

## 1.1 FUNDING OFFER

<b>SUBJECT INDEX:</b>	Funding
<b>STRATEGIC CONTEXT:</b>	<b>Key Goal Area:</b> 1. COMMUNITY: Welcoming, friendly, healthy <b>Objective:</b> 1.3 A community with access to a range of cultural and art, social and recreational facilities and experiences.
<b>BUSINESS UNIT:</b>	Community and Commercial Services
<b>ACTIVITY UNIT:</b>	Community Services
<b>REPORTING OFFICER:</b>	Director, Community and Commercial Services - Naomi Searle
<b>AUTHORISING OFFICER:</b>	Director, Community and Commercial Services - Naomi Searle
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	Nil

**This item is confidential in accordance with section 5.23(2) (c) of the Local Government Act 1995, as it contains information relating to a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.**

### PRÉCIS

In 2018 the City submitted an application to the Federal Government's Regional Growth Fund as part of an established funding strategy for the design and development of a dedicated performing arts and convention centre to be located in the Busselton Cultural Precinct. Following assessment the City was advised its application was unsuccessful. However, due to the withdrawal of a project from the funding program, in April 2019 the City was invited to submit a detailed business case for assessment for funding. In June 2019 the City was offered \$10.35M by the Federal Government, to be matched by the City, for the 'Busselton Entertainment Arts and Culture Hub' (BEACH). This report recommends Council accepts the funding offer and authorises the Chief Executive Officer to enter into a grant agreement with the Federal Government.

### BACKGROUND

As a result of feedback through various community consultation forums, the development of a dedicated Performing Arts and Convention Centre (PACC) was elevated by Council to being a key local priority, and as such funding was included in the City's previous annual budgets for the development of a business case to secure funding to develop the facility. Funding has also been included in the Long Term Financial Plan (LTFF) for the design and construction of the facility.

Significant work has already been undertaken with regards to the development of a PACC. In 2007 it was identified as a key priority in the City's Community Plan which, in 2008 led to the then Shire of Busselton commissioning the Pegasus Venue Management Report to assess the feasibility of a performing arts and creative industries centre including identifying location options. Building on this, in 2012 the Capes Regional Arts and Cultural Facilities Needs Assessment, commissioned through the Capes Region Organisation of Council (CapeROC) as a joint initiative, recognised the need for a black box theatre performing arts space in Busselton.

In 2011 Council (C1104/115) identified Lot 450 Queen Street in the Cultural Precinct, currently occupied by Department of Biodiversity, Conservation and Attractions (DBCA), as the preferred location for the PACC. Subsequently, land swap negotiations with DBCA commenced. Council also considered an alternate proposal / site at an Ordinary Meeting of Council on 23 July 2014, being a multi-function civic centre that could be incorporated into the design of the City's new administration building. Council considered feedback from comprehensive community consultation for this proposal and resolved (C1407/186) to progress the community's preference of a stand-alone performing arts facility, to be developed within the Cultural Precinct and reconfirmed its commitment to Lot 450 Queen Street as the preferred site.

Lot 450 remains occupied by DBCA and as such, acquisition of the land is subject to a land swap or City purchase. Negotiations between DBCA and the City have been ongoing and whilst DBCA has expressed interest in the possibility of a future land swap, ongoing advice is that DBCA's current priorities do not fit within the City's established timeframes.

In 2014 the Busselton Performing Arts and Convention Centre Working Group (BPACCCWG) was formed to undertake investigations which would assist in the development of a solid business case and the sourcing of funding opportunities for the design and development of the PACC.

In 2016 the City of Busselton Council considered Lots 43 and 44 Queen Street as a potential location for the PACC. The land, which is a vacant site that adjoins the Weld Theatre and ArtGeo Gallery, is owned freehold by the City. Since being gifted to the City by the State in 2010, Lots 43 and 44 have been advertised seeking expressions of interest for commercial development. To date, the City has received no formal expression of interest for the site. At an Ordinary Meeting of Council on 25 May 2016 Council resolved (C1605/127) to reconfirm its commitment for the development of a PACC within the Cultural Precinct and further endorsed Lots 43 and 44 Queen Street as the preferred location.

Subsequent to this, Kerry Hill Architects provided Council with concept drawings and cost estimates for the development of a PACC for both locations. These were presented for Council information at briefing sessions.

Recognising the need for a solid business case to support funding applications to State and Federal Governments, in 2016/17 a budget allocation for the development of a business case was made and from 2018/19, allocations were provided for design and construction to occur over a two year period. Since this time, due to the timing of available funding opportunities and the need to balance the needs of the community for other infrastructure projects, annual reviews of the Long Term Financial Plan (LTFP) have seen the design and construction being delayed to future years. This however has not hindered the progression of a business case, concept plans and site investigations to enable funding opportunities to be progressed when the time arises.

