



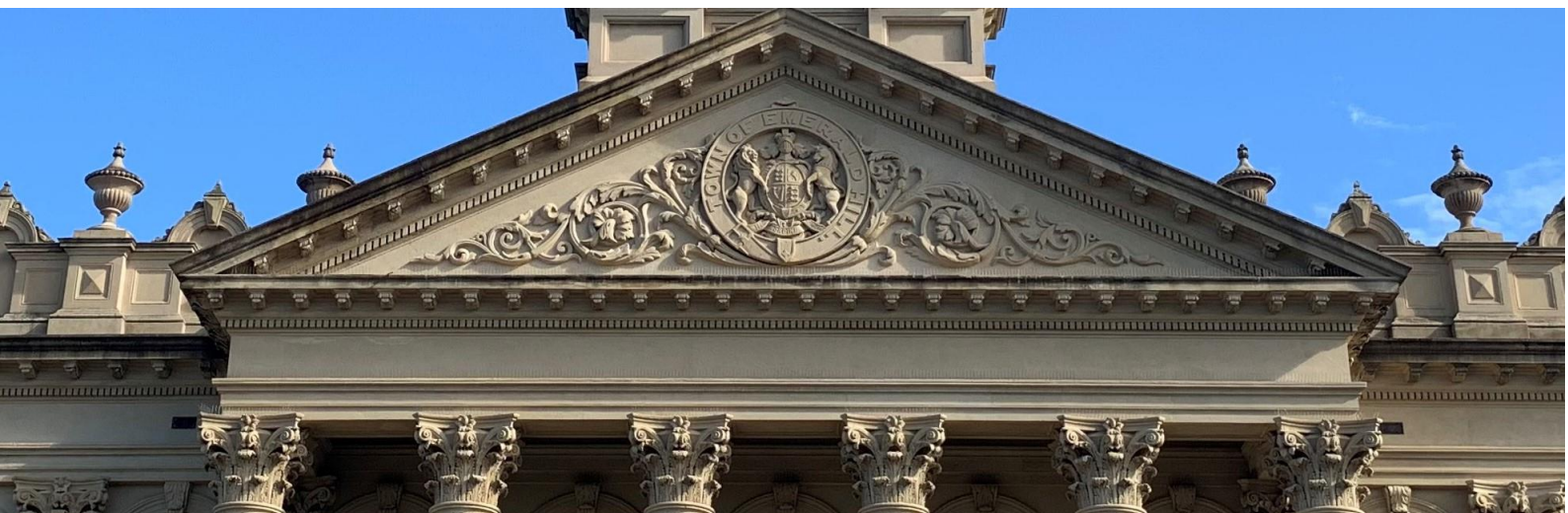
**SOUTH MELBOURNE TOWN HALL - INTENTION TO LEASE:
CONSIDERING SUBMISSIONS OF RESPONSE**

EXECUTIVE MEMBER: LACHLAN JOHNSON, GENERAL MANAGER, OPERATIONS AND INFRASTRUCTURE

**PREPARED BY: JAMES ACKROYD, PROPERTY DEVELOPMENT ASSOCIATE
ANTHONY SAVENKOV, HEAD OF REAL ESTATE PORTFOLIO
(DEVELOPMENT & TRANSACTIONS)**

1. PURPOSE

- 1.1 To consider submissions received in response to a Notice published in accordance with section 115 of the *Local Government Act 2020*, advising of City of Port Phillip's intention to lease South Melbourne Town Hall to the Australian National Academy of Music Ltd and to recommend whether to proceed to Agreement for Lease, and Lease of the premises.





2. EXECUTIVE SUMMARY

- 2.1 In accordance with Council's resolution of 7 December 2022 to commence community consultation on the proposal to lease South Melbourne Town Hall the Australian National Academy of Music Ltd, a Notice of Intention to Lease was published on the Council's website on 13 December 2022, supplemented with a Notice in *The Age*. This informed the public of Council's intention to enter into an Agreement for Lease, and Lease, and advised of the key terms of the proposed Agreement and Lease, and invited submissions for feedback.
- 2.2 At its meeting of 1 March 2023, Council noted the submissions made in response to the Notice.
- 2.3 Council is now asked to consider the community response and to determine whether it is to proceed with a lease of the premises.
- 2.4 Officers have reviewed the submissions and heard the matters raised.
- 2.5 Officers recommend proceeding with a lease of the premises in accordance with the key terms.



