

ANDERSON HOUSE OCUPANCY

To: Performance, Policy and Partnerships Committee

Meeting Date: Tuesday 10 May 2022

From: Richard McWha, Manager Venues and Event Services

Approved: Steve Gibling - Group Manager - Leisure and Recreation

Approved Date: Thursday 28 April 2022

Open Agenda: No

Public Excluded Agenda: Yes

Reason(s) for the Public Excluded (choose – can be more than one)

Section of the Act	Subclause and Reason under the Act	“Plain English” Reason	When Report Can Be Released
s7(2)(a) s7(2)(b)(ii)	Protection of privacy of natural persons, Prejudice commercial position	Financial details are commercially sensitive to the company, and protection of privacy	Redacted rseport to be released at any date. Appendix to be withheld due to commercial sensitivity.

Purpose and Summary

This report accompanies the Anderson Park Trust (the Trust) submission for the occupancy and operation of Anderson House ([REDACTED]).

The proposal is the output of joint Invercargill City Council (ICC) staff and Trust workshops, meetings and desktop research from past reports and demonstrates the best known option for occupancy and activation of Anderson House.

The proposal requests occupancy at Anderson House where the Trust proposes activating the site starting with weekends and then growing the operation in line with the Trust's resources and market demand.

The relationship between ICC and the Trust would be formalised under a lease and a heads of agreement document.

Recommendations

That the Performance, Policy and Partnerships Committee;

1. Receive the report titled "Anderson House Occupancy".
2. Approve the awarding of Option Two - Scalable Occupancy and operation of Anderson House to the Anderson Park Trust and instruct staff to engage in the negotiation of a community lease and Heads of Agreement document.
3. Request staff to continue to support the trust and advise them of existing contestable funding programmes and opportunities.

Implications and Risks

Strategic Consistency

Council consulted on the future of Anderson House as part of its 2018-28 LTP. Most submitters supported strengthening Anderson House to 67% of the New Building Standard (NBS).

In resolving to budget for the earthquake strengthening work, Council determined that the first step should be an expressions of interest (EOI) process to better understand future investment requirements and potential future use options. Working with a community organisation to operate Anderson House is aligned to Council's commitment of enabling and working in partnership with communities.

Financial Implications

Making Anderson House available to the public via a community organisation does not present a significant cost to Council other than the expected costs associated with maintaining and improving the asset over time and any operational support Council may give the operator.

The key financial risk to Council is bringing a new service level online. There may be a community expectation that if the Trust fails Council should step in to continue to provide this service.

This Trust acknowledges the ongoing fundraising efforts required to operate the site and their initial budget forecasts a \$59k funding gap yet to be secured. Having a tenancy confirmed will greatly assist the fundraising efforts of the trust however the \$59k operational shortfall presents a risk to Council. The Trust has indicated they will likely require support for an operational shortfall until 2026. The Trust has indicated this shortfall will be addressed by further scaling operations on site, applying to existing contestable funding schemes and through working in partnership with Council to activate the site on a profit share basis. The scale of risk relative to community benefit remains modest.

This report is not recommending Council proactively fund this gap but continue to provide guidance on how to best leverage the existing funding schemes offered by Council and philanthropic agencies. Once the Trust has tenancy and its operational delivery is tested over the start-up period the Trust will likely be in a good position to submit to the 2033/24 Annual Plan process with quality forecasting and budgetary information.

Legal Implications

A community lease will formalise the responsibilities of the Trust and Council towards the care and occupancy of Anderson House. In addition to this will be a Heads of Agreement document that will describe the expectations and business interactions between the two organisations. The Heads of Agreement document will describe how the site is activated, how the Trust engages and works with Council as well as reports its performance measures.

To meet the expectations of the community and the Trust's aspiration to give context to the house and its history the Trust has asked that key items in assisting telling the stories of the site be made available on loan for this purpose. The environmental conditions of Anderson House do not meet modern standards for the long term display or storage of art and significant heritage pieces. As such it would be likely that high quality replicas be made available for the small collection of art pieces that help tell the stories of the house and its occupants. Larger pieces of furniture may be suitable to loan back to the Trust. No change of ownership would occur and a schedule of loan pieces, and their conditions of use and care will be detailed in the lease issued. Whilst Anderson House will not operate as an art gallery nor keep or amass any form of collection it will from time to time host limited term exhibitions in line with its function as a venue for hire.

Risk

The Trust has identified their key risks being on the capacity and capability of the Trust, the funding environment and the limitations of the site particularly around accessibility and current fit out. In a community partnership model the risks to the Trust ultimately become the risks to Council if not adequately considered and mitigated against.

Mitigation of the above is best addressed by ensuring Council best positions the trust for success through providing ongoing advice, mentoring and opportunities to increase revenue through partnered events. This can be done through sharing sales channels, marketing platforms and some shared resources such as event equipment. Council will have the opportunity to respond to funding requests through established community funding programmes or the Annual Plan/ LTP process.

Background

An EOI process ran over September and October of 2018 inviting "People, business owners, or other groups to submit on future operations at Anderson House". Only one organisation submitted an EOI being the group now incorporated as The Anderson Park Trust (CHT REG. 50070490).

