

ITEM NUMBER: 18.3

CONFIDENTIAL REPORT

GLENELG TOWN HALL – COMMERCIAL AREA – SUMMER POP UP

Pursuant to Section 83(5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- b. Information the disclosure of which –
 - i. would reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
 - ii. would, on balance, be contrary to the public interest;

Recommendation – Exclusion of the Public – Section 90(3)((b)) Order

1. That pursuant to Section 90(2) of the *Local Government Act 1999* Council hereby orders that the public be excluded from attendance at this meeting with the exception of the Chief Executive Officer and Staff in attendance at the meeting in order to consider Report No: No: 390/23 Glenelg Town Hall - Commercial Area - Summer Pop Up in confidence.
 2. That in accordance with Section 90(3) of the *Local Government Act 1999* Council is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: No: 390/23 Glenelg Town Hall - Commercial Area - Summer Pop Up on the following grounds:
 - b. pursuant to section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is proposing to conduct business; or would prejudice the commercial position of the Council

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.
 3. The Council is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.
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Item No: 18.3

Subject: GLENELG TOWN HALL – COMMERCIAL AREA – SUMMER POP UP

Summary

This report presents the findings of the first year of operation of 'pop up stores' in the Commercial Areas within the Glenelg Town Hall, with recommendations for next steps.

Recommendation

1. That Council approves:
 - a) the Chief Executive Officer signing extensions of the existing tenants' licences from 29 January 2024 to 30 June 2024 – with no option to extend;
 - b) a second Expression of Interest (EOI) proceeding to market to capture new tenants from 1 July 2024 onwards (unless vacant earlier); and
 - c) the Chief Executive Officer signing licences for new tenants on a 30-day rolling basis at the existing seasonal weekly rates.

RETAIN IN CONFIDENCE - Section 91(7) Order

2. That having considered Agenda Item 18.3 Report No: 390/23 Glenelg Town Hall – Commercial Area – Summer Pop Up in confidence under section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council, pursuant to section 91(7) of that Act orders that the Report, Attachment and Minutes relevant to this item be retained in confidence for a period of 18 months and/or the Chief Executive Officer is authorised to release the documents thereafter and that this order be reviewed every 12 months.
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Background

On 12 April 2022 Council carried a confidential motion for future use of the Glenelg Town Hall commercial areas.

Motion

C120422/2570

That Council:

1. *endorse a recommendation for the future use of the commercial areas of the Glenelg Town Hall as a Destination dining product developed with partner; and*
2. *endorse the request for Expression of Interest (EOI) proceed to market.*

RETAIN IN CONFIDENCE - Section 91(7) Order

3. That having considered Agenda Item 18.3 Report No: 100/22 Glenelg Town Hall – Commercial Areas in confidence under section 90(2) and (3)(b) of the Local Government Act 1999, the Council, pursuant to section 91(7) of that Act orders that the report, attachments and minutes relevant to this item be retained in confidence for a period of 18 months and the Chief Executive Officer is authorised to release the documents thereafter. That having considered Agenda Item 18.3 Report No: 100/22 Glenelg Town Hall – Commercial Areas in confidence under section 90(2) and (3)(b) of the Local Government Act 1999, the Council, pursuant to section 91(7) of that Act orders that the report, attachments and minutes relevant to this item be retained in confidence for a period of 18 months and the Chief Executive Officer is authorised to release the documents thereafter.

Moved Councillor Patton, Seconded Councillor Fletcher Carried Unanimously

During the scoping phase of the project Administration approached several reputable operators to gauge whether Council's vision on a destination dining product including balcony bar was viable and would work operationally. Feedback received was overwhelmingly positive with respect to viability of the vision, however there were several concerns raised including the refurbishment costs required, integration with the rest of the Town Hall, and expected financial contribution by Council.

In general discussion, it has been estimated that costs will be in the vicinity of \$2 million to bring the spaces up to the required standard, with operators making enquiries regarding long term leases beyond 20 years to amortise investment made. There was also the question in how the Restaurant and Bar would interface with the Town Hall including museum and the wider precinct. Further feedback received suggested that Council should look at the project from a holistic view and consider the whole precinct including the Jetty Development to unlock more potential and commercial funds.

