

## REQUEST FOR EXPRESSIONS OF INTEREST

### Repurposing and use of 12-16 Peel Street Collingwood (Stage 1)

The City of Yarra is requesting expressions of interest from not-for profit community organisations to participate in a two (2) stage process to occupy Council's building at 12-16 Peel Street Collingwood (the building) under a long-term tenancy arrangement.

Council is interested in receiving submissions from not-for-profit organisations (with or without the ability to provide a capital contribution) and that can demonstrate a capacity to service the community by:

- providing educational and skill development programmes or
- perhaps from community organisations offering affordable creative spaces for low-income industry workers.

The examples of potential community services mentioned are not prescriptive or exhaustive.

Overall, Council is seeking to yield the best social return on investment for its community and the principles that will apply to the assessment and a description of the two (2) stage process are described below.

It is important to note that in 2021, Council received funding support from the State Government under a pilot programme to provide creative workspaces and has entered into a short-term lease for use of the building to 30 June 2023. It is envisaged that the Expression of Interest (EOI) process that includes an opportunity for a preferred candidate to complete due diligence and apply for permits (if required) and Council to satisfy statutory requirements can be finalised prior to the surrender of the interim lease. In this regard, security of tenure can be offered by Council under an agreement for lease once Council's statutory obligations are satisfied.

#### [Background](#)

The Peel Street building (Building) is a former congregational church hall and caretaker's residence located on the corner of Peel Street and Lt Oxford Street, Collingwood. The Building occupies approximately 175 sqm of the south west corner of the Peel Street Park Land of 1,140 sq.m in area.

The internal area of the Building is approximately 144 sq.m and the entrance to the building is via a ramp at the rear of the building with all facilities located on the ground level and there are basic amenities, such as toilets and a small wet area.

The Building is obsolete with some historical and community value and is underutilised (currently with no permanent tenant or long-term outcome) largely because of the significant level of the capital required to repurpose the Building and the period required for a prospective long term tenant to fully-understand the works and funding required for repurposing to cater for their occupancy needs.

In 2021, Council sought expressions of interest for a temporary artist in residence program and is committed to an interim lease arrangement with the successful organisation (Kinaway) for a period up to 30 June 2023.

