

11.10 PROPOSAL TO RE-LEASE 49 GEORGE STREET, NORWOOD TO BRICK + MORTAR CREATIVE

REPORT AUTHOR: General Manager, Governance & Community Affairs
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4549
FILE REFERENCE: S.03469 S.02229
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of the report is to advise the Council that the Lease between the Council and *Brick+Mortar* for the use of the premises located at 49 George street, Norwood will expire in May 2016 and to determine if the Council wishes to enter into a new lease with Brick + Mortar Creative Pty Ltd.

BACKGROUND

At its meeting held on 6 April 2009, the Council adopted the *Thinking Through The City* Strategic Plan 2009-2019 (the Plan).

One of the outputs of the Plan was the formation of a staff group to work in collaboration with the Integrated Design Commission on the *Kent Town Project*.

During the mapping and consultation phase of the *Kent Town Project*, which took place in 2012, representatives of local businesses, who took part in various forums, voiced the desire to see the establishment of a creative incubator to assist in stimulating economic development and social interaction.

Subsequently, investigations were undertaken and a Creative Incubator Discussion Paper (the Discussion Paper), was presented to the Council regarding the establishment of a creative incubator within the City.

Following further investigations, the Council, at its meeting held on 7 July 2014, endorsed a proposed model.

Subsequently, further investigations were undertaken and presented to the Council's Public Art Committee meeting held on 30 June 2014, together with a proposed model, which included the following:

1. A Grant/Subsidy Program to support Artists and/or Creative Enterprises to establish themselves within a Creative Incubator with the City; and
2. The provision of support to a Creative Incubator/Social Enterprise with the City.

At its meeting held on 7 July 2014, the Council endorsed the proposed model and resolved that Phase Four of the 2014-2015 *Thinking Through The City* Program would be dedicated to supporting the establishment of a Creative Incubator Program.

At that time, the Council was also advised that Council staff had been approached by two (2) emerging creative entrepreneurs with a proposal to establish a creative incubator, (*Brick+Mortar*) within the City.

Following consideration of the proposal and recognising that the Council wished to support a creative incubator venture and provide meaningful opportunities to artists and/or creative enterprises wishing to establish themselves as a viable business within the City, the Council at its meeting held on 1 September 2014, resolved the following:

- “1. The Council agrees, in principle, to grant a Lease to Ms Brigid Dighton and Ms Elizabeth Donaldson, Co-Creative Directors, *Brick+Mortar*, to occupy the premises located at 49 George Street, Norwood, for a twelve (12) month term, subject to the lodgement and granting of Development Approval for the change of use of the facility from a “community hall” to a “shop”.
2. That as part of the Council's *Thinking Through The City* Strategic Plan 2009-2019 Phase 4, the annual lease fee \$4,452.20, be waived for the term of the lease (12 months).

3. *That in the event a Development Approval is granted for the change of use of the facility, the Chief Executive Officer (or his delegate), be authorised to negotiate and enter into a lease with Ms Brigid Dighton and Ms Elizabeth Donaldson, Co-Creative Directors, Brick+Mortar for the premises at 49 George Street, Norwood, for a term of one (1) year and upon such other terms and conditions deemed necessary and appropriate.*

In accordance with the Council's resolution, a Lease between the Council and *Brick+Mortar* was entered into and came into operation on 7 May 2015.

The current Lease does contain a "Right of renewal" option, however the current Lease does contain a 'Preference to Lease' clause, which means that the Council can, at the conclusion of the Lease period, provide the Lessee with written notice of its intention to grant a new lease of the Premises, together with details of the terms of the new lease.

If the Lessee responds within fourteen (14) days of the Council notice, advising it wishes to enter into a new lease, the Council and the Lessee have three (3) months to agree to a new lease.