In April 2018 the City submitted an application to the Federal Government's Regional Growth Fund as part of a funding strategy for the design and development of a dedicated PACC, aptly named the Busselton Arts, Entertainment and Culture Hub (BEACH). Following assessment the City was advised its application was unsuccessful. However, due to the withdrawal of a project from the funding program, in April 2019 the City was invited to submit a detailed business case for assessment for funding. In June 2019 the City was offered \$10.35M by the Federal Government, to be matched by the City.

Recognising this as a unique funding opportunity to achieve a long awaited community project, this report recommends Council accepts the funding offer and authorises the Chief Executive Officer to enter into a grant agreement with the Federal Government.

## **STATUTORY ENVIRONMENT**

Lots 43 and 44 Queen Street are Zoned "Business", a zoning which provides for a range of uses, which could include shops, cafes/restaurants/bars, offices, residential apartments, short-stay apartments and/or a hotel.

Ownership of Lots 43 and 44 Queen Street was transferred to the City of Busselton from the Crown in May 2010 with the following conditions imposed by the Minister for Lands:

- the City accepting the property under its existing zoning and in its current state and condition;
- the City agreeing that the State (in any entity) has no further liability or responsibility as to its upkeep, repair or remediation;

- the City on settlement of the property working with the Busselton Citizens Advice Bureau to assist that group to find an alternative location for its activities; and
- the City agreeing to use any funds generated from the future disposal of the property on works associated with the redevelopment of the Busselton foreshore.

Under s.72 and 73 of the *Heritage Act 2018*, the City is required to refer the development to the Heritage Council for consideration as the location of the BEACH is situated between two buildings that are listed on the State's Register of Heritage Places, that being the Weld Hall and Office of the Department of Agriculture (ArtGeo building). As part of this a heritage impact statement will be required to be submitted in order for the Heritage Council to assess the proposal.

### **RELEVANT PLANS AND POLICIES**

The development of a PACC for Busselton has been identified in the City of Busselton Strategic Community Plan (2013, reviewed 2015; 2017 and 2019) as a local priority project. The South West Regional Blueprint (February 2015) identifies the construction of a performing arts venue in the Busselton Cultural Precinct as a project of regional significance in support of burgeoning creative industries and events. It continues to be identified as a priority project through subsequent reviews.

### **FINANCIAL IMPLICATIONS**

\$500,000 has been allocated in the draft 2019/20 budget to enable the progression of design development and relocation of the Woodturners Association. As part of the Federal Government's funding offer of \$10.35M, the City is required to match these funds to enable construction to be undertaken during the 2020/21 and 21/22 financial years. Matching funding could be offset through securing State Government funding towards the project.

From an operational perspective, financial projections indicate the BEACH will operate at an operational deficit. While the market demand and economic assessment undertaken in 2017 provided scenario based financial forecasts based on conservative and optimal number of events/performances and attendances, the LTFP identifies a larger operating deficit based on operating deficits of similar performing arts centres. The LTFP also considers budget allocations for asset maintenance.

Despite the projected operational deficit, the provision of a dedicated performing arts and convention centre is considered to have significant economic and social benefits for the entire District. The 2017 market demand and economic assessment identified the BEACH has the potential to attract an additional 197,000 visitors per year, including 35,300 from outside of Busselton. In terms of job creation, an estimated 16 direct fulltime equivalent jobs are projected during construction and up to 26 direct fulltime equivalent jobs through the operations of the facility.

### **LONG-TERM FINANCIAL PLAN IMPLICATIONS**

In accepting the \$10.35M Federal Government funding offer, the City must match the funding allocation. This is in addition to the City allocating funding for the ongoing operations. The current endorsed LTFP indicates construction commencing in 2022/23 financial year, however in accepting the funding offer the project will need to be brought forward with construction to be undertaken over the 2020/21 and 2021/22 financial years.

Upon receiving the funding offer, City staff were asked to model LTFP scenarios which consider the impact of bringing the design, construction and operations forward to reflect the funding offer. On 24 July 2019 a Council workshop was held to provide an assessment of the impact of earlier construction along with sensitivity analyses of funding options. The modelling indicates that the City can afford to construct and maintain the BEACH, provided some trade-offs and choices are made around rating levels, asset management and other expenditure.

While this model will need further development prior to adoption of a new LTFP position, it indicates that should the Council consider accept the funding offer, it will be able to do so knowing that it can be financially sustainable. These models were provided on the assumption that the City would not receive any State Government funding, of which \$4M is sought.

Council is due to undertake a full review and analysis of the LTFP in November 2019.