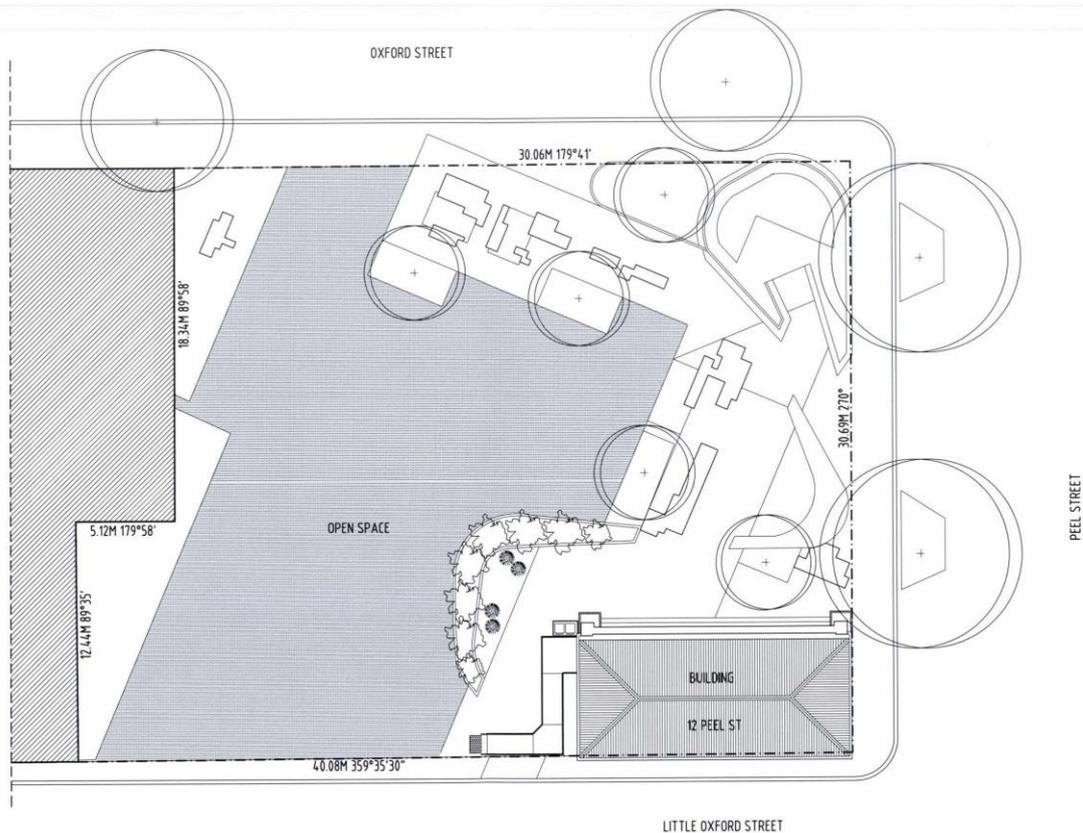


Figure 1 Plan of Park and Peel Street Building

A report to Council on 21 December 2021 outlined the pertinent considerations to be included in Council's request for expressions of interest, namely:

- (a) Council's criteria for assessing the best use of the facility for the community;
- (b) How capital contributions offered by submitters will be evaluated;
- (c) General conditions likely to be incorporated under a proposed lease;
- (d) The key terms of reference of the panel assessment group; and
- (e) How Council will obtain independent advice and maintain probity throughout the bid process.

[Pertinent Considerations raised in the report to Council](#)

Criteria for assessing the best use of the facility for the community

Determining the best use of this facility from a pragmatic perspective, will require Council to consider:

- a. the strategic importance of Council maintaining the Peel Street building within Council's property portfolio;
- b. the building as an asset that confers ongoing obligations upon Council for essential safety measures so more than a peppercorn rental is required to cover Council's facility management costs as a landlord;

- c. the level of any capital contribution and more particularly an understanding of the scope of proposed works allowing Council to understand the residual position at the end of the lease and the amortisation of this residual value if it is to be offered as a credit to offset a reasonable rental over a defined period; and
- d. Any proposal under this option would also need to demonstrate the 'community benefit' of the occupancy. This may include but not be limited to:
  - i. The proposed tenant's alignment to Council's Strategies such as the Council plan;
  - ii. Type and extent of services provided to members of the Yarra community including those experiencing vulnerability (at no or minimal cost);
  - iii. Demonstrated ability to deliver on planned community outcomes; and
  - iv. Extent and reach of planned services within the local community.

It is envisaged that a commitment to provide this information will be obtained from selected submitters during the bid process although it is unlikely that any submitter would be in a position to provide absolute certainty on all aspects until designs, cost estimates and their overall due diligence is completed, so sufficient lead time is required to perhaps under a memorandum of understanding or an agreement for lease, to finalise an arrangement.

However, while a pragmatic assessment is pertinent and largely overseen by the Property Services Unit who will recommend to the Panel Assessment Group (Panel) to commission and independent external review, the Panel is also responsible for developing the brief for the second bid stage following the REOI that could be considered by the Executive Management Team; providing guidance to the Panel.

#### Capital Contributions and No Capital Contributions

It is not uncommon for Not for Profit (NFP) organisations who are capable of securing funding to offer to allocate same towards the repurposing or renovating of a building and to seek an offset against rent and outgoings.

The entering into a lease for a peppercorn rental and for a lease period often up to a period of forty (40) years and with no break date clause will immediately erode the value of Council's investment if to be sold as a going concern and the question arises as to what may be the term/s offered by Council to ensure that the community can benefit from the NFP's funding and services.

A prudent way forward may be to establish an understanding by distinguishing proposed tenant works that are specific to the tenants needs and in particular fit out requirements and proposed works funded by the tenant on behalf of the landlord. It is the value of the landlord works funded by the NFP tenant that should be indexed and used to offset the rental and not the value of the funding overall.

In determining the appropriate rental (irrespective of offsetting) Council may consider a lower cost of capital; reflective of the lower risk on the value of the site and particularly where Council may also be a sponsor of the NFP already. Under this arrangement, it appears possible for the offsetting period to be less than 25 years providing Council with the ability to review the lease arrangement at the time.

The current interim lease arrangement with Kinaway that is founded on Council's success in securing funding from the State Government's Creative Neighbourhood Partnerships and Pilots Programme is an example of an innovative venture to repurpose a suitable facility for low-income creative industry workers and provides a critical opportunity as 'a start-up' to test the idea for future projects/replication.

