

Management report to Council**Agenda item 6.1****Review of intended re-introduction of outdoor dining and busking permit fees.****Council****Presenter:** Dean Robertson, Director City Safety, Security and Amenity**27 September 2022****Purpose and background**

1. Since October 2020, the Extended Outdoor Dining Program has supported Melbourne's hospitality industry to trade safely during the COVID-19 pandemic. In support of hospitality businesses and buskers, permit fees have been waived since the program commenced and during the continuing period of the pandemic. Approximately \$2.36 million worth of outdoor dining fees have been waived since October 2020.
2. At its meeting on 29 March 2022, Council gave businesses further respite and resolved to waive outdoor dining and busking fees until 31 October 2022 in recognition of the economic impact caused by the pandemic. Fee waivers have been considered part of the Council's contribution to the Melbourne City Revitalisation Fund (Revitalisation Fund) delivered in partnership with the Victorian Government. Further to this, Council requested management complete a review of the current economic conditions for City of Melbourne hospitality traders (as at 31 August 2022) and present a report at the 27 September Council meeting with recommendations on whether fees should be re-introduced from 1 November.
3. Council also resolved to continue to support temporary laneway closures with associated road closure infrastructure until 31 October 2022.
4. Fees from 1 November 2022 have been included in the 2022–23 financial year budget. The expected revenue from outdoor dining permit fees is \$750,000 and \$22,000 from busking fees.

Key issues

5. City economic data collected since April 2022 show promising signs of the city's recovery and indicates a strong justification to re-introduce outdoor dining fees. Refer Attachment 2. The fees were developed on a staged cost recovery model endorsed during the evaluation of the outdoor dining program in 2021. Refer Attachment 3.
6. The economic recovery in Docklands has been slower than the rest of the city and it is recommended that further support for 107 outdoor dining permit holders in Docklands is continued by waiving permit fees until 30 June 2023. This would result in \$34,000 revenue forgone.
7. Fees for outdoor dining on footpath areas are also intended to be reintroduced on 1 November. This will apply to approximately 1300 outdoor café permit holders (Refer Attachment 3). In rental comparison, the value of indoor rental space for restaurants and cafes in the central city ranges between \$577 and \$5000 per m², for Carlton, between \$446 and \$897 per m², North Melbourne between \$309 and \$555 per m² and Docklands from \$214 to \$1587 per m².
8. It is intended that existing temporary highly utilised laneways will transition to regular intermittent road closures managed by City Infrastructure from 1 November 2022.
9. The City of Melbourne is proud of its reputation for supporting lively street culture and greatly values the diversity of entertainment that buskers provide in the city. As foot traffic is variable during weekdays, it is intended that buskers are supported further by waiving permit fees until 30 June 2022 to attract even greater vibrancy and vitality on the streets of Melbourne. The resulting revenue forgone is \$22,000.
10. A free 'home food delivery' permit scheme was introduced during the pandemic to support hospitality businesses with free permits to enable take away / home delivery services. Management intends to cease this scheme for 294 businesses by 31 October 2022.
11. The re-introduction of fees for outdoor dining and cessation of food delivery permits will be communicated to permit holders.

Recommendation from management

12. That Council:
 - 12.1. Re-introduces parklet and outdoor dining fees from 1 November 2022 in all areas of the City of Melbourne except Docklands, realising revenue of up to \$716,000
 - 12.2. Introduces a payment plan program to consider hardship requests for permit fee payments
 - 12.3. Supports existing temporary highly utilised laneways being transitioned to regular intermittent road closures managed by City Infrastructure from 1 November 2022
 - 12.4. Provides continued support for outdoor dining permit holders in Docklands by waiving permit fees until 30 June 2023 resulting in \$34,000 revenue foregone
 - 12.5. Provides continued support for buskers by waiving busking permit and application fees until 30 June 2023 resulting in \$22,000 revenue foregone
 - 12.6. Ceases the home food delivery permit scheme by 31 October 2022.

