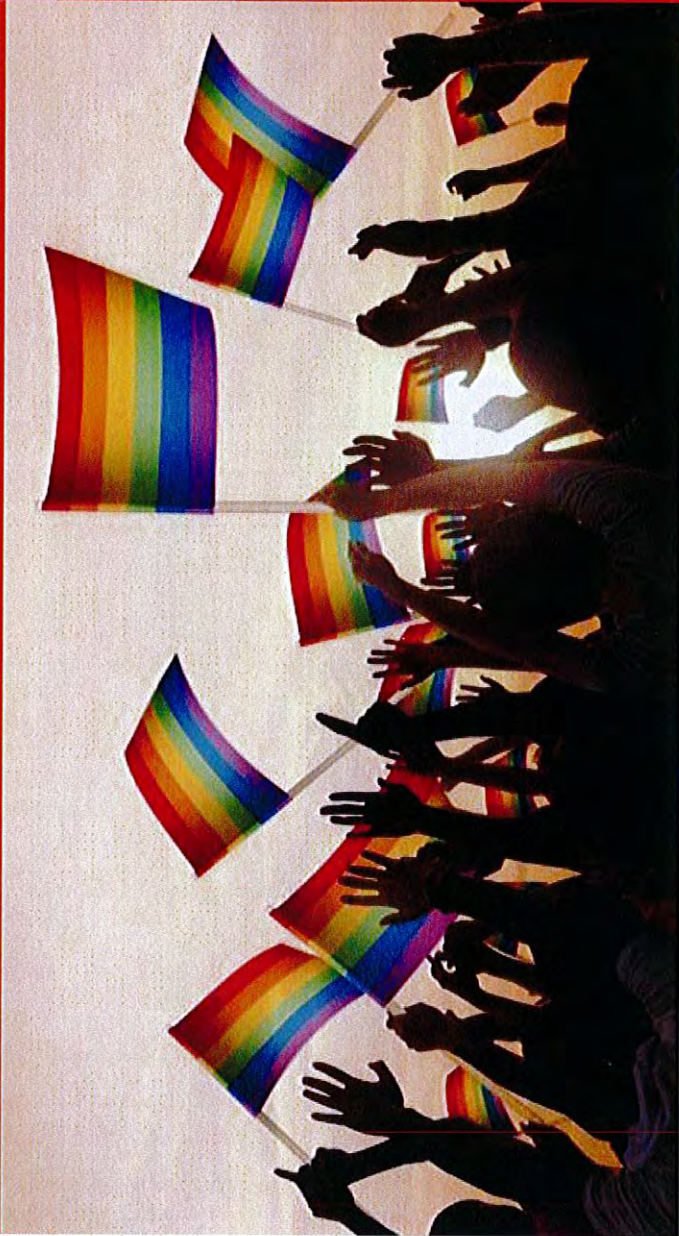


Feasibility study Victorian Pride Centre

Strictly private
and confidential

February 2016



PWC

Tabled at "Equality" Hearing 12.30-1pm
(DPC) 19 May 2016

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Executive summary

The State of Victoria should consider a Pride Centre to support equality and the LGBTI community

Broad benefits of a Pride Centre to Victorian/Australian community

- Supporting **equality, diversity and inclusion** in our community,
- Helping in the creation of a **healthy, harmonious and open** society,
- Supporting **sustainability** of key community groups by providing long-term affordable physical space,
- Enabling **greater societal impact/growth potential** of existing and new community groups through flexible and scalable co-location (no constraints and the opportunity to 'breath-in' and 'breath-out' as demand/activity shifts),
- Creating an epicentre for community activity, a catalyst for **new opportunities** for people to come together in an **open and inclusive space**, including opportunities to hot-desk,
- Driving **innovation** and unlocking potential through **collaboration** stimulated in a shared space for NFP organisations,
- Delivering **efficiencies** to organisations by establishing shared services for key functions (accounting, HR, reception services, meeting and conference space etc.),
- Exploring the generation of **new revenue/income streams** that can help sustain or even subsidise community organisations (e.g. Hotel, conference space/ballroom hire, apartment rental etc.)

What does a Pride Centre look like?

- a **community hub** where resources and services are made accessible to the community
- a **co-working space** with shared services where community groups and organisations can focus on their mission and the delivery of their services
- a safe and comfortable space **celebrating diversity** and welcoming everyone
- an **effective governance structure** ensuring the Centre is owned by the community and serves community
- an **viable business model**, efficient floor plan and design to achieve long term sustainability
- a **tourism and culture icon** symbolising equality, inclusion and our societal value



Executive summary

There is a strong desire among the LGBTI community to come together in a Pride Centre

LGBTI community groups and organisations want to come together in a Pride Centre

- The needs and desires of a Pride Centre are clear among the LGBTI community groups and organisations. They are interested in co-locating in the Centre because it will help them to better grow and develop upon their respective organisation missions.
- Community groups and organisations see potential benefits such as better collaboration and accessibility, stability of tenancy and cost effectiveness and better representation to the Government and broad community.
- Regional and rural community require a central hub to connect, meet and share ideas and services.

Risk and challenges

- The ability to secure adequate and sustainable funding options has been identified as a significant risk factor for the establishment and operation of the Pride Centre. These issues span across the life cycle of the Centre and are integral to its success.
- The greatest risks to the Centre are identified in the establishment phase of the life cycle e.g. the ability to secure a suitable site, sustainability of the business model and the implementation of an appropriate governance framework.
- These factors while significant, can be mitigated through project strategies implemented in consultation with highly regarded project delivery experts and professional service providers.

Time is critical

- We note there is a significant level of urgency for assessing the feasibility of a Pride Centre. This project (and subsequent next steps) are deemed timely and crucial by the community.
- The reason being a number of community groups and organisations currently renting in City Village are facing the possibility (and uncertainty) of moving out, given the City of Melbourne is considering a redevelopment of this building. Similarly, the Victorian Aids Council (VAC) also needs to look for future accommodation as they have recently sold their building in Claremont Street, South Yarra.
- This creates a good opportunity for the community and Government to explore the feasibility of the Centre together in a timely manner.

Key factors to create a successful Pride Centre

- Building design and layout should be carefully planned to meet the needs and requirements of different organisations and to find a balance between “Out/Pride” and “Discretion”.
- Diversifying the revenue source, in particular from commercial operations, i.e. establishing a social enterprise and maximizing rental from retail and conference space, to ensure long term sustainability.
- Securing a suitable site/property at a low cost with sufficient space and reasonable conditions/location to allow retrofitting.
- A need to conduct a full due diligence of any site selection/acquisition and develop an effective project management process to ensure the delivery of the Centre.

Key recommendations

Government support is critical to the establishment of the Pride Centre

Government support and involvement

- The State Government's support and involvement is critical in the establishment of the Centre. As the first of its kind in Victoria, the wider community - inclusive of the local government, corporate and philanthropic investors - could look to the Pride Centre as a benchmark for Government supported community centres and the LGBTI community.
- The State Government's involvement and support can be achieved through a number of means, among which the most desirable and valuable supports would be relating to securing a site/property by financial cash grants, surplus government property contribution and/or service provision.



Source: abc.net.au

Next steps

- We believe a Pride centre has significant social (and other) benefits to Victoria and the LGBTI community. It could work.
- A formal business case should be considered and progressed in order to further analyse, review and ratify the following aspects:
 - Space requirements, design and floor plan,
 - Funding requirement for establishment of the Centre (subject to site/property options),
 - Social and other impacts,
 - Operating model and sustainability,
 - Financial and risks, and
 - Delivery of the project.
- Timing is critical. The VAC requires a confirmed view in terms of the future accommodation by 30 June 2016. Other organisations currently renting in the City Village, like Joy 94.9, also need to make similar decisions/plans for future accommodation.
- These key decisions heavily rely on the progress (and feasibility) of the Centre. The uncertainty, costs in association with relocation and possible high market rental in the future, could massively impact the service delivery of some organisations, and increase their risk of insolvency.

