

Report to the Future Melbourne Committee

Agenda item 6.5

Shopfront Activation Program - Update

15 February 2022

Presenter: Andrew Wear, Economic Development and International

Purpose and background

1. The purpose of this report is to provide an update, as resolved on 3 August 2021 by the Future Melbourne Committee, on the Shopfront Activation Program (the Program) that is being delivered as part of the planned approach to activate retail precincts and vacant shopfronts across the City of Melbourne.
2. The Program delivers on Major Initiative 1 ('Continue to strengthen Melbourne's economic recovery') from the Council Plan 2021-25 and Key Priority 1 ('A business-friendly city') from the Economic Development Strategy 2031.
3. Retail and hospitality precincts are a large and vital component of the retail, commercial and visitor landscape in Melbourne. When strong and vibrant they stimulate foot traffic, spending and consumer confidence.
4. The impact on retail and hospitality precincts of six lockdowns and the spread of the Omicron variant, and its associated 'shadow lockdown' has been considerable. With office workers and tourists largely absent and visitor numbers down significantly, there has been an enormous loss of demand in the central city, causing many small businesses to close.
5. A January 2022 survey of shop fronts in the city revealed that across the municipality, approximately 1490 shops were vacant, or about 20 per cent of all shopfronts. A further 355 shops (or about 5 per cent) were temporarily closed due to COVID.
4. As more than half the municipality's shops are in the central business district, most vacant shops are also in the central business district. But some parts of the city are particularly impacted. In Docklands, 38 per cent of shops are vacant or closed due to COVID.

Key issues

6. The largest contributors to the City of Melbourne's economy (in terms of both jobs and output) are the knowledge-based industries, including sectors such as 'financial and insurance services', 'professional, scientific and technical services' and 'information, media and telecommunications'. Innovative businesses in these sectors – and their employees – are attracted to the city for its exciting, buzzy atmosphere. Vacant shops serve as a signal that the city is not as active and vibrant as it should be, and hence undermine efforts to strengthen high-value, knowledge-intensive industries in the city.
7. The shopfront vacancy rate will come down over the medium-term when consumer demand in the city improves and when landlords lower rents. Lower rents will make the city a more attractive location for businesses who may not otherwise have been able to afford a lease in the central city.
8. Consequently, a reduction in the vacancy rate demands a comprehensive effort to stimulate consumer demand in the central city. This includes a return of office workers and international students, major events and other activations that attract visitors.
9. In some parts of the municipality, it's possible that market forces alone will not be enough to reduce the vacancy rate over the medium term. Some parts of the city – such as Docklands – have structural challenges, and there is a risk that without direct intervention, they may remain negatively impacted for some time. In other parts of the city, to contribute to consumer confidence, it is important that strategically-important, high-profile sites remain active.
10. In these places, Council is delivering a comprehensive program of support and interventions to ensure that retail and hospitality precincts remain active and vibrant, despite the challenges wrought by COVID-19. Interventions – delivered in partnership with the Victorian Government – include:

- 10.1. Grants to third party organisations to deliver at least 35 free, COVID-safe public activations between January and June 2022. These have so far involved activations such as giant animal puppets and circus performers in Docklands and an Australian Open live site and roving performers on Lygon Street.
- 10.2. Additional funding for precinct business associations has enabled them to deliver innovative activations to respond to the challenge of COVID-19, such as the Docklands Chamber of Commerce's successful 'Docklands Dollars' program.
- 10.3. A comprehensive program of events, including Melbourne Fashion Week, the extended Christmas festival, New Year's Eve events and the recent extended drone show at Docklands.
- 10.4. The Rapid Response Clean Team commenced in November 2021 and is an agile and flexible crew, operating throughout the day and into the evening, 7 days per week. The crew uses mobile devices to monitor community requests for street cleaning and graffiti removal, and respond in real time. Ensuring the city appears clean and free of graffiti is an important aspect of welcoming people back to the city.
11. To date, Council has worked with landlords to activate almost 100 shops across highly visible key locations in the city, providing confidence to consumers and demonstrating that the city is an exciting, interesting and safe location to visit. These include: more than 45 shops adorned with large-scale vinyl decals featuring the work of local artists; 26 artworks installed as part of the *Uptown* outdoor art exhibition in Bourke Street's eastern end; popup libraries in Elizabeth Street, Little Collins Street and Federation Square; the *Flash Forward* store enabling commissioned artists to sell their wares; shops activated as part of the Christmas Festival and Melbourne Fashion Week; and shops activated as part of the Shopfront Activation program.
12. The Program drives visitation and increases vibrancy in our most severely impacted precincts. It is providing opportunities for creatives, entrepreneurs and social enterprises to start and grow through the activation of vacant shopfronts.
13. The Program is well-advanced in its goal of occupying 75 shopfronts in strategically-located areas of the city. It seeks to be a catalyst for increasing consumer and business confidence, particularly when aligned with the objectives of other programs like the City Activation Grants program and Precinct Development Program.
14. To date, more than 460 Expressions of Interest by prospective tenants have been received for inclusion in the program, including artists, creatives, start-ups and independent retailers.
15. Since commencement in September 2021, the Program has negotiated activation in 23 shopfronts across the three targeted areas: Lygon Street Carlton, Docklands (NewQuay and Victoria Harbour) and parts of the central business district. A list of 16 currently activated shopfronts is at Attachment 2, with the remaining 7 to be activated in coming weeks. Active discussions are underway with a further 50 landlords to become a part of the Program.
16. A recent survey conducted with business owners who are neighbouring the newly activated shopfronts, revealed that they are well-received. Businesses reported that new stores created a visual impact, a sense of excitement in precinct areas and brought in new customers.
17. The Program is being delivered in partnership with the Victorian Government as part of the Melbourne City Recovery Fund, which is funding a broad range of programs, events and other interventions to support Melbourne's economic recovery. To date \$663,500 of the approved \$2.6 million Program budget has been expended.
18. During COVID-19, Docklands has been one of the hardest hit precincts in the country. This has been largely attributed to an absence of office workers, international students and visitors. The impacts of COVID-19 have compounded the challenge of activation and vibrancy in Docklands, following the permanent closure of Central Pier in August 2019 and the liquidation of the Melbourne Star, both major landmarks within the precinct.

