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**ADVERTISED
PLAN**

Supporting Creative Industries at Younghusband

An evaluation of how tenants and community benefit from affordable rent.
July 2019



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We see a future where energy is 100% renewable, affordable and universally accessible. Our buildings, towns and cities can be sustainable, inclusive and beautiful. Vibrant businesses can grow while regenerating the earth and contributing to our society.

Our community of investors has funded solar farms, green buildings, and the startup years of mission-driven businesses. As impact investors, we aim for financial returns alongside measurable, intentional environment and/or social benefits. We help individuals, family offices, foundations and superannuation funds invest in line with their values, and support them to move further towards impact.

We're fully owned by Small Giants, the family office of Danny Almagor and Berry Liberman.



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Authors:

Dr Erin Castellias, Chief Impact Officer, Impact Investment Group; Joshua Zail, Impact Analyst, Impact Investment Group; Courtney Cardin, Small Giants Fellow

Data collection and analysis support:

Dr Roksolana Suchowska, Centre for Social Impact, Swinburne University and Dr Malcolm Abbott, Economics Department, Swinburne University

Research, community consultation and analysis partners:



Overview & Summary

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IIG offered below-market rent¹ to creative tenants² at the Younghusband building in Kensington.

This is a study of the positive social impacts of that program, expressed in qualitative and quantitative economic terms.

IIG's study was supported by data collection and analysis by the Centre for Social Impact at Swinburne University.

The benefits of supporting emerging and established artists, craftsmen, entertainment professionals, and micro enterprises in the cultural and creative industries can be summarised as:

1. Tenants Benefits

- Economic benefits included leveraging the rent subsidies into new revenue streams. The new revenue was largely the result of clustering with complimentary companies under collective business models.
- Non-economic benefits included feelings of connection, collaboration opportunities, inspiration, feelings of well-being, and proximity between work and home.

2. Community benefits

- Economic benefits included subsidised community events.
- Non-economic benefits included retained community identity and sense of ownership. This is reflected in expressing to developers a desire to retain cultural and creative industry tenants when shaping a neighborhood heritage redevelopment project.

3. Wider Public Benefits

- Economic benefits included increased business revenue and employment opportunities.
- Non-economic benefits included: improved community health and well-being, social cohesion and a sense of community, individual health and well-being outcomes, and economic resilience and innovation.

¹ For this study, an independent third-party commercial real estate agent at Savills Australia, provided an estimate of 'market' rate rental prices for the spaces being offered to the tenants of this study, using comparable market data.

² The following types of creative and cultural industries were included in the research as defined by Creative Victoria: museums, environmental heritage, libraries and archives, literature and print media, performing arts, design, broadcasting, electronic or digital media or film music composition and publishing, visual arts and crafts, fashion, cultural goods, manufacturing & sales, supporting activities. Hodyl Report (citing Victorian Creative Industries Taskforce, 2015).

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\$1

:

\$1.85
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For every \$1 invested by IIG in subsidies \$1.85 is created in economic benefit for the tenants and the community

The subsidised tenants create

460 jobs

equating to 120 FTE jobs held by tenants receiving rent subsidies at Younghusband.

The subsidised tenants provide

2x jobs per square meter

than other similar businesses in the local community.

Overall,

14.2%

of the subsidised tenants' net income is attributable to the benefits of collaboration and clustering.

Subsidised tenants reported benefits, including:

- Access to space that would otherwise be unaffordable. (98% said this.)
- A sense of belonging. (66% said this.)
- Collaboration with the community of tenants. (61% said this.)

The wider society benefits, in that the subsidised tenants address these societal challenges:

- Cultural (33% of tenants.)
- Environmental (33% of tenants.)
- Social (29% of tenants.)
- Economic (5% of tenants.)

The local community also benefited:

- 4000+ members of the public attended un-ticketed events at Younghusband in 2018.

The un-ticketed events transferred:

- \$60,000 in value, approximately, to the local community.

The Property

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Younghusband

Younghusband is a collection of historic buildings covering almost two inner city Melbourne blocks in the suburb of Kensington. The diverse demographics and range of communities in the area have become a cornerstone of the Younghusband wool store master plan. From the established Macaulay Road village to the mix of the industrial buildings and worker's cottages, this rich neighbourhood tapestry has shaped the design direction of the project. The Younghusband development takes a holistic view toward valuing heritage, community, collaboration, belonging, and environmental sustainability.

Younghusband will retain the heritage internal fabric and façade of the prominent corner buildings. The history of the site is an integral part of its community and neighbourhood identity. In recognition of its respect for design and heritage, Younghusband was nominated

in 2018 for a World Architecture Award in the commercial mixed-use category. Younghusband is adopting the One Planet Living Framework to identify opportunities to deepen the social and environmental value of this precinct asset across multiple pillars, including: health and happiness, equity and the local economy, culture and community, land and nature, and sustainable water.