3. RECOMMENDATION

That Council:

- 3.1 Notes that it has received, heard, and considered the submissions in response to its Notice of Intention to enter into an Agreement for Lease, and Lease of 208-220 Bank Street, South Melbourne (South Melbourne Town Hall) to the Australian National Academy of Music Ltd (ANAM).
- 3.2 Resolves to enter into an Agreement for Lease and Lease of South Melbourne Town Hall in accordance with the proposed transaction terms advised in the Notice, which have been previously reported by Officers in the Ordinary Meeting of Council on 7 December 2022 (Report title: “South Melbourne Town Hall – Lease negotiations with ANAM - outcome”) and in summary below:-
 - 3.2.1 A lease term of up to 35 years if the lessee undertakes up-front capital investment in the building complex of \$20.5M.
 - 3.2.2 A further 15-year option, if the lessee undertakes further capital investment in the building complex of \$19.5M.
 - 3.2.3 A commencing rental of \$550,000 per annum, partly abated if performance targets are met.
 - 3.2.4 The lessee will be responsible for condition based and routine maintenance for the term of the lease.
 - 3.2.5 The lessee will be responsible for rates, taxes, and insurance premiums.
 - 3.2.6 The lessee shall provide Port Phillip City Council access for Council meetings and citizenship ceremonies.
 - 3.2.7 Such other terms and conditions as may be required by the Chief Executive Officer or their delegate.
- 3.3 Directs and authorises the Chief Executive Officer (and/or delegate) to do all things necessary to enable the entering into of an Agreement for Lease and Lease with ANAM, including finalising and executing the relevant documentation, affixing the Common Seal of Port Phillip City Council (if required).
- 3.4 Thanks the submitters for their submissions and advises them of the decision to enter into the Agreement for Lease and Lease of the premises and the reason(s) for the decision.

4. KEY POINTS/ISSUES

- 4.1 On 13 December 2022 a Council Notice of Intention to Lease was published on the Council’s website (**Attachment 1**) supplemented with a notice in *The Age*. The notice informed the public of Council’s intention to lease, and the key terms of the proposed lease, inviting submissions for feedback.



- 4.2 8,410 letters were distributed via mail to owners and residents in the surrounding area to support awareness of the proposal. Awareness was also boosted by signs at the site, social media posts, and a “pop-up” information kiosk at Clarendon Street South Melbourne.

Responses received

- 4.3 We received 554 survey /letter submissions by the end of the notice period, 30 January 2023.
- 4.4 The submissions were reported and noted at Council’s Ordinary Meeting of 1 March 2023 (Report title: “South Melbourne Town Hall – proposed lease to ANAM – submissions”). Submission letters and reasons for supporting or not supporting were attached to the Officers report.
- 4.5 Approximately 91% of submissions received were supportive of leasing the property to ANAM. Approximately 9% were against the proposal or unsure.
- 4.6 The matters raised are briefly summarised below with an explanation and response.

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Consideration raised	Explanation	Response
Acoustics	Parts of the building have excellent acoustic qualities, well suited for musical performance.	This is a recognised feature of the South Melbourne Town Hall, and is noted for example, in its Conservation Management Plan (Lovell Chen, August 2021).
Access by general public	Adequacy of access to the building for the general public.	<p>The proposed lease includes a significant financial incentive to increase community visitation.</p> <p>The lease enables more of the rooms of the building complex to be available for general hire.</p> <p>Hiring of spaces to local community groups is to be at a discounted rate aligning with City of Port Phillip's community hire rate.</p> <p>A South Melbourne Town Hall Cultural Fund is to be established by the proposed tenant, to be funded by a percentage of ticket sales. The purpose of the Fund is to fund the presentation of arts and cultural activities in the City of Port Phillip including subsidising venue hire charges for use of the Venue on an annual basis.</p> <p>ANAM Annual Membership is to be provided free of charge to all members of City of Port Phillip's community.</p>
Access by public transport	The location is easy to access by public transport.	This is noted as one of the strengths of the site.
Access by South Melbourne Symphony Orchestra	Tenure for South Melbourne Symphony Orchestra, a long term user of the building complex, and one of Melbourne's oldest community orchestras.	The proposed lease requires that the South Melbourne Symphony Orchestra be provided an access licence to use the Main Auditorium for performance and rehearsal, alternative suitable spaces when the auditorium is not available and facilities suitable for secure storage.
Access by other groups	Concern that the legacy occupation licence arrangements of other community groups will not carry through, or carry through in the current configuration of the "community hub".	<p>The proposed lease is anticipated to alter legacy occupation arrangements.</p> <p>The proposed lease in several ways creates conditions for the greater community access.</p>
	There are other locations that can be used by community groups.	Though there are at times other spaces available within City of Port Phillip's portfolio, these will not necessarily meet the functional needs and preferences of the relevant community groups.