Attachments:

1. Supporting Attachment (Page 3 of 8)
2. City Economic Data (Page 5 of 8)
3. Information on Outdoor Dining Fees and Fee Modelling (Page 7 of 8)

Supporting Attachment

Legal

1. The process for issuing permits is managed under the Activities Local Law 2019. Legal advice has and will continue to be provide on all aspects of the project.

Finance

2. If fees are re-introduced on 1 November, the expected revenue from outdoor dining permit fees across the municipality is \$750,000 and \$22,000 from busking fees. Any further revenue foregone past 1 November can be considered as part of the Council's contribution to the Revitalisation Fund.
3. Infrastructure costs involving the temporary closure of laneways with sleeve and bollard system and any miscellaneous costs has been funded through the Victorian Government contribution to the Revitalisation Fund until 1 November 2022. The transitioning of these laneways to being managed by City Infrastructure is at no additional cost to Council.
4. There are currently 167 parklets occupying approximately 300 parking bays, operating in the municipality (80 within the central city, 86 outside). If parklet fees are re-introduced, it is predicted that a number of traders may relinquish their parklets. The cost of removing abandoned parklets and reinstating the public realm is estimated to average approximately \$3500-\$3700 per bay and is not budgeted. These costs can be funded through the Revitalisation Fund. It is estimated that this may cost up to \$200,000. However, partial cost recovery will be achieved as road spaces associated with removed parklets will return to revenue generating parking.
5. It is expected that the additional loss of car parking revenue in order to extend the outdoor dining program for eight months would be approximately \$ 2,100,300. This estimate does not include potential revenue from parking fines. The best estimate for fines that could be attributed to 300 parking bays is \$163,591,55. The forgone revenue from parking fees and fines has been accounted for in the 2022–23 budget.
6. Jersey barriers are currently provided on hire through Citywide (via a third party contractor) and funded through the Revitalisation Fund. On average, parklets outside the central city attract a cost of approximately \$15 to \$25 per week for hiring Jersey barriers. There are approximately 103 jersey barriers in outer area parklets amounting to a cost of \$11,000 per month. These costs can be funded through the Revitalisation Fund until 30 June 2023. It is intended that hire costs are transferred to traders from 1 July 2023 via the introduction of a fee and charge, subject to Council Budget process in 2023–24.

Conflict of interest

7. 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

8. The Extended Outdoor Dining initiative responded directly to the COVID-19 public health measures regarding social distancing requirements. Density limits for indoor dining are no longer required but could be re-introduced if further outbreaks occur.
9. Throughout the course of the program, road safety assessment and audits have been undertaken to ensure all outdoor dining spaces created in the parking spaces and other temporarily closed roads are designed and constructed to meet safety standards.
10. The City Activation Program has benefitted from an overarching risk assessment, and appropriate measures have been established.

Stakeholder consultation

11. Proactive engagement with existing outdoor dining permit holders will be undertaken immediately following the determination of Council. On-going site audits and specific consultation will be conducted to ensure trader roles and responsibilities to maintain and clean parklets are reinforced.

Relation to Council policy

12. The proposal supports key priorities in the Council Plan 2021-2025 to ensure the city economy is stronger, resilient and fully recovered from the impacts of COVID-19. The Extended Outdoor Dining Program as an initiative identified in the COVID-19 City Reactivation and Recovery Plan and Council Plan Major Initiative 1: Continue to strengthen Melbourne's economic recovery.

Environmental sustainability

13. There is no significant impact on environmental sustainability arising from this report

CITY ECONOMY DATA MELBOURNE ACTIVITY SUMMARY (AS AT 31 AUGUST 2022)

PEDESTRIAN ACTIVITY

- August saw a decrease in monthly pedestrian activity across all six locations except North Melbourne, with decreases in monthly pedestrian counts at sensors located in Melbourne Central, Chinatown, Docklands, Southbank, and Lygon St. Monthly pedestrian activity has exceeded the pre-COVID 2019 level at Southbank since April 2022, with activity in August 2022 **up 13%**.
- All six sensors experienced a significant increase in activity since June 2021, and increased activity since December 2021, and activity steadying in the most recent few months.

