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Cost benefit analysis of Renew Adelaide

Renew Adelaide

2018

Deloitte Access Economics

Contents

Executive summary

South Australia's economic performance has improved in recent times, but there remain signs of an economy in transition – with 'for lease' signs common across Adelaide, even as office vacancy rates decrease[1] and business confidence improves.[2]

Renew Adelaide launched in 2010 after seeing opportunity in empty shopfronts across the city. Renew Adelaide acts as an intermediary between landlords and new enterprises, organising to utilise vacant commercial property on a short-term rent-free rolling licence. Entrepreneurs can test their new idea in commercial premises with the ability to fail safely and without the initial commitment of a fixed lease, while also activating buildings and precincts across Adelaide.

Renew Adelaide engaged Deloitte Access Economics to undertake a cost-benefit analysis of its program in the 2017-18 financial year – which involves quantifying the benefits of Renew Adelaide compared to the cost of its operations. This report also considers the other economic, cultural and social benefits of Renew Adelaide in qualitative terms.

Cost-benefit analysis

Renew Adelaide facilitated the activation of over 2,200 square metres in vacant space in 2017-18 across Adelaide's CBD, North Adelaide and Port Adelaide, with 53 businesses accessing its support in this financial year. When Deloitte Access Economics undertook a similar study in 2015, 27 businesses were supported over a two-year period – demonstrating Renew Adelaide's increased impact.

The quantified **benefits** of Renew Adelaide are centred on the opportunity provided to entrepreneurs to start a business. Enterprises directly contribute to South Australia's economy – by employing South Australians and paying wages, with many projects also turning over a profit for their owners. In addition, landlords may also benefit from new income where the Renew Adelaide project graduates to a commercial lease. Without Renew Adelaide's support – whether it be the rent-free term, marketing support or the exposure associated with commercial premises – 90 per cent of surveyed projects agreed they would have been less likely to invest in or grow their businesses.

Deloitte Access Economics quantified the benefits of Renew Adelaide by surveying both businesses and property owners who benefited from the program in 2017-18. The analysis considered both the profits and wages earned in the current financial year, as well as those in future years for those enterprises which had converted to a commercial lease – estimated to be worth $1.9 million. Property owners who attributed their lease to Renew Adelaide also earned $0.6 million in rental income, including future income over the duration of the lease.

The primary **cost** of Renew Adelaide is the cost of funding its operations, supported by the Adelaide City Council and the South Australian Government. In 2017-18, Renew Adelaide received $0.6 million from these organisations. There is an opportunity cost associated with this funding, as alternative programs may also generate benefits.

Renew Adelaide's operations led to a total net benefit of $1,868,000 in 2017-18, resulting in a **benefit-cost ratio** of 3.9. This compares to a ratio of 2.4 across 2012-13 and 2014-15, illustrating the growth of the program – although noting that the previous analysis was based upon a lower response rate of participating businesses.

Renew Adelaide's operations led to a total net benefit of $1.9 million in 2017-18, resulting in a benefit-cost ratio of 3.9

Table i: Summary of costs and benefits of Renew Adelaide

	2017-18
Benefits	
Enterprise profits and wages	$1,922,000
Commercial property income	$592,000
Total benefits	**$2,514,000**
Costs	
Funding	$647,000
Total costs	**$647,000**
Net benefit	**$1,868,000**
Benefit-cost ratio	**3.9**

Note: Columns or rows in table may not sum due to rounding

Source: Deloitte Access Economics

Economic, social and cultural benefits

The benefits of Renew Adelaide's program are not entirely monetised. Many other economic, cultural, and social benefits are attributable to its activities, through supporting entrepreneurs and activating the city. The benefits are categorised as broadly:

- People and place
- Consumer and social benefits
- Innovation and productivity.

By installing new businesses into previously vacant buildings, Renew Adelaide supports urban renewal and activation in Adelaide and Port Adelaide. This leads to a number of flow-on effects for people in Adelaide – from attracting creative human capital to helping inexperienced entrepreneurs access the market – as well as place, such as increasing patronage for surrounding businesses in Regent Arcade and mitigating urban blight in Topham Mall. These flow-on effects ultimately contribute towards reframing Adelaide and South Australia's cultural identity.

Individuals also gain value from consuming the increased range of products and services produced by Renew Adelaide projects. Renew Adelaide specifically targets creative or innovative project ideas, as well as projects with uniquely South Australian elements. More broadly, South Australian society also benefits from Renew Adelaide's work, from the personal and professional skills gained by Renew Adelaide volunteers, as well as the social enterprises it supports.

Finally, Renew Adelaide sponsors knowledge and innovation gains in the South Australian economy by supporting creative and innovative individuals and enterprises. For example, clustering of creative firms can lead to productivity gains through knowledge transfers, as seen in start-up incubators such as Moonshine Laboratory, as well as enabling firms to draw on a concentration of skilled workers.

Ultimately, through supporting the creation and expansion of innovative enterprises, Renew Adelaide is not only helping revitalise infrastructure but also Adelaide's social and cultural identity, encouraging people to stay in Adelaide to live and work, while making the city a more exciting place for residents and visitors alike.