As part of IIG's strong commitment to community engagement, IIG hosted a number of community consultation workshops. Through this collaborative, co-design

process, community priorities were incorporated into the design and development plan. Community priorities also assisted in distilling a vision for the project: to rejuvenate the historic Younghusband precinct into a beautiful industrial village that aims to cultivate a vibrant community with diverse tenants including the existing craftsmen and artisans. Younghusband has been recognised for this work in

community engagement, winning an International Association for Public Participation Core Values Award in 2018.³

As part of IIG's commitment to world leading sustainability standards, Younghusband is aiming for a carbon, water and waste neutral site. The Younghusband development will combine energy efficient heating and cooling systems, rainwater harvesting, productive community gardens, sustainable transport options, innovative water management systems and green leases. The design of the development was created to maximise natural light and greenery, and create spaces that can foster creativity and energy. The new builds on site will adopt Passivhaus principles⁴, which means lower operational costs and greater health benefits for Younghusband residents. A smart building system will provide live data streams and performance monitoring.

³<https://www.iap2.org.au/ccms.r?Pageid=6000&tenid=IAP2&DispMode=goto%7C10482>

⁴<http://www.phius.org/what-is-passive-building/passive-house-principles>

Valuing Cultural and Creative Industries

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Recognising the social and cultural value of the artistic contributions of the Younghusband legacy residents, IIG offered subsidised rents to residents in creative industries, such as artisans, craftsmen, creators, furniture makers, fine artists, entrepreneurs and e-commerce micro enterprises that are contributing to the social and cultural character of the wider community.

So that this evaluation of the rent subsidy program was done in the context of prior research into the value of cultural and creative industry tenants, IIG commissioned a literature review by Hodyl & Co, a Melbourne urban design consultancy. It informed the design of the data collection. Below is a high-level summary of Hodyl & Co's findings.

The income of artists and creatives is well below the national average.

The average annual income from creative work is \$18,000 annually, well below the average income level for Australians (~\$84,000, according to the ABS). Moreover, 55% of artists earn less than \$10,000 per year from their creative practice, \$700 less than the average annual cost of \$10,700 required to support a creative practice. As a result, more than half of Australian artists subsidise their cultural and creative work with non-creative income generating activities

outside of the arts industry. Even so, the average annual salary for those supplementing their income with non-creative is still only \$48,000 – 21% below the workforce average. As a result, 67% of artists also rely on a spouse or partner to support their creative work.⁵

The creative sector is under increasing pressure in inner Melbourne and the city fringe.

Melbourne is the fastest growing city in Australia. In 2018, Melbourne's population grew to 4.9 million residents thanks to a record-high increase of 125,000 residents.⁶ As Melbourne's population grows, urban sprawl and gentrification follow at a daunting pace increasing commercial and residential property values and driving artisan and small business enterprises further outside of the city. For the past 30 years, property development and ensuing gentrification has caused arts spaces in Melbourne to relocate outside the inner city to the city fringe and beyond.⁷

Supporting cultural and creative arts enhances overall health and well-being.

Supporting cultural and creative arts industries provides intrinsic social benefits for residents, communities, and property developers. Numerous studies demonstrate the positive effects of cultural and creative arts on individuals and surrounding communities finding that participation in cultural and creative arts promotes community health and well-being, a sense of community among individuals, enhances social safety, and increases social capital among community members.⁸

Cultural and creative industries are a catalyst for economic growth and development.

Supporting and cultivating the cultural and creative arts also benefits the Victorian economy and promotes economic development in local communities. According to the most recent data collected by the Victorian Creative Industries Taskforce, cultural and creative industries represent 8% of the Victorian economy accounting for nearly \$1.4 billion in exports, primarily based on services and an estimated \$22.7 billion in gross value added to the Victorian economy.⁹ As the Australian economy continues to transition from an 'old' model of growth rooted in industrial manufacturing to a 'new' model rooted in knowledge, the value of creativity – along with research and innovation – will continue to increase over time.¹⁰ According to the Victorian Creative Industries Taskforce, "[s]ocial and economic growth and prosperity are increasingly driven by the capacity of states and cities to renew themselves and diversify."¹¹

⁵ Hodyl Report, Section 1: the creative sector is under increasing pressure in inner Melbourne (citing Australian Council for the Arts, 2017)

⁶ ABC News "Melbourne, Sydney and Brisbane populations soar but growth drivers differ" (25 April 2018)

⁷ Hodyl Report op cit

⁸ Hodyl Report, Section 2: Creative industries provide demonstrable benefits to the community.

⁹ Hodyl Report, Section 1: the creative sector is under increasing pressure in inner Melbourne.

¹⁰ Hodyl Report, Section 4: creative industries will have a growing role in the economy.

