

6.6 EIBC – TOM MORRISSEY BUILDING REFRESH

Submitting Councillors: Crs Little, Paterson and Saloumi

MOTION

1. *That Council provides the EIBC with a loan of up to \$270,000 to enable the Tom Morrissey building refresh and the establishment of a 130-person function space in the Jessie Tait building.*
2. *That the loan be provided over 15 years with monthly repayments.*
3. *That the loan be provided at an interest rate of 0%.*

BACKGROUND

EIBC Establishment

The Eastern Innovation Business Centre Ltd (the EIBC) (previously called the "Monash Enterprise Centre Limited " or "Monash Incubator") is a Public Company limited by Guarantee and is operated as an independent not-for-profit enterprise. The EIBC is now an Acceleration Hub supporting founders, service professionals and corporate innovators with a future focus.

The EIBC operates out of two buildings. The original building, the Tom Morrissey Building (TM), has been the home to over 830 businesses since it was opened in 1999. It provides basic, low-cost accommodation for small businesses of all types. The second, more modern Jessie Tait Building (JT) is an exciting and purpose-built building and functions as an innovation centre. It was completed in 2015 with support from the Australian government's Regional Development Australia fund, the City of Monash, the Victorian Government's Office of Living Victoria and South East Melbourne's group of Councils and commenced operations in 2016. It is a state-of-the-art building with many energy-efficient and 'green' features. In addition to providing a range of accommodation alternatives for business start-ups it provides communal spaces and facilities which enable and encourage tenants and the wider community to interact - thereby facilitating innovation.

EIBC Currently

The EIBC is home to 40+ start-up businesses onsite and has 150 Associates, many of which use EIBC as their remote mailing address. It provides business meeting room facilities for tenants, associates, corporate affiliates and the wider community. Most onsite businesses employ highly skilled talent of entrepreneurial bent.

Of the 215 active users of the EIBC currently 136 live in the City of Monash. Over 2000 people visit the EIBC in each six-month period. The majority of visitors are local, but these are regularly joined by many from intra- and inter-state and from overseas.

The EIBC and team also have a role in the development and strengthening of the proposed Monash National Employment and Innovation Cluster as collaborators and connectors. The CEO holds the position of Advisory Board Member of and contributor to many Start Up activities held at Monash University as well as a Monash Science and Innovation Hub committee member.

EIBC Financials

The EIBC is a not-for-profit organisation that aims to keep the tariffs for business accommodation to a minimum, in order to meet its charter to foster innovative business start-ups. Due in no small part to the dedication, energy and hard work of the EIBC staff, and especially that of the CEO Danielle Storey, the offices in both buildings are currently effectively full, which indicates that the fee structure is about right. At this level the EIBC is showing a healthy surplus of \$8 – 12,000 per month. The EIBC is currently holding cash reserves equivalent to approximately 5 months operating expenses. The EIBC is implementing a modest increase in tariffs for the '18-19 financial year. The very nature of an incubator is that tenants come and go on a fairly regular basis. There is, as a result, some variability in EIBC revenues and it is the Board's view that having savings set aside for unpredictable events is prudent. An economic downturn could well mean a significant diminution of the EIBC's reserves.

The Issues

The EIBC Board and management took time out in 2017 to re-examine the EIBC's purpose. At the end of that process the Board adopted a strategic plan for the EIBC that emphasises the *fostering* of new business through the promotion, encouragement and support of *innovation*. To the extent that this is much more than merely providing cheap accommodation, the adoption of the strategic plan means that the way in which the Tom Morrissey building operates today largely fails to meet the objectives of the EIBC.

In late 2017 tenants at the EIBC were interviewed, particularly those operating in the Jessie Tait building. The survey confirmed that it was both the facilities and the *opportunities* they found in operating at the EIBC that provided them day to day with inspiration, relevant information and energy to pursue their innovative business dreams. In particular they cited as valuable:

- Co-working spaces
- Relaxation areas open to all tenants where interaction with other tenants took place
- Regular talks and information sessions from experts on topics relevant to small business start-ups, new technologies and innovation
- Opportunities to be mentored
- Assistance and encouragement from EIBC staff

