

STRATEGY AND POLICY REVIEW COMMITTEE
2 MARCH 2009 **GOVERNANCE AND COMPLIANCE**

A5	CONSTRUCTION OF A CAFE AT SOUTH MELBOURNE MARKET
LOCATION/ADDRESS:	CECIL & YORK STREETS, SOUTH MELBOURNE
EXECUTIVE DIRECTOR:	DAVID YEOUART, DIRECTOR COMMUNITY ASSETS AND SERVICES
PREPARED BY:	CLAUDE BAXTER, MANAGER SOUTH MELBOURNE MARKET
FILE NO.:	
ATTACHMENTS:	[NONE]

1. PURPOSE

- The Cecil Street precinct of South Melbourne Market (SMM) requires funding for the construction of a café that will effectively become the strip's flagship and the Market's major frontage on its busiest corner.

2. RECOMMENDATION

- That the Strategy and Policy Review Committee recommend that Council resolve to:

Proceed with the evaluation of tenders for the construction of a café in stalls 101-103 of South Melbourne Market (located on the corner of York and Cecil Streets, South Melbourne) and that Council Management include the project in the shortlist of capital works projects for 2009-2010.

3. BACKGROUND AND CONTEXT

- The Cecil Street café precinct of SMM was an element of the capital works program (2005-2007) aimed at an upgrade of the Market to address compliance issues.
- The Cecil Street Precinct was developed as the 'fresh new face of the Market', responding to market research and were expected to trade beyond normal Market hours and days.
- Traders were advised that all of the retail trading area would be under cover but that outdoor café style seating areas would be located on the kerbside, under existing verandas or portable shade umbrellas (to be provided by stallholders).
- As part of the SMM Management Committee's articulated Cecil Street Implementation Plan and vision, South Melbourne Market's Cecil Street precinct was to offer the City's most unique and authentic market to table and take home food offer.
- The cafes on Cecil Street were to be primarily food oriented (with capacity for a small proportion of augmenting take-home products such as flowers, chocolate and uncooked

produce). The street had a range of cuisines that indicated a diversity of cultures. This mix was achieved through a tender process which helped ensure that Cecil Street became known for its key characteristics – fresh, prepared from market, produce, take-home and finish at home food. The cafes were awarded licences through a process under Tender No 0889.

- Stall 101-103 – the subject of this report – was outside the immediate raft of cafes to be awarded a licence and be constructed in 2006-2007.

However, the same tender process identified Claypots as a suitable licensee for stall 101-103.

Although there were, no funds available to provide a suitable shell, a letter was sent to Claypots (25 August 2006) offering a licence for the stall. The process, since then, has been protracted because; the Market has had no funds in the capital budget to complete a stall shell, to the same quality provided for all other stallholders in Cecil St.

4. CONSULTATION AND STAKEHOLDERS

- The SMM Management Committee is the primary stakeholder in the process. As a Section 86 Committee of Council, it has extensive powers to address a wide range of issues at the Market. The SMM Management Committee has addressed the issues around the development of stall 101-103 (which is located directly on the corner of York and Cecil Sts) on an almost running basis.

5. DISCUSSION

5.1 OPTIONS

- The Council has two main options:
 1. Proceed with the recommendation with a cost of \$300,000 but with the outcome of largely completing the vision set for Cecil St by the SMM Management Committee, thereby giving the precinct its best opportunity for success. (The completion of a display centre would be the only outstanding element.)

OR

2. Reject the recommendation, thereby leaving the SMM Management Committee in the situation of managing the site for an alternative use, leaving the most prominent corner of the Market (since the construction of the Spotlight centre) a relative eye-sore and leaving the Cecil St cafes below critical mass.

5.2 POLICY IMPLICATIONS

- There are understood to be no policy implications. Correct process has been followed in the identification of a licensee and in the specification and tendering of works.