¹¹ Id. (citing Victorian Creative Industries Taskforce, 2015, p11)

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In the face of widespread automation, creativity is already proving to be valuable and resilient, playing an increasingly important role in economic growth and development in Victoria.¹²

In addition to the significant contributions from cultural and creative arts industries to the overall economy in Victoria, urban economists have found that supporting cultural and creative industries “can also serve catalyst for positive change and growth in neighborhoods.”¹³ Some experts have gone so far as to claim that in the new economy, investing in cultural and creative arts industries should be considered “nation building,” similar to airport or freeway funding because doing

so “connects communities, is a cost-effective form of community development, creates employment, and adds intrinsic value to our daily lives.”¹⁴

According to the urban planning and mapping data and analytics tool, Neighbourlytics, residents and communities are placing increasing value on “authentic local experiences, vibrant places, and opportunities to co-create the places they live”¹⁵ over material goods. Developers are increasingly recognising that for residents, “[i]t’s no longer just location – which looks at a dwelling’s proximity to schools, transport and parks. It’s more about what opportunity the neighbourhood offers to connect with a local community, join a volunteer group,

hang out at a local brewery or take part in a community garden.”¹⁶ In doing so, developers are realising the economic benefits of designing developments that intentionally foster creativity and provide affordable access to creative and cultural arts industries in accordance with the values and preferences of the residents and communities.

The Hodyl & Co report is available for download: <https://bit.ly/2JpoRva>



¹²Id.

¹³Hristova D, Aiello LM and Quercia D (2018) The New Urban Success: How Culture Pays. *Front. Phys.* 6:27. doi: 10.3389/fphy.2018.00027

¹⁴Hodyl Report, Section 4: Creative industries will have a growing role in the economy (citing Geografia, 2016).

¹⁵Hartley, Lucinda, 5 Ways the Experience Economy is Changing the Urban Development, Neighbourlytics.com (Feb. 22, 2019) <https://www.neighbourlytics.com/blog/2019/2/21/5-ways-the-experience-economy-is-changing-urban-development>

¹⁶Id.

Methodology

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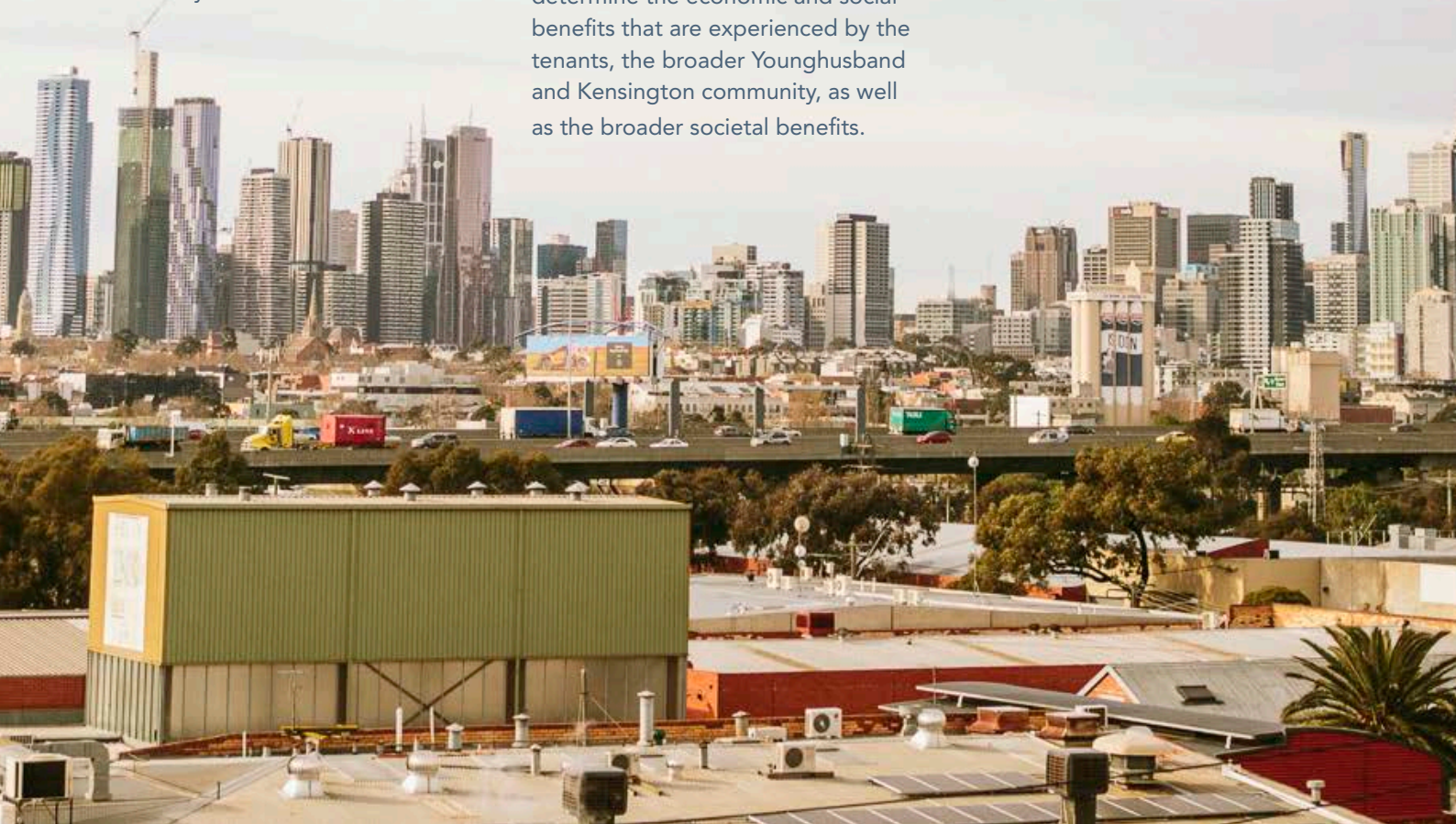
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IIG conducted in-depth research with the current tenants and the surrounding community to understand the benefits of offering sub-commercial leases to creative and cultural industry tenants. IIG collaborated with the Center for Social Impact at Swinburne University to develop a methodology for data collection and analysis.

