

Management report to Council

Agenda item 6.3

Proposed New Lease – River Studios

Council

Presenter: Kaye Glamuzina, Manager Arts Melbourne

25 June 2019

Purpose and background

1. The purpose of this report is to seek Council approval for a new lease over the premises at Unit 3, 4 and 4a/41-59 Sims St West Melbourne, also known as River Studios.
2. Melbourne City Council (Council) has leased Unit 3 from Tabilk Nominees Pty Ltd (Landlord) since 2010 for the Creative Spaces Program to operate River Studios. The current rental is \$129,000 plus GST per annum.
3. River Studios is the anchor of the Creative Spaces Program with a successfully established financial model. River Studios offers 60 affordable artist studios to more than 80 licensees.
4. Additional floor space has become available in Units 4 and 4a which is a premium space on the ground level with good accessibility and a disabled toilet. The addition of 400sqm of space will accommodate approximately 15 individual artist studios or one independent arts company with offices and rehearsal space.
5. The license model for River Studios is proposed to remain the same, where Council recovers rent from the licensees and the outgoings and maintenance costs are at the expense of Council for all buildings in the Creative Spaces Program.
6. As of 11 June 2019, River Studios has 316 people on the waiting list to access affordable creative space.
7. Council Plan includes in Goal 3.2 as a priority “we will facilitate affordable creative space for artists”.

Key issues

8. The current lease over Unit 3 expires on 30 August 2020. The Landlord has offered Council a new lease over Unit 3 along with a lease over the adjoining Units 4 and 4a which are currently vacant. To allow a new lease over all units to commence as soon as possible it is proposed that Council surrenders the existing lease over Unit 3 and enters into a new lease over Units 3, 4 and 4a. The proposed commencing rental under the new lease is \$205,000 per annum gross plus GST. A term of 10 years (5 + 5 year option exercisable by Council) has been offered with commencement of the new lease to occur at the conclusion of negotiations with the Landlord.
9. In 2018/19 Creative Spaces Program received commercial rent of \$230,000 from its current floor space demonstrating that the Program can recover the full expense of the proposed new rent.
10. It is anticipated that an establishment period of six (6) months will be required to activate the additional floor space, allowing for any statutory approvals, minor works and occupancy. The time required to activate the additional space equates to approximately \$29,000 of rental costs to Council.
11. **Recommendation from management**

That Council:

- 11.1. Approves entering into a new lease over the premises at Unit 3, 4 and 4a/41-59 Sims St West Melbourne on the following terms and conditions:
 - 11.1.1 A lease term of 10 years (5 + 5 year option exercisable by Council) commencing at the conclusion of negotiations with the Landlord;
 - 11.1.2 A commencing rental of \$205,000 per annum plus GST with increases of 4% per annum;
 - 11.1.3 A market review every (5) years.
- 11.2 Notes the lease will be entered into under delegation.

Attachments:

1. Supporting Attachment (Page 2 of 2)

Supporting Attachment

Legal

1. As entry into the lease will incur expenditure beyond the current approved annual budget, a resolution of Council is required.

Finance

2. The proposed commencing rental cost of \$205,000 per annum plus GST will be covered by the commercial rental income through the Creative Spaces Program. The proposed new lease will be cost neutral to Council once the establishment period is complete.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Health and Safety

4. The existing River Studios OHS systems will be deployed. Creative Spaces Program provides site specific safety procedures that address all major risks and legislative requirements to ensure safe practices are met.
 - Work Environment and Injury/Illness Management: The Creative Spaces Building Manager undertakes an induction process with all incoming licensees using the premises.
 - Community Health and Safety: Creative Spaces Program has installed CCTV Security Systems that monitor the premises and engages regular security perimeter patrols.

Stakeholder consultation

5. There are no consultation requirements as a result of this report.

Relation to Council policy

6. The recommendation is consistent with Melbourne City Council 2017-2021 Council Plan, Goal 3 – A Creative City.

Environmental sustainability

7. There are no environmental or sustainability implications as a result of this report.