So that the space did not remain vacant while this longer-term project was scoped, Council resolved at their meeting of 9 August 2022 to activate the space on a short-term basis:

Motion

C090822/7203

That Council:

1. endorse a recommendation to lease the commercial space on a short-term basis to activate the space;
2. endorse the request for the Expression of Interest (EOI) to proceed to market; and
3. authorise the Chief Executive Officer to enter and execute the short-term lease.

RETAIN IN CONFIDENCE - Section 91(7) Order

4. That having considered Agenda Item 18.4 Report No: 315/22 Glenelg Town Hall – Commercial Area – Summer Pop Up in confidence under section 90(2) and (3)(b) of the Local Government Act 1999, the

Council, pursuant to section 91(7) of that Act orders that the Report and Minutes relevant to this item be retained in confidence for a period of 18 months and/or the Chief Executive Officer is authorised to release the documents thereafter.

Moved Councillor Patton, Seconded Councillor Chabrel

Carried Unanimously

Report

A request for expressions of interest to utilise the ground floor commercial space 'as is' was published on Tenders SA in September 2022, from which the initial tenants of the space were selected. Based on the nature of submissions received during the EOI process, the ground floor area was subdivided into four sub-tenancies to facilitate occupation by multiple microenterprises in a supportive environment while they develop their business strategies.

Using the commercial area of Glenelg Town Hall as a microbusiness incubator facility is in alignment with the Innovation theme of *Our Holdfast 2050+* in which we aspire to: "welcome entrepreneurs to utilise the city's assets, develop creative ideas and implement them to solve our problems, enhance our city and strengthen our competitive advantage".

Area of Tenancy

The ground floor area is 123m², with the option to use a portion of the outdoor area under the balcony which is a further 185m². The interior area has been subdivided into three small stores each approximating 15-20m², and a fourth larger store of approximately 35-40m². A small access corridor behind the stores has also been created.

There is limited access to running water and no sinks or other infrastructure required for fresh food handling. (The former Boomers kitchen is used as a staff area and is not part of the tenancies). This limits the food that can be sold to coffee and pre-cooked items such as biscuits, rather than sandwiches or other fresh foods that would be handled on site.

The balcony area was not included in the scope at this stage, primarily due to issues with accessibility and climate control. These would need to be rectified before the balcony is viable as a commercially tenanted space.

Tenant Procurement Process

There were three Expressions of Interest received through the initial Tenders SA advertisement process. Two of these (St Louis and Bend the Rules) proceeded to occupy the space; a third withdrew their application as they considered their product offering to be too similar to another tenant.

To fill the remaining tenancies, a more targeted approach was taken, circulating a call for expressions of interest among Sunset Markets stallholders and Indigenous enterprises through The Circle (a First Nations entrepreneur hub located at Lot 14 in the CBD). Businesses with complementary product ranges were considered and where possible, tenant choices were curated to ensure a unique set of products for the spaces.

Rental costs were benchmarked against market stallholder fees to ensure a fee structure that was accessible to businesses who were making their first transition to bricks-and-mortar.

Weekly fees were discounted in the winter months (May – end of Aug 23) in recognition of the reduced foot traffic experienced. Rates are currently as follows:

- Small store: winter [REDACTED]; summer [REDACTED] per week + GST
- Large store: winter [REDACTED]; summer [REDACTED] per week + GST

The following table summarises the tenants who occupied and left the space since it commenced operation:

Tenant	Type of business	Licence start	Licence End	Reason for licence end
Amplified Beauty	Retail – beauty products	10/01/23	30/04/23	Return on investment not financially feasible
Bend the Rules	Retail (beachwear)	22/11/22	30/04/23	
Earthluxe Crystals	Homewares, lifestyle products	3/03/23	30/04/23	Sales not aligned to expectations
Molly Boyle_ Midnight Moon	Homewares, rugs, wall prints	17/02/23	30/04/23	
Snow Lab	Non-alcoholic beverages and retail goods	10/02/23	30/04/23	Prematurely took on business venture too soon
St Louis	Ice cream and coffee	11/11/22	30/04/23 (broke licence early)	Sales too low

Throughout their tenancies these businesses faced several challenges including:

- Power restrictions: initially there were not individual electrical fixtures for each store. This has since been rectified.
- Safety and security: Homelessness prevalent. In some instances, there were altercations between tenants and community members.
- Access to site: there were concerns about movement throughout the rest of the Glenelg Town Hall, with issues surrounding potential access to other parts of the building.
- Tenancy fit out: Initial fit outs did not include lighting and signage.
- Insurances: some tenants found insurance too expensive.
- Subleasing: some tenants attempted to sublease shelf space to offset their costs. Where this occurred, it was deemed not to have been successful.
- Food preparation: restricted access to water and waste facilities precluded the preparation of fresh food on site.
- Business operating times: selected businesses chose to open at times convenient to the business which was problematic for consumers
- Lack of foot traffic. Throughout the winter, foot traffic was low and tended to be return visitation by residents.