VISITORS

- Hotel occupancy increased in July 2022, and was the highest result since the pandemic began. Hotel occupancy was **67%** in July, **up from 61%** in June. Domestic airport arrivals increased for June 2022 with almost 900,000 passengers, **at 94%** of the pre-COVID June 2019 numbers.
- Visitors accounted for over \$832 million of spending in July 2022, **up by 5%** or \$43 million from June. Adjusting for inflation, Visitor spend has exceeded pre-COVID levels for the last two months.
- International arrivals are increasing steadily with 210,000 international passengers arriving into Melbourne Airport during June 2022, **up 14%** from May 2022. International airport arrivals are sitting at half the pre-COVID June 2019 numbers (50%).

RETAIL

- Retail pedestrian activity has trended slightly upwards since January 2022, steadying in recent months since May, with pedestrian activity in August 2022 **at 63%** of pre-COVID activity, with pedestrian activity peaking on Saturdays.
- Retail spend **exceeded** pre-COVID levels **by 19%** (8% above in real dollars) in July and was \$353 million.

WORKERS

- Office workers were continuing to return to the city, with office occupancy on an upward trend since January 2022, however have decreased in July due to increasing COVID cases and a wave of flu infections.
- Office attendance in July has decreased, to 38%, **down from 49%** in June.
- Office attendance in June was at its highest point since the start of the pandemic. This was more than triple the February attendance when 15% of usual office workers attended the office.

NIGHT-TIME ECONOMY

- Night-time spend has exceeded the previous three years since March 2022, with increased spend in July slightly higher than night-time spending in June, **up by 6%**.
- Visitors continue to be the main driver of night-time spend within the City of Melbourne, **contributing 91%** to total night-time spend.
- Night time pedestrian activity has decreased slightly in the last month at key hospitality locations, with the exception of Chinatown where activity increased, while Southbank **exceeded pre-COVID levels by 31%** in August 2022.
- Night-time spend for July 2022 exceeded the previous three years, **up 28%** from the **pre-COVID June 2019 level** (in nominal dollars).

BUSINESS

- Seated dining bookings in Victoria decreased slightly between July and August 2022, with a downward trend in bookings following a peak in April. For August 2022, restaurant reservations across Victoria were on average **up 126%** on pre-COVID 2019 levels, and up significantly from 64% in June 2021.
- New hospitality business openings in the City of Melbourne since the start of 2022 have exceeded the previous three years, with a spike in new businesses in July and August. Since the start of 2022 (January to August 2022), there were **167** new hospitality business openings, with 41% of these opening in July and August, **up 24%** from **135** during the same time in 2019, **up 84%** from **91** during the same time in 2020, and **up 56%** from **107** during the same time in 2021.
- Shop front occupancy in the city has held in August **at 79%**, with a vacancy rate of 18%, and 3% of shopfronts under construction and/or refurbishment. North Melbourne, Melbourne CBD and Carlton had a vacancy rate of 17%, whilst Docklands had a vacancy rate of 29%. All four areas have improved significantly from October 2021.

STUDENTS

- The number of student visa holders has increased in July and August, and is currently almost 105,600, **up 5%** from four weeks prior, and 70% of the pre-COVID visa numbers.
- Chinese students have continued to increase, overtaking Indian students as the largest visa holder group (at 24%). This cohort has **increased by 4%** (an additional 1,000 students) compared to four weeks prior (25 July 2022).

