

18.2 Marion Cultural Centre Cafe Lease Arrangements

Report Reference	GC220628F18.2
Originating Officer	Unit Manager Land & Property – Michael Collins
Corporate Manager	Manager City Property - Thuyen Vi-Alternetti
General Manager	Acting General Manager City Development – Warwick Deller-Coombs

CONFIDENTIAL MOTION

That pursuant to Section 90(2) and (3) (d)(i) and (ii) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons Chief Executive Officer, General Manager City Development, General Manager City Services, General Manager Corporate Services, Manager Corporate Governance, Manager City Property, Unit Manager Land & Property, Unit Manager Communications, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to Marion Cultural Centre Café, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to the financial details of the potential Lessees at Council's Marion Cultural Centre.

REPORT HISTORY

Report Reference	Report Title
GC211026F16.1	Culinary Escapades Pty Ltd Lease at the Marion Cultural Centre

REPORT OBJECTIVE

To provide Council with outcomes of the Expression of Interest for the lease of the café at the Marion Cultural Centre.

EXECUTIVE SUMMARY

Following a report and decision at the 26 October 2021 Confidential General Council Meeting, the former lessee of the café at the Marion Cultural Centre (Culinary Escapades Pty Ltd) advised Council of their intention to end the lease and vacate the premises. The Café has been run in house by Council's Cultural Facilities Unit pending a decision in relation to the future lease of the premises.

Council engaged McGees Property Services to undertake an Expression of Interest (EOI) process for the lease of the café in accordance with the resolution of Council at the 26 October meeting. On advice from McGees the EOI was opened in late January 2022.

There were five EOI's received through the process with a variety of proposed commercial terms and conditions. Following a review of the EOI's a shortlist of three of the proponents were invited to attend an informal discussion with staff in relation to their proposal. Through this process the shortlist was reduced to two very different potential proposals, which were discussed with Council Members at an Elected Members Forum.

The Elected Members Forum identified the priority criteria that Council Members were looking to achieve from the occupancy of the café premises, and how these criteria aligned more closely with one of the EOI respondents. It is recommended that Council proceed with the proposal from Pancake Kitchen and authorise Administration to finalise detailed lease terms.

RECOMMENDATION

That Council:

1. **Authorise Administration to negotiate detailed terms for a lease agreement with Pancake Kitchen to include:**
 - a. a 5 year lease term
 - b. commencement date in September 2022
 - c. a three month rent free period from the lease commencement date
 - d. an annual grossed up rental of between [REDACTED] and [REDACTED] per annum
2. **Authorise the continued in-house operation of the café by the Cultural Facilities Unit until the commencement date of the lease with Pancake Kitchen, and endorse a budget of up to [REDACTED] for the period of July 2022 – September 2022 inclusive to facilitate this.**
3. **Authorise the Mayor and Chief Executive Officer to attest to the affixation of the Common Seal of the Corporation of the City of Marion to a lease agreement between Council and Pancake Kitchen as required.**
4. **Note that Pancake Kitchen will be seeking landlord approval to paint artwork at their cost on the Southern white walls in the café area linking to the Pancake Kitchen brand.**
5. **In accordance with Section 91(7) and (9) of the *Local Government Act 1999* orders that this report, City Services Surplus Land, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3) (d)(i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection until the execution of the Lease Agreement. At this time the report and minutes for this item will be released, with the exception of the financial information which is to be redacted and kept confidential. This confidentiality order will be reviewed at the General Council Meeting in December 2022.**

DISCUSSION

Background

Following a decision at the General Council Meeting held on 26 October 2021, and the former lessee of the café at the Marion Cultural Centre (Culinary Escapades Pty Ltd) advised Council of their intention to end the lease and vacate the premises, McGees Property Services (McGees) were engaged to undertake an Expression of Interest (EOI) process for the lease of the Marion Cultural Centre Café. On advice from McGees the EOI was opened in late January 2022.

There were five EOI's received through the process with a variety of proposed commercial terms and conditions. Following a review of the EOI's a shortlist of three of the proponents were invited to attend an informal discussion with staff in relation to their proposal. Through this process the shortlist was reduced to two potential proposals, which were discussed with Council Members at an Elected Members Forum held on 31 May 2022.

At the forum the key criteria priorities that Elected Members envision for the site were discussed. Five criteria were identified; being:

1. Cultural alignment with the venue
2. Service and amenity value for the community and the venue
3. Commercial outcomes for Council
4. Community activation of the venue
5. A destination food and beverage offering that will draw people to the venue

1. Cultural alignment with the venue

This is about how the proponent and their EOI may align with the other uses and users of the venue, how it may complement and work in harmony with Gallery M, the Library, and the Theatre.

2. Service and amenity value for the community and the venue

This is about how the EOI proposal will fulfill the service requirements that Council has for catering for functions and events and being open when the theatre has productions on. It is also about how the proposal will provide amenity value for users of the facility and the local community.