Over a six month period each of these issues was addressed and where possible, resolved, with the resolution sometimes being the tenant choosing to end their agreement early, however, by July 2023, four stable tenancies were in place. All four tenants are now aware that their tenancy licences cannot be extended beyond 29 January 2024 without additional Council approval. The following tenants are occupying the space as at 1 November 2023:

Tenant	Type of Business	Licence Start	Licence End
Island Home Living	Homewares and fashion	17/02/23	29/01/24
The Australian Wheatbag Store	Bespoke wheatbags	27/06/23	29/01/24
Chara Bohemian	Fashion	21/07/23	29/01/24
Lief and Little (large store)	Concept store supporting local designers and artisans	26/05/23	29/01/24

Commercial Return

Since commencing operation, the pop ups have generated approximately \$55,000 in revenue. This modest commercial return to Council has provided income to offset the upkeep of the pop ups and importantly, ensured that the space remained active and utilised during the summer peak period. Additionally, the pop ups remained active over the winter period (with reduced rates) building local recognition for the tenants and return visitation.

Due to the short nature of the licences, only the ground floor (previously Boomers) is utilised as a pop-up space, excluding the kitchen area which is currently unequipped. The lack of facilities and current interface with the Bay Discovery Centre and balcony access is problematic, however there is the potential for short term lease if it does not hinder alternative future plans for the spaces.

A sentiment survey was developed and circulated to tenants to capture their experiences of the pop ups, particularly over the winter season. An analysis is provided as Attachment 1. These results show that despite some challenges, there was strong agreement that the initiative has supported their business growth and some businesses are demonstrating readiness to transition to a more permanent location. At least one tenant has expressed a desire to increase the amount of food and coffee that they serve on site.

Refer Attachment 1

Future Options

In order to provide the existing tenancies with certainty through the summer and allow sufficient lead time to conduct an Expression of Interest process while ensuring the area remains activated, it is recommended that all the existing tenancies are extended to 30 June 2024. In keeping with the principle of the pop ups being an incubator facility rather than long term occupancy (which could be seen as competing with commercial rentals), renewal beyond this date would not be offered to the existing tenants.

A new expression of interest process would commence in early 2024 to secure a new group of tenants for the space, commencing 1 July 2024 (unless vacant earlier). It is recommended that these licences are let on a 30-day rolling basis, which is comparable to the licensing model used by Renew Adelaide. This will ensure that future development and/or capital works are not hindered by long-term licence agreements for the space.

To ensure equity and parity across all future retail licences, the original Expression of Interest will be updated to include greater clarification on:

- types of tenancies (i.e.: locally produced goods rather than mass produced);
- maximum tenancy length (suggested time 12 months); and

- uptake of Training and Support provided by Council (i.e.: Southern Business Mentoring program).

These additions to the Expression of Interest will ensure that the pop ups are:

- recognised as a business incubation initiative;
- not seen as subsidised competitors to Jetty Road traders; and
- provided with appropriate supports to enable tenants to test and trial marketing and promotions in a safe environment.

Budget

Gross rental revenue to Council so far is \$57,901 ex GST (\$23,030 in FY2022-23; \$34,871 Jul – Nov 23. This is offset by the costs of the initial subdivision of the space, as well as a range of modest works to ensure the pop ups could operate safely and securely. Cost of works to date total \$11,966, resulting in a net income to Council of \$45,935 ex GST.

Expected revenue from 1 December 2023 until the end of the existing tenancies (30 January 2024) is \$18,320 ex GST. Should the existing tenancies be renewed to 30 June 2024, assuming full occupancy over that period, the forecast income would be in the order of \$40,968 ex GST. Should the recommendation to create rolling contracts for the second expression of interest be observed and the tenancies be fully occupied by incoming businesses from 1 July 2024 for a further 12 months, the expected return would be approximately \$90,000 ex GST.

Ongoing maintenance costs are minimal and are expected to be below \$5,000 for the coming 12 months.

