

Lease Approval - Taylor Square Substation and Underground Toilets

File No: X112191.001

Summary

Originally built in 1904 and 1907 respectively, the former electricity substation and underground conveniences are State heritage listed buildings located in Taylor Square, Darlinghurst. The substation is one of the first 5 substations built in Sydney and operated until it was decommissioned in 1993. The underground toilets are one of 4 that survive in Sydney from the Edwardian period and operated as men's toilets until they were closed in 1988.

After being vacant for over 30 years, in December 2023, the City provided a one-year short term licence to Qtopia Ltd for the Taylor Square substation and underground toilets across Forbes Street and directly south of its new museum. In May 2024, Qtopia Ltd opened performance and exhibition spaces within the Taylor Square substation and underground toilets. The substation has been transformed into a multi-use community space with large scale video exhibit, seating, stage and lighting for regular performances. The underground toilet has been activated as a permanent exhibition to tell stories specific to the LGBTIQ+ culture and character of the Oxford Street precinct.

In August 2024, Qtopia Ltd put forward a proposal to enter into a long-term lease for the Taylor Square substation and underground toilets to continue to activate them as performance and exhibition spaces. Qtopia Ltd propose to align the long-term lease of the substation and underground toilets with the lease agreement with the NSW Government for the former Darlinghurst Police Station.

This report seeks approval to enter into a long-term lease with Qtopia Ltd on the terms contained in Confidential Attachment A.

Acknowledging the age and condition of the structures (having been unoccupied for over 30 years) asset renewal works are required to facilitate any longer-term use of these heritage structures.

In order to make the buildings fit for the proposed long-term use by Qtopia Ltd it is recommended that Council enter into an agreement for lease, supported by an exemption from tender with Qtopia Ltd. Under the agreement for lease, Qtopia Ltd will undertake necessary accessibility upgrade and renewal works to the buildings on behalf the City of Sydney in accordance with the proposal contained in Confidential Attachment A.

Both the long-term lease and funding of necessary upgrade works will deliver value for money outcomes by maximising the ongoing use of these public assets.

Recommendation

It is resolved that:

- (A) Council approve entry into an agreement for lease with Qtopia Ltd in relation to the Taylor Square substation and underground toilets for the purpose of undertaking necessary improvement works to facilitate the long-term use of the building by Qtopia Ltd in accordance with the essential terms of the agreement for lease outlined in Confidential Attachment A to the subject report;
- (B) Council approve the grant of a new lease to Qtopia Ltd for the Taylor Square substation and underground toilets to commence following completion of the works outlined in (A) for a term of 5 years with 3 options of 5 years each in accordance with the essential lease terms and conditions outlined in Confidential Attachment A to the subject report;
- (C) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993, for undertaking of lessor's works under the agreement for lease with Qtopia Ltd to the structures to Taylor Square substation and underground toilets on behalf of City of Sydney as set out in Attachment A to the subject report noting that because of extenuating circumstances, a satisfactory result would not be achieved by inviting tenders;
- (D) Council note the reasons that a satisfactory result for the City would not be achieved by inviting tenders are the works are integral to the proposed long-term use of the premises by Qtopia Ltd, it is appropriate for the works to be managed by Qtopia Ltd without additional City staff involvement,;
- (E) Council approve the funds detailed in Confidential Attachment A to the subject report for works to the structures to Taylor Square substation and underground toilets to be sourced from the 2024/25 Capital Works Contingency Fund;
- (F) authority be delegated to the Chief Executive Officer to finalise the terms of the proposal and to negotiate, execute and administer the agreement and lease relating to the proposal in accordance with Confidential Attachment A to the subject report.

Attachments

Attachment A. Terms and Conditions for Lease to Qtopia Ltd (Confidential)

Background

1. On 17 March 2014, Council resolved: "... should the LGBTI community develop a viable proposal for a permanent museum, the City of Sydney will support the community in its efforts to achieve this objective, noting that such a museum could only be established and sustained with strong community, State and Federal government financial support."
2. On 11 April 2022, Council resolved to: "...support Qtopia Sydney's proposal for a permanent LGBTIQA+ museum in the former Darlinghurst Police Station, preceded by an interim museum in the Oxford Street precinct during Sydney WorldPride 2023 and beyond..."
3. In October 2022, Council adopted the LGBTIQA+ social and cultural place strategy for Oxford Street. The community consultation registered strong support for more cultural and social space within the Oxford Street precinct. Action 6.3 of the strategy identified the need for the City to "explore opportunities to re-purpose the toilet block and substation on Taylor Square (North) for social and/or cultural use".
4. In November 2022, the City of Sydney entered a lease with Qtopia Sydney Limited to activate the Green Park Bandstand for a period of one year as an interim museum in the Oxford Street precinct during Sydney WorldPride 2023. Qtopia will continue its lease of the Green Park Bandstand (as a monthly hold over in 2024).
5. In December 2023, the City of Sydney provided a one-year short term licence to Qtopia Ltd for the Taylor Square substation and underground toilets across Forbes Street and directly south of its new museum.
6. On 23 February 2024, Prime Minister Anthony Albanese, NSW Premier Chris Minns and Lord Mayor Clover Moore, officially opened Qtopia Sydney in the former Darlinghurst Police Station in time for Mardi Gras 2024.
7. In May 2024, Qtopia Sydney opened performance and exhibition spaces within the Taylor Square substation and underground toilets. The substation has been transformed into a multi-use community space with large scale video exhibit, stage and lighting for regular performances. The underground toilet has been activated as a permanent exhibition to tell stories specific to the LGBTIQA+ culture and character of the Oxford Street precinct.