Background & purpose

Background & purpose

Background

- In October 2015, the Victorian Government announced that it was seeking to explore the feasibility of establishing a Victorian Pride Centre in Melbourne.
- It is intended that the Centre would act as a hub for local LGBTI community groups and organisations, and to provide a home for the diverse work being done in the sector.
- On behalf of the Department of Premier and Cabinet, PwC has been appointed to undertake a feasibility study for the establishment of a Pride Centre.
- In addition, a number of LGBTI community groups currently rent in the Melbourne CBD in a building owned by the City of Melbourne – City Village. As we understand, City of Melbourne is considering the redevelopment of City Village, which has resulted in the possibility (and uncertainty) that those community groups have to find alternative accommodation. Those organisations include: Joy 94-9 Radio, Midsumma Festival, Melbourne Queers Film Festival etc.
- Similarly, the Victorian Aids Council (VAC) also need to look for future accommodation as they have recently sold their building in Claremont Street in South Yarra.
- Our work has commenced on 23 November 2015 and report was completed on [5 February 2016].

Purpose

- This report is a summary of the preliminary findings regarding the following issues:
 - Which LGBTI bodies are interested in the possibility of co-location?
 - What level of support exists for the proposition of co-location and what are the key concerns if any?
 - For those organisations, groups and associations that express interest in co-location (in a Pride Centre):
 - What governance arrangements for the Pride Centre would be the best?
 - What ownership/tenancy arrangements would be best?
 - What are the space needs and types of spaces needed?
 - What resources can the LGBTI bodies contribute?
 - What resources could be identified through corporate and philanthropic sources?
 - What is Government's role?
 - What similar examples exist in other sectors and what can be learnt from them?
- The findings in this report are preliminary. We recommend a formal business case be considered and progressed in order to further analyse, review and ratify these findings.

Stakeholder consultation & findings

Our approach & key findings

We have undertaken extensive community consultation and the messages are consistent

Our approach

- We have engaged with the broad LGBTI community and conducted an extensive consultation process, including:
 - I. An online survey sent to over 130+ community organisations and groups,
 - II. One on one interview with the Victoria Aids Council, Joy 94.9 Radio, Midsumma Festival and Melbourne Queer Film Festival, and
 - III. Three open community consultation sessions held on 14th, 19th and 21st of January 2016
- The key findings from above process are broadly consistent with the individual organisation's and group's specific needs and views.
- Key findings from online survey are summarised below:

The needs and desire for a Pride Centre is clear among LGBTI community groups and organisations.

- 75% of the survey respondents suggested that the current accommodation is restricting or potentially restricting their growth and development.
- 37% of the survey respondents indicated that they are currently leasing building space. Sustainability of the lease and rental are therefore critical to those organisations.
- 41% of the survey respondents told us that they are using home offices/kitchens or cafés to work and hold meetings.

Potential benefits that the LGBTI community see from a Pride Centre are:

- **Collaboration:** more accessible to the community and better collaboration between other LGBTI organisations;
- **Cost effective:** a physical cost effective space that provides more stability, so the organisations can focus on mission delivery; and
- **Representation:** provide better representation to the Government while it would give the LGBTI community greater exposure and support from the Government.

The LGBTI community groups and organisations are interested in co-locating in a Pride Centre, because it will help them to better grow and develop upon their mission.

- 69% of the survey respondents told us “Yes” - co-location in a Pride Centre would help the organisation to better grow and develop upon its mission. An additional 21% believed that it may assist.
- 51% of survey respondents indicated that they wanted to be an occasional user for the Pride Centre and 38% wanted to permanently co-locate.

Rural community

- Community groups and organisations in rural area have expressed strong interest in being involved and using a Pride Centre. The majority of them want to be occasional users.
- “Accessibility” and “flexible space” are important to them.

A snapshot of what we have heard from the online survey...

"We have staff using offices during the day and volunteers using the same space at night. We cannot extend our service hours under the current arrangement. We have limited space to conduct meetings and volunteer training."
- **Switchboard Victoria**

"We don't have facilities at all. We rely on the good natured generosity of volunteers to travel to and to host meetings, the costs of which we absorb personally."

"We would greatly benefit from access to meeting spaces."

"We aspire to work collaboratively and synergistically but this is really hampered by the kitchen table!"
- **Rainbow Families Council**

"Natural synergies with other like agencies are not being taken advantage of. High cost of rent is limiting program expansions."
- **Living Positive Victoria**

"We don't have a space to call home, we cannot collaborate easily with other groups, we cannot keep material handy."
- **Bi-Alliance Victoria**

"To have LGBTI services in the one location would offer great referral and networking opportunities. It would strengthen the community at many levels."
- **FTM Shed**

"Having access to more cost-effective accommodation that meets our musical needs would enable MGLC to undertake more and better community service activities, rather than always worrying about whether an activity will provide a financial return for MGLC to enable it to survive."
- **Melbourne Gay & Lesbian Chorus**

"Due to not having funds/accommodation we rarely interact with other groups and possibly get excluded in broader decisions within the trans and gender diverse communities."
- **Genderqueer Australia (GQA)**

"A Pride Centre would provide a great opportunity for those visiting from regional/rural areas to connect, meet and share in resources, culture, community, meals, networking."
- **Goulburn Valley Pride**

The community groups and organisations we have surveyed

To better inform our understanding of the needs and requirements of the LGBTI community, we prepared and distributed a survey. The survey was distributed to:

- General Melbourne based LGBTI groups and organisations (**General Survey**); and
- Rural and Out LGBTI groups and organisations in Victoria/national (**Rural/Out Survey**).

The survey questions were developed in consultation with the DPC and were structured into the following 3 key areas:

- Organisation background;
- Existing accommodation; and
- Defining the Pride Centre.

The full list of survey parties and copies of survey questions and responses are attached in Appendix A.

The survey was sent out on 27 November 2015 and closed on 13 January 2016. Below is a table that summarises the responses:

Survey type	No. of survey sent	No. of survey response received	No. of survey completed in full	Responding rate %
General Survey	98	53	38	54%
Rural/Out Survey	24	5	4	21%

Who has responded to our survey:



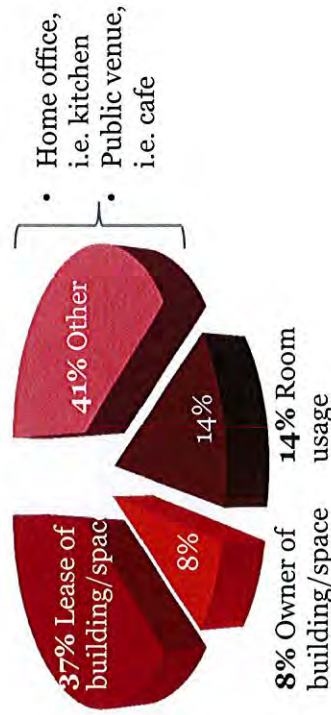
Understanding your current office accommodation

65% of respondents have told us that their current accommodation is (or is potentially) restricting the growth and development of their mission delivery.

What are your current physical accommodation arrangements?

Among the 53 responses we have received on this question, 37% lease building/space while an additional 14% require room usage. There were 4 respondents who identified as the “Owner of building/space”, representing 8% of the total respondents.

Among the 41% of “Other”, the majority are using “home offices of directors and volunteers” or “public venues, i.e. cafes”. There are a small number of cases where the local Council space has been used at no charge.



Is your organisation’s current accommodation restricting the growth and development of the organisation’s mission, and why?



Among the 51 responses we have received, 65% have said that their current accommodation is restricting or potentially restricting their growth and development. The main reasons for this are summarised below:

- Lack of sufficient facilities, i.e. meeting space or offices, to effectively meet operational needs and delivery programs;
- Lack of opportunities, i.e. space or funds, to interact and collaborate with other LGBTI community groups;
- Current accommodation doesn’t meet specific needs, i.e. rehearsal venues;
- Sense of uncertainty and unsustainability brought by “home office/kitchen table” office model currently widely adopted by the various LGBTI groups; and
- Lack of funds and relatively high rental costs restrict the organisation’s growth and expansion.

How would a Pride Centre be useful to you and how would you like to be involved?

95% of the respondents have told us they want to be involved in and use the Pride Centre.