As the current Lease between the Council and *Brick+Mortar Creative* expires on 6 May 2016, the Council must now determine if it wishes to give such notice to the Lessee, to allow the Premises to continue to be leased by *Brick+Mortar Creative Pty Ltd* for a further period.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The relevant Outcomes contained in *CityPlan 2030* are:

Outcome 2: Cultural Vitality

Objective 2.1 A visually interesting, artistic and creative City

Strategy: *Encourage and use local creativity to create a "sense of place."*

Strategy: *Provide opportunities and facilities for creative expression for all age groups.*

Strategy: *Attract and support cultural and creative organisations and businesses and individuals to our City.*

Thinking Through The City Strategic Plan 2009-2019

Objective 1: Social Equity

Strategy: *Establish a new approach to engagement with the community through arts activities.*

Strategy: *Explore and draw out the creativity of the community.*

Objective 2: Cultural Vitality

Strategy: *Use the arts as a mechanism for highlighting the contemporary character of the city.*

Strategy: *Further highlight the creativity of the city and its people.*

Objective 3: Economic Prosperity

Strategy: *Recognise that the arts have significant value and should be supported.*

Strategy: *Build the arts as an important drawcard to increase visitation to the city.*

Strategy: *Position the arts and creative industries as being important to the city's economic future.*

FINANCIAL AND BUDGET IMPLICATIONS

The proposed fee arrangements are based on the Lease Fee Model which was used in respect to the leases for the Cottages located at Dunstone Grove-Linde Reserve.

Based on this model, the lease fee for the use of the former Norwood Senior Citizens Club facilities (where *Brick+Mortar* is located) was calculated at 20% of the current Market Rental. This Model reflects the Council's principle position whereby the Council should seek a financial breakeven position when leasing facilities to local 'not-for-profit' community groups.

The annual Lease fee therefore at that time of \$4,452.20, was based on the formula as set out above, namely:

- Current Market Rental Value = \$22,261.00
- 20% of the current Market Rental = \$4,452.20 = annual lease fee.

As stated previously within this report, the Council waived the annual Lease fee for the initial twelve (12) month period.

Under the terms of the Lease agreement, *Brick+Mortar* are responsible for all consumables such as electricity, gas, etc.

The Council's resolution was very clear in that the Lease fee would be waived for the first twelve (12) month period.

Therefore, should the Council resolve to re-lease the premises to *Brick+Mortar* an annual Lease fee should be applied.

Based on the model used to determine the initial Lease fee, a new Lease fee of \$4,528.16 has been calculated based on the following:

- Original Lease Fee = \$4,452.20
- Plus CPI = 1.7%

As part of the discussions with Ms Donaldson (from *Brick+Mortar*) regarding the new Lease, Ms Donaldson has requested that the Council once again consider waiving the annual Lease Fee. Ms Donaldson has requested this on the basis that *Brick+Mortar* is providing support to a range of artists, designers, etc, to establish themselves within a retail environment and showcase their wares.

Ms Donaldson has also supported a range of Council events, providing a unique addition to The Parade precinct.

As previously stated within this report, the Council, through the *Thinking Through The City Program*, has determined that it wishes to support a creative incubator venture and provide meaningful opportunities to artists and/or creative enterprises wishing to establish themselves as a viable business within the City.

The establishment of *Brick+Mortar* meets this objective.

On the basis of the above and in recognition of the value which a Creative Incubator provides to local artists, designers and creatives who, as a result, may be able to link their ventures to retail opportunities, it is suggested that the Council consider waiving the annual lease fee to continue to support *Brick+Mortar*.

Should the Council determine to waive the Lease fee, the Lease fee would be subsidised by the \$16,000 currently allocated as part of the 2016-2017 Budget for the *Thinking Through The City Strategic Plan 2009-2019*.

Consistent with the current Lease agreement, *Brick + Mortar* would be responsible for all consumables such as electricity, gas, etc.

It must however be noted that *Brick+Mortar* has not been charged for any water usage since it commenced operations in the current facility the water usage was estimated to be minimal.