5.3 FINANCE / RESOURCE IMPLICATIONS

- Tenders for the construction of the café have closed. Once they have been evaluated, a recommendation will be made to Council regarding the awarding of the contract.
- Council's financial contribution will be capped at \$300,000. The total project is expected to cost in excess of \$400,000 with the first \$100,000 and any sum beyond \$400,000 being paid by the licensee.
- Council's contribution is justified on three principle grounds:
 1. Without this café, Cecil St is likely to struggle to gain a critical mass sufficient to deliver on the vision for the precinct. The particular licensee is seen as being a perfect match for the Market's demographic and cultural objectives.
 2. Each of the other cafes had a shell provided. The exact value of the shell is difficult to quantify but the level of service (gas, water, power, exhaust, floor, walls etc) is similar. Without this shell, it is unlikely the Market could obtain a suitable licensee. It would also be inequitable compared with the other cafes that already enjoy the benefit of a shell.
 3. Each of the other café stallholders was offered a degree of licence relief, i.e. reduced fees. The proposed licensee for the new café does not seek fee relief.
- The contract should be awarded with a construction start date in June with construction due for completion inside four months. Council will need to allow for the project in the 2009-2010 Capital Works budget.

5.4 LEGAL & RISK IMPLICATIONS

- Claypots has been consulted, at various stages, throughout the process with respect of the licence (scope, menu and offer), a deed requiring financial contribution and specification of works.

It has also been necessary to consult with Claypots, in general terms, since the tender for construction closed, in order to ascertain whether or not Claypots remains in a position to pay for the works given the likely cost of construction. (This consultation has occurred in only general terms and only after the Council secured a confidentiality agreement signed by the Claypots proprietor, Renan Goksin.)

- Because it is proposed to conduct the works as a single construction contract, it is necessary to obtain a deed of agreement to ensure that the licensee pays the initial contribution before works commence and for there to be an agreement around further payments (in default of which all contributions are non-refundable). Such an agreement has been drafted by Council lawyers. Should the licensee default on his intention to commence operation, Council retains his initial contribution (\$100,000) and the asset which could then be licensed to an alternative operator.

5.6 SUSTAINABILITY ASSESSMENT

SOCIAL EQUITY

- The completion of the Cecil St café strip, which the recommendation would see occur, responds to market research identifying the need to provide a range of eating options for a broad demographic. In doing so, the cafes would contribute to offering services that go beyond food to cultural outcomes (with the proposed licensee intent on running regular music evenings for local artists). The Market seeks to define itself as a place where the residents can feel at home and not just attend when they have the need to shop. This café would add to the sense of inclusiveness. It would make a quiet part of York Street active seven days a week, making it a safer place for the wider community.

ECONOMIC VIABILITY

- The proposal will cost the Council \$300,000 but without this expenditure there is a concern that, the entire strip may not acquire the critical mass necessary for success.

Further, this strip aims to extend the Market's relevance to the community beyond the current four days it trades. The café would be licensed for seven days trade. Jobs will be created – many more than for a clothing or general merchandise shop, operating for four days.

ENVIRONMENTAL RESPONSIBILITY

- The proposal has only minor impact on environmental outcomes (which are being addressed elsewhere) beyond those that are fundamentally issues of ambience, making a 'dead' strip active and hospitable for seven days a week.

CULTURAL VITALITY

- The proposed café would have a significant contribution to the life of people in the area. Its menu is aimed to deliver both low price and high price options of healthy food. The food would be sourced, in the main, locally. Importantly, the licensee has a record of cultural contribution (see Claypots in Barkly Street St Kilda) which he aims to replicate at SMM.

6. IMPLEMENTATION STRATEGY

6.1 TIMELINE

- The tenders for the construction of the café closed on Friday 6 February 2009. They will be evaluated and presented to Council in April as a Confidential, Supplementary Report.

6.2 COMMUNICATION

- A decision by Council to continue with the project will be a major fillip to the stallholders at the Market. It will be broadcast through a Market newsletter, using the Market's new e-news (to residents and shoppers) and through DiverCity. This is big news for the Market.