Life Cycle Costs

Not applicable

Strategic Plan

Innovation: A thriving economy and community that values life-long education, research, creativity and entrepreneurialism.

Council Policy

Property Policy

Statutory Provisions

Planning, Development and Infrastructure Act 2016

Written By:

Commercial Specialist

General Manager:

Community and Business, Ms M Lock

Attachment 1

Results of Tenancy Survey – Glenelg Town Hall pop up businesses

Summary of findings from tenant survey

Tenants' ages range from 35-59 years of age. Their businesses' ages range from less than 6 months (n=2, 50%) , six months to one year (n=1, 25%) to more than 3 years (n=1 25%). Of these, (n=3, 75%) have created a unique Glenelg offering.

Primary Benefits

When asked about the unique challenges of the pop-up site, half of respondents cited inclement weather, homeless in the area and lack of tenancy continuity as obstacles to success. Regardless, (n=4, 100%) cited that the pop-up outlet supported their business growth.

An important aspect of the pop-up concept is the ability for developing tenants to build their networks by collaborating with others in the area – 75% have engaged with other businesses, saying,

“we have helped other businesses in the area by networking with them” (Operator #1)

“we are supporting a lot o local businesses by ordering only South Australian products for our café and shop. The coffee, waters, treats, ice blocks down to all other gifts are locally sourced.” (Operator #2)

“Engaging (albeit briefly) with local businesses who want branded products from us (we do custom screen printing as well). And talking to other retailers. Something to grow for a win-win.” (Operator #4)

There is little doubt that the tenants see the value of pop ups to the area's economic development or cultural vibrancy with (n=4 100%) agreeing that this is the case.

“The broader community are excited to see small businesses been given a chance to develop and grow under the council's umbrella.” (Operator #1)

“I've been there from the start. I have seen the changes made to the area. Less homeless. The locals that walk everyday pop in and support, love this area now. Its vibing, buzzing with a great family atmosphere!... Nothing but positivity!” (Operator #2)

“... The locals and tourist that come back for a second or third time to Glenelg have told me (...) that these shops have brought such a positive vibe and feel to the Glenelg foreshore. Everyday mums with kids in the playground absolute love the idea of having the coffee cart right in front of the playground so they don't have to move to go get their coffee.” (Operator #3)

Tenant Supports

Council have provided a raft of supports not normally extended to tenants leasing commercial sites. These include: a Council staff member who acts as liaison for any issues and support required; Ongoing support for minor challenges as they occur - including safety, security, parking, storage, inclement weather, cleaning, lighting, signage, marketing. 50% of respondents are 100% satisfied with council resources while 25% are 80% satisfied and 25% are 50% satisfied.

Recommendations for improvement of support include:

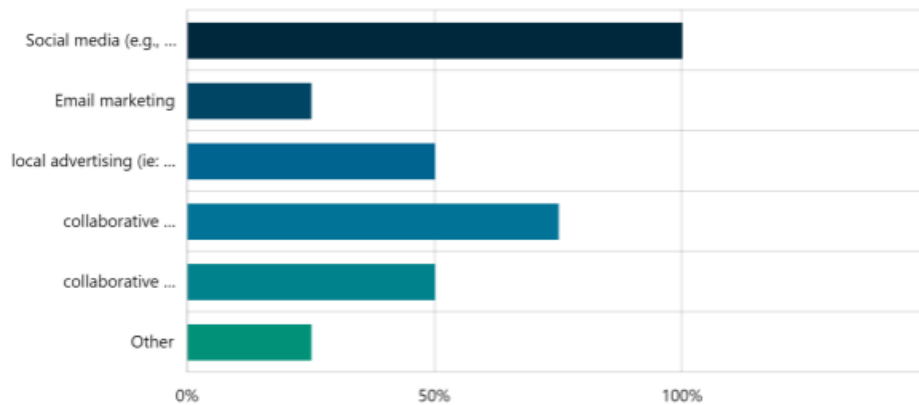
1. monthly meetings with Council
2. Flowing ambient music
3. Signage in Moseley Square
4. Extra locks
5. More certainty about extension to lease.
6. more promotion assistance et: permit for A Frames, council sign saying "local business this way"

Of these, no. 2 – 5 are already in train and no. 1 and no.6 will be brought to the attention of Council prior to the end of the year. 100% of respondents agreed that they would consider extending their stay or participating in similar programs in the future.