Top 5 services that you want to see/use in the Pride Centre



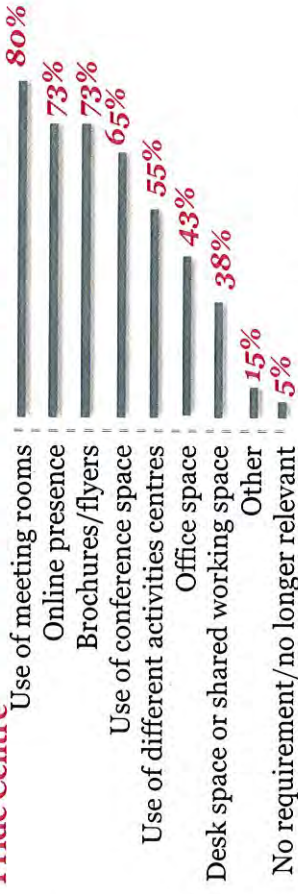
Based on the 40 survey responses to this question, meeting rooms and conference space were among the most popular needs whereby users could utilise both internal operations and external services/programs delivery.

Other functional centres, i.e. book/resources, health and education, are also suggested with popularity. These functional areas are highly relevant to the mission and programs that LGBTI organisations deliver.

Following the top 5 services listed above, 45% of the responses indicated that they would like to see "Cinema, theatre, art and culture centre" and 43% indicated "Café & retail".

In "Other", we have heard some specific needs for space (i.e. radio studio and rehearsal room), together with requirements of storage space and advanced office/working technology.

Level of involvement/presence you would like to have in the Pride Centre



We have received 40 responses to this question. 38 (95%) of the responses indicated a desire to be involved in the Pride Centre. 32 (80%) have shown an interest in the use of meeting rooms.

29 (73%) of the responses want to have online presence and brochures/flyers.

Potential demand for office space (43%) is similar to the shared desking (38%) which is consistent with the size, nature and composition of LGBTI organisations.

In "Other", there were suggestions including "shared services relating to IT and printing" which could reduce the daily operational costs.

Only 2 have indicated no requirement for a Pride Centre or that it was no longer relevant for them.

Would co-location in a Pride Centre help your organization to better grow and develop upon its mission?

69% of the respondents believe a Pride Centre could assist to deliver benefits to them.



What is your organisations desire to physically locate (long term) within the Pride Centre or would your organisation only be an occasional user of the Pride Centre (i.e. shared working space, facilities and activity centres)?

We received 39 responses to this question and 27 (69%) have told us “Yes” - co-location in a Pride Centre would help the organization to better grow and develop upon its mission.

Based on the commentary we have received, there are broadly three co-location benefits cited:

- **Collaboration:** more easily accessible to the LGBTI community and better collaboration with other LGBTI organisations;
- **Cost-effective:** a physical space which is cost effective and provides more stability, so the organisations can focus on mission delivery; and
- **Representation:** provide better representation to the Government while it would give the LGBTI community greater exposure and support from the Government.

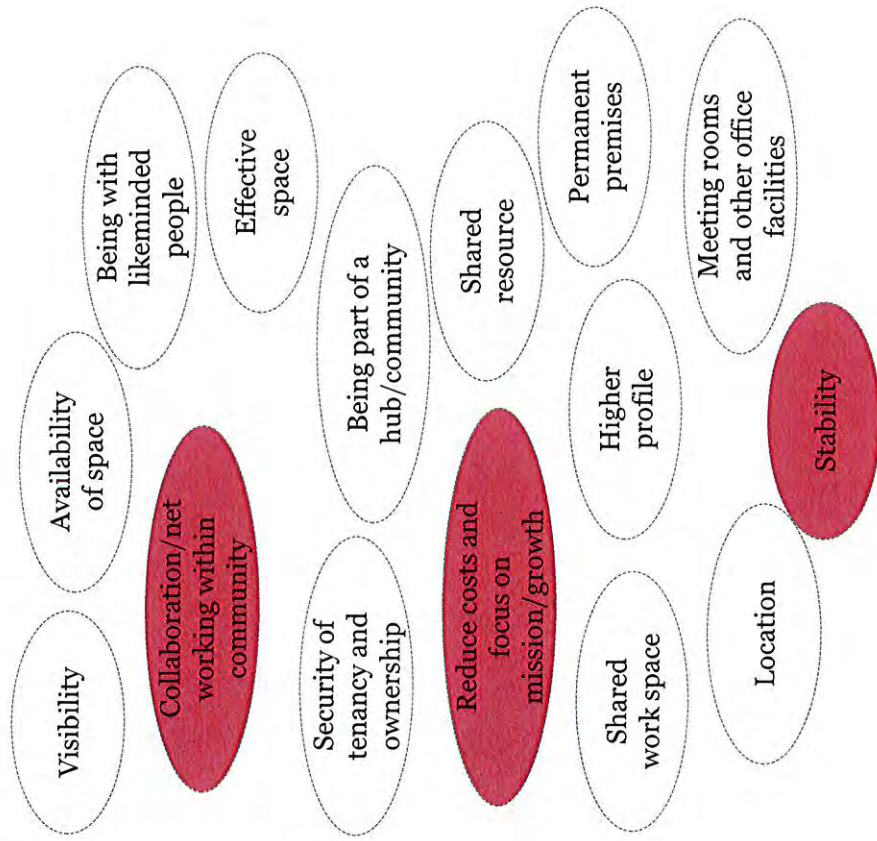
For the “Maybe”, 21% of the respondents expressed some concerns about whether the Pride Centre would tailor and meet specific physical requirements of the building. For example, one response was “our phone counselling service is anonymous and confidential, we need to ensure that we are in a safe environment that is not open to the public.”



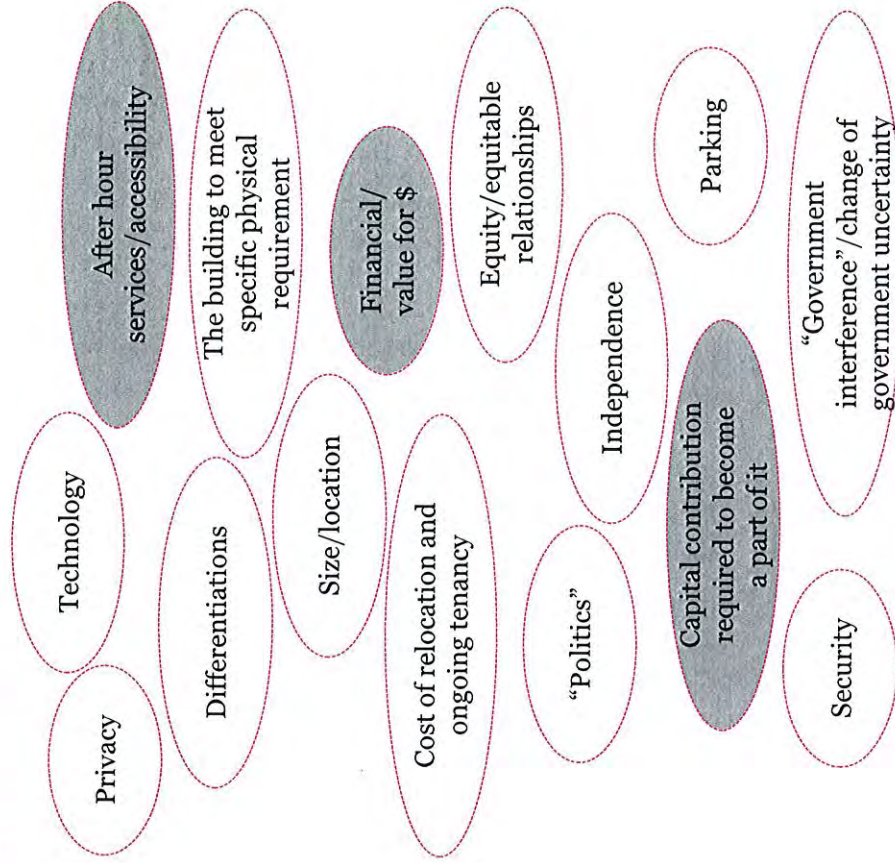
* Total responses: 39

Top 3 motivations and top 3 concerns

Top 3 motivations



Top 3 concerns



A summary of what we have heard from face to face community consultation sessions

Over 30 community representatives participated our 3 consultation sessions

Governance

- Efficient governance structure is critical, in persuading organisations on the benefits and smooth operation of a co-working environment
- It is not a good idea to have a “representative body” in governance structures - a separation is preferred between the Board and tenants to avoid conflicts of interest – “independence is very important”