1 Background

1.1 Purpose and scope of report

The commercial vacancy rate in Adelaide's CBD remains the second highest across Australia, reflecting the challenges in a state undergoing economic transition – not to mention the hollowing out of the corporate sector in the 1990s.[3] There are 210,000 square metres of empty office space in the CBD, with much of that secondary grade accommodation.[4]

The physical appearance of 'for lease' signs and empty shopfronts contribute to the perception that Adelaide isn't the right place to open a business, invest or begin a career. Some of South Australia's greatest challenges relate to these perceptions, with thousands of young people leaving the state each year.

Renew Adelaide launched in 2010 after seeing opportunity in empty shopfronts across the city. Renew Adelaide acts as an intermediary between landlords and new enterprises, organising to utilise vacant commercial property on a short-term, rent-free rolling licence.

Renew Adelaide facilitated the activation of around 2,200 square metres in vacant space in 2017-18 across Adelaide's CBD, North Adelaide and Port Adelaide, with 53 businesses benefiting from its support in this financial year. Since the program began in 2010, 44 businesses have graduated to a commercial lease – meaning they now pay rent, benefiting both landlords and those employed across the business. Renew Adelaide supports a diverse range of projects producing an equally diverse range of goods and services, from coffee shops to art galleries, fashion stores to collaborative workplaces, small bars and performance studios.

Renew Adelaide engaged Deloitte Access Economics to undertake a cost-benefit analysis of the program in the 2017-18 financial year – which involves quantifying the benefits of Renew Adelaide compared to the cost of its operations. This report also considers the other economic, cultural and social benefits of Renew Adelaide in qualitative terms.

The remainder of the report is structured as follows:

- Chapter 1 explains the Renew Adelaide program, outlining how Renew Adelaide works for landlords and tenants
- Chapter 2 quantifies certain costs and benefits of Renew Adelaide
- Chapter 3 describes its economic, cultural and social benefits which can't be captured in dollar terms.

1.2 About Renew Adelaide

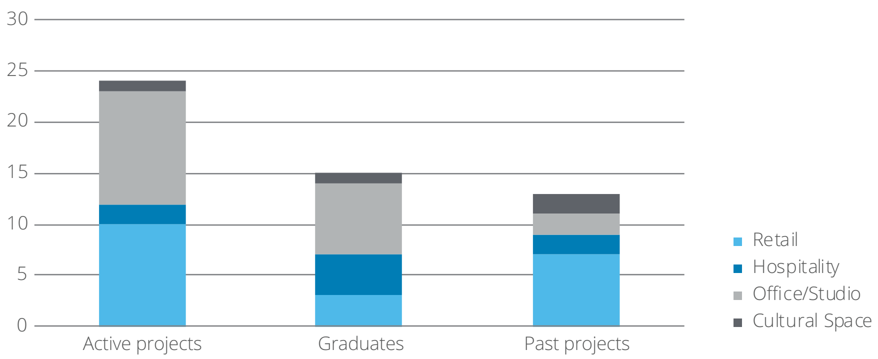
Renew Adelaide acts as an intermediary between property owners with long-term vacancies and entrepreneurs who want to expand their enterprise or test a new business idea. Property owners register their interest with Renew Adelaide to offer a space, with projects applying for available properties through Renew Adelaide.

In curating projects for each vacant tenancy, Renew Adelaide targets creative or innovative enterprises, generally across retail, hospitality and studio or shared spaces. Projects frequently feature unique concepts not otherwise on the market. This ensures that Renew Adelaide projects do not directly compete with commercial tenants in the surrounding area, but rather complement those businesses and the aesthetic of the precinct. An enterprise is also more likely to be recommended if they suit the property strategy.

The projects selected by landlords operate under a rent-free licence on a rolling 30-day basis, which ends if a commercial tenant leases the property. The potential short-term nature of the licence means that Renew Adelaide encourages projects to take a creative and low-capital approach to fit out. Renew Adelaide also assists with minor capital investments required to lift tenancies up to required standards. The program further provides legal, insurance, business and marketing assistance for entrepreneurs.

Some Renew Adelaide projects are designed to be short-term activations, working with development sites or vacancies for a determined period between commercial tenants. However, many projects 'graduate' and move on to longer-term commercial leases. A project is more likely to graduate when the applicant already has a commitment to a long-term tenancy with a sound business model and plan, but needs to test the idea in market. The division of active, graduated and past projects supported or launched by Renew Adelaide in 2017-18 is shown in Chart 1.1.

Chart 1.1: Number of projects supported by Renew Adelaide as at 30 June 2018



Source: Renew Adelaide

2 Cost benefit analysis

Renew Adelaide generated $1.9 million in net benefits in 2017-18, resulting in a benefit-cost ratio of 3.9

Arguably, the most important benefit of Renew Adelaide is the opportunity provided to entrepreneurs who may not otherwise be able to test their business idea in commercial premises. Provided the project earns an income, it directly contributes to South Australia's economy – by employing South Australians and paying wages, with many projects also turning over a profit for their owners. In addition, landlords may also benefit from new income where the Renew Adelaide project graduates to a commercial lease.