### STRATEGIC COMMUNITY OBJECTIVES

The officer recommendation aligns with the following Key Goal Area and Community Objective of the City of Busselton's Strategic Community Plan 2019:

#### Key Goal Area 1: Community

**Community Objective 1.3:** A community with access to a range of cultural and art, social and recreational facilities and experiences.

It also directly aligns to the following Council Strategies:

- 1f. Establish a performing arts facility for the District
- 1g. Host and facilitate events and programs that bring the community together.

### RISK ASSESSMENT

An assessment of the potential implications of implementing the Officer recommendation has been undertaken using the City's risk assessment framework. The table below describes identified 'downside' risks where the residual risk, once controls have been identified, is identified as 'medium' or greater;

<i>Risk</i>	<i>Controls</i>	<i>Consequence</i>	<i>Likelihood</i>	<i>Risk Level</i>
Reputational: Community perception future rate rises are too high	Review LTFP and consider priorities and options to reduce annual expenditure and future rate rises. Capitalise on current low interest rates. Continue communications further outlining the benefits of the BEACH.	Minor	Possible	Medium
Financial: State Government not secured	Budget for City borrowing full amount of required matching funding	Major	Possible	High

### CONSULTATION

A PACC was identified as a key priority in the development of the City's 2007 Community Plan. Further to this, it remained a high priority in the Strategic Community Plan 2013 (Review 2015) and the Strategic Community Plan 2017 (Review 2019).

In 2015 the BPACCWG was established to oversee development of a sound business case for the PACC. The working group is made up of members of Council, City Officers, highly regarded individuals in the field of performing arts and representatives of key stakeholder groups including Busselton Repertory, Weld Theatre and Cinefest Oz. The BPACCWG has engaged with representatives from other Performing Arts Centres including Albany, Kalgoorlie, Bunbury and Shire of Augusta -Margaret River to develop case studies from these centres to inform the business case for a PACC for Busselton.

Council has consulted extensively with regard to a preferred location for a PACC. Many different studies undertaken over the years determine that a PACC is feasible, and both studies and feedback from the community concur that the best location for it is in the Busselton Cultural Precinct.

#### **OFFICER COMMENT**

The Federal Government's Regional Growth Fund released in 2017/18 provided a unique opportunity to secure funding for the BEACH project. However with advice that the City's application was unsuccessful, a number of other funding opportunities have since been progressed, albeit unsuccessfully, including the most recent Building Better Regions Fund released by the Federal Government in 2018.

With funding opportunities of this magnitude being highly competitive, securing funding is a difficult undertaking. Consequently, following an invitation to progress to the next stage of the Regional Growth Fund application process, the City took the opportunity to revise the business case and submit it for funding, which was successfully received.

While accepting the Federal Government's funding offer of \$10.35M will require the City to match funds and bring the project forward, the City has an opportunity to actively seek State Government funding to reduce the level of funds required to complete the project. To mitigate the risk of not securing additional funding, the City can capitalise on current low interest rates and review a number of financial options as part of the LTFP review to ensure the financial impact on ratepayers is minimised.

This level of funding offer is not anticipated again in the foreseeable future. As such it is recommended that Council takes advantage of the opportunity and fulfils the community's aspiration of developing a dedicated performing arts and convention centre as part of the broader cultural precinct which sits adjacent to and links the Foreshore and City Centre. With the ongoing foreshore redevelopment and progression of the Busselton Margaret River Airport development project, completion of the BEACH project will complete the three pillar projects the City has been working towards for a number of years. This development will also assist in building economic confidence within the business community, something the community is seeking.

#### **CONCLUSION**

The development of a dedicated PACC is a long standing community aspiration. Community engagement and consultation undertaken over a number of years has continued to confirm that the development of such a facility is supported and warranted.

As a recognised priority project in the City's Strategic Community Plan 2019 and identified as a regional imperative in the South West Regional Blueprint (February 2015), it is important that this project is provided a high level of priority and its development progressed.

It is therefore recommended that the Council:

1. Accepts the Federal Government's funding offer of \$10.35m for the design and development of the BEACH;

2. Amends the Long Term Financial Plan as part of its 2019 review to enable construction to be undertaken from 2020/21;
3. Authorises the Chief Executive Officer to enter into a grant agreement with the Federal Government; and
4. Authorises the Chief Executive Officer to actively seek State Government funding opportunities.

#### **OPTIONS**

Council could choose not to accept the Federal Government's offer to enter into a Grant Agreement, however this would mean the BEACH project would not proceed as planned and it is unknown when funding of this magnitude will be available to the City in the future.

#### **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

As part of the funding offer the City must enter into a grant agreement with the Federal Government by 2 August 2019.

#### **OFFICER RECOMMENDATION**

That the Council endorses the recommendation outlined in the report.