Lease to Qtopia

8. Qtopia have put forward a proposal to enter into a long-term lease for the Taylor Square substation and underground toilets. Qtopia propose to align the long-term lease of the substation and underground toilets with their lease agreement with the NSW Government for 301 Forbes Street, Darlinghurst.
9. Qtopia's current licence term expires in December 2024. Following this Qtopia will remain in occupation under hold over provisions. Noting the significant investment required to continue to occupy these sites (having been unoccupied for an extended period), the proposed long-term lease provides security of tenure to this cultural institution allowing them to plan for the future operations and justify further investment from their organisation.

10. To facilitate the longer-term use of these heritage structures the City proposes to provide a funding contribution to allow Qtopia Ltd to undertake necessary asset renewal works to the buildings to facilitate their long-term use. The City is satisfied that the delivery of these necessary works by Qtopia represents value for the monetary investment by the City, noting that the works are proposed to be undertaken under an agreement for lease to meet the needs of Qtopia as the incoming lessee..
11. Noting the contribution Qtopia make to the cultural a creative life of Oxford Street it is recommended that investing in the ongoing activation of the substation and underground toilets by Qtopia will continue this positive contribution to maintaining and celebrating the LGBTIQA+ character of the Oxford Street precinct.

Asset Renewal Works

12. Acknowledging the age and condition of the buildings (having been unoccupied for over 30 years) the following scope of works will be completed by the lessee to enable them to be leased.
13. The asset renewal works include:
 - (a) Substation:
 - (i) Accessible entry;
 - (ii) Roofing repairs to the building;
 - (iii) Sound attenuation to existing openings;
 - (iv) Installation of air conditioning.
 - (v) Minor plumbing works.
 - (b) Underground Toilets:
 - (i) Minor plumbing works.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

14. 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 report is aligned with the following strategic directions and objectives:
 - (a) Direction 6 - An equitable and inclusive city - The activation of Taylor Square by Qtopia will contribute to Sydney's reputation as an inclusive city with a vibrant and diverse cultural life, contributing to innovation and talent attraction.
 - (b) Direction 8 - A thriving cultural and creative life - The activation of the substation and underground toilets will make a significant contribution to the cultural life of Sydney and provide an important archive and celebration of the history and contemporary experience of the city and its communities.

- (c) Direction 9 - A transformed and innovative economy - The activation of Taylor Square will drive visitation to the Oxford Street creative precinct and contribute to the day and night-time character of the local area.

Organisational Impact

15. The City will enter into an agreement for lease and subsequent long-term lease with Qtopia Ltd. The lease agreement will be overseen by the Properties team who will ensure that appropriate lease conditions are developed and met and provide additional support to help maximise success of the agreement. These responsibilities can be managed within current staff resources and work plans.

Risks

16. The buildings are heritage items and there may be delays from matters including latent conditions that will impact on the delivery timeframes. These risks will be managed contractually under the agreement for lease and lease.

Social / Cultural / Community

17. Community consultation related to the Oxford Street Creative Precinct Planning Controls and the LGBTIQ+ Social and Cultural Place Strategy for Oxford Street, revealed a strong sentiment to maintain and enhance the LGBTIQ+ culture and character of the Oxford Street precinct. Support for Qtopia will help deliver this community aspiration. It will provide LGBTIQ+ communities and visitors to Oxford Street to connect with meaningful historical spaces and opportunities to participate and access social and cultural facilities and experiences in the city.

Environmental

18. The activation of the Taylor Square substation and underground toilets will be subject to any required Development Consent and associated conditions for the management of environmental impacts.

Financial Implications

19. Financial implications are detailed in Confidential Attachment A. There are insufficient funds allocated in the 2024/25 budget for the works. Additional funds have been sought from the 2024/25 Capital Works Contingency Fund as outlined in Confidential Attachment A.
20. The anticipated rental income from the new lease will be beneficial to the overall budget.

Relevant Legislation

21. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business and if discussion of the information in an open meeting would, on balance be contrary to public interest.

22. Attachment A contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City of Sydney is conducting (or proposes to conduct) business.
23. Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City of Sydney's ability to negotiate fairly and commercially achieve the best outcome for ratepayers.

Critical Dates / Time Frames

24. Target dates for project delivery are:

Agreement execution	November 2024
DA Submission	November 2024
Lease Commencement	Mid 2025
Completion of works	Mid 2025

Options

25. The City could choose not to lease the substation to Qtopia Ltd. This is not recommended as it will impact the goal of achieving activation of the sites identified in the LGBTIQ+ Social and Cultural Place Strategy for Oxford Street.

Public Consultation

26. Extensive consultation has been undertaken in the development and exhibition of planning controls for the Oxford Street Creative Precinct. This consultation revealed a strong sentiment that the City of Sydney should actively work to maintain the LGBTIQ+ culture and character of the Oxford Street precinct. In response to the community feedback, in 2022, the City developed and adopted the LGBTIQ+ Social and Cultural Place Strategy for Oxford Street. Action 6.3 of the strategy identified the need for the City to "explore opportunities to re-purpose the toilet block and substation on Taylor Square (North) for social and/or cultural use".

KIM WOODBURY

Chief Operating Officer

Anna Field, Development Manager, Development and Strategy