Of course, there are other economic benefits which are not quantified in this chapter – such as the value of exports when Renew Adelaide businesses sell goods and services interstate or overseas, for example. There are also social and cultural benefits which could theoretically be quantified and contribute to the benefit-cost ratio, but sufficient data was not available to do so. These benefits are described qualitatively in Chapter 3.

2.1 Methodology

This cost-benefit analysis compares a scenario where the Renew Adelaide program exists, compared to a counterfactual where it does not. The analysis considers the costs and benefits that can reasonably be attributed to Renew Adelaide's current activities in supporting creative enterprises in South Australia, and which can be monetised. Benefits which cannot be monetised are considered in Chapter 3.

For this report, Deloitte Access Economics fielded a survey with all projects supported or launched by Renew Adelaide in 2017-18 to estimate the benefits provided to creative enterprises, as well as surveying property owners. As only 30 of 53 enterprises responded, the quantified benefits are likely conservative, as the figures presented only reflect those enterprises' results. At the same time, it needs to be recognised that the funding provided to Renew Adelaide could have been used for other programs which also deliver benefits.

The benefits estimates can be weighed up against the costs of funding and running the Renew Adelaide program, producing a benefit-cost ratio – an indicator of the extent to which the benefits of Renew Adelaide outweigh its costs.

Our methodology is further described in Appendix A.

2.2 Benefits

2.2.1 Benefits for creative enterprises

Renew Adelaide enables entrepreneurs to open or expand their business in commercial premises under a 30-day rent-free rolling licence. Renew Adelaide negotiates a head lease with the property owner, before entering into a sub-licence with the creative enterprise. A total of 53 businesses were supported by Renew Adelaide in 2017-18, either launching in this financial year, or operating under a rent-free licence agreed to in an earlier year. Renew Adelaide supports job creation across Adelaide by incentivising entrepreneurial business activity, whether on a pop-up or long-term basis.

If Renew Adelaide did not exist, it is likely that the businesses it supports would not be operational, would operate at a reduced capacity, or with a lower chance of success at a different location. Indeed, in the survey fielded with Renew Adelaide projects, all respondents agreed that the Renew Adelaide program played an important role in allowing them to grow and develop their business, while 90 per cent agreed that they would have been less likely to invest in or grow their business without the involvement of Renew Adelaide.

Deloitte Access Economics has assumed that in the absence of Renew Adelaide, the enterprises it supported in 2017-18 would not have been operational. This is based on the assumption that access to commercial property in key precincts across Adelaide provides exposure to the general public, allows businesses to test ideas with customers without paying commercial rents, and for office-based enterprises, provides a CBD location to meet and collaborate with clients.

The measurable benefits of creative enterprises operating include the wages they pay to their staff and the profits accruing to their owners, measured according to survey data. As only the profits and wages of respondents have been included, the figures shown in Table 2.1 may represent an under-estimate of the true benefit to enterprises. However, this may be somewhat offset by the potential inclusion of profits and wages which would have existed even in the absence of Renew Adelaide.

Table 2.1: Profits and wages of enterprises in 2017-18

	2017-18
Profits	$362,000
Wages	$1,215,000
Total	**$1,577,000**

Source: Deloitte Access Economics

In addition, businesses supported by Renew Adelaide in 2017-18 do not cease to exist at the end of that year; rather, many continue on, either with Renew Adelaide's support or paying commercial rents. To measure this benefit, Deloitte Access Economics has estimated the future profits and wages of projects supported by Renew Adelaide (see Appendix A for a description of the methodology). Only those enterprises which have entered into a commercial lease have been included, and their profits and wages for the duration of the lease. While this represents a conservative approach, the existence of an agreement infers a degree of continuity in the project. The total value of future profits and wages is estimated to be $345,000 in 2017-18 dollars, discounted by 7 per cent to reflect the present value of the benefits.[5]

Table 2.2: Profits and wages of enterprises in future years

	2018-19	2019-20	Total
Profits	$118,000	$59,000	$178,000
Wages	$142,000	$26,000	$167,000
Total	**$260,000**	**$85,000**	**$345,000**

Source: Deloitte Access Economics

2.2.2 Benefits for property owners

Some Renew Adelaide projects occupying premises under the 30-day rent-free model 'graduate' to paid leases under regular commercial terms. These new leases provide rental income to property owners that they might not otherwise have earned – with many properties vacant for an extended period of time before being offered through Renew Adelaide. One property offered in 2017-18 had been vacant for over ten years before a Renew Adelaide project moved in and then subsequently took up a commercial lease.

Deloitte Access Economics surveyed property owners as to letting rates and the duration of the lease, as well as whether they would consider the lease attributable to Renew Adelaide. The total income to commercial property owners over the next five years is expected to be $592,000 in 2017-18 dollars, discounted to reflect the present value of the benefit.