Diversity

- The LGBTI community is diversified. The Pride Centre should be inclusive to community members, i.e. different age groups and culture backgrounds.
- Considering the needs of Generation Y: a friendly and safe Centre for them to explore

Space design

- The space should be friendly and welcoming, i.e. a cosy café in the lobby where not only community members can meet and mingle, but a place where first time visitors and “not yet out” members of the community can feel comfortable

Office

- The idea of shared space was acknowledged as a positive
- A number of organisations would need after hours access to the building given the nature of their/their volunteer’s work.
- Fully utilise shared services: not just the office facilities, i.e. printer, but also services such as a book keeper and treasurer

Location

- CBD preferred, however city fringe i.e. South Yarra, St Kilda and Collingwood/Fitzroy is acceptable
- It has to be close to public transportation and have reasonable parking options

Discretion

- The Centre should carefully consider some community members (or visitors to the Centre) and organisations require a certain level of discretion
- Dedicated space, confidential counselling rooms and/or floors with limited access are essential and should be considered
- Security and safety needs to be ensured

Virtual Centre

- It is timely to consider of setting up a “Virtual Centre” – a website where all the resources and information are integrated and accessible. “A flagship site for Victorian LGBTI community.”

Others

- The Centre has to ensure relevance in relation to tourism and economic activity
- To leverage the “intangible skills” within the community through collaboration and sharing in the Centre
- A financially suitable model is critical

Considerations of creating a Pride Centre

***Global
learning – case
studies***

Case study: Los Angeles LGBT Center



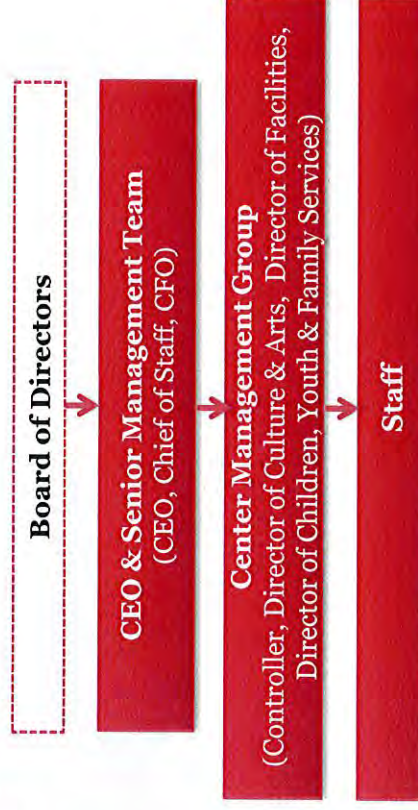
Key learnings

- The acquisition of the Center's buildings were predominantly funded through a Capital Campaign, i.e. donation from wealthy family/individuals and corporates. There was no government capital contribution in the initial acquisition of the Center's buildings. The majority of the funds raised came from individuals.
- For various reasons, i.e. internal policy/approval and reputational risk (if the project failed), corporates normally came in and committed at a later stage of the Capital Campaign (when they had certain level of comfort that the project was viable).
- During the Capital Campaign, the "naming opportunity" is very appealing to the individual donors. For example, the McDonald/Wright building (the Center's main building) was named after John McDonald and Rob Wright who had made large donation towards funding of the building acquisition.
- The McDonald/Wright building was initially a government building. The acquisition of this building was through the US Government Property Surplus program. Under the program, the not for profit organisations have opportunities to acquire these properties at a lower-than-market price, provided the building acquired is to be used for the sole purpose of charity.
- Currently, Federal and State government grants contribute over half of the Center's operating budget. For example, the operating budget for 2016 is USD\$ 89m, where government grants contributed equal USD\$45m.

Snapshot facts

- A not-for-profit California corporation, since 1969
- 500 employees and 3,000 volunteers
- Offering programs, services and global advocacy in four categories: Health, Social Services and Housing, Culture and Education, Leadership and Advocacy
- In 2014, total operating revenue of USD\$84m received and total operating expense of USD\$72m spent
- >42,000 people visit the Center every month
- 7 locations in Los Angeles, 3 buildings are owned and currently looking to acquire a 4th one

Governance



Photos of Los Angeles LGBT Center



Case study: San Francisco LGBT Center

THE SF LGBT CENTER

Key learnings

- Positioned as not just to provide “traditional services”, with a focus on “strengthening the community by fostering greater opportunities for LGBTI people to thrive”. For example, Economic Development programs assists LGBTI jobseekers in finding safe and secure living-wage employment, helps LGBTI-run businesses grow, increases LGBTI community financial assets, and eliminates barriers to transgender economic success.
- The Center has a clear strategy in terms of how to serve the community by acting as a “connecting hub”. Whilst LGBTI members visit the Center with different needs and requests, the Center’s role is to redirect them to the respective organisations who could provide related services. The Center provides space to facilitate “drop in” sessions.
- The CEO has stressed the importance of “clear communication and management of donors’ expectations” during the capital campaign stage. The value of the Center and what is it going to deliver need to be concisely communicated with donors.
- The Center is currently undertaking a major remodel and refurbishment. The Center is looking to create more conference and event space (for rent) to increase more revenue and cover expense and capital expenditure. The Center is currently operating at a loss. This highlights the importance of space design and building a financially sustainable model.
- Additionally, the Center has recently signed 5-15 years leases with business incubators.

Snapshot facts

- Opened in 2002, originally formed by a group of individuals
- The only non-profit in San Francisco serving all members of the LGBTI communities
- 26 staff in total, manage the property in house (i.e. security, IT, cleaning etc.)
- Organise 100-150 events every month
- The building is owned by the SF LGBT Center
- Current building facilities: solar powered, 35,000 sq. ft., open six days a week, events range from 12-step meetings to town halls to readings and lectures. The Cyber Center provides free computer access. Rental spaces serve groups ranging from 10 to 400 in size.

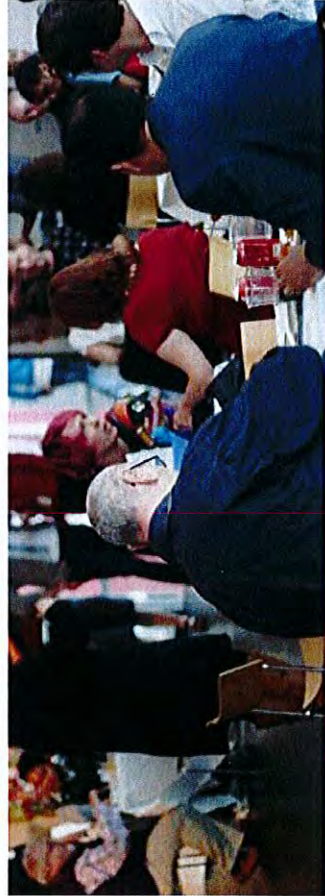
Governance

Board of Directors

CEO/management team & staff

- There is a separation between tenants and the Board. No government presence on the Board.
- There are regular tenant meetings, but no specific voice in relation to building governance.
- Monthly board meetings are open to the public and board agendas allow time for public comment.

Photos of San Francisco LGBT Center



Case study: Bespoke

BESPOKE

Key learnings

- A Community Manager role set up for the purpose of fostering the sense of “community” with tenants in order to create collaboration and an idea sharing environment
- One of the concepts was to “free up resources from administration and put them into creative”, also a “cool/chic” coworking space, i.e. sleeping nooks and a bouldering wall
- Membership plan designed with different options to suit different office needs
- Electronic sign-in system to achieve 24/7 accessible, paperless and no/minimum reception required (Day Pass can be purchased online or at door on iPad!)

