

City Business Stimulus Program

ITEM 10.18 15/12/2020
Council

Strategic Alignment - Strong Economies

2016/01008
Public

Program Contact:
Michelle English, AD Economic
Development & Sustainability
8203 7687

Approving Officer:
Ian Hill, Director Growth

EXECUTIVE SUMMARY

Since March 2020, many city businesses have been impacted as a result of the challenges presented by COVID-19 through physical distancing restrictions, lower city visitation as a result of no international tourism, and the postponement or cancellation of events and festivals.

The City of Adelaide is among those city businesses most significantly impacted by this global pandemic, experiencing a loss of income of approximately \$20 million for the 2019-2020 financial year alone. Despite this, The City of Adelaide has worked to support city businesses by providing over \$11 million in assistance through the creation of grants, activities, activations, financial relief, advice and assistance programs.

The City of Adelaide Outdoor Activation Grant (\$1.15 million) and the Christmas Incentive Scheme (\$223,000) were both oversubscribed with applications. The success of these grants highlights the willingness from businesses to invest in infrastructure to support their ongoing business operations and activities that attract visitation and spending to main streets and key precincts. These grants have also benefited the broader City economy, by supporting local tradespeople, manufacturers, artists, performers, and more as the works or activations are carried out.

The easing of restrictions effective 14 December 2020 should provide an economic boost to City businesses in the lead up to Christmas, a particularly important period for the retail and hospitality sectors. Nonetheless, Council has sought advice about additional effective measures that could be introduced to support our City traders.

With the City of Adelaide projecting a \$39 million deficit for the 2020-2021 financial year, the options provided in this report are primarily based on reprioritising expenditure already committed in this year's budget, or expenditure identified to be built into the 2021-2022 business plan and budget. This proposal balances the need for Council to achieve a surplus budget to ensure that the organisation is financially viable, with providing immediate relief and longer term, sustainable outcomes for impacted businesses in the City of Adelaide.

RECOMMENDATION

That Council:

1. Approves the reprioritisation of \$400,000 through the 2020-2021 Quarter 2 Revised Forecast process to implement an energy assessment pilot program to reduce operational costs for small businesses in the CBD and North Adelaide.
2. Approves the expansion of the Sustainability Incentives Scheme criteria to include implementation of small business energy audit recommendations.
3. Notes the extension of the Summer Street Beats and Eats series, to be funded through the reprioritisation of \$100,000 from the 2020-21 budget allocation for Splash.
4. Approves the implementation of an Event Infrastructure Funding scheme of up to \$50,000 through the current 2020-21 budget allocation for City Activation.

5. Approves the following expenditure as part of the preparation of the draft 2021-22 Business Plan and Budget (BP&B):
 - 5.1 \$1 million to assist existing city-based events to expand to become city-wide. This funding to be split 50/50 over the 2021-22 and 2022-23 financial years.
 - 5.2 \$1 million increase to the Events and Sponsorship Program to sponsoring new major events in the City. This additional funding to be split 50/50 over the 2021-22 and 2022-23 financial years.
6. Approves the reprioritisation of \$250,000 through the 2020-21 Quarter 2 Revised Forecast process to complement and leverage the January 2021 round of the South Australian Tourism Commission's Great State Vouchers, incorporating paid experiences and hospitality offerings.
7. Approves the reprioritisation of \$250,000 through the 2020/21 Quarter 2 Revised Forecast process to the Adelaide Economic Development Agency to design and implement a digital Marketplace for businesses within the City of Adelaide within the first quarter of 2021.
8. Advocates through the Capital City Committee for a city specific stimulus fund to be established by the State Government.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Strong Economies
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	To assist small businesses within the City of Adelaide through grants to reduce their operating costs. To increase city vibrancy and support the city economy through additional events and festivals being held within the city. To provide vouchers and digital marketplace tools to help stimulate the city economy in the short and the long-term.
20/21 Budget Allocation	Identified initiatives are currently not funded within the 2020/21 Business Plan and Budget.
Proposed 21/22 Budget Allocation	Proposed prioritisation of \$1 million for events and festivals in 2021/22 with a further \$1 million in 2022/23.
Life of Project, Service, Initiative or (Expectancy of) Asset	Subject to Council decision, proposed funding for 2020/21, 2021/22 and 2022/23.
20/21 Budget Reconsideration (if applicable)	Subject to Council decision, seeking \$900,000 of funding for the identified support initiatives.
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Advocate the Government of South Australia for a city specific stimulus fund.