FEES SUMMARY AND PRECINCT MODELLING

Table 1. Fees applicable from 1 November 2022

CATEGORY	\$Fee (per m ² /per annum)
<i>FOOTPATH</i> - CENTRAL CITY	\$72.20
<i>FOOTPATH</i> - OUTSIDE CENTRAL CITY & DOCKLANDS	\$16.60
* <i>PARKLET</i> - CENTRAL CITY	\$555.55 (Discounted 50% to \$278 per m ² /p.a to 30 June 2023)
* <i>PARKLET</i> - OUTSIDE CENTRAL CITY & DOCKLANDS	\$128.00 (Discounted 50% to \$64 per m ² /p.a to 30 June 2023)
APPLICATION FEES	
<i>PARKLET</i> application fee and renewal fee	\$600 flat fee p.a
<i>FOOTPATH</i> application fee and renewal fee	\$200 flat fee p.a
NON STANDARD PERMIT FEES	
Non-standard spaces (median strips, nature strips, reserves or other non-parklet spaces)	\$208 per m ² /p.a

**PARKLET FEES*

- **Central City** - From 1 November 2022, the proposed fee for operating a single parklet in the central city will be \$278 per m² per annum (approximately \$4000 per bay).
- **Outside Central City** – From 1 November 2022, the parklet fee outside the central city will be \$64 per m² per annum (approximately \$990 per bay).
- **50% Discount** - If fees are re-introduced 1 November 2022, Council will contribute 50 percent of the parklet fees in 2022–23. It is intended that these fees double in 2023–24 (subject to Council budget process).

Parklets occupy both revenue generating (metered) parking bay and non-metered parking bays. Metered parking rates also vary between inner city and outer city areas and differ between \$14,000 and \$5000 per annum per bay. Accordingly, parklet fees are based on an estimated average revenue base of \$8000 per annum per bay.

Table 2 Fee Modelling (examples of fee impacts by precinct)

Name of Restaurant	Address (Precinct)	No. of parklets	\$ Fee for parklet(s)	\$Fee for Footpath use	\$Application fee	TOTAL FEE p.a
Grossi Florentino - Bourke Street	<i>Central city</i>	2	\$7,588	\$2628	\$600+\$200	\$11,016
Seedling Café- Flinders Lane	<i>Central city</i>	1	\$2,902	\$632	\$600+\$200	\$4,334
Longrain – Lt Bourke	<i>Central city</i>	3	\$12,342	0	\$600	\$12,942
Bottega – Bourke Street	<i>Central city</i>	1	\$3,942	\$884	\$600+\$200	\$5,626
Lupino – Lt Collins Street	<i>Central city</i>	3	\$13,166	0	\$600+\$200	\$13,966
ASADO – Southbank	<i>Central city</i>	(on reserve)	\$27,000	134 m ² (reserve)	\$600	\$27,600
Billy Barrista Collins St	<i>Docklands</i>	0		\$464.8	+\$200	\$665
San Marzano Bourke St	<i>Docklands</i>	0		\$146.0	+\$200	\$346
O'Bento Southwark	<i>Docklands</i>	0		\$224	+\$200	\$424
Royal Standard Hotel – William St	<i>North Melbourne</i>	2	\$2,073	\$78	\$600+\$200	\$2951
Warung Angus – Victoria St	<i>North Melbourne</i>	2	\$2,210	\$114	\$600+\$200	\$3124
The Castle Hotel		on reserve 122 m ²		\$25,376 (reserve)	\$600	\$25,976
Tiamo 303 Lygon	Carlton	2	\$1,652	\$827	\$600+\$200	\$3279
Milk The Cow	Carlton	2	\$1,652	\$827	\$600+\$200	\$3279
Jimmy Watsons	Carlton	0	0	\$656	+\$200	\$856
Lagoon Dining	Carlton	1	\$924	\$265	+\$200	\$1389

AREA BASED FOOTPATH FEES

FOOTPATH - CENTRAL CITY	\$72.20/ m ²
FOOTPATH - OUTSIDE CENTRAL CITY & DOCKLANDS	\$16.60/ m ²
PARKLET - CENTRAL CITY	\$278.00/ m ²
PARKLET - OUTSIDE CENTRAL CITY & DOCKLANDS	\$64.00/ m ²