Table 2.3: Income to commercial property owners in current and future years

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Commercial leasing income	$127,000	$190,000	$132,000	$82,000	$31,000	$29,000	**$592,000**

Note: Columns or rows in table may not sum due to rounding

Source: Deloitte Access Economics

Commercial property owners also benefit from other aspects of Renew Adelaide's activities, including minor capital works (to lift properties to a minimum standard) in some cases, as well as avoiding the potential costs of a vacant property. Occupied or leased tenancies may also result in increased property values, flowing through to increased rates or taxes paid to governments over time.

In addition, nearby property owners may benefit from increased activation of the surrounding area due to increased foot traffic from the Renew Adelaide project. This may contribute to favourable outcomes for those property owners.

2.3 Costs

The primary cost of Renew Adelaide is the cost of funding its operations, supported by the Adelaide City Council, the Department of Premier and Cabinet, and RenewalSA. In 2017-18, Renew Adelaide received $646,699 from these three organisations. Governments have a wide range of options for how they choose to invest public funds. Each of these potential choices involve trade-offs about the economic and social benefits of different programs, and the act of raising taxation imposes costs on the economy. As a result, the benefits of programs like Renew Adelaide should be viewed in the light of alternative uses.

There are also other potential costs that aren't directly quantifiable. For example, property owners who offer their premises through Renew Adelaide theoretically face an opportunity cost in doing so, in forgoing rent they might have earned by leaving their properties vacant and finding paying commercial tenants. However, the commercial rent actually foregone at the expense of Renew Adelaide tenants is likely negligible, as properties available through Renew Adelaide have typically been vacant for an extended period of time. Further, the temporary nature of the rolling 30-day licence means no more than a month's commercial rent is foregone.

Renew Adelaide projects may also compete with nearby, rent-paying tenants – and with an advantage under the rent-free licence model. However, Renew Adelaide and landlords take care when selecting enterprises to ensure they are not directly competing with nearby businesses. In addition, the net effects of competition on the economy are positive – competition promotes innovation and drives efficiencies in the allocation of resources, thereby reducing prices for consumers and delivering new and different products.

2.4 Summary

The quantified benefits and costs associated with Renew Adelaide's activities are summarised in Table 2.4.

Renew Adelaide's operations led to a total net benefit of $1,868,000 in 2017-18, resulting in a benefit-cost ratio of 3.9. This means that every dollar provided to Renew Adelaide led to $3.90 in benefits in 2017-18.

The figures in Table 2.4 provide a lower bound estimate, given that the benefits have only been quantified for a sample of the creative enterprises supported by Renew Adelaide. This compares to a ratio of 2.4 across 2012-13 and 2014-15, illustrating the growth of the program – although noting that the previous analysis was based upon a lower response rate of participating businesses.

Table 2.4: Summary of costs and benefits of Renew Adelaide

	2017-18
Benefits	
Enterprise profits and wages	$1,922,000
Commercial property income	$592,000
Total benefits	**$2,514,000**
Costs	
Funding	$647,000
Total costs	**$647,000**
Net benefit	**$1,868,000**
Benefit-cost ratio	**3.9**

Note: Columns or rows in table may not sum due to rounding

Source: Deloitte Access Economics

3 Economic, social and cultural benefits of Renew Adelaide

The benefits of Renew Adelaide's program do not necessarily lie in a single dollar value. Many other economic, cultural, and social benefits are attributable to its activities, through supporting entrepreneurs and activating the city.

These benefits are outlined in this chapter, supported by four case studies completed with a property owner and Renew Adelaide projects. The benefits are categorised in the following sections:

- People and place
- Consumer and social benefits
- Innovation and productivity.

3.1 People and place

Urban renewal and activation have a number of associated or flow-on benefits for both people (including visitors and residents) as well as the place itself. Renew Adelaide projects range from renewing dis-used basements (such as Hellbound) to activating arcades (Regent Arcade) or entire precincts (Port Adelaide).

3.1.1 Increased patronage and urban revitalisation

The aesthetic of a place can change how consumers and businesses behave there.[6] Using a case study in Philadelphia, Kraut found that vacant and neglected shopfronts and buildings are not only visually unappealing, but also create an atmosphere of an absence of economic and social activity – feeding lower business confidence and potentially discouraging new activity or investment in that area.[7]

Projects supported by Renew Adelaide not only deliver benefits for their owners and employees, but may increase patronage and therefore income in surrounding businesses as well. A new Renew-sponsored business can bring foot traffic back into a neglected street or precinct, increasing the frequency or duration of stay for surrounding businesses. For example, in the case of shopping centres or malls, Kees and Heller posit that a new retail store may become a 'destination' for visitors, revitalising shopping trends and consumer patterns there.[8] In a study of the process of gentrification in Toronto, Montreal, and Vancouver, Ley also found that new tenants can help remove the stigma that attaches to disused urban spaces.[9] In his study of Renew Adelaide's projects, Scott further emphasises that this is especially true where those projects include creative or innovative elements, feeding an aesthetic of a creative 'buzz' and revitalised character for the location.[10] The place-making effects of Renew Adelaide also may contribute to attracting tourists to Adelaide by creating cultural drawcards such as boutique shopping, unique art installations, and gourmet food and wine experiences. These projects also influence how visitors (and residents) experience Adelaide, and how that experience is described afterwards.