To understand the benefits of offering sub-commercial rents to creative and cultural tenants, the research team analysed economic data related to employment, revenue and expenditures, thresholds of affordability, as well as social data about collaboration, clustering, diversity, and interaction with community.

The research team commissioned a review of existing academic and practitioner literature on the issues, benefits and best practice considerations to assess the contributions of creative and cultural industries, (see prior section). This review helped to inform the design of an online survey and a focus group style workshop held with 15 tenants on the 7th of March 2019 at IIG's office at Youngusband. Of the sample of 62 tenants, including licensees and sub-tenants, who receive what is considered 'below market' rental agreements, 40 tenants completed the surveys. (An independent real estate agent determined market rent by evaluating comparable rental prices in the area.)

The research team analysed the survey and focus group data to determine the economic and social benefits that are experienced by the tenants, the broader Youngusband and Kensington community, as well as the broader societal benefits.



Key Findings

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About the respondents

40 tenants participated in the data collection process (survey and/or focus group). The majority of the respondents qualified as micro-businesses (1-3 employees) working in the cultural and creative arts industries.¹⁷ The demographics of respondents varied; 49% reported having at least one female founder, 5% employed least one long-term unemployed person, 5% reported at least one founder living with disability, and 8% of respondents reported at least one culturally and linguistically diverse (CALD) founder. More than half of respondents (59%) reported that their enterprises address a social, environmental, economic, or cultural problem; for example, tenants described producing work that speaks to issues of social and economic injustice and environmental sustainability.

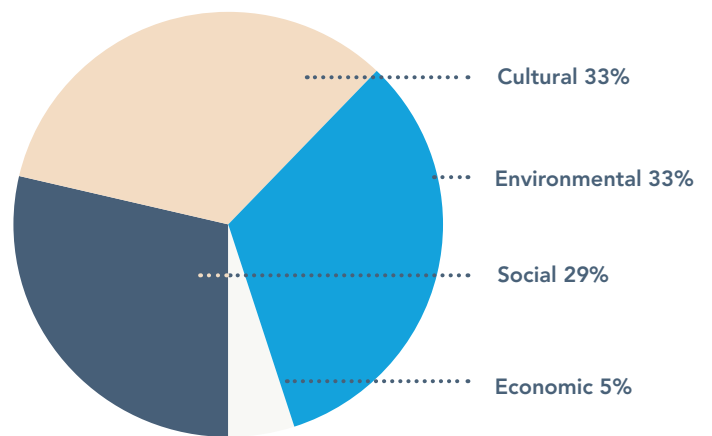
Why did tenants choose Younghusband?

In the survey and workshop, tenants identified the following factors as reasons to locate at Younghusband: rental price, proximity to staff residences, collaborative opportunities, community, and the aesthetics of the building. The most popular determinant was the rental price offered to the businesses at the time of leasing. When asked whether they could afford to pay market rate rents for their spaces—a 30-60% increase above current rates—87% of respondents indicated they could not afford the increased rent (63%), or were unsure (24%). Only 13% reported that they could afford market rate rents.¹⁸

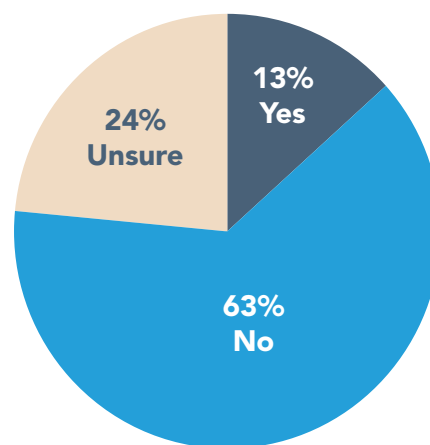
When asked why they chose to remain at Younghusband, the tenants placed immense value on access to spaces that would otherwise be unaffordable, a sense of belonging to an artistic and cultural community, opportunities for collaboration, and economic benefits such as cost savings and new revenue generation opportunities that result from “clustering”—working amongst interconnected, complementary cultural and creative enterprises.

What kind of problems are these businesses addressing?

(Of the 59% of businesses who reported addressing a problem.)



If your rent increased by approximately 30-60%, would it be feasible for your business to remain at Younghusband?



¹⁷The respondents included: Visual arts / design (10), Entertainment / Performing Arts (6), Unspecified arts/creative (12), Fashion production and sales (3), other (6).