Facilities

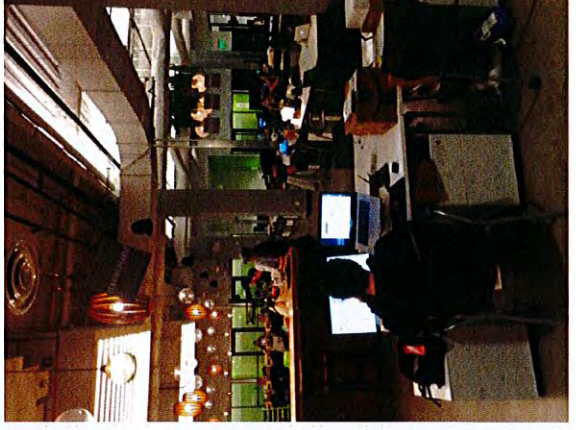
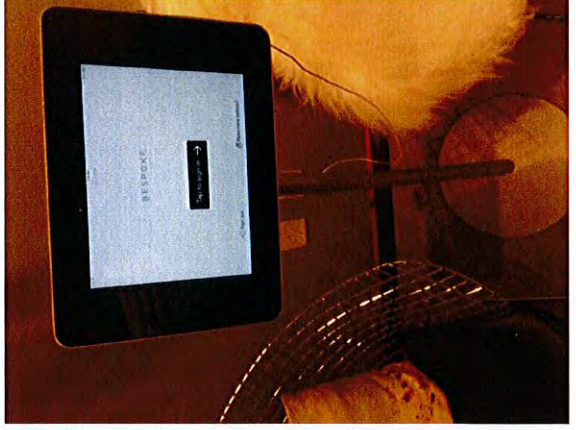
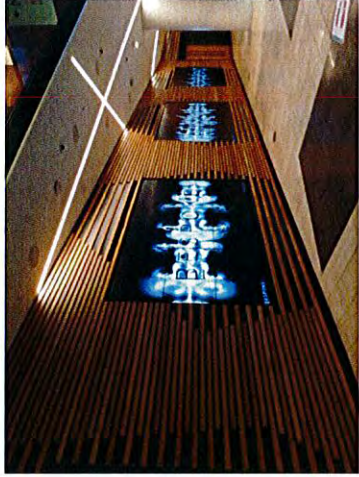
- Retail-tech coworking community
- Flexible for startups to big brands
- 24/7 workspace access
- High-speed WiFi
- 14 conference rooms
- Library with sleep nooks
- Private offices, shared and dedicated desks
- Bocce ball
- Bouldering wall

Snapshot facts

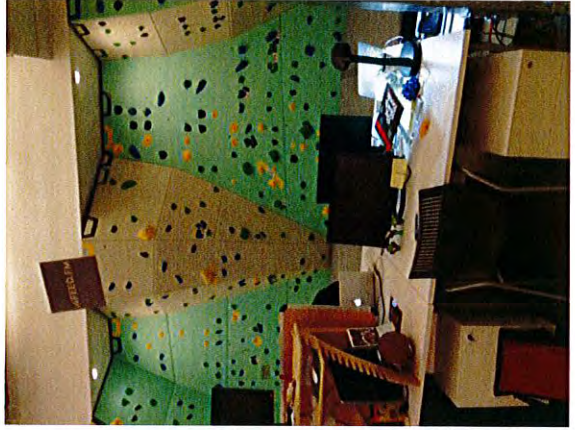
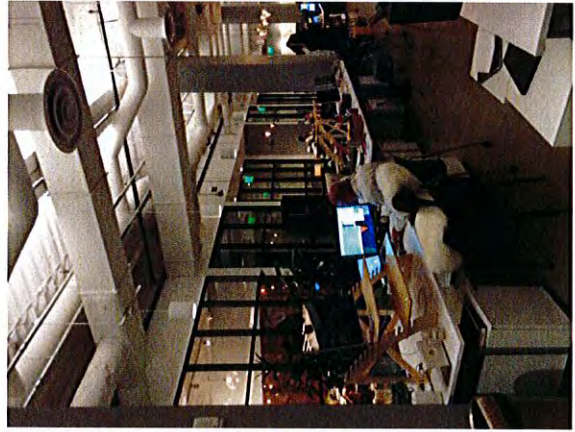
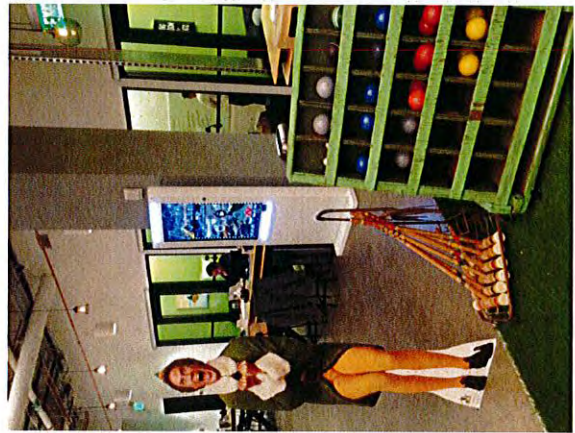
- A 11,278 sqm co-working, digital events and demonstration space, launched in Westfield San Francisco Centre in May 2015, the multi-million dollar project is funded by Westfield Corporation and Forest City Enterprises
- According to Westfield, the aim was to provide an environment where innovative ideas from even the smallest of organisations could see the light of day: “You can rent a seat or a table or a couch or a conference room by the day or the week or the month, working with a whole bunch of people doing the same thing.”
- The membership price plan for coworking space is below (in USD):

	PRIVATE OFFICES From \$1450 / mo*	DEDICATED DESKS \$395 / mo	SHARED DESKS \$385 / mo	DAY PASSES \$35 / day
DESK STORAGE	✓	✓		
24/7 KEYCARD ACCESS	✓	✓	✓	
MAIL DELIVERY INCOMING	✓	✓	✓	
HI SPEED WIFI	✓	✓	✓	✓
PRIVATE PHONE BOOTHS	✓	✓	✓	
SHARED KITCHEN	✓	✓	✓	✓
WEEKLY EVENTS	✓	✓	✓	✓
LIBRARY ZONE	✓	✓	✓	✓
BOCCÉ BALL	✓	✓	✓	✓
BOULDERING WALL	✓	✓	✓	✓
BIKE STORAGE	✓	✓		
PETS ALLOWED	✓	✓		
GUEST PASSES	1 month	1 month	1 month	0
CONFERENCE ROOMS	10hrs month	10hrs month	5hrs month	\$35/hr
COLOR PRINTS / COPIES	200 pgs/month	100 pgs/month	10 pgs/month	\$20/pg

Photos of Bespoke



Photos of Bespoke



Governance options

Most common structures for charities and not-for-profit entities

In our experience, most national charities or charities with significant assets are companies limited by guarantee.

Incorporated associations

- **Relevant authority:** Consumer Affairs (in Victoria)

- **Example:** Joy FM, the Victorian Aids Council

Associations are incorporated under state legislation and administered by various state authorities. In Victoria, the relevant authority is Consumer Affairs.

An incorporated association is a legal entity separate from its individual members and can hold property, sue and be sued. Incorporating an association restricts the organisation to operating in the state in which it is registered.

The incorporation legislation in each state generally imposes less onerous conditions than the *Corporations Act 2001* and therefore provides a simple means of creating a separate legal entity for community-based groups. For example, Joy FM and the Victorian Aids Council are incorporated associations.

Generally speaking, the ongoing regulatory requirements are simpler for incorporated associations when compared with companies limited by guarantee. However, these entities generally have to report to both Consumer Affairs and the Australian Charities and Not-for-profit Commission (ACNC).

Companies limited by guarantee

- **Relevant authority/legislation:** ASIC

- **Example:** Abbotsford Convent Foundation, Lighthouse Foundation

If choosing a company structure, charities and not-for-profits would generally be registered as public companies limited by guarantee. These entities are registered under the *Corporations Act 2001* and administered by ASIC. As such, these entities are recognised and able to operate Australia wide.

Limited by guarantee means that the liability of the company's members is limited to the amount of the members' contribution to the property of the company if it is wound up.

Registration of a company creates a legal entity separate from its members which can hold property, sue and be sued. These companies are subject to ongoing regulatory requirements under the *Corporations Act 2001* and reporting to the Australian Charities and Not-for-profit Commission.

For example, the Lighthouse Foundation is a company limited by guarantee (was previously an incorporated association). So is the Abbotsford Convent Foundation.

In our experience, most national charities or charities with significant assets are companies limited by guarantee. It is relatively simple and easy to establish this structure and there are no restrictions on operating in all jurisdictions. In addition, companies are easily recognised and stable structures and therefore may be preferable to deal with from a commercial perspective.

Tax implications of structure

The chosen structure should not have any impact on the organisation's ability to access the relevant tax concessions.

Companies limited by guarantee (Cont.)