A key example of Renew Adelaide's effect in a precinct is that of Regent Arcade, detailed in the case study to the right.

A new Renew-sponsored business can bring foot traffic back into a neglected street or precinct, increasing the frequency or duration of stay for surrounding businesses.

Case study: Regent Arcade

Ginos Group offers an alternate perspective of Renew Adelaide's work – that of a property owner. Renew Adelaide first approached Regent Arcade in 2014 with an offer to activate one tenancy, but demand was sufficient to launch six projects throughout the precinct. Today, four Renew graduates hold commercial leases in Regent Arcade, with one current tenancy offered through a rent-free lease.

The diversity of the initial six Renew Adelaide businesses – some of which are still in Regent Arcade today - injected more diverse customer foot traffic into the precinct. New offerings provided something relevant for demographics which weren't previously catered for, encouraging people to stop and browse rather than use the Arcade as a convenient thoroughfare. Many projects focus on locally made or creative products; given the need to complement but not directly compete with existing businesses in the Arcade, Renew Adelaide curated projects to fit with the aesthetic and existing distribution of businesses.

Ginos Group noted how creative and entrepreneurial projects often took new approaches to retail, demonstrating the potential for small retailers to adapt to a changing business environment. For example, many Renew projects leverage complementary online offerings or click and collect services, providing consumers with convenient options that convert to foot traffic in-store.

Together with Ginos Group's new approach to food and beverage in Regent Arcade, the Renew Adelaide program has seen a transformation of the retail precinct into one that is lively and appeals to a range of customers. This illustrates the role Renew Adelaide can play for property owners by connecting interested projects with empty spaces, while providing entrepreneurs with a chance to test an idea to a new audience.

3.1.2 Mitigating blight

By filling vacant spaces, Renew Adelaide has also helped mitigate urban decay, or blight, of some of Adelaide's urban infrastructure. Blight occurs where a previously busy region falls into neglect or disrepair through a lack of activity. In a study of abandoned buildings in Austin, Spelman found that the combination of limited street activity and an abundance of empty spaces means the location is more likely to suffer from increased criminal activity and vandalism,[11] which may then lead to a deterioration of local building stock.[12]

Renew Adelaide's activities mitigate blight not only through increasing foot traffic in certain precincts, but also through its minor capital works to ensure buildings meet required standards.

3.1.3 Attracting entrepreneurs and creative capital

The appearance of vitality or malaise in a city plays a crucial role in encouraging or discouraging people to visit, work or live there.[13] Entrepreneurs in particular will seek out a low-risk business environment to pursue their ideas, and are attracted to working within 'clusters' of similar-minded people.[14] South Australia has struggled to retain and attract young people and entrepreneurs, as the appearance of empty shopfronts – and the economic conditions and lack of risk-taking they signify – encourage creative people to pursue their ideas interstate.

Renew Adelaide plays a vital role in providing opportunities for entrepreneurs to test their ideas in a lower-risk environment than what may be found elsewhere – potentially contributing to a decision to live in Adelaide. Renew Adelaide's model allows for entrepreneurs to test their new idea in commercial premises with the ability to fail safely, and without the initial commitment of a fixed lease. The establishment of 'creative hubs' within the CBD and Port Adelaide may then attract more intellectual and creative capital over time, as has occurred in Regent Arcade.

Figure 3.1: Traditional and social media engagement of Renew Adelaide

11,500 followers on Facebook

17,100 followers on Instagram

5,000 followers on Twitter

60 news articles published (print)

Source: Renew Adelaide

Cult and Harper by Jennifer Sando

3.1.4 Helping inexperienced entrepreneurs access the market

While creative individuals may have the right ideas for a profitable new enterprise, they may often lack the funds or experience required to take on the substantial financial risk of signing a lease or undertaking major capital works. Renew Adelaide offers such individuals a low-risk opportunity to try their idea – many participants noted the importance of Renew Adelaide's assistance in legal, insurance, and building permit matters in setting up their business.

In the survey undertaken by Deloitte Access Economics, a number of respondents also highlighted the importance of Renew Adelaide's marketing efforts in contributing to their success – from throwing a launch party and finding their first customers, to ongoing support and reach through Renew's social media channels.

Renew Adelaide can help a new or existing project reach a wider audience of potential customers, having generated thousands of 'likes' and clicks over their social media channels and features in print in 2017-18, as shown in Figure 3.1. Renew Adelaide's media not only benefits individual projects, but also landlords – whose properties receive exposure through these mediums – potentially leading to better leasing outcomes. Articles and posts may generate interest in new or lesser-known precincts across Adelaide, or new offerings within those precincts.

La Popular Taqueria, before renovation

La Popular Taqueria, after renovation by Zezette Lindqvist

Case study: La Popular Taqueria

La Popular Taqueria isn't a typical Mexican restaurant in suburban Adelaide: owner Daniella Guevara sought to introduce Australians to authentic Mexican food, rather than the Tex-Mex often found in establishments across Australia. Located in Port Adelaide, Daniella and her husband make tortillas and other Mexican dishes from scratch, with recipes directly from her home in Mexico.