19. Significant investment has been directed to short-term activations within Docklands, such as shopfront activations, the Drone Show and other innovative activations. However, these activities alone will not resolve the long-standing structural issues impacting Docklands. A fundamental review of the precinct is needed to establish a new vision and direction for Docklands post COVID-19. A Docklands Summit hosted by the Lord Mayor and relevant Minister would elevate the urgent need for action and generate enthusiasm for the regeneration of Docklands. Such a summit would discuss ideas to address the state of Docklands physically, socially and economically and identify immediate and longer term interventions that would support regeneration and determine a way forward.

Recommendation from management

20. That the Future Melbourne Committee:
 - 20.1. Notes the work underway to activate vacant shopfronts and ensure that retail and hospitality precincts remain active and vibrant, despite the challenges wrought by COVID-19.
 - 20.2. Requests management review and further develop approaches to activate shopfronts at scale and further stimulate consumer demand.
 - 20.3. Notes that the Lord Mayor has written to the Honourable Ben Carroll as Minister for Public Transport and Minister for Roads and Road Safety in relation to a consistent approach to graffiti removal across all buildings and infrastructure located in the municipality.
 - 20.4. Notes that the Chief Executive Officer has written to a range of private and public organisations whose assets are frequently targeted with graffiti to set out potential agreements between the City of Melbourne and these organisations to specify service provision, cost arrangements and reporting requirements.
 - 20.5. Resolves to host a Docklands summit to elevate the urgent need for action and generate enthusiasm and outcomes for the regeneration of Docklands.

Attachments:

1. Supporting Attachment (Page 4 of 5)
2. Activated Shopfronts (Page 5 of 5)

Supporting Attachment

Legal

1. There are no direct legal issues arising from the recommendation from management.

Finance

2. The Program is being delivered in partnership with the Victorian Government as part of the \$100 million Melbourne City Recovery Fund established 2020-21.
3. There are no other direct financial implications resulting from this report.

Conflict of interest

4. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Health and Safety

5. Each third party engaged are required to submit risk documentation for activity conducted in their allocated areas (where applicable).

Stakeholder consultation

6. Stakeholder consultation continues to be under taken by consultants in their allocated areas. Engagement includes consultation with Precinct Associations, property owners, real estate industry, local businesses, residents, tertiary institutions and creative sector organisations

Relation to Council policy

7. Recommendations are consistent with Council Plan 2021-25 and the Economic Development Strategy 2031.

Environmental sustainability

8. In supporting the Program, all efforts will be made to consider, address or otherwise realise environmental sustainability issues and opportunities.

Activated Shopfronts

<i>Business name</i>	<i>Address</i>	<i>Industry</i>
LIVIN	146 Lt Collins Street, Melbourne	Social enterprise specialising in apparel
Informale	186 Lt Collins Street, Melbourne	Designer menswear
S!x By Denise Sprynskyj	195 Lt Collins Street, Melbourne	Women's fashion retailer
The Millinery Collective	201 Lt Collins Street, Melbourne	Millinery collective
The Anxiety Shop	89 Bourke Street, Melbourne	Retailer focused on mental health
Yesign	259 Lt Collins Street, Melbourne	Handmade artesian chocolate
Lastly	15 Howey Place, Melbourne	Sustainable women's fashion retailer
This is not a toy store	265 Little Collins Street, Melbourne	Toy design and retail
Pipa	18 Bourke Street, Melbourne	Modern molecular Indian restaurant
PODCAST NOW	195 Lt Collins Street, Melbourne	Digital communications & podcast studio
Mr Cuff	6-8 Howey Place, Melbourne	Bespoke suit tailor
La Guapa	Shop 6&7/888 Collins Street, Docklands	Ethical outerwear
WORKS	Shop 1/889 Collins Street, Docklands	Sustainable fashion retailer
ELK Clothing	404 Lygon Street, Carlton	Women's fashion retailer
Viral Ventures	398-400 Lygon Street, Carlton	Immersive hospitality venue
Van Der Kooij	91 Grattan Street, Carlton	Sustainable fashion retailer