Media and Communications

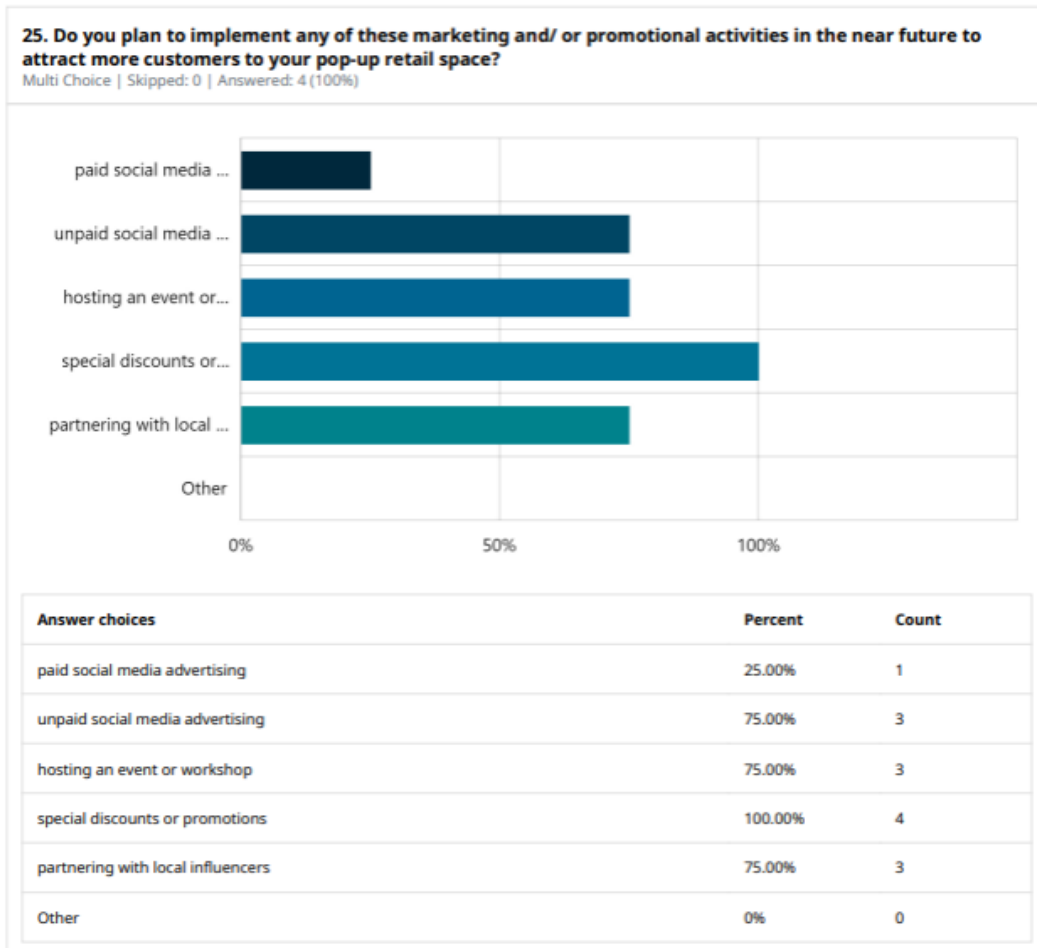
21. Which marketing channels have you employed to promote your pop-up retail business?

Multi Choice | Skipped: 0 | Answered: 4 (100%)