3. Commercial Outcomes for Council

This is simply in relation to the potential dollar value commercial return for Council.

4. Community activation of the venue

This is about how the proposal will add extra value for the venue through additional community activation. This may be through organising their own events or additional hire of rooms for Birthday parties etc, or it may be through the facility being operated by a community not for profit organisation.

5. A destination food and beverage offering that will draw people to the venue

This is in relation to whether the EOI proposal would be a draw card in its own right to bring people to the Marion Cultural Centre by being a recognised brand in its own right, or through the effective marketing of a unique or specialised food and beverage offering.

At the forum Council Members were asked to indicate what they envision as the key priority outcomes they would like to achieve from the potential café operator. From this it became clear that there was a combined preference for a commercial return to Council that provides a service and amenity value for the community and venue whilst still aligning with and complementing the existing other uses at the Marion Cultural Centre.

The two shortlisted proposals received were outlined at the forum, being from 'Café Culture' and 'Pancake Kitchen'.

Overview of shortlisted EOI's

Café Culture

The key terms of the proposal are:

Lessee:	Café Culture
Commencing Rent:	█ of gross profit (█)
Outgoings	Yes
Initial Term:	5 Year Term
Lease Commencement:	TBA
Lease Expiry	TBA

Right of Renewal:	N/A
Annual Increases:	██████ – based on ██████ of gross profit
Rent & Other Requests:	████████████████████
Experience	Current owners of Café Bonython (Adelaide City Council) Previous café and restaurant owners in NSW Operators of Kersbrook Hotel Operators BP Pinnaroo Cake Decorating business
Other	Would seek to activate the space and hire other rooms for Birthday parties etc.

Pancake Kitchen

The key terms of the proposal are:

Lessee:	Pancake Kitchen
Commencing Rent:	██████
Outgoings	Yes – to be included in grossed up rent
Initial Term:	5 Year Term
Lease Commencement:	September 2022 (School holidays)
Lease Expiry	September 2027
Right of Renewal:	N/A
Annual Increases:	To be determined – likely ██████████ increase
Rent & Other Requests:	████████████████████ to establish business Permanent outdoor dining fixtures Entrance signage Installation of large flat grill Menu boards and some artistic license on internal walls Covid clause for rent and outgoings suspension for forced closure.
Experience	Iconic South Australian brand 23 years experience operator
Other	P&L finance figures provided and Risk Management Plan Varied menu offering including sweet and savoury Use of PK Smokehouse brand & menu for catering and events Marketing and engagement Strategy provided Destination draw card brand food and beverage offering

Having considered the opinions expressed by Elected Members at the forum, further meetings were held with the operators of the Pancake Kitchen to clarify elements of their EOI and timeframes should their proposal be successful. The key points clarified with Pancake Kitchen were:

- They would be happy for Council to propose a grossed-up rental to include an amount for outgoings (where not separately metered).
- 5 year lease term to commence at the start of the September / October 2022 school holidays with a ██████████ period.

- They will work with Council to seek the transfer of Councils liquor license.
- Branding will be Pancake Kitchen with PK Smokehouse as a sub-brand.
- Opening hours will be fine-tuned once operational with the intention of being open in the morning through to late evening.
- Catering for functions and events can be accommodated outside of usual Pancake Kitchen / PK Smokehouse menus.
- In the kitchen they would like Council to remove the existing combi oven with Pancake Kitchen to fit a flat plate grill at their own cost.
- Pancake Kitchen would like consent to paint artwork at their cost on the Southern white walls in the café area linking to the Pancake Kitchen brand.
- Council will give its consent in its capacity as landowner for signage to be placed in exterior locations to be agreed (not affixed to the building).
- Pancake Kitchen intention is to liaise closely and meet regularly with the other Marion Cultural Centre operators including Council to help ensure a mutually beneficial and reciprocal relationship.
- They confirmed that they are happy to accommodate existing community group users of the facility.
- They would appreciate Council collaboration with the initial start-up marketing elements.
- They reiterated their excitement, enthusiasm, and commitment to their proposal.

Having considered the EOI's received together with the key outcomes that Council Members would like to see from the occupancy of the Café at the Marion Cultural Centre, it is recommended that Council authorise administration to finalise negotiations with Pancake Kitchen for a five year lease term at a grossed-up rent, with a three month rent free period for establishment of the business.

Temporary Café Operation Arrangements

Council has operational expenditure for the Marion Cultural Centre to be operated in-house until the end of June to ensure the continued service and amenity for the community pending the outcome of the EOI process. It is recommended that Council authorise a further budget allocation of up to [REDACTED] for the operations of the café until a new lease is commenced with the Pancake Kitchen.

The café will need to be closed for a period of approximately 2 weeks to accommodate the transition to the Pancake Kitchen. During this transition closure period Pancake Kitchen have advised that they will be able to provide a mobile coffee van to service the Marion Cultural Centre community.

ATTACHMENTS

Nil