However, it should be noted that the duties imposed on Directors are more stringent than with members of an incorporated association.

There may be additional requirements imposed by the potential funding providers that impact the appropriate structure. In some cases, funding providers may require that the organisation structure itself as a company instead of an association from a legal perspective. Any requirements would need to be confirmed prior to confirming the chosen structure.

Please note that the above structures are only appropriate on the assumption that the organisation will qualify as a charity and will therefore be income tax exempt. If the organisation is taxable, we would recommend considering other structures, in particular a trust structure.

Tax implications of structure

The chosen structure should not have any impact on the organisation's ability to access the relevant tax concessions.

The most critical tax concession is income tax exemption. Based on our understanding of the background, it is likely that the organisation would qualify for this exemption.

Further, the organisation may also qualify to be a charity if it provides services that have solely charitable purposes as defined in the legislation. Charitable purposes include promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia, promoting or protecting human rights and advancing social or public welfare.

In addition, the organisation may wish to apply for deductible gift recipient (**DGR**) status which results in donations to the organisation becoming tax deductible to the donors. Charities that satisfy a number of additional conditions can be endorsed as DGRs.

Preferred entity & governance structure for the Pride Centre

PwC view

Entity structure

- In our view, a not for profit company limited by guarantee appears to be an appropriate entity structure for the Pride centre, registered by the [Australian Securities and Investments Commission](#)
- Apply to the ACNC to register as a charity. Once registered with the ACNC, most of the company's ongoing obligations are to the ACNC rather than ASIC
- The ACNC's "[template constitution for a charitable company limited by guarantee](#)" may assist certain companies limited by guarantee to develop a suitable [governing document](#)
- Charities have an ongoing obligation to report to the ACNC each reporting period. Charities report by submitting an Annual Information Statement and an annual financial report (if medium or large in size)
- The ACNC has three different charity size categories based on annual revenue as follows:
 - Small charities: annual revenue is less than \$250,000
 - Medium charities: annual revenue is \$250,000 or more, but less than \$1 million
 - Large charities: annual revenue is \$1 million or more
- After registration with the Australian Charities and Not-for-profits Commission (ACNC), it can apply for deductible gift recipient (DGR) with the Australian Taxation office (ATO)

Governance statement

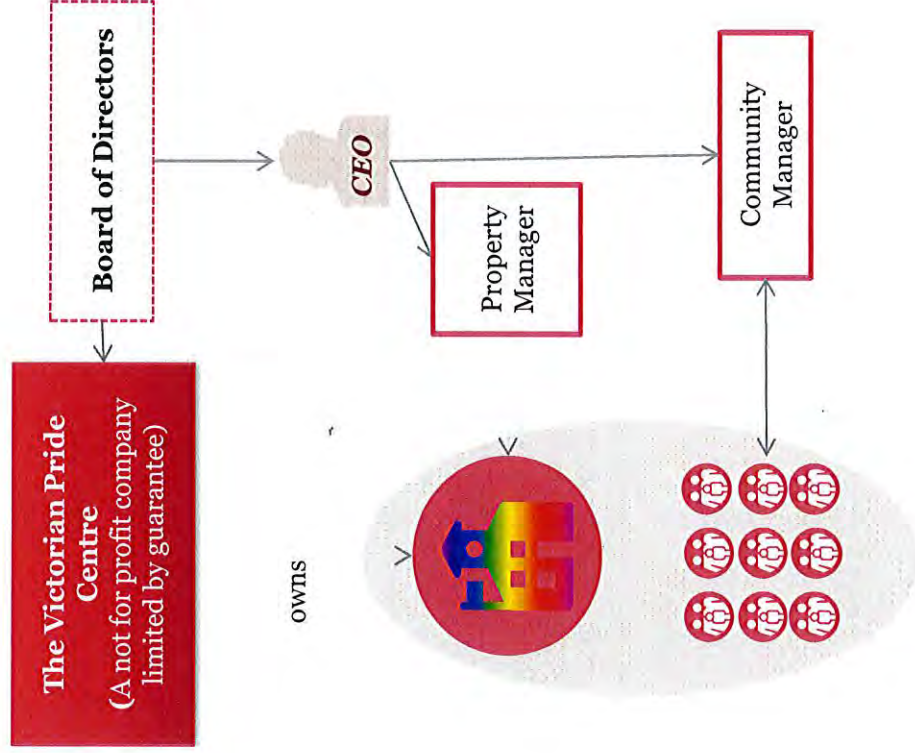
- Charities can enhance the transparency of their organisations by including a governance statement in their annual reports and also communicating the statement to stakeholders. In broad terms, a governance statement is an overview of the processes that direct the charity. The governance statement should explain the processes that are in place to ensure the charity's mission is achieved, direct strategy, sustain the organisation and maintain accountability throughout the organisation.
- Ultimate responsibility for the governance of the company rests with the Board of directors. The governance statement outlines how the Board meets that responsibility.
- Charities must also meet a set of governance standards to be registered and remain registered with the ACNC. The governance standards do not apply to a limited class of charities called "[basic religious charities](#)".
- Charities do not need to submit anything to the ACNC to show they meet the standards, but must have evidence of meeting the standards that they can provide if requested. The governance standards are a set of core, minimum standards that deal with how charities are run (including their processes, activities and relationships) – their governance.
- The standards require charities to remain charitable, operate lawfully, and be run in an accountable and responsible way. They help charities remain trusted by the public and continue to do their charitable work. Because the governance standards are a set of high-level principles, not precise rules, your charity must decide how it will comply with them.

Preferred entity & governance structure for the Pride Centre PwC view

Governance structure

Below is our view in terms of the appropriate governance structure for the Pride Centre. This is based on the case studies conducted and our experience from other projects.

- An independent skills based **Board of Directors** with a diversified representation which may include government, broad community, corporate/individual donors, philanthropy, professionals etc. We have provided some thoughts in relation to the Board composition on the next page.
- A **CEO**, appointed by the Board, who provides leadership and manages day to day operations and administration. The chief executive officer is also responsible for achieving the results set out in the strategic plan and is authorised by the Board to put in place policies and practices, take decisions and actions and initiate activities to achieve those results.
- A **Community Manager**, whose role will focus on fostering the sense of “community” within the tenants and creating collaboration and idea/resource sharing environment. Depending on the circumstances, this role/responsibility could also be potentially undertaken by the CEO.
- A **Property Manager**, who will be mostly likely a third party professional services provider, to provide day to day management and maintenance of the Pride Centre. There will be a process of procurement for the Property Manager. The Property Manager would report to the CEO.



Governance structure: Board composition

PwC view

Board of Directors Selection

- A tailored criteria and process for Board selection is critical in ensuring the Board effectiveness. We believe the Board should be aligned with the Centre in both value and skill.
- **Value:** it is important that each Board member has a considerable level of existing connection and engagement with the LGBTI community. "Passion for the cause" is important. The Board members should have a genuine interest in the Centre and its business, and be willing to commit to the long term development of the Centre. The "value of the Board" should be in alignment with the broad "value of the community". In addition, the Board should demonstrate an absence of conflicts of interest, i.e. independent from tenants.
- **Skill:** to be effective, the Board needs the right group of people, with an appropriate mix of skills, knowledge and experience that aligns with the objectives and strategic goals of the Centre. Any professional backgrounds, industry experience and philanthropic support will be valuable, particularly in NFP and LGBTI spaces. An appropriate skills matrix for the Board of the Centre could look like:
 - **Strategic expertise** – the ability to guide and review the strategy of the Centre through the establishment phase, day to day operations and the growth phase,
 - **Accounting and finance** – the ability to understand NFP accounts and financial management, and more importantly to guide and monitor the financial sustainability of the Centre (as a role of treasurer),

- **Legal** – the main responsibility involves overseeing compliance with numerous laws as well as understanding an individual director's legal duties and responsibilities,
- **Property management/leasing** – given the nature of the Centre, experience in the day to day operation and maintenance of a building and expertise in property management/leasing may be very useful,
- **Commercial and business development** – operating a commercially sustainable model is essential to the Centre, hence strong business acumen and commercial experience will help to guide and oversee any associated businesses the Centre may have, i.e. a Pride Hotel,
- **Managing risk** – experience in managing areas of major risk to the Centre
- **Fundraising** – in both public and private sectors
- **LGBTI knowledge** – experience in similar organisations, dynamics and sectors

Procurement & accommodation options

Accommodation Tenure Options

There are a number of leasehold and freehold options available to the LGBTI community through which their tenure or occupation within the Pride Centre could be facilitated.