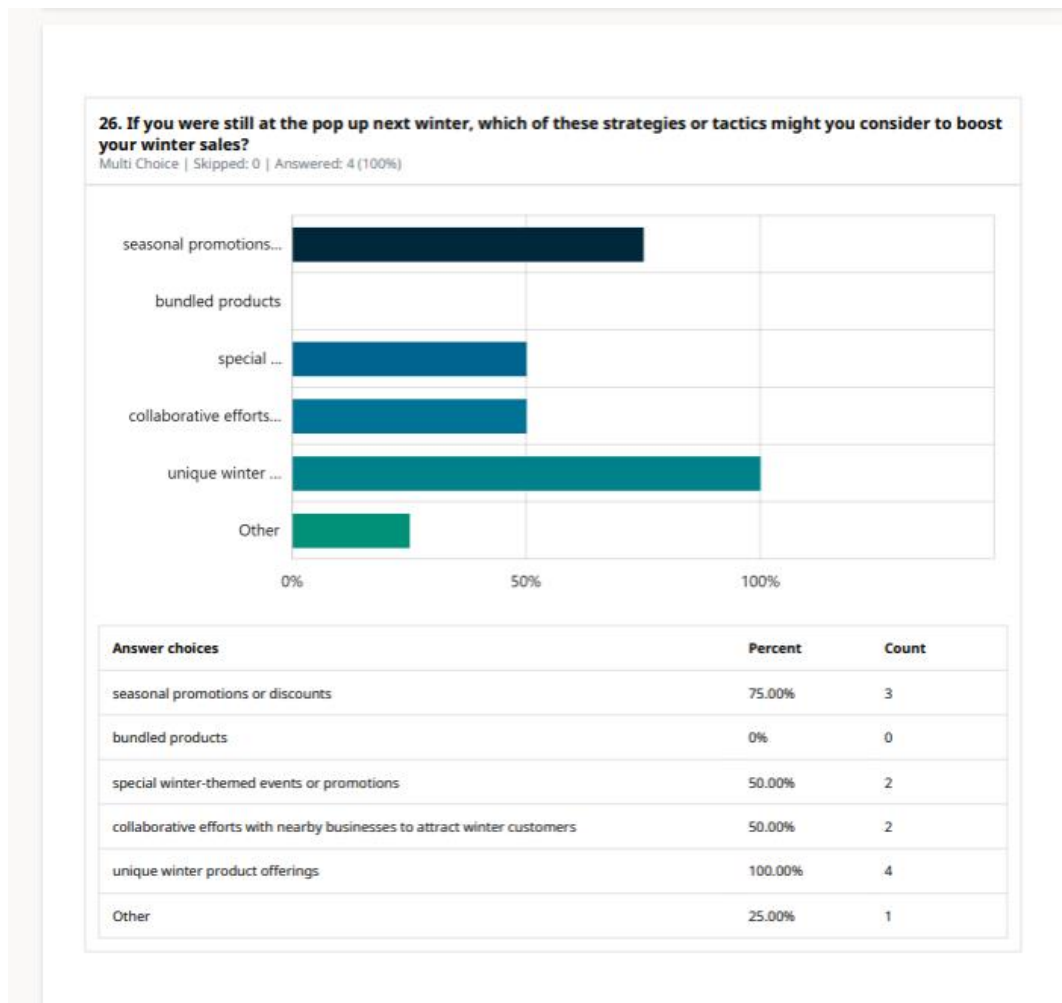


Answer choices	Percent	Count
Social media (e.g., Facebook, Instagram, Twitter, Tik Tok)	100.00%	4
Email marketing	25.00%	1
local advertising (ie: flyers, posters etc)	50.00%	2
collaborative marketing with nearby businesses	75.00%	3
collaborative marketing with like-minded businesses	50.00%	2
Other	25.00%	1

Social media remains the most important marketing channel for the pop up retail businesses with (n=4, 100%) of retailers using multiple platforms. While social media is used by all businesses, only one business (n=1 25%) is utilising paid social media.



All businesses suggested that they would create marketing and promotional activities to attract more customers soon.

