

Item 3.

Grants and Sponsorship - City Recital Hall Ongoing Operational Funding and Sublease

File No: S117676

Summary

The City Recital Hall (the Hall) is a purpose-built entertainment space that sits within the Angel Place tower at 123 Pitt Street, Sydney in the heart of the city. With a capacity of 1,246 seats and excellent acoustics for live music, the Hall is the second purpose-built music venue in Sydney after the Sydney Opera House. The City holds a 99-year lease on the property.

After initially being managed under contract, a 2014 review recommended the City establish a company limited by guarantee to sublease the Hall to support a broader range of programming across different cultural mediums. In March 2015, Council resolved to establish the company limited by guarantee, City Recital Hall Limited (CRHL), to manage the venue under a 5-year sublease.

Ongoing annual operational funding has since been awarded to CRHL as well as 2 5-year subleases.

Currently, CRHL is supported by its second 5-year grant and sublease through a 5-year Cultural Grant funding agreement for the period 2020/21 to 2024/25 for \$700,000 (excluding GST) per financial year. In July 2024, Council approved an additional grant of \$300,000 to ensure CRHL's financial sustainability in 2024/25.

In January 2025, CRHL applied to the City for its third 5-year sublease and Creative Grant funding agreement for the period 2025/26 to 2029/30 requesting \$1.5 million per year plus an annual CPI increase. City staff have reviewed the application and recommend supporting the organisation with a cash grant of \$1,000,000 per year for 5 years from 2025/26 to 2029/30 and a 5-year sublease agreement from 2025/26 to 2029/30 outlining the property obligations, the overall asset management strategies and the asset list with associated conditions.

Recommendation

It is resolved that:

- (A) Council approve a cash grant of \$1,000,000 per year for 5 years from 2025/26 to 2029/30 to City Recital Hall Limited for ongoing operational funding;
- (B) Council note that the grant amount is exclusive of GST;
- (C) Council approve the grant of a new sublease to City Recital Hall Limited for City Recital Hall, 1 Angel Place, Sydney with no annual rent payments for a term of 5 years with a commencement date of 1 July 2025;
- (D) Council approve changing the name of the City Recital Hall and City Recital Hall Limited seeking broader sponsorship and philanthropy to support its ongoing feasibility, which may incorporate sponsored naming rights in consultation with Council, and which will be included in the terms of the sublease;
- (E) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the agreement with City Recital Hall Limited under terms consistent with this resolution and the Grants and Sponsorship Policy; and
- (F) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the sublease with City Recital Hall Limited in relation to the sublease as detailed in (C) and (D) above.

Attachments

Attachment A. Recommended For Funding - Creative Grant Program - City Recital Hall

Background

1. The City Recital Hall (the Hall) is Sydney's first customised recital hall. The space is owned by Mirvac Funds Management Australia Limited and leased to the City for 99 years.
2. Since opening on 30 October 1999, the Hall has operated on a hall-for-hire basis and has supported a regular client base comprising many of Australia's major music organisations. Current key hirers are the Australian Brandenburg Orchestra, the Australian Chamber Orchestra, Musica Viva Australia, Sydney Symphony Orchestra and Pinchgut Opera. These companies are provided early access to venue bookings and an incentivised hire rate for use of the Hall. As regular hirers, they provide a stable programming and income and account for just over 50% of the Hall bookings.
3. From October 1999 to September 2015, Pegasus Venue Management Ltd (Pegasus) managed the Hall under various contracts with the City.
4. In March 2015, following an operational review, Council resolved to establish a new, stand-alone, not-for-profit organisation, City Recital Hall Limited (CRHL), to operate the Hall and optimise its social, cultural and economic use and value.
5. CRHL commenced operations in October 2015 on a 5-year sublease. Council provided \$550,000 start-up funding over the initial 9-month period to support transforming the venue from a 'hall for hire' to a venue with a curated management approach, broadening programming and hall utilisation to further grow and diversify audiences and generate additional income.
6. In addition to the start-up period funding, in May 2016, Council approved cash sponsorship of \$450,000 for 2016/17, \$425,000 for 2017/18, \$400,000 for 2018/19 and \$375,000 for 2019/20 (excluding GST).
7. In August 2019, Council approved an additional \$325,000 grant for the 2019/20 financial year and entered into the second 5-year sublease and grant for \$700,000 per year for financial years 2020/21 to 2024/25 (excluding GST).
8. During this 5-year period, CRHL has experienced temporary closures and significant challenges due to the pandemic, a slow post Covid recovery and a cost-of-living crisis. All of which have changed audience attendance patterns and stunted growth.
9. CRHL's application for this 5-year operational funding period was supported by a business plan and budget which identified growing utilisation as well as a range of venue renewal works to improve the facility and ensure the Hall remains competitive as a world class concert venue.
10. The core property obligations of CRHL will be governed by a sublease, which will outline the overall asset management strategies and the asset list with associated conditions. CRHL and the City have established a working group to ensure that key principles are embedded in this agreement. CRHL's responsibilities and commitments will be clearly defined and incorporated into the sublease.
11. The City and CRHL are aiming to maintain consistent management principles in line with previous agreements. However, through this working group, will establish clearer boundaries on lines of responsibility and ensure alignment on asset condition.