¹⁸A handful of existing tenants suggested that they could accommodate up to 10-30% increase. These respondents represent small businesses at Younghusband that are more established and as a result of subsidised rents during start-up and growth phases, would now be able to support slightly increased rents. Some businesses mentioned that given the amenities of the new development, such as a loading bay and goods cage as well as the creative space and current low rent, they may be able to accommodate slightly higher rents, up to 30%. However, many licensees indicated that they would not be able to accommodate a rent increase without losing their creative practice.

KEY FINDINGS

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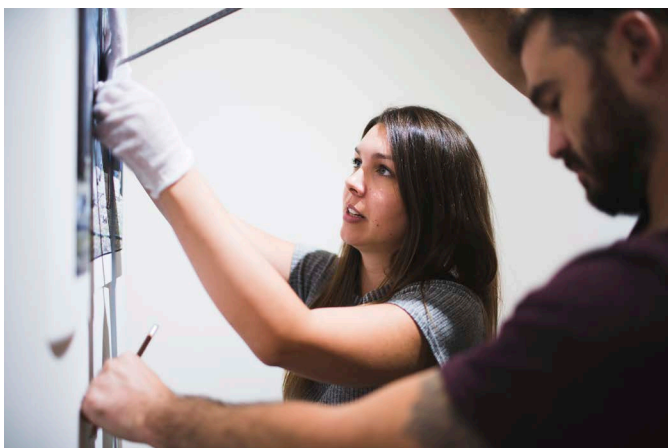
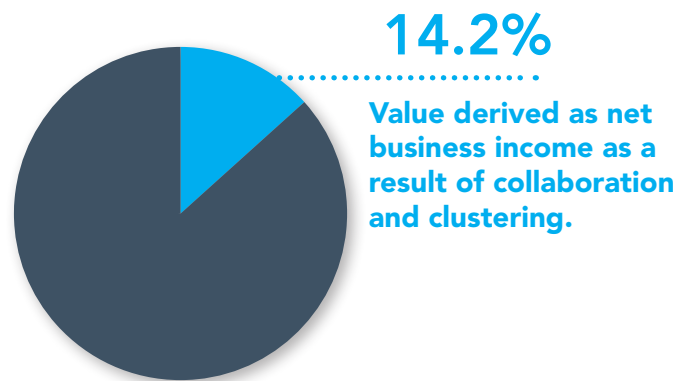
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The benefits of tenant clustering

Tenants leverage rent subsidies to create nearly double the economic value in cost savings and revenue generation



The tenants recognise both economic and social benefits from clustering. Economic analysis indicates that for every dollar invested by IIG in rental subsidies, Younghusband tenants and community received an economic benefit valued at \$1.85. That means not only is the economic value of the rent subsidy being transferred from IIG to tenants and the community, but in turn the tenants and community are able to leverage that investment and create an additional \$0.85 of benefit. This is largely due to cost savings through shared spaces and shared equipment as well as access to new customers and markets that develop from clustering and collaboration. Overall, Younghusband residents with subsidised rents derive an estimated 14.2% of net business income as a result of collaboration and clustering.



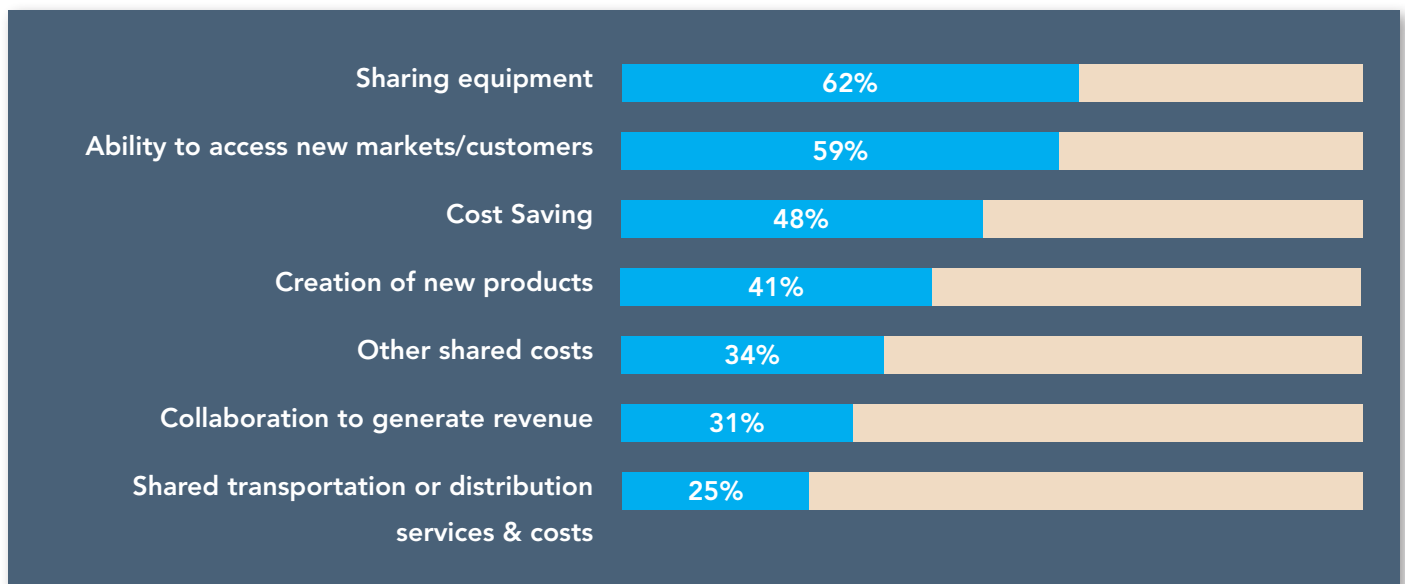
KEY FINDINGS
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What tenants value