For completeness, we have detailed each of these alternatives together with their perceived key advantages and disadvantages as a means to identify preferred model/s which aligns with the objectives of the LGBTI community as they relate to co-locating within a Pride Centre.

Option 1 - Tenants lease within a commercial premises owned by a non-related, third party commercial landlord

Within this option, a suitable property would be identified and Community organisations would negotiate formal market based leases with an external landlord for the space required. A variant to this scenario could occur where a head lease was entered into with an entity (say Government) who in turn could sub lease space to Community organisations, at or below market rates.

Advantages

- No material advantages have been identified with this option.

Disadvantages

- The inability of the many of LGBTI organisations to pay market based rents and to provide relevant security guarantees, will mean that access to the majority of available properties is not possible. A head lease to Government at market rates (with sub leasing to LGBTI organisations) would address this issue however any rental shortfall would need to be funded and Government may not want to be a “landlord”.
- Potential non alignment between objectives of commercial landlord and LGBTI organisations.
- Leases only provide secure tenure for a defined period, thereafter the landlord may not renew leases (notwithstanding the application of lease options etc.)
- Limited control and input into operation of building and no control over who else enters the building as tenants.
- Unlikely to be able to secure naming rights over building which would diminish the presence and identity as the Pride Centre.

Accommodation Tenure Options (cont.)

Option 2 - Tenants lease within a commercial premises where the freehold interest in the property is owned by a related Community member, such as the Victorian Aids Council ('VAC').

This option is similar to Option 1 with the exception that the landlord would be an LGBTI or an aligned organisation, such as the Victorian Aids Council

Advantages

- Improved alignment between landlord and tenant, albeit we would still expect that the landlord would be seeking a “reasonable” rate of return which may place pressure on the sustainability of rentals as noted within Option 1.
- Given alignment between landlord and tenant, we would expect to see a more collaborative approach to sharing services and functions within the building.
- Building would most likely be occupied solely by LGBTI groups rather than a broader group of tenants that may not be aligned.
- Likely to provide for increased certainty of tenure unlike option 1.
- Separation between ownership and tenancy is seen as a key element of the governance model, avoiding potential conflict between property ownership and tenancy.
- Naming rights enhance branding and profile.

Disadvantages

- LGBTI or aligned organisation may sell freehold in future, exposing tenants to threat of vacancy.
- LGBTI or aligned organisation would acquire property at “current market value”. If they then enter into below market rentals with tenants, they immediately impair the value of the property asset, i.e., it would not be prudent or economically responsible
- Consultation with the LGBTI community has indicated that a scenario where many smaller organisations are beholden to one larger LGBTI organisation is not preferable i.e., potential friction.
- Reliant on the “generosity” of 1-2 larger organisations

Accommodation Tenure Options (cont.)

Option 3 - Tenants lease within a commercial premises where the freehold interest in the property is owned by a (to be established) not for profit special purpose entity created specifically for the ownership and operation of the Pride Centre.

Within this option a Not for Profit ('NFP') Special Purpose Vehicle ('SPV') would be established to house the ownership of the freehold interest in the property. The nature of the NFP SPV and the sources of capital utilised to facilitate the acquisition is discussed in greater detail within the "Governance Option" and "Funding and Financial Feasibility" sections of our report. The SPV would act as "landlord" and enter into leases and tenancy agreements with the LGBTI organisations as users/occupants of the premises.

Advantages

- Long term tenure is secured through freehold ownership, with flexibility around use and operation of premises.
- Alignment of interests between ownership and tenants – control over the property, its use and operation, tenancy management etc. Therefore, the premises becomes more inclusive to a broader section of the LGBTI community.
- Opportunity exists to provide increased flexibility with rent setting models given performance benchmarks may not be driven exclusively off return on investment, unlike in the private sector.
- Initial capital investment to acquire property (and build, if applicable) could be sourced from a variety of sources
- Potential may exist to sell/redevelop the site at a future point in time and reinvest (with crystallised capital gains) into another premises that meets with the changed requirements of the sector.
- Creates opportunity for improved collaboration between tenants and a property management model which is driven by a KPI regime driven by Board of NFP SPV, similar to Donkey Wheel House
- Building would most likely be occupied solely by LGBTI groups rather than a broader group of tenants that may not be aligned.
- Control over naming rights enhancing branding and profile.

Disadvantages

- No material disadvantages have been identified with this option.

Accommodation Tenure Options (cont.)

Option 4 - Tenants sub lease within a commercial premises where a long term, leasehold interest in the property is granted by the freehold owner to a (to be established) not for profit special purpose entity created specifically for the leasehold ownership and operation of the Pride Centre.

This option is very similar to Option 3 however as opposed to the acquisition of the freehold interest in a property, it is assumed that a freehold owner (say local or State Government) provides a long term ground lease (at a notional “peppercorn” rental) for an extended term, say 49 years plus options. In a practical sense the “head lease” would be entered into by the Not for Profit SPV who in turn would sub lease to LGBTI organisations at rental levels to be agreed. We foresee similar advantages and disadvantages in this option to Option 3 itself, with the exception of subtle variations outlined below.

Advantages

- We expect that the granting of a leasehold interest may be more “palatable” for some owners, as they continue to own the freehold interest.

Disadvantages

- The terms and conditions of any ground lease would require negotiation and whilst this is not seen as being unduly onerous, it may take an extended period to agree terms and meet with any requirements imposed by the freehold owner (say local or State Government) to obtain approval to enter into the agreement.
- It is unlikely that a 99 year ground lease would be provided with a shorter term of 49 years or even 21 years being provided. The shorter the lease term, the increased long term certainty for tenants (notwithstanding the exercise of any available options, if applicable)
- The reversionary interest in the property would be revert to the freehold owner and accordingly there is no ability to generate any capital gains on future sale or redevelopment, to further underpin and allow for the growth of the sector.
- The shorter the head lease term, the reduced incentive there is to invest further capital in the building as the leasehold interest reverts to the freehold owner. Therefore, it would seem probable that the preparedness of the head lessee and by sub tenants to invest capital would diminish as the lease expiration nears.

Accommodation Tenure Options (cont.)

Option 5 - A commercial premises is acquired and subsequently strata sub divided to allow for the freehold ownership of occupied building areas by Community organisations

Strata subdivision of a property would allow for individual LGBTI organisations to acquire the freehold interest in their respective space within the building, rather than leasing. This option would allow for individual groups to reside within the building with common property being governed by the rules of a body corporate.

For obvious reasons relative to financial capacity this option may not suit all LGBTI community groups/members. The Victorian Aids Council during our consultation did indicate that if they were required to make a material financial contribution to the project that they would be seeking a level of "control". Strata subdivision would be a mechanism to provide both ownership and control, noting that the balance of the space within the property could be owned by the NFP SPV as contemplated within Option 3.

Advantages

- Provides flexibility for the LGBTI community to buy or lease
- Represents a possible solution should VAC wish to co-locate but own the freehold of their space, noting that the creation of a NFP SPV as contemplated within Option 3 could own the balance of the space within the premises.
- Rules and regulations relating to the use and treatment of aspects of the premises covered by a body corporate would need to be agreed on by all parties, including entitlement and obligation regimes i.e., voting, liability etc.
- Increased building costs/refurbishment works to facilitate strata subdivision may need to be recovered through price setting mechanisms
- The extent of strata subdivision would need to be carefully considered i.e., restricted to floor/half floor rather than individual rooms.
- Existing building design may restrict the ability to strata subdivide or result in the loss of lettable area within floors due to the positioning of the services core i.e., central versus side core. Property selection therefore becomes more critical
- Consideration would need to be given as to whether, strata subdivision may impact upon the overall cohesive and collaborative working environment.

Disadvantages

- Rules and regulations relating to the use and treatment of aspects of the premises covered by a body corporate would need to be agreed on by all parties, including entitlement and obligation regimes i.e., voting, liability etc.
- Increased building costs/refurbishment works to facilitate strata subdivision may need to be recovered through price setting mechanisms
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Accommodation Tenure Options (cont.)