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Alienation	Transfer of ownership/control from the public.	Council does not propose to sell the building. Under the proposed lease, the building complex is to continue to be named “South Melbourne Town Hall”, and Council can continue to carry out civic functions, including Citizenship ceremonies and Council meetings.
Alternative uses of the South Melbourne Town Hall	<p>Suggested alternative uses, such as: not leased at all, but used as a community hub; used for Council services; offered to other organisations that may have a better community plan.</p> <hr/> <p>Proposal is better than potential alternative uses, such as a casino.</p>	At its Ordinary Meeting of 18 March 2020, Council considered alternatives, and decided to proceed with negotiating a lease with ANAM.
ANAM as a world renowned, premier training institution	Sentiment that such a use is compatible with this unique, historical building. A good “fit”.	Compatibility noted.
ANAM as an established, long term tenant	That ANAM (and music performance more generally) is long associated with the South Melbourne Town Hall.	
ANAM attracting associated events	The return of ANAM to the South Melbourne Town Hall is likely to result in the return of associated music events, such as the 3MBS concerts, and the Melbourne International Chamber Music Competition.	Noted.
Arts	The proposal supports the arts in Port Phillip.	Noted.
ASSIST counter	Provision should be made for a customer service office in the building complex / Emerald Hill area.	<p>The proposed lease provides space for Council use, and does not preclude a customer service kiosk.</p> <p>We recognise that some members of the community have a preference for face to face, local contact in their dealings with Council, including to pay bills.</p>
Availability for others	Concern about whether the spaces will be available to others, given ANAM’s extensive performance schedule.	Under the proposed lease, a booking system is to be put in place to support community hire of the spaces, so that hire is public and transparent. Discounted hire rates are to be available to local community groups.

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		Also, the proposed lease includes performance targets to encourage increased community use.
Cognitive decline	Music making is important in reducing the onset of cognitive decline, making it valuable to society.	Noted.
Clock chimes	That leasing to ANAM may change the regime of the clock chimes, due to potential interference with concerts.	There is no intention to change the clock chime regime through the proposed lease.
Commercial spill-over	That the proposed lease will enhance the commercial life of the neighbourhood (e.g. dining and shopping).	Noted.
Compliance with lease	Concern that ANAM will not comply with the lease.	The proposed lease includes mechanisms that support compliance, including a bank guarantee and performance requirements linked to rental abatements.
Consultation timing	Consultation was undertaken [partly] over the January holiday period.	The consultation submission period was almost seven weeks, concluding on 30 January 2023. The opportunity to make a submission was publicised across multiple channels. They engagement activities carried out were consistent with those Officers proposed in their report to Council of 7 December 2023. Over five hundred submissions were received.
Council works	The works Council plans to undertake on the building are to suit ANAM.	Council intends to commence works on the building later this year. This is irrespective of whether a lease with ANAM proceeds. The focus of those works is to return the building to a basic, tenatable standard.
Cultural Fund	Unclear whether the levy on paid attendance events will apply to events other than those directly run by ANAM, and whether the levy will be integrated with similar arrangements CoPP has for other venues.	The intended levy is \$1 from every ticket sold for \$20 or more, irrespective of whether the event is an ANAM one. The Fund is not intended to be integrated with others, such as that for the Palais Theatre.
Cultural precinct / hub	The lease will help secure the vision of Emerald Hill as a cultural and arts hub.	Noted.