Notwithstanding this, should the Council determine to enter into a new Lease agreement, the actual water usage over the last twelve months will be analysed to determine if the installation of a separate water meter is justified.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Council staff will manage the Lease and maintenance arrangements associated with the property, within existing resources.

RISK MANAGEMENT

Provisions within the Lease protect the Council from vicarious liability.

CONSULTATION

- **Elected Members**
Elected Members have been involved with the original decision to lease the premises for twelve (12) months.
- **Community**
If the Council resolves to re-lease the premises to *Brick+Mortar*, community consultation will be undertaken in accordance with the provisions of the *Local Government Act 1999*.
- **Staff**
General Manager, Urban Services
Manager, Library Services & Lifelong Learning
- **Other Agencies**
Not Applicable

DISCUSSION

Brick+Mortar was officially opened on 9 May 2015. *Brick+Mortar* provides working and retail space for designers and artists and self-contained office space for creative businesses needing office and studio space.

In addition, a café operates from the premises and the venue has been used for various art events over the course of the Lease period.

The Creative Director, Ms Elizabeth Donaldson has provided the Council with a brief report which provides a summary of the activities undertaken since the official opening of *Brick+Mortar*. In addition, the report provides four (4) brief case studies in support of the value *Brick+Mortar* has provided. A copy of the report is contained within **Attachment A**.

In summary, Ms Donaldson has advised that over the past nine (9) months, *Brick+Mortar* has hosted the following:

- forty four (44) artists have taken up retail tenancies;
- sixty (60) workshops have been held; and
- sixteen (16) artists have exhibited their work.

Council staff have met with Ms Donaldson to discuss the terms of the current Lease and to determine her position in terms of the future of *Brick+Mortar* within the current premises.

Ms Donaldson has advised staff that it is her preference to continue operating the business from the current premises and would welcome the opportunity to consider a second lease.

As the Council is aware, the Council's Long Term Financial Plan includes the Norwood Library Redevelopment Project which involves the potential relocation of the Norwood Library to the facilities at 49 George Street, Norwood, in 2020. This project has not yet progressed not has it been identified as a priority.

On this basis it would be possible for the Council to re-lease the premises for a further twelve (12) to twenty-four (24) month period.

OPTIONS

Option 1.

The Council can determine to not re-lease the premises at 49 George Street, Norwood, preferring to leave the premises vacant.

Option 2.

The Council can determine to lease the premises at 49 George Street, Norwood and include an annual Lease fee of \$4,528 within the terms and conditions of the new Lease arrangements.

Option 3.

The Council can determine to continue to support the creative hub and give notice of its intention to re-lease of the premises at 49 George Street, Norwood, to *Brick + Mortar*, under the same terms and conditions of the current Lease (ie with the Lease Fee waived).

Option 3 is recommended as this option meets the Council's objective in terms of supporting a Creative Incubator within the City of Norwood Payneham & St Peters.

CONCLUSION

In accordance with the provisions of the current Lease, the Council must advise the Creative Director of *Brick + Mortar* of its intention to either re-lease or not re-lease the premises at 49 George Street, Norwood.

COMMENTS

Brick+Mortar aims to “make it easy for artists, designers and creators to make the transition from product development to retail presence without many of the prohibitive factors associated with opening a brick and mortar store.”

Brick+Mortar has provided an interesting addition to The Parade precinct and its continued use of the facility will provide an opportunity for *Brick+Mortar* to continue to grow and establish itself within the community generally.

RECOMMENDATION

1. In accordance with the provisions of the current Lease between the Council and *Brick+Mortar* Creative Pty Ltd, of the premises located at 49 George Street, Norwood, Ms Elizabeth Donaldson, Creative Director, *Brick+Mortar* be advised that the Council will offer the premises for lease, immediately following the expiration of the current Lease, for a period of twelve (12) months, with an option for either party to renew the lease for a further twelve (12) month period, provided the other party agrees to the renewal, and subject to compliance with the provisions of the *Local Government Act 1999*.
 2. That as part of the Council's *Thinking Through The City Strategic Plan 2009-2019*, the annual lease fee \$4,528, be waived for the term of the lease (12 months) and the subsequent extension to 24 months if this occurs.
 3. That the Chief Executive Officer (or his delegate) be authorised, in the event of the offer of a new lease being accepted and subject to compliance with the provisions of the *Local Government Act 1999*, to enter into the lease with Brick + Mortar Creative Pty Ltd for the premises at 49 George Street, Norwood, in accordance with the terms set out in Point 1 above and upon such other terms and conditions deemed necessary and appropriate.
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Cr Marcuccitti moved:

1. *In accordance with the provisions of the current Lease between the Council and Brick+Mortar Creative Pty Ltd, of the premises located at 49 George Street, Norwood, Ms Elizabeth Donaldson, Creative Director, Brick+Mortar be advised that the Council will offer the premises for lease, immediately following the expiration of the current Lease, for a period of twelve (12) months, with an option for either party to renew the lease for a further twelve (12) month period, provided the other party agrees to the renewal, and subject to compliance with the provisions of the Local Government Act 1999.*
2. *That as part of the Council's Thinking Through The City Strategic Plan 2009-2019, the annual lease fee \$4,528, be waived for the term of the lease (12 months) and the subsequent extension to 24 months if this occurs.*
3. *That the Chief Executive Officer (or his delegate) be authorised, in the event of the offer of a new lease being accepted and subject to compliance with the provisions of the Local Government Act 1999, to enter into the lease with Brick + Mortar Creative Pty Ltd for the premises at 49 George Street, Norwood, in accordance with the terms set out in Point 1 above and upon such other terms and conditions deemed necessary and appropriate.*

Seconded by Cr Mex and carried.

Attachment A

Proposal to Re-Lease 49 George Street, Norwood to Brick + Mortar Creative

City of Norwood Payneham & St Peters
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**City of
Norwood
Payneham
& St Peters**

BRICK+MORTAR YEAR ONE

Summary:

Brick+Mortar is a retail and co-working space for independent designers, artists, makers and creative businesses co-located in a design-oriented environment with a café, a space to hold workshops, events and exhibitions, and free Wi-Fi.

Brick+Mortar offer three types of spaces for creatives:

- retail display areas for independently designed and made product,
- studios for makers to work and sell from, and
- self-contained offices with free Wi-Fi for creative businesses needing office and studio space, to complement makers with a retail focus.

As at the end of February 2016 Brick+Mortar Creative has been in operation for 9 months. During that period it has become a well-known fixture amongst creatives, customers and arts institutions as a venue that offers retail opportunities, professional development services, co-working, event, exhibition and workshop facilitation, and exposure to a broad audience via print and social media.

Taking into consideration that the concept behind Brick+Mortar, as a creative retail hub, is new to Adelaide, that Director Elizabeth Donaldson has built strong networks and awareness without pre-existing contacts in the arts or small business communities, the operational success of Brick+Mortar to sustain a viable economic presence as a multifaceted business (thanks to Council support through peppercorn rent, but without further outside assistance through any other funding or grants) can be considered a strong achievement for a start-up community focused business.

Data:

Artists involved as retail residents/tenants:

44 artists have taken up retail residencies, 9 (25%) of whom have been repeat residents. The disciplines covered have included: illustration, fashion, textiles, millinery, ceramics, accessories, floristry, furniture design, jewellery, skincare, soft toys, home décor, architecture and graphic and website design services.

Artists involved in workshops:

We have hosted 60 workshops in 9 months involving 45 artists and 700 participants. Workshops have proved a successful way for artists to create revenue and increase their customer base, and Brick+Mortar has run several professional development workshops covering issues relevant to small creative businesses such as legal advice, crowdfunding and social media.

Artists exhibiting at Brick+Mortar:

Brick+Mortar has exhibited 16 artists in 9 months, including a successful first season as a SALA venue.