Council's support and investment for these type of programmes is critical and it is often difficult to determine whether the social return on investment for the community and the City should be given priority over significant capital funds provided to an NFP by Government for the much-needed upgrade of facilities. However, from a pragmatic perspective, it is important to consider the 'landlord improvements' to the facility that are covered by the tenant's funding, condition of the facility and residual amenities at the end of the lease term rather than the aggregate funding contribution of the NFP when assessing REOI submissions in this category.

General conditions likely to be incorporated under a proposed lease,

In order to provide certainty in process and particularly in the preconditions that must be satisfied to enter into a lease, it is suggested that a memorandum of understanding or an agreement for lease be entered into, with the preferred bidder.

In addition to the standard requirements, a lease should include:

- a. A collateral service agreement clearly defining the services that will be offered to the community and performance benchmarking;
- b. A distinction between tenant fit out works and landlord works funded by the tenant (and the values);
- c. A rental amount that is indexed and that is made up of two (2) components as follows:
  - i. A base component that covers costs that cannot be assigned by Council to the tenant and perhaps a discounted cost on capital; and,
  - ii. A component that is offset by value of the landlord works funded by the tenant for the pay back term; and
- d. A licence agreement that may be required to support access/use of ancillary areas in the Park.

The Panel Assessment Group

The Panel Assessment Group (Panel) will comprise:

- Director Community Wellbeing (Chair);
- Group Manager CEO Office (Corporate due diligence and probity);
- Business Unit Manager Arts, Culture and Venues;
- Manager Social Strategy and Community Development;
- Manager Building and Assets Management;
- Manager City Strategy; and
- Senior Coordinator Property Services (Lead).

The Panel Group may be expanded to include a minimum of two (2) external independent members to assist the Panel in its assessment of submissions requiring an evaluation of the social return on investment of submitting organisations at the invitation and selection of the independent members be made by the Interim CEO and Director of Community Wellbeing.

The objectives of the Panel are as follows:

- a. Prepare a Request for Expression of Interest (REOI) as part of a two (2) stage process to reflect the scope for the use of the Peel Street building authorised by Council;
- b. Review submissions for alliance with Council's objectives and capacity and intention to satisfy guidelines and prepare a report for the Executive Management Team to consider a short list for the purpose of inviting selected organisations to submit a proposal and approval of the selection criteria to be issues to all selected organisations under tender conditions;

- c. Participate in scheduled interviews with selected organisations;
- d. Review the social return on investment against the selection criteria;
- e. Review the financial assessment of bid offers by the Senior Coordinator Property Services and commission an independent review of the assessment without the participation of author; and
- f. Prepare a concluding report for Council with a final recommendation for adoption.

### Two (2) stage Process

A two-stage bid process comprising:

The first stage that involves an open public request inviting expressions of interest from NFPs to provide details about their organisation and services to the community, their interest and alignment with Council's objectives, interest in a lease at Peel Street and sources of funding (commencing in January 2022); and,

The second stage that involves an invitation for selected submitters to provide a bid offer under controlled procurement conditions to ensure probity (commencing in February 2022).

### **Submission Guidelines (First Stage Only)**

Submissions will be assessed on the following criteria:

#### Eligibility

- An incorporated community organisation with a clearly-defined management structure and experience in delivering community programmes/initiatives.

#### Content

- This may include but not be limited to information about:
  - The organisation's alignment to Council's Strategies such as the Council plan;
  - Type and extent of services provided to members of the Yarra community including those experiencing vulnerability (at no or minimal cost);
  - Demonstrated ability to deliver on planned community outcomes; and
  - Extent and reach of planned services within the local community.

#### Capacity

- What resources, capacity, experience does the organisation have to deliver this service

#### Brief explanation of the occupancy relationship that would be sought

- A few dot points about your initial thoughts

#### **How to submit:**

Applications can be made online by email to [PropertyServices@yarracity.vic.gov.au](mailto:PropertyServices@yarracity.vic.gov.au)

Applicants are encouraged to include supporting documentation that would provide evidence against the selection criteria. This could include previous annual reports, portfolio of works, testimonials and support letters.

#### **Timelines**

EOI Applications must be **received by email before 11.00 PM Friday 25 February 2022.**

Applicants should expect to be notified of the outcome of the first stage by 11 March 2022.