12. CRHL has been considering changing the name of the Hall incorporating sponsored naming rights which would be given to a third party. CRHL believe the current name is not reflective of the variety of performances now programmed in the Hall and wish to undertake stakeholder consultation regarding a possible name change to better reflect current programming. CRHL also propose granting naming rights of the Hall (whole of building) to a corporate sponsor in return for financial support, in consultation with Council. This would be subject to owner's agreement and agreement of appropriate terms required by the City for the sublease. The City supports the approach of CRHL seeking to broaden both its appeal to the community and its sources of funding. CRHL should be encouraged to seek appropriate sponsorship and philanthropic funding from a diversity of sources in order to secure its long-term financial future.
13. The City has recently completed a capital works upgrade program worth \$8.9 million. The scope of the program includes both front of house and back of house renewal, state-of-the-art lighting, acoustic and stage management upgrades and improvements to customer facing areas, amenities and accessibility. These works have enhanced how the site is utilised, driving improved profitability in bar offerings and increased corporate events while elevating the overall customer experience.
14. In 2021, CRHL identified that increasing the capacity and quality of the venue's sound system would open new hire and programming opportunities. In October 2021, CRHL was awarded a \$250,000 Create NSW Creative Capital Grant with CRHL matching these funds to purchase a state-of-the-art amplified sound system for the venue. The City also matched these contributions through funding some project elements within the larger capital works renewal project.
15. CRHL continues to explore ways to increase revenue by broadening its programming to attract new audiences and generate new hirers whilst supporting existing key presenting companies, many of whom are also experiencing significant financial challenges.
16. In 2023/24, the City's \$700,000 sponsorship represented 12% of CRHL's forecast \$5.7 million turnover and was the only significant grant funding received for this year. This is contextually low for a significant performing arts venue, for example Melbourne Recital Centre receives on average 26% of its usual \$14 million turnover from the Victorian Government and pre-pandemic Carriageworks received approximately 20% of its \$12 million turnover from Create NSW.
17. In late 2023, the CRHL Board Members and CEO met with the City to discuss CRHL's financial position, concerns about maintaining agreed financial reserves and the organisations cash flow. CRHL subsequently requested additional short-term financial assistance to support increased operating costs and programming initiatives.
18. CRHL had recently undertaken a thorough review of all operational expenditure to reduce financial risk and to improve its current year's financial performance.
19. In February 2024, CRHL approached the City seeking consideration of the CRHL current financial challenges and requesting an additional \$500,000 for both 2023/24 and 2024/25 financial years to cover CRHL's operational shortfall. The additional funding was intended to cover increased operating costs and support new programming initiatives with the City approving an additional \$300,000.

20. A new CEO was appointed in mid-2024 and brings expertise in strategic operations and stakeholder engagement, paired with connections across government, business and community sectors, which positions her well to lead CRHL into a new era of cultural prominence.
21. The vision is to build CRHL as a performing arts centre renowned for its inclusive music programming, elevated audience experience, and world-class acoustics. CRHL look forward to diversifying into other genres including talks, comedy, cabaret, and musical theatre, whilst continuing to grow the presence of Indigenous and First Nations communities and other diverse communities on stage.
22. The CRHL grant will provide an investment in new staffing roles, focused on marketing, fundraising and specialist technical capabilities. This aims to give CRHL the ability to compete with other, similar sized venues for a variety of hirers to attract a wider audience to more diverse programs.
23. Utilisation and audience numbers prior to Covid showed a steady increase in the first 5 years of the new operational model. CRHL staffing levels were considerably impacted by the pandemic closures. With the implementation of a new staffing structure, CRHL will be required to invest in a more strategic analysis of their core business to identify ways in which to grow their financial sustainability. In doing so the proposed plan for growth will see the venue return to pre-Covid utilisation by external hirers, with increased audience numbers and ticketing income.
24. The City will continue to work with CRHL to facilitate meetings with other potential supporters such as the NSW Government and corporate sponsors where possible.
25. CRHL's current grant and sublease will end on 30 June 2025.
26. On 18 December 2024, CRHL submitted a business plan and proposal for funding of \$1.5 million per year for 5 years (2025/26 to 2029/30). After the initial assessment, CRHL was requested to submit further details, which they did on 15 January 2025.
27. CRHL has applied for progressively increased funding since commencing their initial 2015 funding agreement due to operational cost increases. The City is recommending \$1 million per year for 5 years due to constraints on the Grants and Sponsorship program budget. The City supports CRHL seeking further funding through other external opportunities, via philanthropy and sponsorships.