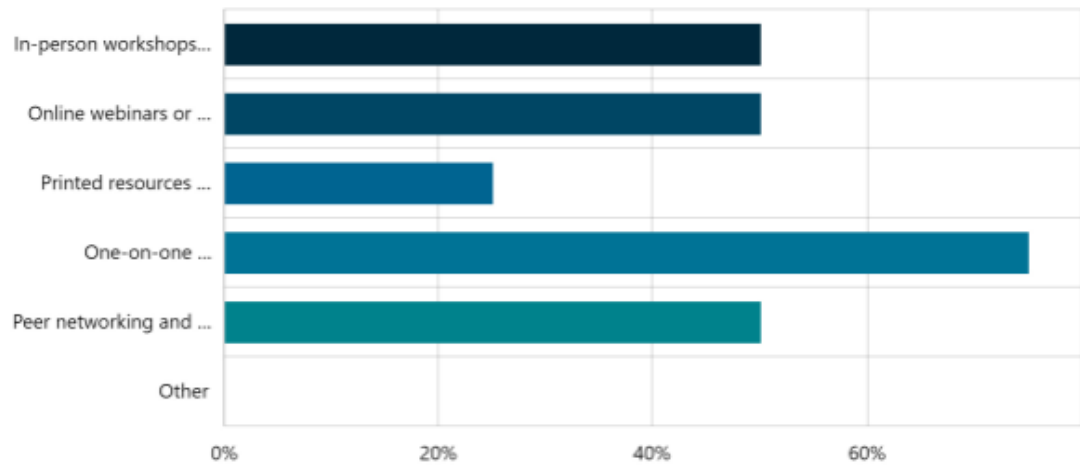


Training and Support

As part of the council support offering, each business owner has discussed their training and support with the Council liaison. (n=3 75%) suggest that marketing and promotion is the area where they need the most support, with financial management (n=2, 50%) inventory management (n=2 50%) and technology and e-commerce integration (n=2 50%) also considered important areas for training and support. In future, the formats from training include the following:

32. In what format would you prefer to receive future training or support?

Multi Choice | Skipped: 0 | Answered: 4 (100%)

**Answer choices****Percent****Count**

In-person workshops or seminars

50.00%

2

Online webinars or virtual training sessions

50.00%

2

Printed resources and guides

25.00%

1

One-on-one mentoring or coaching

75.00%

3

Peer networking and collaboration opportunities

50.00%

2

Other

0%

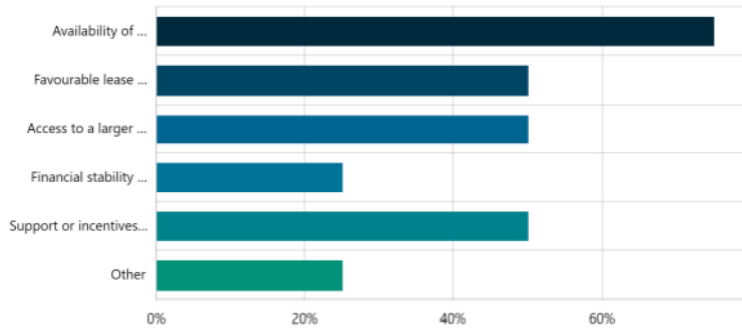
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N=2, 50% have accessed Southern Business Mentoring Network with the Digital marketing and HR/WHS workforce modules having been accessed. All businesses have been alerted via email and in discussion to the opportunities for high quality, free mentoring through the Council run services.

Future Plans

N=1, 25% are very interested, n=2 somewhat interested in transitioning to a more stable and permanent location. The factors that would influence their decisions to transition to more stable and permanent retail outlets includes availability, affordability, access to customer base, financial stability and support incentives.

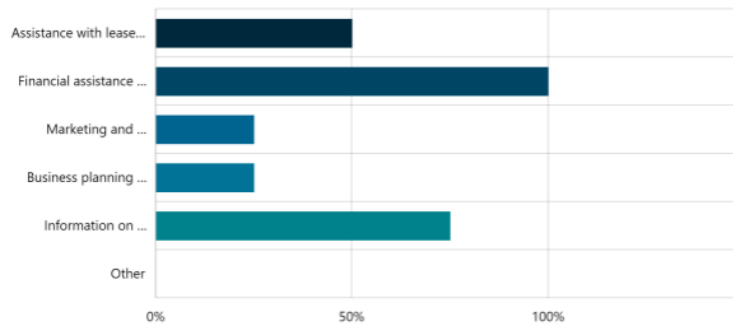
37. What factors would influence your decision to transition to a more stable and permanent retail outlet?
Multi Choice | Skipped: 0 | Answered: 4 (100%)



Answer choices	Percent	Count
Availability of affordable retail space	75.00%	3
Favourable lease terms and conditions	50.00%	2
Access to a larger customer base	50.00%	2
Financial stability and business growth	25.00%	1
Support or incentives offered by the program or local authorities	50.00%	2
Other	25.00%	1

Within the context of growth and future, all operators cite financial assistance and/or grants as an important resource to enable them to transition to permanent retail space.

38. What kind of support or resources would help you to transition to a permanent retail space?
Multi Choice | Skipped: 0 | Answered: 4 (100%)



Answer choices	Percent	Count
Assistance with lease negotiation and legal matters	50.00%	2
Financial assistance or grants	100.00%	4
Marketing and promotion support for the new location	25.00%	1
Business planning and strategy development	25.00%	1
Information on available permanent retail spaces in the area	75.00%	3
Other	0%	0