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	<p>Concern that ANAM would overly dominate/influence the vision for the precinct.</p>	<p>Officers note many creative industry organisations in the local area, for instance, Nova Entertainment, JMC Academy, Southern Cross Austereo.</p>
	<p>Sensible location for ANAM, given proximity to CBD music/arts venues.</p>	<p>Noted.</p>
Financial viability	<p>The proposal makes a substantial financial contribution to the viability of the building complex.</p>	<p>When considering the overall financial obligations of ANAM under the proposed lease, it represents a substantial improvement over the existing lease.</p>
Functional suitability	<p>The building is well suited to ANAM.</p>	<p>Noted.</p>
Inflation	<p>That inflation will erode the real value of the rental amount.</p>	<p>Under the proposed lease, rent is adjusted with inflation, (as measured by the Consumer Price Index (All Groups) Victoria published by the Australian Bureau of Statistics).</p>
Investment	<p>The proposed major capital investment by ANAM is fair.</p> <hr/> <p>The investment will make the building more attractive to visit.</p> <hr/> <p>The quantum of investment will enable major and much needed renovation / upgrading.</p> <hr/> <p>The investment will extend the viable future of the building, and bring it into the 21st century.</p> <hr/> <p>The further investment by ANAM as tenant fitout will result in a state of the art facility.</p> <hr/> <p>The investment by the proposed tenant will offset a requirement of City of Port Phillip to expend community funds on the building complex.</p>	<p>Noted.</p>
	<p>How is this calculated?</p>	<p>An independent Project Certifier is to certify that ANAM has made an up-front capital investment in the restoration and renovation of the premises totalling at least \$20.5M/\$40M.</p>

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Lease to a private institution	Concern about a private institution leasing a Council owned property.	ANAM is 50% owned by the Commonwealth of Australia and 50% by the University of Melbourne. It was established in 1994 under the Federal government's Creative Nations cultural initiative.
Lease area	That ANAM should not be allowed to expand beyond its current lease area.	The proposed lease increases the area leased by ANAM.
Lease terms	Concern that the proposed terms disadvantage ANAM.	The terms of the proposed lease address the Principal Items of Negotiation noted by Council at its Ordinary Meeting of 18 March 2020, and of 7 September 2022.
Length of lease	<p>The lease of up to 50 years is too long.</p> <hr/> <p>The lease of up to 50 years is reasonable.</p> <hr/> <p>The duration of the lease secures a long term future for ANAM and South Melbourne Symphony Orchestra.</p>	<p>Noted.</p> <p>The duration of the proposed lease to ANAM is 35 years, with an additional 15 year term conditional upon further substantial capital investment in the property by ANAM.</p>
Local amenity impacts	The nature of ANAM's activities, and its students/visitors, do not create problems of parking, crowds, unruly behaviour.	Noted.
Niche use	The community relevance of ANAM's use of the building is too narrow.	Noted.
Maintenance and renewal	<p>The South Melbourne Town Hall has been insufficiently maintained.</p> <hr/> <p>The proposal will help restore this magnificent building.</p> <hr/> <p>Council should not be absolving its responsibility for maintaining the building.</p> <hr/> <p>The costs of renewing the building are too high.</p>	<p>We recognise that the building complex is well due for a major round of maintenance and renewal. Council has committed significant funds to bring the building back to a tenable standard.</p> <hr/> <p>The proposal supports stewardship of the historic building and its heritage fabric, through its linkage with the Conservation Management Plan.</p> <hr/> <p>Under the proposed lease, an Asset Management Plan is required to be prepared, and ANAM is required to undertake repair and maintenance according the Asset Management Plan.</p> <hr/> <p>Council has an obligation to renew the building as its owner.</p>

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		The costs of renewing the South Melbourne Town Hall reflect its size, its age, its design, when it was last renewed.
Older persons	ANAM is a great asset for the older person and pensioners.	Noted.
Parking	Parking at the Town Hall for people with disabilities is better at South Melbourne Town Hall than at St Kilda Town Hall.	Noted.
Performances for locals	Desire to see performances for local residents.	The proposal is intended to increase visitation to the building, including for performances. ANAM Annual Membership is to be provided free of charge to all members of City of Port Phillip's community.
Preservation of heritage	The proposal supports preservation of heritage.	Noted.
Public ownership / Sale of Property	Concern that ANAM will purchase the building and Council will sell.	It is intended that South Melbourne Town Hall will continue to remain in public ownership. ANAM are proposed to take a long-term lease of the property but will not own it.
Rental abatement amounts	That they are large (e.g. \$100k for achieving the community access measures)	The abatements are intended to create a strong incentive for compliance and to help support achievement of the performance measures. They are therefore necessarily large. They reduce rent by: <ul style="list-style-type: none"> • \$50k for meeting the Building Safety measure; • \$50k for meeting the Insurance measure; • \$100k for meeting the Conservation measures; and • \$100k for meeting the Community Access measures.
Re-opening	A desire for a timely return of active use of the building complex, and to arrest/address its physical decline.	Noted.
Rental amount	Concern about the sufficiency of the rent.	Under the proposed lease, the commencing annual rent is \$550,000. This abates where ANAM meets the performance measures – reducing by: <ul style="list-style-type: none"> • \$50k for meeting the Building Safety measure;