Grants assessment process

28. The assessment process includes advice and recommendations from a suitably qualified assessment panel. The application was scored against defined assessment criteria as well as the integrity of the proposed budget, project plan, partnerships, contributions and connection to the local community and industry sectors.
29. CRHL applied through the City's Creative Grant program.
30. The assessment criteria for the Creative Grant program are:
 - evidence of the need for the project and proposed outcomes
 - capacity and experience of the applicant

- demonstrated connection and benefit to the local area and community
 - evidence of diversity, inclusion and equity in the planning and delivery of the programming
 - how the project delivers against the funding priorities and City of Sydney strategies and policies; and
 - how the budget aligns with the application and proposed business plan
31. Two assessment meetings for the CRHL application were held, one on 23 January 2025, the second on 25 February 2025. The assessment panel consisted of City staff from the Chief Financial Office, Creative City, Property Services, Venue Management and the First Nations Leadership teams.
32. Subject to Council approval, a contract will be developed, which includes conditions that must be adhered to and acquitted against.
33. CRHL is expected to cooperate with relevant City staff throughout the duration of the funding period.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

34. 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 7 - Resilient and diverse communities - the Hall drives visitation to the Central Business District and contributes to the vibrancy of the Angel Place local area. It also contributes to Sydney's reputation as an inclusive city with a vibrant and diverse cultural life and to innovation and talent attraction.
 - (b) Direction 8 - A thriving cultural and creative life - the Hall makes a significant contribution to the cultural life of Sydney. The Hall supports cultural activity, participation and interaction by providing specialised cultural infrastructure appropriate to a global city. This ensures audiences can access the work of leading international and Australian performing artists in a purpose-built venue with the appropriate facilities and acoustic standards.

Risk

35. This recommendation is within the City's risk appetite, which states:
- We make decisions that align with our corporate objectives, policies and strategies and are committed to conducting our activities in full compliance with applicable laws, regulations and relevant industry standards.
 - We foster a culture of ethics, integrity and responsible behaviour across our organisation. By creating a strong ethical foundation, we aim to minimise the likelihood of reputation-damaging incidents and enhance our ability to respond effectively when challenges arise.

- The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.

Organisational Impact

36. The City will enter into a sponsorship agreement with CRHL identifying key conditions, benefits and acknowledgments to be met with the support of City staff to help maximise the outcomes and the success of the City support. These responsibilities can be managed in current staff resources and work plans.

Social / Cultural / Community

37. The Hall is the only custom-built venue serving chamber orchestra, musical recitals and similar cultural performances in Sydney. An effective management structure is vital to the delivery of performances by chamber, classical and contemporary music ensembles and choral groups and ensuring this cultural offer is optimised for the local community and visitors to Sydney.

Economic

38. The Hall plays an important role in supporting the nighttime economy of the Central Business District, particularly for surrounding food and drink operators. It provides a unique drawcard attracting an alternate demographic to the northern end of George Street, with a particular focus on the early evening economy.
39. Maximising the Hall as a performance venue with increased utilisation and high levels of patronage optimises its economic value through the employment of additional technical, administrative and artistic labour and increasing footfall and spend in the precinct.

Financial Implications

40. The recommended funding of \$1,000,000 has been included in the draft City Life Operating Budget for 2025/26 and forward estimates that form part of the City's Long Term Financial Plan and Integrated Planning and Reporting Program which will be the subject of separate reports to Council.
41. Subject to Council approval, the City can enter into a new 5-year sublease for the venue, City Recital Hall for which the rent is 100% subsidised. A valuation for the site is to be obtained post the approval.

Relevant Legislation

42. 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. Public exhibition of this sponsorship is not required because the funds are being paid to a not-for-profit organisation that is not operating for private gain.

Critical Dates / Time Frames

43. This funding is proposed to be released from 1 July 2025 to allow for continuous cash flow for the organisation. To achieve this, staff will require time to prepare a draft funding agreement and sublease and negotiate the agreement terms with CRHL.

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