Nearly 100% of respondents reported valuing access to space that would otherwise be unaffordable or unavailable to their microenterprises. More than half of the respondents (60%) reported benefitting from collaborating with the community at Younghusband, sharing equipment (62%), as well as access to new customers and

new markets (59%). Nearly half of respondents also reported benefitting from general cost savings (48%). Additional reported benefits included creation of new products (41%), revenue generating collaboration (31%), and other shared costs (34%).



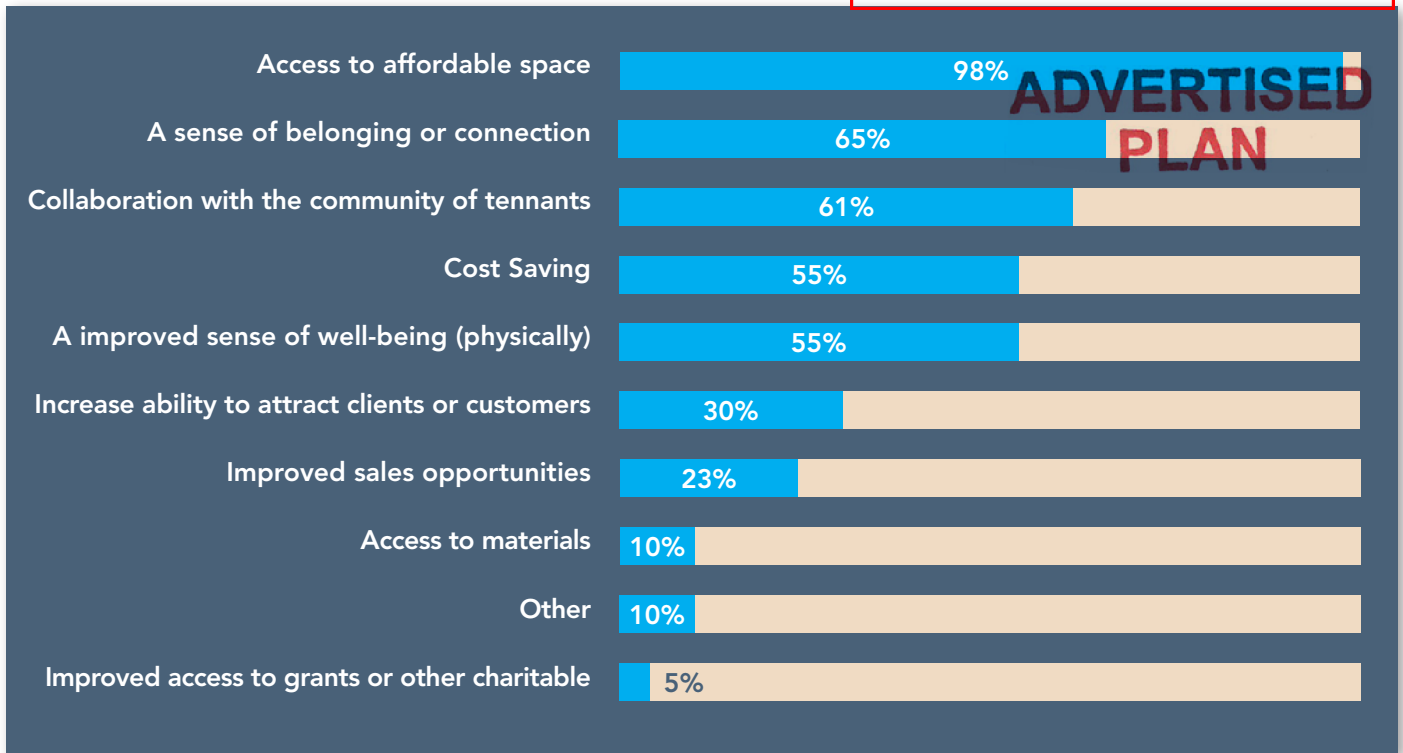
Tenants report intrinsic benefits from receiving rent subsidies, such as feeling a sense of belonging and connection as well as a sense of well-being.