		<ul style="list-style-type: none"> • \$50k for meeting the Insurance measure; • \$100k for meeting the Conservation measures; • \$100k for meeting the Community Access measures. <p>A jointly appointed, independent auditor determines whether performance has been met.</p> <p>Consideration is not limited to rent. Significantly, ANAM is to make an up front capital investment of at least \$20.5M, prior to the lease commencing.</p> <p>It is also required to undertake condition based and routine maintenance, and is responsible for outgoings, including rates, taxes and insurance premiums.</p>
State government funding	No guarantee that ANAM will secure the \$20.5M/\$40M, including the envisaged State government contribution to this.	<p>Under the proposal, the lease does not commence until ANAM has undertaken up-front capital investment in the building complex of \$20.5M.</p> <p>The further 15-year option only becomes available if ANAM undertakes further capital investment in the building complex of \$19.5M.</p>
Unique opportunity	A rare opportunity that should be seized.	Noted.
Vibrancy	<p>ANAM brings energy and life to the building complex / precinct.</p> <hr/> <p>Concern that civic use of the building complex would not enliven the area or be viable.</p>	Noted.
Visitation	<p>ANAM attracts audiences to the precinct.</p> <hr/> <p>ANAM’s projections for increased use/visitation are boosterism.</p>	<p>Noted.</p> <hr/> <p>Under the proposed lease, ANAM has specific performance targets, and related performance incentives in the form of abated rent. One of these performance targets is a measured, specified increase in visitation, over the baseline level (as measured one year from re-operation of the premises).</p>

5. RECOMMENDATION RATIONALE

5.1 Use of the South Melbourne Town Hall building complex has evolved over time. It was originally constructed to house the Emerald Hill Council, Post and Telegraph Office, Mechanics Institute and Library, Fire Brigade, Police Department, and Court House.



- 5.2 To survive a building requires continued use. Otherwise it tends to be neglected, so deteriorates rapidly.
- 5.3 Having considered alternatives, Council has directed Officers to proceed with negotiations with ANAM.
- 5.4 The community has been presented with the negotiated key terms of the proposed lease.
- 5.5 The proposed terms are considered to promote social, environmental and financial outcomes, and broadly align with the objectives and outcomes stipulated by the Principal Items of Negotiation, noted at Council's Ordinary Meeting of 18 March 2020, and again on 7 September 2022.
- 5.6 Responses from the community engagement have been considered. Approximately 91% of the responses were in support of the proposed lease of the property to ANAM.
- 5.7 The proposed lease is considered to support the long term future of the South Melbourne Town Hall.
- 5.8 The potential investment in and activation of the South Melbourne Town Hall is considered to support Council Plan strategic direction "Liveable Port Phillip" and the Emerald Hill Master Plan.

6. CONSULTATION AND STAKEHOLDERS

- 6.1 This public report follows those to the Ordinary Meeting of Council of:
 - 7 December 2022 (to report outcome of negotiations with ANAM and to recommend community consultation on the potential lease).
 - 1 March 2023 (to report submissions).
- 6.2 In accordance with section 115 of the *Local Government Act 2020*, City of Port Phillip has provided the community the opportunity to provide feedback on the proposed lease.
- 6.3 In addition to publishing the formal Notice on Council's website and in *The Age* newspaper, the engagement activities Officers undertook included:
 - supplementary communication including writing to adjoining owners and residents, attaching a copy of the notice, to support awareness of the proposed lease and highlight the opportunity to make comment.
 - social media posts/advertisements (seen by 15,004 users).
 - carrying out an online *Have Your Say* survey for approximately seven weeks, to enable members of the community to register comments concerning the proposed lease for Council's consideration prior to a decision.
- 6.4 At the property signs were installed notifying of the *Have Your Say* website.
- 6.5 Additionally, a pop-up booth was set up near the site on 24 January to inform passers-by of the *Have Your Say* and provide them the opportunity to participate in the survey.