DISCUSSION

1. The effects of COVID-19 have been significant on businesses within the City of Adelaide (CoA) due to the reduced number of visitors (tourists and business conference attendees) and enforced safety measures as seen recently by the three-day lockdown enforced by the State Government.
2. The easing of restrictions effective 14 December 2020 should provide an economic boost to City businesses in the lead up to Christmas, a particularly important period for the retail and hospitality sectors. Nonetheless, Council has sought advice about additional effective measures that could be introduced to support our City traders.
3. With the CoA projecting a \$39 million deficit for the 2020-2021 financial year, the options provided in this report are primarily based on reprioritising expenditure already committed in this year's budget, or expenditure identified to be built into the 2021-2022 business plan and budget. This proposal balances the need for Council to achieve a surplus budget to ensure that the organisation is financially viable, with providing immediate relief and longer term, sustainable outcomes for impacted businesses in the City.
4. This report provides:
 - 4.1 Insights on device activity (giving an indication of the number of people in the city), office occupancy rates and opportunities for assistance by Council.
 - 4.2 Opportunities to reprioritise funding to assist businesses with initiatives to lower ongoing business costs.
 - 4.3 Assistance for city-based events to grow and expand.

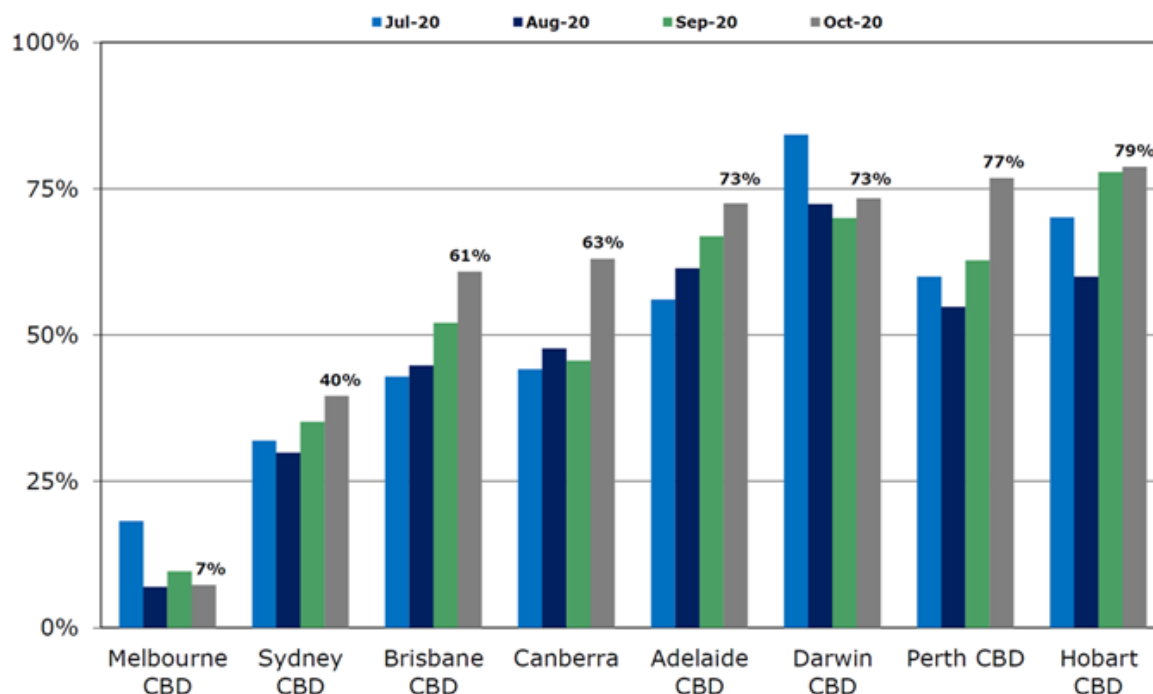
Research Insights

5. In April 2020, during the first wave of COVID-19, the number of devices detected daily across the City decreased up to 75% in comparison to April 2019. In November, and due to the second wave of COVID-19 cases, daily counts decreased again, reaching less than 20% of 2019 levels at its lowest day (due to the State lockdown).
6. The latest Property Council data (from July 2020) shows that office vacancies in Adelaide are sitting at 14.2%. The early stages of the COVID-19 pandemic has so far delivered only a modest effect on office vacancy rates across Australian CBD and non-CBD office markets. M3 Property also conducted an analysis on the Adelaide market and stated that "vacancy is expected to rise in the short term, however, the Adelaide CBD office market is potentially more insulated to sharp economic downturns than the eastern states due to the relatively low number of large corporate occupiers".

