

Report to the Future Melbourne Committee**Agenda item 6.5****City Activation Extended Outdoor Dining Program****4 May 2021****Presenter:** Ange Hann, Acting Program Director City Activation**Purpose and background**

1. The purpose of this report is to provide an economic analysis and overview of Extended Outdoor Dining program achievements October 2020 to March 2021, and to propose next steps for the future of the program.
2. The Extended Outdoor Dining program (the program) commenced in October 2020 as a key initiative to support Melbourne's hospitality industry to reopen and recover following crippling impacts on customer numbers and trade at the height of the COVID-19 pandemic.
3. Initially implemented as a six month program to 31 March 2021, on 16 February an extension was endorsed by the Future Melbourne Committee to 30 June 2021, providing participating businesses with much needed certainty as restrictions have eased and as they have continued to rebuild.
4. The current program is being delivered in partnership with the Victorian Government as part of the \$100 million Melbourne City Recovery Fund (MCRF).

Key issues

5. A comprehensive program evaluation, comprising economic analysis and sentiment research from permit holders, businesses and the community has found that;
 - 5.1. The program was successful in expanding the capacity of the food industry to cope with indoor dining restrictions, issuing over 850 additional outdoor dining permits, installing more than 200 parklets, and directly supporting over 650 businesses to trade on footpaths, in parks, promenades and in closed streets and laneways.
 - 5.2. Economic assessment indicated a range of positive results when looking at the benefit to the broader economy and its ability to generate income for a sector hit hard by the pandemic. Over 18,000 additional seats were estimated to have been created for cafes, restaurants and bars, and 75% of businesses surveyed indicated they had generated at least \$1,642 per week from extended outdoor dining.
 - 5.3. Business and community sentiment about the program has been overwhelmingly positive - for its demonstrated support for businesses and for its contribution to neighbourhoods. 88% of businesses surveyed think that the program has created a positive vibe, 96% of residents, workers, students and business owner/operators thought the program was a good addition to the city and 81% want the program to become a permanent fixture in the city.
6. The pace at which the program was developed and implemented necessitated the use and adaptation of existing systems and processes for administration and delivery. Existing events permitting processes were adapted, and standardised parklet designs and streamlined assessment processes enabled quick turnaround of over 900 new extended outdoor dining permits.
7. A survey of approximately 150 businesses who had been successful in applying for and gaining access to a parklet was undertaken January 2021 to gather information as to their utilisation and business impacts. 84.1% of respondents confirmed they had commenced using the parklet, 72.3% indicated being satisfied/very satisfied with the parklet, and 81% indicated it

having had a moderate or major effect on helping their business since it re-opened for dining after the period of severe restrictions.

8. The total estimated cost of implementing the program (October to March) was \$7,684,922. Taking into account financial contributions from State Government, the estimated cost to the City of Melbourne has been \$1,908,355. Program costs fall into three broad categories as follows:
 - 8.1. Infrastructure and maintenance: installation and rental of equipment and temporary barricades for parklets, rental of safety barriers, bollards and traffic management for laneways.
 - 8.2. Foregone parking revenue: during the initial six month program 384 on-street car parking spaces were converted to outdoor dining spaces, leading to the establishment of 201 parklets across the municipality. Over \$500,000 in footpath trading fees were waived, and an estimated \$1.9 million in potential revenue from paid parking meters (based on pre-COVID occupancy rates) and fines was foregone as a result of on-street parklets occupying these bays.
 - 8.3. Resourcing: assessment and administration of a high volume of additional outdoor dining applications, and ultimate approval and implementation of over 900 new permits has required the involvement of a large and diverse number of work areas from the cross the City of Melbourne. This includes the specialist Business Concierge team which has continued to play a vital role, acting as a central point of contact for business operators.
9. The program has played a valuable role in the economic recovery of the city, in its direct support of the hospitality sector throughout a time of significant disruption and uncertainty. It is estimated that 100 new jobs were created through the program between October to March, and that for every \$1 spent on the program there was a \$2.68 benefit to the broader economy.
10. As the hospitality industry continues its recovery from the impacts of COVID-19 on visitation and spend, consideration has been given to various opportunities and funding models to enable the extended outdoor dining program to continue beyond 30 June 2021. The original goal - to offer businesses an alternative to indoor dining at a time of crippling restrictions on patron numbers indoors, has been achieved, with the focus now shifting to how extended outdoor dining can support businesses to continue to recover, grow and to thrive as the city reinvents itself.
11. Identified opportunities to support successful program continuation and evolution include;
 - 11.1. The need to continue to invest in and advocate for support for hospitality businesses to enable business growth, development and financial sustainability.
 - 11.2. The establishment of a panel of preferred suppliers for the delivery of parklet infrastructure for use by businesses who wish to retain use of a parklet beyond 30 June. Engagement with current parklet permit holders will be required to transitioning to a user pays model from 1 July 2021, with businesses required to pay parklet infrastructure and maintenance costs going forward.
 - 11.3. The reintroduction of existing Outdoor Café fees from 1 July 2021 and introducing new outdoor dining fees for on-street parklets as part of the 2021-22 Annual Planning and Budget process. The proposed re-instatement of fees has considered the needs and interests of businesses with and without access to additional outdoor dining spaces. Considering impacts of the recent end of job keeper, still early stages of industry recovery, and the delayed return of international students and visitors to the city, fees will be proposed at an otherwise reduced rate, with the intention to revisit and scale up over coming years. 2021-22 fees would be proposed on the assumption that the City of