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Occasional User Model

Options 1-5 detailed above relate more so to organisations utilising space with a full time requirement and would not be suitable for occasional or non regular users of space.

A large proportion of the LGBTI community is represented by smaller organisations and groups which have a limited requirement for space typically on an “as needed” basis. It is unrealistic and not suitable to have these groups/members enter into leases to occupy space. Instead, as detailed within the “Defining the Space Requirement” section of our report, we propose that a level of space be set aside for occasional users and or sitting tenants who require “overflow” space during peak periods. Use of this space could be controlled via a “membership” type model, where users could access hot desk space, meeting rooms and services such as photocopying and printing etc., on a “user pays system” (the pricing structure of which would require careful consideration). Such a model would operate in parallel with the preferred full time space user model detailed above as option 1-5 above.

Evaluation of Options against Pride Centre and LGBTI Objectives

We have given careful consideration to the feedback we received during the consultation phase and have used this feedback to create filters through which to assess the suitability of the identified tenure options 1-5. The filters or criteria we have selected include:

- Does the option enable the **long term certainty of tenure** for the LGBTI community?
- Does the option enable **flexibility to expand/contract space** as required during peak work periods?
- Is there a strong alignment between the **commercial objectives of the building owner** versus those of the LGBTI community?
- Does the option enable **operational input** in relation to the running of the property?
- Does the option, foster a **collaborative environment** for the LGBTI community?

Options 1 and 2 have been discarded as they do not provide a long term certainty of tenure for all LGBTI community members with added complications relating to a potential non-alignment of commercial interests between the landlord and tenant.

Options 3 and 4 are very similar in structure whereby a newly created NFP SPV entity would be established to own and operate the property, thus providing certainty of tenure and an alignment of interests between the owners and tenants. Unlike freehold ownership (Option 3), Option 4 is underpinned by a ground lease at an assumed “peppercorn” or notional rental. In the event that it was not possible to secure a ground lease for a long term period, say 99 years, we would render this option inferior to Option 3, which is preferred.

Option 5 is also considered to be a viable option as it provides added flexibility to enable strata subdivision and ownership by LGBTI community organisations, where this is preferred by users. Combined with the structural elements of Option 3, we believe this option is feasible not withstanding some of the practical implementation and operational issues detailed.

Objectives	Option 1	Option 2	Option 3	Option 4	Option 5
Long term certainty of tenure	No	No	Yes	Yes	Yes
Flexibility to expand/contract space as required	No	No	Yes	Yes	Yes
Commercial alignment with landlord	No	No	Yes	Yes	Yes
Operational input	No	Yes	Yes	Yes	Yes
Fosters a collaborative environment	Yes	No	Yes	Yes	Yes

Implementation plan & next steps

Implementation plan & next steps

- We believe a Pride centre has significant social (and other) benefits to Victoria and the LGBTI community. It could work.
- A formal business case should be considered and progressed in order to further analyse, review and ratify the following aspects:
 - Space requirements, design and floor plan,
 - Funding requirement for establishment of the Centre (subject to site/property options),
 - Social and other impacts,
 - Operating model and sustainability,
 - Financial and risks, and
 - Delivery of the project.
- Timing is critical. The VAC requires a confirmed view in terms of the future accommodation by 30 June 2016. Other organisations currently renting in the City Village, like Joy 94-9, also need to make similar decisions/plans for future accommodation.
- These key decisions heavily rely on the progress (and feasibility) of the Centre. The uncertainty, costs in association with relocation and possible high market rental in the future, could massively impact the service delivery of some organisations, and increase their risk of insolvency.

Appendices

Appendices

- 1 Online Survey Questions
- 2 Online Survey Participants

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Online Survey Questions

Online Survey Questions

Section A

1. What is the name of your group/organisation/business?
2. What is the primary address of your organisation and key contact?
3. What is your mission?
4. Who are your clients/members?
5. What services do you offer?
6. Where do you see your organisation/business/group in 5 years?

Section B

1. What are your current physical accommodation arrangements?
If "other", please define
2. What is the approximate size of your current accommodation and annual cost (if rented)?
3. Is your organisation's current accommodation restricting the growth and development of the organisation's mission? If "yes" what is causing this restriction? e.g., size, lack of facilities etc? (please define)

Section C

1. Which of the following services would you find useful in the Victorian Pride Centre in Melbourne?
 - Meeting rooms
 - Conference space
 - Café & retail
 - Health & wellness centre
 - Library, bookshop and resource centre
 - Cinemas, theatre, art and culture centre
 - Education services
 - Childcare services
 - Other
2. What level of involvement/presence would you like to have in the Pride Centre?
 - Office space
 - Desk space or shared working space
 - Use of meeting rooms
 - Use of conference space
 - Use of different activity centres i.e. health, education, art and etc
 - Brochures / flyers
 - Online presence
 - Other
 - No requirements form the Victorian Pride Centre

Online Survey Questions (cont.)

Section C (cont.)	
3. Would co-location in a Pride Centre help your organization to better grow and develop upon its mission?	
4. What are your locational preferences for the Pride Centre?	
5. Would your organisation be willing to contribute financially toward the initial capital and ongoing operational cost of the Pride Centre i.e., rental/expenses	
6. What preparedness does your organisation have to contributing physically toward the development of the Pride Centre – planning, delivery, project management etc.	
7. What is your organisations desire to physically locate (long term) within the Pride Centre or would your organisation be only an occasional user of the Pride Centre (i.e. shared working space, facilities and activity centres)?	
8. Detail your organisation's top 3 motivations for wanting to co-locate within the Pride Centre	
Section C (cont.)	
9. Detail your organisation's top 3 concerns about co-locating within the Pride Centre	
10. How would you like a Pride Centre to be governed from an ownership perspective i.e., who would you like/not like to own the building?	
11. How would you like the Pride Centre to be governed from a day to day operational perspective?	
12. Do you have any other ideas/input regarding a Pride Centre in Melbourne	
13. Would you like to participate in a further discussion on this topic, i.e. via workshop?	

Online Survey Participants

Survey Participants

Listed below are the 58 participants who responded to the survey. Of the responses, 42 respondents completed the survey in full.

3CR		GALFA - Gay and Lesbian Foundation of Australia	Northside Clinic
AIS Support Group Australia		Gay and Lesbian Health Victoria@ARCSHS, La Trobe University	Organisation Intersex International Australia
Aleph Melbourne		Gay and Lesbian Organisation of Business and Enterprise (GLOBE)	OutBlack - Victoria's Aboriginal and Torres Strait Islander Lesbian, Gay, Bisexual, Trans* and Intersex Mob
Anonymous*		Genderqueer Australia (GQA)	PolyVic
Anti-Violence Project of Victoria Inc.		Goulburn Valley Pride Inc.	Positive Women (Victoria) Inc.
Archer Magazine		Greek and Gay Support Network	Putney Mental Health
Australian GLBTIQ Multicultural Council Inc (AGMC Inc)		Hares & Hyenas	Rainbow Families Council
Bent TV		Hume City council youth services	SensWide Employment - WorkingOUT
Bi-Alliance Victoria		Jewish Lesbian Group of Vic Inc	Star Observer
Cobaw Community Health - WayOut Program		JOY 94.9	Star Observer
CREATE Foundation		Kildonan UnitingCare - Diversity Project	Switchboard Victoria Inc
Defence Force LGBTI Information Service (DEFGILS)		LGBTI Rights Unit of the Human Rights Law Centre	The GASP Project
Dykesonbikesmelbourne		Living Positive Victoria	Transcend
Equal Love Australia The 86 Cabaret Bar		Melbourne Gay & Lesbian Chorus Inc	Transgender Victoria
Fitzroy Legal Service		Melbourne Queer Film Festival	Val's Cafe
Melbourne Gay and Lesbian Youth Chorus (likely newly renamed shOUT - Melbourne's queer youth chorus)		Metropolitan Community Church Melbourne	Victoria Police
Freedom2b		Minus18 Foundation	Victorian Equal Opportunity & Human Rights Commission
FTM Shed Inc.		Mornington Peninsula Shire Youth Services Peninsula Pride	Vintage Men Inc
FTMDownunder		No To Homophobia Campaign	



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