and length of tenure**

12. The organisation has reached 75 per cent of its capital fundraising goal over the period of 2021 to 2023. Further philanthropic and community investment in the project is being impacted by the short term lease agreement, therefore MOCA is seeking a longer term lease to leverage additional support. Under the Grants and Sponsorship guidelines Council may offer longer terms than the usual five years based on operational needs.
13. This report recommends the following to support the viability of the project going forward:
  - (a) MOCA access the additional two-year option on its current lease and enter into a five plus five-year lease agreement that will commence in April 2026, once the two-year extension is complete.
  - (b) Council approves a further accommodation grant commencing in the 2025/26 financial year - so the museum has certainty of tenancy and commitment by Council to support its fundraising campaign.
  - (c) Annual assessment of the performance of MOCA is undertaken, as per the standard terms of the Accommodation Grants program, to ensure that the project remains on track and MOCA is meeting its fund-raising goals and progress is made towards opening the museum to the public. Renewal of the lease agreement will be contingent on MOCA's performance under the lease.

#### **Increased Rental Subsidy**

14. In the existing lease the rent payable for Option Year 1 would be \$31,986. However, as the museum is not yet operational revenue from the café and museum shop has not been generated as planned. In addition revised operational budgets since 2019 indicate that annual rent at this level is beyond target expenditure in establishment phase.

15. This report recommends increasing rental subsidy for Option Year 1 and Option Year 2 to 100 per cent as per the table in clause A) of the recommendation.
16. All property is subject to periodic market valuation. For the lease renewal for five years plus five year option commencing in 2026 the market value, subsidy value, subsidy amount and rent payable will be determined ahead of the commencement and reported to Council by a CEO Update.
17. The upper limit of the total subsidy amount for the ten years is estimated at \$7,546,991.
18. Based on this estimate the subsidy value would be 97 per cent with an estimated rent payable commencing at an indicative \$20,361 per annum, increasing by 3 per cent per annum for the duration of the lease and any option years.
19. The recommendation to exercise the option and any renewals including subsidy values will be recommended to Council through the usual Accommodation Grants program renewal and reporting process.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

20. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This grant is aligned with the following strategic directions and objectives:
  - (a) Direction 6 - An equitable and inclusive city - everyone feels welcome and can afford to live here if they choose. Everyone can participate, prosper and reach their full potential in a city that is fair and just.
  - (b) Direction 7 - Resilient and diverse communities - our city and its public places and infrastructure can withstand impacts from a changing climate and emergency situations. We work with communities, businesses and other organisations to strengthen connections and networks, to prepare our city and be able to recover from most situations.
  - (c) Direction 8 - A thriving cultural and creative life - we are proud of our city. We are all able to participate in, contribute to and benefit from its cultural life.
  - (d) Direction 9 - A transformed and innovative economy - our city maintains its position locally, nationally and globally as a destination for business, investment and talent. Innovation is central to the economy and transformation has occurred across all industries. Wealth and benefits are shared equitably.

### Social / Cultural / Community

21. The City's Grants and Sponsorship Program provides the City with a platform to support cultural and social initiatives from the communities and businesses within the local area.
22. The organisations within the Accommodation Grant Program make an invaluable contribution to our communities through the development and management of services, activities and programs.

### Financial Implications

23. The revenue forgone due to the increase in subsidy for Option Years 1 and 2 is \$64,932. The new subsidy for Option Year 1 will be forecast against the Accommodation Grant Program for 2023/24 financial year. The draft 2024/25 Operating Budget and future year forward estimates, anticipated to be endorsed in June 2024 by Council, will include the estimated values for the subsequent years.
24. The upper limit of the total subsidy amount over the proposed five years plus five year option commencing in 2026 is estimated at \$7,546,991 according to the current market rent.
25. For the lease renewal a market valuation will be obtained with new market value, subsidy amount, subsidy amount and rent payable to be reported to Council through a CEO Update ahead of the commencement of the 2026 lease. If the subsidy amount is greater than this estimate a new report to Council will be provided. Subsidy amounts relating to future financial years will be incorporated in future Accommodation Grant Program budgets.

### Relevant Legislation

26. 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.

### Critical Dates / Time Frames

27. MOCA is currently in Year 3 of its current lease, with Option Year 1 to commence 21 April 2024. Recommended new subsidy levels would be applied at the commencement of Option Year 1.

### Options

28. Delay recommendation of lease renewal until closer to April 2026. This is not recommended as it would create uncertainty for the organisation and introduce precarity to the establishment and operations of the museum. It is likely to be a disincentive for philanthropic investment in the museum.

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