The group anticipated requiring an ongoing operational grant in excess of \$200,000 per annum, in addition to an additional capital investment of approximately \$2.32 million to create a suitable venue for a viable enterprise.

At the time Council resolved to proceed with the seismic and differed maintenance project of Anderson house to protect the asset and ready it for tenancy. At this time rather than granting occupancy the Council requested staff to continue to negotiate with the Anderson Park Trust acknowledging that any future one off or ongoing investment by Council would need to be considered against other priorities and community demand.

In August 2020 a study into the use of Anderson House as a wedding venue confirmed the significant level of investment required to make it operational and confirmed the existing layout and size, demand and occupancy limits fall short of making the venue commercially viable. As a result, a revisit of the original concept submitted to the EOI was needed.

Council staff have been working with the Trust through regular meetings and workshops to review information to date to develop a business plan and viable operational model that better fits the current funding opportunities, operational environment, capacity of the trust and the demand for service.

Issues and Options

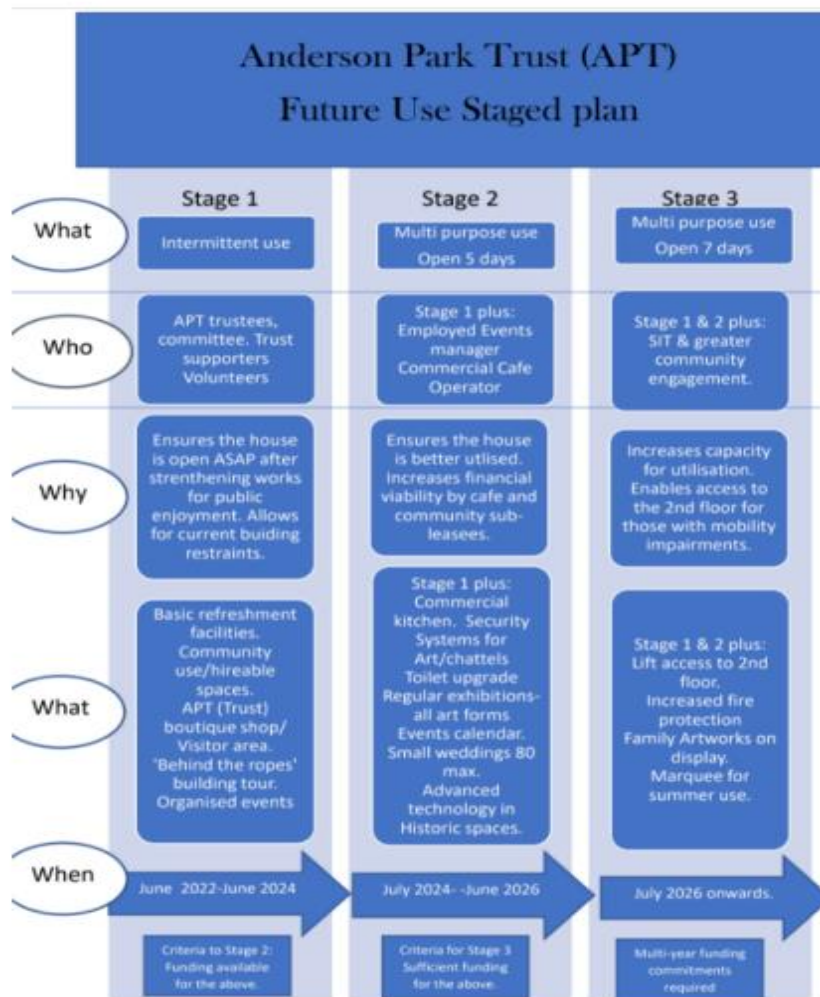
The past investigations demonstrated limited potential to operate the site in a commercial, viably self-funded way. This is largely due to Anderson House requiring future capital investment and increased space to gain the critical mass for a viable return on investment. The site does however lend itself well to a social enterprise model where the community benefits from the drivers of the operation not commercial profits

Given that it is not viable for a commercial operator or Council to operate, Anderson House is best positioned as a community led social enterprise.

The Trust's proposal is staged as per Fig 1 below. It describes opening Anderson House as a multi-use site that provides space for private and community hire, limited refreshments offering, tours and weekend summer events in the park.

The House would have a dedicated room for education and information about the House, park and those who have occupied the site over the years. Initially the operation would use a volunteer workforce to activate the House on weekends whilst fundraising campaigns and the support base established. This differs from past proposals as it scales the operation and associated risks to the available income. Whilst this means the offering on site is initially modest it represents the greatest opportunity to achieve sustainability without fatiguing a voluntary trust.

Fig. 1 APT Future Use - Staged Plan



Operating in partnership with the community is not without risk; it can deliver authentic community led experiences but its success relies on the capacity and capability of the community organisation. In awarding occupancy of Anderson House, Council needs to consider the support required to ensure ongoing success and best position the Trust to build a social enterprise that reduces its dependence on Council over time and becomes more sustainable.

