

Management report to Council**Agenda item 6.5****Shopfront Activation Program****Council****Presenter:** Andrew Wear, Director Economic Development & International**22 February 2022****Purpose and background**

1. The purpose of this report is to provide an update on the Shopfront Activation Program (the Program).
2. On 15 February 2022, the Future Melbourne Committee was provided with an update on the work underway to activate retail precincts and vacant shopfronts, and further requested 'a detailed account of the progress of delivery of the Shopfront Activation Program' at the 22 February Council meeting.
3. The program budget of \$2.6 million is funded via the Victorian government contribution to the Melbourne City Recovery Fund. The program is funded until August 2022 and has a focus on supporting budding entrepreneurs, artists and artisans to test their business ideas in a retail or creative space.
4. The Program is one component of a comprehensive suite of initiatives and interventions to ensure that retail and hospitality precincts remain active and vibrant, despite the ongoing challenges presented by COVID-19. Other activities have included City Activation Grants, additional funding for precinct business associations, a comprehensive program of events and a graffiti removal blitz.
5. 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 2021-2031.
6. Since the start of the pandemic, Council has worked with landlords to activate almost 100 shops across highly visible key locations in the city, providing opportunities to entrepreneurs, artisans and artists. 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.

Key issues

7. The Program has involved external place-making agencies that have been contracted to activate shops in key precincts: The Place Agency in Lygon Street, Carlton; Renew Australia and consortium partners in Docklands; and Ginnane and Associates in the CBD. These agencies are engaging with key stakeholders to have a shared understanding of the precinct they're working in and to identify potential theme or curation opportunities within the precinct.
8. Agencies are working closely with relevant Precinct Associations. Curation and theming of occupancy and activation reflects the precinct's character and strongly aligns with the agreed strategic vision for the precinct. Theming and activations include:
 - 8.1. *Little Collins Street/Howey Place* – An eclectic mix of bespoke fashion and retail. Stores include LASTLY which sells Japanese streetwear and avant garde designs and This Is Not A Toy Store, a pop art store selling handcrafted toys.
 - 8.2. *Lygon Street, Carlton* - Fashion, creative events and immersive experiences and innovation. Activations include ELK Clothing and a Viral Ventures immersive experience venue – Karen's Diner.
 - 8.3. *Docklands*
 - 8.3.1. Victoria Harbour – A locally designed and sustainably-focussed retail mix. Stores include La Guapa and WØRKs, which are bespoke fashion and homewares brands
 - 8.3.2. New Quay – Participation and interactivity through visual and digital design. Properties and participants are in final negotiations in this area.

9. The program has so far provided 23 entrepreneurs and artisan makers the opportunity to validate and explore new ideas and develop their business models in a bricks and mortar environment. Attachment 2 outlines feedback and sentiment from participants in the program.
10. 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.
11. At the core of the Program is a request that landlords make property available at no or minimal rent. Landlords need to understand the program, the benefits that it will offer them and to become comfortable with prospective tenants. Discussions take time and often involve a degree of complexity. While steady progress has been made, the Program has faced a number of challenges:
 - 11.1. There is often a long lead time between initial discussions with landlords and shops being activated. Even once landlords agree to participate in the program, formal board approval is often required and legal review of contracts can take some time. The summer break coupled with the Omicron outbreak led to significant delays as key contacts were on leave or uncontactable.
 - 11.2. Particularly in New Quay, many properties are owned by landlords who live overseas, making engagement particularly challenging.
 - 11.3. In parts of Docklands, many vacant shops have never been occupied and do not yet have occupancy permits, meaning significant work is required to ready them for activation.
 - 11.4. In the lead up to the end of 2021, the city was reactivating strongly. This led many landlords – particularly in Lygon Street – to withdraw properties from the program to pursue commercial leasing opportunities.
12. Despite the challenges, there is now a strong pipeline of potential new activations. There are more than 59 additional properties being discussed with landlords, including 16 at an advanced stage of negotiation. A number of new activations in New Quay, Carlton and the CBD are likely to be confirmed this week.

Recommendation from management

13. That the Council notes the work underway to activate vacant shopfronts and support budding entrepreneurs, artists and artisans to test their business ideas in a retail or creative space.

Attachments:

1. Supporting Attachment (Page 3 of 4)
2. Program participants sentiment (Page 4 of 4)

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.

Program participant's sentiment

CBD

The Millinery Collective

Upon being asked about their experience, the business owners were incredibly grateful for the opportunity given to them and how their business has evolved during their bricks and mortar presence.

Exposure to a whole new customer base and a wider supplier network enabled them to test new ways of operating including the development of a gift card option through customers wanting to gift a hat, this proved very successful around the Christmas period.

The connections that they shared while jointly running the space has proved to be very valuable for future collaborations.

This is not a Toy Store

The owner and his colleagues opened their store in early December and it has been a runaway success. Taking their business offering to a shopfront after traditional markets closed due to COVID-19, has been a life saver for the owners and operators.

The owner has proposed that the section of Little Collins Street near Howey Place could become a hub of Pop Culture (Collectables, Low Brow Art, Anime and Comic Culture, International Designers), with the potential to bring together current pop culture stores into the precinct along with providing the opportunity for new businesses like theirs to establish themselves in the city.

Informale

The first trader to open as part of the program, the owner moved when deliveries were being delayed due to fabric shortages. However due to the fact that 80% of his product is made locally, he was able to replenish faster than other retailers.

The business has grown its brand awareness and customer base drastically with their most popular products selling out regularly. The owner is currently in his second extension of participation in the program.

Lygon Street Carlton

ELK (direct quote from business owner)

"After the hellish couple of years that small businesses and shopping strips have had, we absolutely jumped at the chance to help reinvigorate an area that we absolutely love. The Shopfront Activation Program is just such a positive initiative, giving businesses like ours the opportunity to dip their toe in and test out a great location like Lygon Street. It's just so exciting to see the street start coming back to life, and knowing that we've played a part in that is really great."

Van Der Kooji (direct quote from business owner)

"We are so excited for this opportunity to be able to have our first brick and mortar store, it will be such a great opportunity for us, especially to be in the space for Fashion Week next month! We can't wait to be able to open the doors and have so many customers who are thrilled that they will be able to come and visit us in person!"

Docklands

WØRKS (direct quote from business owner)

"The initiative has given WØRKS the opportunity not just to open a physical retail space, but also to bring all facets of our operation under one roof, to connect with the Docklands community, and to network with other local businesses. For an emerging business like ours, this program and the professional and supportive team who run it are invaluable. "