The issue now facing the EIBC is that the Tom Morrissey building as it is currently structured and operated makes providing such opportunities to the tenants in that building very difficult. The EIBC therefore wishes to make structural changes to the Tom Morrissey building to overcome the building's current limitations. Apart from an extension in 2007 that provided an additional 15 office suites and which sought to unify the business suites, no changes or updates have been made to the Tom Morrissey building since its inception and none that affect the style or purpose of the building. The current building consists of discrete lockable rooms that open onto one of two corridors that run the length of the building. Between the corridors is a formal board room/teaching room with central large table, a very small kitchen and at the front of the building is a reception area. There are no co-working spaces, no dining or meeting areas and virtually no opportunities for tenants to interact. While tenants are free to come over to the Jessie Tait building, in practice they tend to remain squirrelled away in their rooms. There is currently virtually no interaction between tenants in the TM building with those at the JT building.

A second issue identified by EIBC Management is the lack of a large function/meeting space. There have been a number of occasions recently where events have attracted more than 100 participants. These are likely to be more frequent. On those occasions, the co-working and dining spaces in the Jessie Tait building have been reconfigured to provide a temporary function/meeting space.

The Solution proposed by EIBC Board

Changes proposed in the Tom Morrissey building:

- Remove the internal partitions surrounding the Board Room and kitchenette and by doing so create a large open space;
- Convert the front reception area into a communal space for Tom Morrissey tenants.
- Install new flooring to replace the 19 year-old carpet in the newly created space
- Using EIBC themed colours, paint the 40 doors to tenants' offices;
- Move the co-working facilities from the Jessie Tait building to the Tom Morrissey building. This will involve providing electrical / communications cabling to co-working workstations (drop down from the ceiling) and the provision and installation of modern office furnishings;
- With the removal of the current formal reception, reconfigure entry to the TM building to facilitate electronic access by tenants and visitors. Reception for both buildings will be located at the JT building.

Changes proposed in the Jessie Tait building:

- Remove the co-working area in the Jessie Tait building to free up a significant space that can be re-purposed as a flexible meeting or lecture space. Relocate chattels to TM building.
- Install a reinforced glass partition to define the new flexible space and to provide audio attenuation. This would provide a level of isolation between the new meeting space and the rest of the Jessie Tait building. It would include doors to reception and kitchen areas.
- Purchase seating and collapsible tables to service at least 130 people theatre style or 100 "cabaret style".

It is proposed that the new meeting space would be available as a user-pays facility to tenants and external parties albeit at different rates, depending on circumstances. For example, EIBC tenants could hire the space at a reduced rate in order to demonstrate their products and services to a wider audience, whilst external parties could be expected to pay commercial rates. The facility may also be useful to Council - the EIBC currently runs business events in conjunction with, and often on behalf of, Monash Economic Development Department.

Benefits

- It is intended that by opening up the internal space and creating the large co-working area in the Tom Morrissey building, TM tenants will more easily interact with new and existing tenants of both buildings. It is envisaged that by encouraging incidental meetings, there will be far more cross pollination of ideas between tenants. Such interactions should facilitate strategic alliances and partnering between tenants.
- There is an opportunity to increase numbers of users overall and improve revenues.
- The availability of a 130+ person function space will allow the EIBC and tenants to run large scale events and will increase the opportunities for a wider audience to be involved with the EIBC.
- There is the opportunity for increased revenues through rental of the new function space.

Costs and Value Added

The estimated cost of the refresh is approximately \$270,000 which the EIBC is intending to borrow from Council. The estimated \$2,000 per month repayments can be met comfortably from within the EIBC's current revenues and the new facilities will provide the EIBC with the opportunities for increased income from additional tenants and rental of the function space.

Whilst this investment requires a loan from Council, it does not constitute an investment by Council per se. The loan monies will be repaid in full. In effect, the value of the property, which is owned by Council, will be enhanced at no net cost to Council.

FUNDING

As a not-for-profit entity with assets are owned by Monash Council and with a significant element of unpredictability in revenues, it was thought by the EIBC Board that approaching a bank for funding would not be feasible, thus the approach here to seek a loan from Council.

CONCLUSION

The EIBC Board of Management is seeking to borrow \$270,000 from Council in order to make changes to the Tom Morrissey building to create a large, dynamic, open co-working space encouraging interaction and innovation, and in the Jessie Tait building create a 130-person multi-function space.

These changes will assist the EIBC to meet its charter as an organisation that creates New Businesses, Employment and Wealth in the City of Monash.