Melbourne would absorb approximately 75% of lost fee income from meters and other associated costs.

- 11.4. The cessation of quick turnaround laneway closure applications using event permitting processes and the integration of permits issued into the existing outdoor café permit process, for laneway locations where socket and sleeve bollards have been installed. Any applications for new laneway locations would need to follow the existing road closure process under the *Local Government Act 1989*.
- 11.5. Further streamlining of identified systems and processes for permitting, and consolidation with existing outdoor café program processes and guidelines for consistency and simplification of processes for applicants.
- 11.6. Continuing to closely monitor the need for and use of outdoor dining spaces, removing or otherwise addressing underutilised parklets, and responding to business needs as they arise.
- 11.7. Maintaining active communication and engagement with businesses, residents, workers and students with respect to the impacts and opportunities for extended outdoor dining in the city.

Recommendation from management

12. That the Future Melbourne Committee:
 - 12.1. Notes the ultimate success of the program and its significant achievements and positive outcomes, as demonstrated by the overwhelmingly positive stakeholder feedback received and valuable difference it has made to participating hospitality businesses, and for its active contribution to the economic recovery of the city.
 - 12.2. Notes Management's intention to establish a panel of approved parklet infrastructure suppliers and to effect the transition of parklet infrastructure and maintenance costs to businesses from 1 July 2021, for businesses seeking the continued use and benefits of access to extended outdoor dining spaces in the city.
 - 12.3. Notes Management's intention to propose new fees for extended outdoor dining (on-street) for Council endorsement as part of the Annual Plan and Budget process. These new fees will be proposed at a reduced rate in 2021-22, with the City of Melbourne absorbing approximately 75% of lost fee income from meters and other associated costs. Fees would be scaled up in subsequent years to achieve full cost recovery. The application of fees for Outdoor Café dining and Extended Outdoor Dining, if endorsed, would commence from 1 July 2021.
 - 12.4. Continues to advocate to State Government in order to secure additional financial support for hospitality businesses to ensure their continued ability to access available outdoor dining opportunities to support business growth and prosperity.

Supporting Attachment

Legal

1. No direct legal issues arise from the recommendation from management.

Finance

2. The current Extended Outdoor Dining program is being delivered in partnership with the Victorian Government as part of the initial \$100 million Melbourne City Recovery Fund (MCRF) established 2020-21.
3. Relevant fees and charges will be proposed for Council endorsement as part of the 2021-22 Annual plan and Budget process.
4. There are no direct financial implications resulting from this Management Report.

Conflict of interest

5. 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

6. The Extended Outdoor Dining program initially responded to the COVID-19 public health measures regarding social distancing requirements for indoor dining, providing outdoor spaces as an alternative to restricted use of indoor spaces.

An overarching risk assessment was undertaken relevant to the City Activation Program.

Throughout the course of the program, road safety assessment and audits have been undertaken to ensure all outdoor dining spaces created in parking spaces and other temporarily closed street and road spaces are designed and constructed to meet safety standards.

Stakeholder consultation

7. Stakeholder consultation has been undertaken as part of the Extended Outdoor Dining program evaluation, as indicated in this report. Consultation has been with hospitality businesses (with and without extended outdoor dining permits), and community members including residents, workers and students.

Targeted stakeholder engagement will continue to be undertaken where matters of concern are known, and will be managed on a case-by-case basis.

As part of the Extended Outdoor Dining Program engagement with resident groups is ongoing and will continue in line with any continuation of the program.

Relation to Council policy

8. The Extended Outdoor Dining Program is an initiative identified in the COVID-19 City Reactivation and Recovery Plan.

Environmental sustainability

9. In supporting and enabling the continuation of outdoor dining in the city, all efforts will continue to be made to consider, address or otherwise realise environmental sustainability issues and opportunities.