7. LEGAL AND RISK IMPLICATIONS

- 7.1 Should Council accept the Officer recommendation, ANAM’s existing lease will remain in place until the new Agreement for Lease and Lease have been finalised and fully executed and any conditions precedent satisfied, whereupon ANAM’s existing lease will be surrendered.
- 7.2 Officer reports of 18 March 2020, 7 September 2022 and 7 December 2022 outlined the various risks of entering negotiations with ANAM and a potential lease.

8. FINANCIAL IMPACT

- 8.1 ANAM pays consideration of \$121,000 each year under its current lease, structured as \$1,000 rent, and \$120,000 towards future renewal and upgrade of the building. Additionally, it pays all building outgoings proportional to the area of the building it occupies – equating to approximately \$100,000 each year.
- 8.2 Noting, that ANAM’s current lease area is significantly smaller than the area of the proposed lease. Once adjusted for this, the ongoing financial consideration under the current and proposed lease are broadly similar.
- 8.3 Unlike the existing lease, the proposed lease requires ANAM to make major capital investment in the building complex. This offsets costs that City of Port Phillip would incur in renewal and upgrading.

9. ENVIRONMENTAL IMPACT

- 9.1 The potential lease includes a requirement to carry out works on the building complex to improve its environmental sustainability, and “green lease” provisions to encourage co-operation between City of Port Phillip and ANAM in delivering environmental sustainability initiatives.

10. COMMUNITY IMPACT

- 10.1 This recommendation is made in the context of with community feedback received and considered prior to Council resolution.
- 10.2 Having a sympathetic and viable long-term use for South Melbourne Town Hall helps ensure the property receives the maintenance and renewal it requires and encourages visitation and appreciation.
- 10.3 The negotiated lease terms provide for civic functions (namely Council meetings and citizenship ceremonies) to continue to be conducted in the South Melbourne Town Hall
- 10.4 The lease terms also provide for spaces to be made available for community hire, at a discount rate broadly aligning with the City of Port Phillip’s own community rate.

11. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 11.1 Community consultation on the proposed lease supports Council Plan strategic direction “Well Governed Port Phillip”.



11.2 The potential investment in and activation of the South Melbourne Town Hall supports Council Plan strategic direction “Liveable Port Phillip” and the Emerald Hill Master Plan.

12. IMPLEMENTATION STRATEGY

12.1 TIMELINE

12.1.1 Should Council accept the recommendation of this report, Officers intend to promptly engage with ANAM and carry out the necessary processes to give effect to the resolution.

12.2 COMMUNICATION

12.2.1 Officers will update the Have Your Say webpage with Council’s decision.

13. OFFICER DIRECT OR INDIRECT INTEREST

13.1 No officers involved in the preparation of this report have any material or general interest in the matter.

TRIM FILE NO:

ATTACHMENTS

1. public notice



NOTICE OF INTENTION TO LEASE PROPERTY

**208-220 Bank Street, South Melbourne
(South Melbourne Town Hall)**

Port Phillip City Council (**Council**) invites submissions from the community regarding its proposed intention to enter into an agreement for lease, and lease, of the South Melbourne Town Hall to the Australian National Academy of Music Ltd.

The proposed principal terms are as follows:-

- Lease commencement will be after the Tenant has contributed a \$20.5 million capital investment in the building complex.
- The term of the lease will be 35 years, with an optional additional term of 15 years if the Tenant contributes a further \$19.5m capital investment in the building complex.
- Commencing rental of \$550,000 annually, with abatements if the Tenant meets performance targets.
- Other conditions are inclusive of, but are not limited to, the following:-
 - The Tenant is responsible for condition based and routine maintenance throughout the term of the lease.
 - The Tenant will be responsible for rates, taxes and insurance premiums.
 - Council access for Council meetings and citizenship ceremonies.

Any person may make a submission on the proposal. Council will consider all submissions before making a decision whether to grant the proposed lease at a Council meeting.

Submissions should be lodged via Council's "Have Your Say" page:
<https://haveyoursay.portphillip.vic.gov.au/ANAM-south-melbourne-town-hall>

Submissions must be received **no later than 30 January 2023**.

This notice is given under the *Local Government Act 2020*, section 115(4).

Enquiries should be directed to Anthony Savenkov, Head of Real Estate Portfolio on 0466 163 302.

Emma Murdoch
Acting Executive Manager Property & Assets

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