7. Data from the Property Council of Australia also shows that 73% of the Adelaide CBD workforce had returned to the office as of October 2020. The below figure provides a snapshot comparison of other capital cities in Australia and their office occupancy rate.



What is the current level of occupancy in office buildings compared to the pre-COVID period (%)?



8. Of the approximately 5,000 businesses in the CoA, small businesses (comprising less than 20 employees) make up 86%. The greatest number of CoA businesses are in the Accommodation and Food Services sector (over 1,000 businesses) followed by the Retail sector (nearly 900 businesses). These sectors also represent those most affected by the COVID-19 pandemic due to periods of closure and reduced foot traffic in the city.

Lower Operating Costs for Business

9. Energy costs can account for a significant percentage of the operating cost for a small business. Reducing energy bills will therefore greatly assist small businesses to manage in the current economic climate.
10. To assist small businesses with mitigating their energy costs, an energy assessment program is proposed as cost saving energy efficiency technologies and initiatives can have a significant and ongoing benefit for businesses who are currently experiencing budgetary constraints.
11. The recent CoA Business Insights Survey completed by 166 city businesses, of which over 80% were small businesses, found that 68% of these businesses would like to reduce energy costs and 58% would like to improve energy efficiency. In addition, 86% indicated a preference for support that provided rebates for sustainability technologies and actions.
12. Current programs offered by CoA that provide support to businesses for reducing energy consumption and associated carbon emissions (including CitySwitch, Building Upgrade Finance and the Carbon Neutral Adelaide Partners Program) can assist small businesses, however they are not tailored to the needs of the hospitality and retail sectors which are experiencing the most significant financial impact. Most programs are more relevant to office-based businesses.
13. The Sustainability Incentives Scheme caters for small business with rebates available for solar PV, energy storage, electric vehicle chargers, load control and rating tools, however these technologies and actions require significant upfront investment in addition to the rebate. The upfront cost is likely to present a barrier to some small businesses in the current economic climate where easy and inexpensive energy efficiency solutions are needed.
14. Acknowledging that small businesses need assistance with energy bills, the CoA is holding an online event called "Speed Date a Sustainability Expert" in March 2021 targeting small business. This event provides one-on-one advice to businesses on practical steps and action to reduce energy costs or answer questions about other sustainability initiatives as requested.

15. There are a number of State and Commonwealth government energy programs that service small business, but they are advisory services and do not offer on-site assessments or rebates (i.e. SA Energy Advisory Service and Commonwealth Business Energy Advisory Program).
16. The South Australian Retailer Energy Efficiency Scheme offers a limited range of discounted services and products to business with the focus on lighting upgrades to date. From 1 January 2021 a new scheme, to be called Retailer Energy Productivity Scheme, will include a broader range of discounts for energy efficiency applicable to some commercial businesses.
17. A gap in support to small businesses, particularly the hospitality and retail sector, is on-site energy assessments that provide targeted, easy and cost-effective recommendations on how to reduce energy costs including advice on implementation. Advice to policy makers indicates that small businesses need hands on support for energy efficiency as it is not core business and they have limited time and abilities to progress independently.
18. There are a number of interstate program examples to learn from. In particular, an ACT Government program offers small businesses with energy bills of up to \$25,000 per year, a free energy assessment with recommendations for improvements and a rebate of 50% of the cost of implementation up to \$5,000.
19. An initial cost estimate to implement a similar scheme to the ACT program in the CoA is \$800,000 per year. Based on previous experience, an energy assessment would cost between \$1,000 and \$2,500 per small business. A maximum rebate of up to \$5,000 could then be available to assist businesses to implement recommendations from their energy audit through an expanded Sustainability Incentive Scheme. Therefore, the cost of the new program, including the maximum rebate and free energy assessment, is estimated to be up to \$7,500 per business. For the service to be delivered to 100 business per year a project budget of approximately \$750,000 would be needed. In addition, a further \$50,000 would be required for resourcing to manage this program. Therefore, a total budget of \$800,000 would be required.
20. It is therefore proposed that a pilot of this program is undertaken for the remainder of the 2020-21 financial year. This will require a budget reprioritisation of approximately \$400,000 to cater for 50 businesses and support this initiative.