Daniella originally trained as a marine biologist. Working across Mexico and Queensland before arriving in Adelaide in 2013, Daniella realised that sharing authentic Mexican food was her passion. Without any training as a chef, she hosted monthly Mexican dinners in her suburban Adelaide home for four years while still working her day job at a local university. These dinners were successful and often booked out, but Daniella felt unable to take on the risk and cost to open a proper restaurant. Authentic Mexican food was new to Adelaide at the time, and Daniella lacked any previous business or hospitality experience.

Working with Renew Adelaide allowed Daniella to take the risk and open La Popular Taqueria – expanding upon a proven concept and learning the ropes of a business. After finding an appropriate location, Renew assisted Daniella with some of the fit out costs – which were substantial in the heritage premises – and also helped her navigate council building permits and the liquor licensing application. Today, La Popular Taqueria is a graduate of Renew Adelaide, having signed a commercial lease after 12 months of operation. The restaurant already has a customer base within the Port Adelaide community and beyond, with an in-flight magazine feature boosting the restaurant's profile nationally.

Daniella is passionate about giving back to the Port Adelaide community, and works with the Port Adelaide Guide - Business Support Group to help other businesses succeed in an ever-changing environment. While many shopfronts still lie empty, Daniella is confident that the community will continue to expand and strengthen, with small businesses set to benefit in the future.

This sentiment is shared by the landlord Nadine, whose property was vacant for ten years prior to La Popular Taqueria. With the foot traffic generated by Daniella's business, the shop next door was also leased, and Nadine's agent reports increased enquiries for other tenancies in the area. Nadine noted the importance of choosing the right fit for Port Adelaide – with La Popular Taqueria and its fit out now setting a standard at the Port.

3.2 Consumer and social benefits

People who purchase the products and services offered by Renew Adelaide projects obtain value from doing so. This value is often captured by the transactional value of the exchange, but may be greater if the actual price paid is less than what the consumer would have been willing and able to pay. Individuals therefore benefit from Renew Adelaide through their consumption of Renew Adelaide stores' products and services.

Renew Adelaide also plays a role in diversifying product choice for consumers. By explicitly targeting creative and unique projects, Renew Adelaide facilitates the production of niche and boutique products. For example, in fashion retail consumers worldwide are increasingly demanding independent and boutique options as opposed to the 'fast fashion' of larger brands.[15] This trend is reflected in the diversity and originality of many of the fashion retail stores supported by Renew Adelaide, from unique vintage stores to handmade contemporary jewellery and locally designed, ethically made fashion.

Renew Adelaide's program also gives value to non-consumers, termed non-use value.[16] This is a broad concept that includes the value individuals put on the existence of more options for consumption, and the vibrancy these enterprises contribute to Adelaide's lifestyle.

As Renew Adelaide was launched in 2010 through hours of volunteer work, the benefits of volunteers to Renew Adelaide are clear – with its current Board all providing their expertise in volunteer positions. However, volunteers also accrue personal benefits from working with Renew Adelaide and the projects they support. A South Australian Government study found that local volunteers often report increased technical and interpersonal skills development, as well as obtaining networking opportunities.[17] These can be valuable assets for volunteers' personal development and future employability.[18] Enterprises responding to Deloitte Access Economics' survey reported 9,500 hours of volunteer time donated to their businesses in 2017-18.

Hellbound, before renovation

Hellbound, after renovation by May Media

Case study: Hellbound

Hellbound is a basement wine bar located on Rundle Street, its curated wine list the result of owners Mark Reginato and Louis Schofield's combined experience in hospitality, wine retail and winemaking. A classic Renew Adelaide project, Mark and Louis realised their vision for Hellbound with a minimal intervention approach to the heritage site. Dormant for years and once filled with rubbish, the renewed decor is rustic, with stone walls and stripped-back floors giving the bar an air of permanence – an organic extension of the East End's bar culture.

However, Hellbound was only intended to be a Fringe pop-up bar. That changed when Mark and Louis realised the significant costs required to renovate the site, meaning it wouldn't be feasible as a short-term proposition. As a result, Renew Adelaide together with Mark and Louis were able to negotiate a longer subsidised lease with the landlord – making the investment worthwhile. The toilets required for the small venue licence were installed with assistance from Renew Adelaide, while Mark and Louis also built the bar from scratch and fit out the space.

Mark sees Renew Adelaide as providing a safety net, allowing him and Louis to express their vision for Hellbound faster and attract customers earlier. Renew's rent assistance meant they could invest in a full selection of wine from the start, giving their customers more choice and establishing the character of Hellbound from day one. While Hellbound may have eventually existed elsewhere, it wouldn't be in its current form and location – an important part of the wine bar's success. The expansion through Hellbound's subscription wine service, Wine Club, means that interstate guests can retain a connection to the bar long after they've returned home.

Now with a lease until 2020 and a dedicated clientele, Mark compares the development of Hellbound to nurturing a vineyard: it's not about the expert winemaker or laying down chemicals, it's about letting it grow and working with what's already there.