The Trust's proposal and work to date signal they are suitable for the tenancy and have a realistic and achievable business goals but will require building capacity in the Trust and its workforce as well as capability in their operational delivery. The Venues and Event Services unit are best positioned to provide this support in the initial start-up period.

Options

The following options are available in response to the occupancy of Anderson House.

Option One - Moth Ball: *(not preferred)*

Do nothing, protect the asset and wait until market demand increases or alternative uses are evident.

BENEFITS	DISBENEFITS	RISKS
<ul style="list-style-type: none"> • Low financial risk • Opportunity for future leases/partnership preserved 	<ul style="list-style-type: none"> • Decreased monitoring of the House • Losing community enthusiasm for Anderson House • Less activation and appreciation of Anderson Park 	<ul style="list-style-type: none"> • Risk of asset vandalism • Reputational risk to Council if the public perceive Council not to have delivered on promises and the spirit of the original gift • Community groups could become hesitant to partner with Council

Option Two - Scalable Occupancy: *(preferred option)* Award occupancy to the Anderson House Trust based on their staged approach. Council is also able to activate the site in partnership with the Trust when and where appropriate on a profit share/ split risk basis. Council activations and ongoing operational support will assist the Trust in addressing funding shortfall and assist in growing the enterprise.

BENEFITS	DISBENEFITS	RISKS
<ul style="list-style-type: none"> • Limited financial risk • The enterprise can scale proportional to funding outcomes • Allows for a proof of concept period for the Trust to innovate, pivot with market demand and grow the enterprise in a steady fashion • The venues and Event Services Unit can still activate the site when hireage opportunities present • Council demonstrates working in community partnership to grow capacity and capability of the Trust transitioning them towards sustainable and independent operation of the site • Opportunity to leverage Council's size and 	<ul style="list-style-type: none"> • Ongoing investment in staff time resource • More complex day to day relationship and foundation documents required 	<ul style="list-style-type: none"> • Reputational risk; Council is closely tied to the performance outcomes of the enterprise as well as any negative issues that arise on site • If the Trust winds up there may be a community expectation that Council continues to deliver the service • There may not be the demand for the site given increased competition from other venues

<p>expertise to best enable community success</p> <ul style="list-style-type: none"> • Council remains close to the enterprise and can greater identify, monitor and mitigate risks • Opportunities to increase revenue for the Trust based on Venues and Event Services unit promoting and actively selling the services • The Trust as an operator can provide Council insights into public demand • The Trust has strong connections and lineage to the Anderson Family and are passionate to activate the site 		
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Option Three - Full occupancy: Award the occupancy for the Trust and let them respond to market demands. Acknowledging the working capital of the Trust may limit their ability to develop markets and fund operational expenses.

BENEFITS	DISBENEFITS	RISKS
<ul style="list-style-type: none"> • Clean lease transaction with no addition commitment or involvement with Council other than landlord and service monitoring commitments • If the Trust fails the enterprise can be stopped and new operators sought 	<ul style="list-style-type: none"> • Council is largely locked out of the programming and activation of site. • Reduced ability for Council to build community capacity and ensure sustainability • May take longer for the site to be activated to the level expected by the community 	<ul style="list-style-type: none"> • The delivery of the service and associated risks may outstrip the capacity and enthusiasm of the Trust and lead to a lack of volunteers, trustees and staffing • The enterprise may not survive the start-up period whilst a client base and income is developed

Option Four - Fund the operational shortfall (in conjunction with either Option Two or Three): Proactively fund the Trust for the forecast operational shortfall acknowledging that opportunities to reduce this shortfall have not yet been fully explored and the shortfall is not based on data derived from actual operational performance.

BENEFITS	DISBENEFITS	RISKS
<ul style="list-style-type: none"> • Reduced financial pressure on the Trust 	<ul style="list-style-type: none"> • Council establishes an untested funding pattern 	<ul style="list-style-type: none"> • A community perception that Council funding is ad

<p>could speed up activation of Anderson House</p>	<p>that may become a benchmark for future years and a funding crutch for the Trust</p> <ul style="list-style-type: none"> • Reduced impetus for the Trust to pursue contestable funding opportunities and build capacity in their fundraising abilities which is an essential part of their forward strategy. • Increased pressure on Council budgets 	<p>hoc and the community funding environment is not consistent for all groups</p>
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Community Views

The community has expressed a clear view on protecting Anderson House and park amenities, however the community views have not consistently demonstrated a specific use for the site beyond some sort of hospitality offering. The described hospitality offering will likely form an essential auxiliary service to the site but is unlikely to warrant or be viable as the site's main operation.

The multi-use nature and staged approach of the Trust's proposal allows the Trust to diversify income streams whilst also meeting the community needs. As the staged approach presents the least exposure of financial risk to Council. Option 2 is best aligned to community expectations around financial restraint, value for money and Council as a community enabler.

Next Steps

If the occupancy of Anderson House is awarded to the Trust, staff will negotiate a community lease and a Heads of Agreement document. Milestones, performance targets and the day to day operational partnership will be included in the negotiation.

Attachments