Summer Street Beats and Eats series

21. On the back of the successful Street Beats and Eats program, a follow-on Summer Street Beats and Eats program is proposed to generate footfall in underutilised parts of the city. Previously, the Street Beats and Eats series along with other music activations had been focussed on mainstreets, inner city locations and Rundle Street
22. The Street Beats and Eats series has shown how successful activations can assist the local hospitality industry, as seen with one local hotel operator is are now looking into its own music program (for slower nights of the week) after having experienced the benefit of live music/activations. The hotel operator also expressed their disappointment when the Street Beats and Eats program finished and asked for another one to be implemented as soon as possible.
23. The Summer Beats and Eats series is proposed to be broadened to include other pockets of the city, particularly on the south side of the City while also still incorporating the main streets, inner city and Rundle Street. The series would involve sponsoring and programming local artists to play outside different venues in the city during Friday lunch time, Friday night, Saturday night and Sunday afternoon for January, February and March 2021.
24. An expression of interest process is proposed allowing businesses from all areas of the city to register their interest and be part of the program.
25. The estimated cost of this project is \$100,000 and is funded through the SPLASH budget.

Festival and events

26. The event sector has been heavily affected by COVID-19 as restrictions have either meant a reduced number of patrons within event venues, or the postponement/cancellation of the event due to restrictions making it unviable for organisers.
27. The cancelling of an event, little or major, has a ripple effect as it not only impacts surrounding local businesses through reduced footfall, but it also impacts local suppliers.

Event Infrastructure Funding scheme

28. Council has already assisted some events in offsetting their costs through its decision on 14 July 2020 to create a Quick Response Fund from the redirection of unspent Events and Festivals Sponsorship funding as a result of cancellations. Eligibility for quick response funding includes:
- 28.1 Events/festivals already receiving Council sponsorship support to assist with additional costs incurred to deliver activities in-line with physical distancing requirements and restrictions.
 - 28.2 Not-for-profit event/festival organisers that did not meet the 20/21 Sponsorship Program funding round process and timelines.
 - 28.3 Commercial event/festival organisers operating on an expected profit basis whose financial viability may be impacted as a result of COVID-19.
29. There is an opportunity to develop a one-off event infrastructure support scheme. This scheme would provide further assistance to the event sector and the businesses that supply the infrastructure required to operate an event. This scheme would be available to events and festivals occurring in the City of Adelaide boundary to assist them with offsetting their hard costs such as generator hire, fencing hire, site huts etc.
30. A two tiered approach is suggested for this scheme to help incentivise different locations city wide. The tiers could include:
- 30.1 Existing events in the city.
 - 30.2 New events wanting to trial pilot sites in the city that currently have no infrastructure.
31. This tiered approach is suggested as it opens the grant up to existing events while also allowing new events to trial sites that are currently underutilised in the city. The activation of these sites will potentially increase footfall for businesses that are currently not receiving the same benefit that is seen in the East End. In having these events test these pilot sites, through receiving aid with infrastructure costs, Council is also able to determine the viability of these sites for future events and the potential for installing more permanent event infrastructure.
32. Funding is proposed for up to 50% of the infrastructure cost to a maximum grant of \$10,000 (excluding GST).
33. This scheme would be funded through the existing City Activation budget.

Sponsorship opportunities

- 34. Allocate \$1 million over two years for existing city-based events to grow and expand (eg SALA, Music in the Square, Umbrella Festival, Winter Warmers) to become city wide.
- 35. An addition \$1 million to be allocated over two years to support new festivals and events within the City of Adelaide. These new events and festivals are to have a strong focus as whole of city events that can be delivered to stimulate precincts and key hospitality strips. For example, a month-long Taste of Adelaide.

Tourism and partnership opportunities

- 36. The tourism and events sector has been hit hard by COVID-19. The South Australian Government has announced a further round of Great State Voucher offers and there is opportunity for CoA to leverage this offer to further support city accommodation businesses by providing additional financial assistance and promoting the Great State offer.
- 37. There is also opportunity to invest in and advocate for the Great State Voucher offer to be expanded to support city-based tourism experiences for example Adelaide Zoo, Adelaide Tree Climb, BBQ Buoys and restaurants and hotels. It is suggested that \$250,000 be reprioritised through the 2020/21 Quarter 2 Revised Forecast to support this initiative.

Digital Marketplace

- 38. Reprioritise through the 2020/21 Quarter 2 Revised Forecast \$250,000 to the Adelaide Economic Development Agency to design and implement a Digital Marketplace within the Agency's first quarter of operations. The Marketplace will provide all city business the opportunity to transact and promote their products or services direct to local, interstate or international consumers.

Advocacy

- 39. Advocate to the State Government for a city specific stimulus fund through the Capital City Committee given the expected delays in return of international flights and the time it will take for interstate tourism and international student numbers to return.

DATA AND SUPPORTING INFORMATION

Nil

ATTACHMENTS

Nil

- END OF REPORT -