3.3 Innovation and productivity

3.3.1 Creative endeavours drive economic growth

Creativity is increasingly regarded as a key source of new knowledge and innovation and therefore a key driver of economic growth[19]. Creative skills are therefore an important resource for the South Australian economy.

Renew Adelaide sponsors knowledge and innovation gains in the South Australian economy by supporting creative and innovative individuals and enterprises. Importantly, Renew not only supports businesses within the traditional arts of music, media, design and theatre, but any socially innovative activity. Examples include SMOCK Bureau, a project and gallery space featuring non-traditional exhibitions, or Goodthnx, an app that facilitates making donations to charities. Renew Adelaide therefore facilitates the development of a broad range of creative skills in South Australia.

3.3.2 Clustering benefits

Clustering occurs where the interaction of workers from different firms creates new synergies and innovations. This leads to productivity gains through creating spillover effects from knowledge transfers, as well as enabling firms in that area to draw on a concentration of skilled workers.[20] A case study of a creative industries hub in Townsville found that the clustered firms displayed a high level of information sharing, idea generation, and innovation, key drivers behind innovation-led growth of the regional economy.[21] Houston's study of creative talent attraction strategies in old industrial areas in Scotland also shows that a targeted attraction of creative talent may boost regional economic growth.[22]

Renew Adelaide's program thus creates positive externalities for business owners other than Renew Adelaide participants. For example, in Topham Mall, the installation of five projects at once increased the likelihood of success for the whole precinct. Renew Adelaide's projects also aren't limited to retail stores and hospitality – but also extend to a number of co-working and start-up spaces.

La Popular Taqueria by Zezette Lindqvist

Case study: Moonshine Laboratory

Jason Neave launched Moonshine in 2017 as an offshoot of digital marketing agency, the Distillery. The Moonshine Laboratory works with tech entrepreneurs to turn ideas into businesses – not just as a typical start-up incubator, but as a co-founder. Operating out of the former Hamilton Laboratories, now the Wotso Workspace co-working building, on Flinders Street, the team at Moonshine help entrepreneurs plan, design, build launch and grow a technology business. Their services depend on the background of the entrepreneur, but might include marketing, software or business development – working towards a design-build-release model. Some entrepreneurs arrive with a product in need of a polish, while other businesses are built from the ground up.

The idea for Moonshine itself came from client requests at the Distillery and Jason's own experience at his start-up, Punt Club. However, he wanted to separate the two businesses, and needed a space that allowed for collaboration. The upper-floor warehouse was available through Renew Adelaide and Jason was successful in securing the space on its rolling 30-day rent-free model, graduating to a commercial lease only six months later. A lick of paint and a multi-purpose indoor tennis table (it's also a boardroom table and Friday night bar) transformed the space, but the old ink stains on the floor serve as a reminder of Hamilton Labs' history – generating an atmosphere of creativity and collaboration.

Moonshine was among the first to take up residence in the old building on Flinders Street, alongside the co-working WOTSO WorkSpace. A number of tenants have since joined WOTSO's desks and offices, with the building now at capacity. The co-location of Moonshine and WOTSO's tenants has resulted in collaboration across the warehouse floor, with a number of businesses now directly affiliated with Moonshine and providing services to its start-ups.

Renew Adelaide assisted with the launch of Moonshine, helping to organise media which generated interest in the business. Moonshine started with five start-ups chosen from around 50 applications. Its first intake included Playt, an app which converts print and online recipes into digital shopping lists directly ordered through a supermarket, while digital platform Loopt captures audience feedback at presentation in real-time. As start-ups mature, new ones come on board – and with Moonshine now exceeding the space available, Jason is now looking for larger premises to support continued growth.

Renew Adelaide not only allowed Jason a chance to test his idea – which he admits is something of a risky proposition – but it's also provided the same opportunity to Adelaide entrepreneurs who have an idea but no technical background. Rather than attempting an offshore build for an app or website, entrepreneurs can partner with Moonshine to develop a product and business in Adelaide before expanding globally.

Black Cherry and House of Dudley in North Adelaide by May Media

Appendix A: Methodology

A.1. Cost-benefit analysis survey and methodology

This cost-benefit analysis considers the costs and benefits that can reasonably be attributed to Renew Adelaide's current activities in supporting creative enterprises in South Australia in financial year 2017-18. In order to accurately measure the benefits attributable to Renew Adelaide's current activities, it has been assumed that the provision of Renew Adelaide's services meant that either:

- An enterprise commenced operating that, without Renew Adelaide's assistance, would not have commenced operating
- The chances of the enterprise's success have substantially improved.

This assumption is supported by the survey of Renew Adelaide enterprises, in which 100 per cent agreed that the Renew Adelaide program played an important role in allowing them to grow and develop their business, while 90 per cent agreed that they would have been less likely to invest in or grow their business without the involvement of Renew Adelaide.

A.1.1. Benefits

The **quantifiable benefits** attributed to Renew Adelaide's activities, included in this analysis include:

- The value of **profits and wages** generated by enterprises that were supported by Renew Adelaide during 2017-18.
- The value of **commercial property rental income** generated by Renew Adelaide supported enterprises that either:
  - Graduated to commercial leases during 2017-18, or
  - Graduated to a commercial lease at the start of July 2018, as a result of assistance provided by Renew Adelaide during 2017-18.