In addition to realising economic value in the form of increased productivity, revenue, and general cost savings, the tenants recognise additional intrinsic value from participating in the collective community. Two-thirds of respondents (66%) reported that they felt a sense of belonging or connection on account of being located at Younghusband. For 56% of respondents, being located at Younghusband contributed to an improved sense of physical, emotional, and/or mental well-being.

These tangible interactions contribute to creating a “collegiate atmosphere that fosters better work,” which leads to additional social and economic benefits for the businesses at Younghusband.

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Which of the following benefits do you receive from being located at Younghusband? (select as many as apply)



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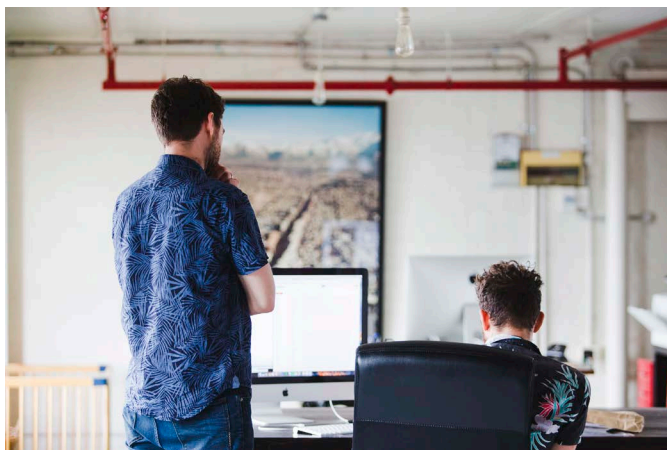
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The benefits to the community

Supporting micro enterprises in collective models facilitates greater employment outcomes per floor space than similar businesses in the area.

At Younghusband, clustering cultural and creative artists in the same development provides tangible economic benefits the surrounding Kensington community as well. The tenants receiving subsidised rent are able to provide 460 jobs equating to 120 full time equivalent (FTE) positions. The tenants are also able to provide twice as many jobs per floor space than other similar businesses in the local community, which may be driven by the collective business model supported by subsidised rents making spaces adaptable and affordable, particularly for artists that are not able to support their practice full time.

In addition to supporting the productivity and viability of businesses, clustering also enables the tenants to participate in events—including fairs, markets and exhibitions—that engage and benefit the local community. This includes monthly touring photo exhibitions at The Fox Gallery, twice yearly warehouse sales at CLIK collective, monthly events at Ironside studios and fortnightly events and shows (albeit for select guests) at The Facility. In 2018, more than 4,000 members of the public attended un-ticketed events at Younghusband, resulting in a benefit to the surrounding community valued at approximately \$60,000.



The supported tenants created

460 jobs



equating to 120 FTE jobs held by tenants receiving rent subsidies at Younghusband

The creative industry tenants provide

2x more jobs / square meter

than other similar businesses in the local community.

\$60,000

value transferred to the local community through un-ticketed events at Younghusband in 2018

4000+

members of the public attended un-ticketed events at Younghusband in 2018

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Preserving artistic character & launching new artists

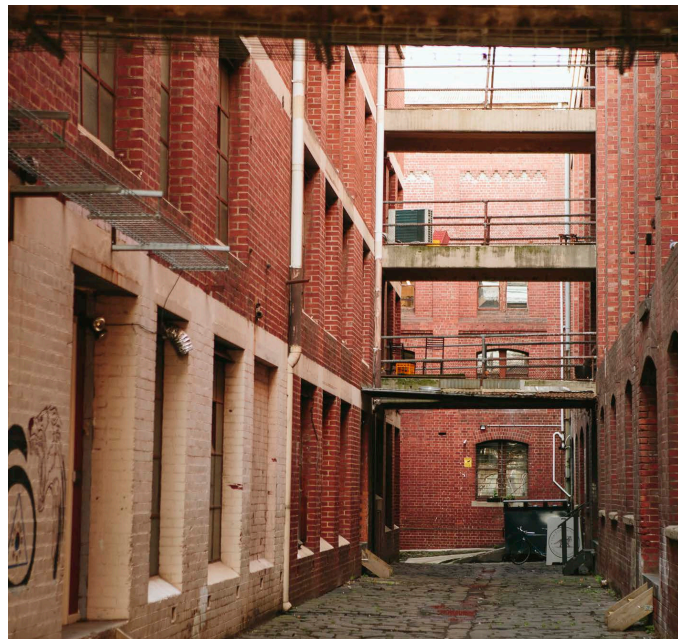
Offering affordable rents creates critical pathways for new and emerging artists and creative enterprises

In addition to fostering a creative space for managers and business owners to grow, Younghusband serves as a launch pad for developing artists. The median reported wage for employees of Younghusband micro-businesses who participated in the study is \$40,000, compared to the industry average of \$76,200.

The businesses in this cohort earned a combined \$10 million in gross business income. The diverse financial positions of tenants or licensees are highlighted by the variation in gross business income (approx. mdn = \$40,000; approx. range = \$285,000). These variations exists not only between businesses in a given year, but also for each business across time meaning that that if a business may have been able to absorb an increase of costs in 2018 (i.e. relating to rent), they may not be able to in subsequent years. Notably, only 6% of respondents reported receiving government support in the form of grants or otherwise, suggesting that even as the tenants' wages remain below average, government grants are not viewed as a sufficient or reliable revenue source for these businesses.