Events held at Brick+Mortar:

In 9 months we have hosted numerous events including product and exhibition launches, SALA and Adelaide Fringe events, live music nights, free community craft sessions, networking events for Adelaide creatives, tours for local organisations, shopping tours, and food-based events. We have also actively participated in Council events such as the Tour Down Under on Parade event, Norwood Christmas Pageant, and Adelaide Fashion Festival event on the Parade. The number of participants would be in the 1000's.

Brick+Mortar artists involved in Council projects:

Pip Kruger, illustrator: concept design for St Peters Fair promotional postcard
 Fruzi Kenez, illustrator: portrait painting for Tour Down Under Parade event
 Sylvie Earl, milliner: design for St Peters Canvas Youth Arts Exhibition display

We also actively promote our creatives to our networks in the arts, government and business, sourcing projects, commercial and professional opportunities where we see a good fit.

Social / Media

Brick+Mortar offers its residents targeted exposure through our umbrella marketing approach. We have built a strong online following with over 11K engaged followers on Instagram in 9 months, over 3K on Facebook (*as at February 2016) and organically generated 550 newsletter subscribers. In the first 9 months of opening we have had editorial coverage in The Adelaide Review, The Advertiser business section, InDaily, CityMag, Adelaide Matters, City Brief, InBusiness Magazine, Look East and the Community Messenger. We have regular product exposure in Aspire Magazine, are profiled by Broadsheet Adelaide and are increasing our media relationships all the time.

This social/Instagram profile compares well to established Adelaide based arts institutions supporting creatives such as Guildhouse (formerly Craft South, in operation for 50 years with 431 followers) Bowerbird Bazaar, entering 6th year of operation with 5774 followers) Urban Cow (1118 followers), Art Images Gallery (838) and Carclew Youth Arts (862). We work hard to draw customers and creative practitioners to Norwood and are proactive in spreading the word about the support we receive from the City of Norwood, Payneham and St Peters.

Case studies demonstrating the breadth of creative business activity at Brick+Mortar:

1. Homewares based design: Phoebe Lamps and Where North Meet South were recently listed in the Australian design world 'top ten to watch' by Design Quarterly magazine and produce a range of homewares based products with a design focus, including contemporary lamps with customisable designs. They have collaborated with emerging illustrator and Brick+Mortar resident Doris Chang of Little Sister Co to create a new design for their lamp range, demonstrating the benefits of co-locating

creative businesses and fostering collaboration between younger and more mature business models.

2. Fashion: In a traditionally bespoke industry, Sylvie Earl Millinery has had her first retail presence at Brick+Mortar, using the space to create her custom handmade hats and headpieces. The convenience of having a studio to make and meet clients, and exposure from being located at Brick+Mortar has played an important part in cultivating a loyal and high profile following that has seen her business expand rapidly in the eight months since Brick+Mortar opened. A new Adelaide based label O'Speak, a solely online but locally produced fashion range, used Brick+Mortar as a venue to launch their new brand followed by a pop-up presence to introduce their offering to customers in a studio setting, before taking orders and enquiries through their online presence.

3. Local produce: Brick+Mortar has also supported new local food and beverage based products, including a custom organic tea brand which has been a featured product in the Brick + Mortar provedore and café and its market will expanded by a program of blending workshops. The business has been approached by an international importer and is extending the product into cold beverages and custom blending. Local paddock-to-plate business Forage&Feast has also received exposure and a chance for founder Kelly Magor to interact with customers face-to-face through being stocked in the Provedore and running tastings and supplying events at the venue.

4. Creative design based businesses: Snohetta, a high profile Norwegian international architecture firm has had a short term tenancy, preferring to be situated with other creative businesses and networks as it establishes its longer term office in Adelaide. The expertise and project type managed by Snohetta is more developed than other design service based businesses that have started up at Brick+Mortar, including local outfit Salted, run by one of the launch creatives at Brick+Mortar, Clark Spendelow, who found the space perfect for establishing a presence where he could meet and work with clients and gain valuable referrals to new projects.