Creative enterprises that have been supported by Renew Adelaide are defined as those who have received assistance from Renew Adelaide during 2017-18, in the form of:

- Negotiating rolling 30-day rent-free licences on behalf of creative enterprises
- Providing commercial leasing support
- Funding minor capital works to properties licensed under the rolling 30-day licence model
- Providing assistance with interactions with councils and regulation
- Providing business coaching
- Providing marketing and media support.

Profits and wages

Data have been compiled from a survey of the creative enterprises that Renew Adelaide supported in 2017-18. This survey was designed by Deloitte Access Economics and conducted by Renew Adelaide with support from Deloitte Access Economics. 57 per cent of the total number of creative enterprises have been included in the analysis for 2017-18.

As the cost benefit analysis relies on this survey data as opposed to all profits and all wages of all Renew Adelaide projects, all estimates constitute a conservative 'lower bound' approach to calculating the economic benefits attributable to Renew Adelaide's current activities. At the same time, it needs to be recognised that the funding provided to Renew Adelaide could have been used for other programs which also deliver benefits.

The value of the profits and wages generated by creative enterprises has been calculated based on information obtained from survey data. The survey asked respondents to state their revenue, profit and wages for 2017-18. In addition, respondents were asked for information regarding the hours worked by owners, employees and volunteers.

Adjustments

In one instance, a respondent provided information regarding their revenue but not their profit. To calculate the profit of this respondent, an assumption regarding their profit was made using the average profit margin observed in their industry. This estimation was based on data obtained from an IBIS World industry report.[23]

In three instances, businesses did not include the value of wages they paid to employees, but recorded a positive number of hours worked by paid employees during 2017-18. In these cases, wages paid to employees were estimated using the reported number of paid hours to employees, and the national minimum wage during 2017-18 of $18.29 per hour.[24]

In the survey, two businesses disagreed with the statement that they 'would have been less likely to invest in, or grow their business without the involvement of Renew Adelaide'. The profits, wages and commercial property income attributable these businesses was thus excluded from calculations, to account for the fact that these benefits would likely have occurred with or without Renew Adelaide's support.

Future profits and wages
A number of creative enterprises are likely to continue to operate beyond 2017-18. The future profits and wages generated by these enterprises are attributable to the support provided by Renew Adelaide during 2017-18 and have therefore been included and included as a benefit.

Profits and wages earned in 2017-18 are used as an estimate of those expected to be generated into the future, and have been discounted at an annual rate of 7 per cent, calculated on a monthly basis. This is a conservative assumption as it assumes some businesses will end in the next one to three years and never operate again; however, this accounts for creative enterprises that might cease operations before the end of its commercial property lease. Some business reported negative profits in 2017-18. Negative profits were not carried forward for the duration of any commercial lease.

To ensure future profits and wages are not overstated, only the profits and wages of creative enterprises that have entered into leases with commercial property owners have been included. Profits and wages have been assumed to cease once the commercial (paid) lease expires. The existence of an agreement infers a degree of continuity in the creative enterprise that would not exist without Renew Adelaide's support, particularly with respect to Renew Adelaide negotiating rent-free leasing arrangements on behalf of the creative enterprise. Creative enterprises that entered into commercial leases agreed to terms between 5 months and 5 years.

Commercial property leases
In order to calculate a conservative estimate of the economic benefits to property owners directly attributable to Renew Adelaide, a commercial lease outcome is only included if:

A. The property for which a commercial lease was entered into had been vacant for the 12 months prior to Renew Adelaide entering into a 30-day license model agreement for the same property, or
B. The property owner explicitly stated the commercial lease was attributable to Renew Adelaide's activities.

Commercial lease details were provided to Deloitte Access Economics by the property owners or managers of the relevant properties. Rental income generated by supported enterprises was only included as a benefit if:

- The lease was entered into during 2017-18, or
- The lease was entered into on 1 July 2018, as the business would therefore not receive Renew Adelaide support in 2018-19.

Rental income has been included for the duration of the lease entered into and has been assumed to cease once the commercial (paid) lease expires. As a result, projects on month-to-month leases have been excluded from the analysis. Rental income has been discounted at an annual rate of 7 per cent, calculated on a monthly basis.

It is noted that in the previous cost-benefit analysis undertaken in 2015, commercial property rents were calculated using a series of assumptions due to data availability. These assumptions included assumed letting rates based on market data and assumed lease terms. In this report, all rental data was obtained directly from property owners, managers or tenants and can therefore be considered a more accurate estimate of this benefit.

A.1.2. Costs
The financial cost of Renew Adelaide is defined as the public income used to fund its operations during 2017-18. This information was provided to Deloitte Access Economics by Renew Adelaide.

Endnotes

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Deloitte.

Deloitte Access Economics
ACN 149 633 116
11 Waymouth Street
Adelaide, SA, 5000
Australia
Phone: +61 8 8407 7000