\$40,000

median wage (n=32) relative to industry average of \$76,200



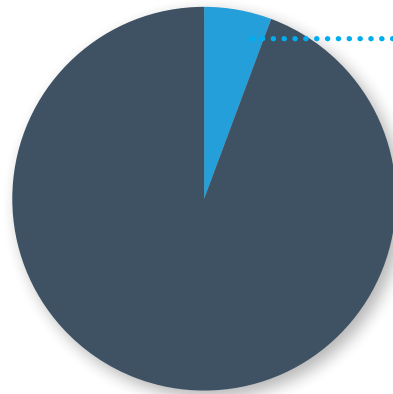
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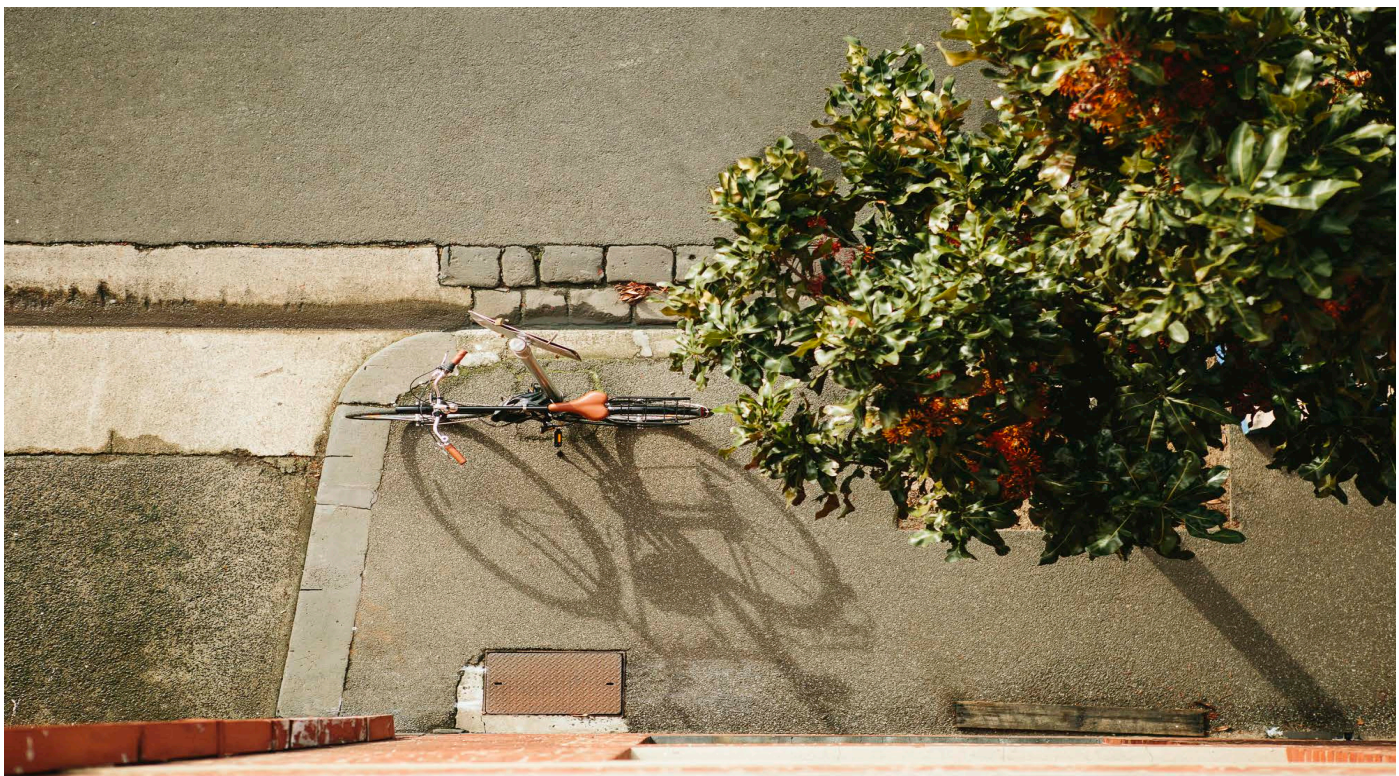
Many respondents indicated that current rental rates allow young artists just starting out in the field to afford artistic and creative space at Younghusband. The first 5 years of practice makes or breaks a starting artist. By subsidising the rent for select tenants, Younghusband is able to work with and support managers who are fostering and incubating emerging artistic talent. Affordable rents create a pathway for artists to establish themselves and gives them an opportunity to experience the benefits of co-working and collaboration with more established artists and creators. However, if the rents were to increase, many young artists would be displaced and lose access to unique industrial spaces providing clustering opportunities like Younghusband. Without the rent subsidies, tenants would have to look more than an hour outside of the inner city. Continuing the cycle of cultural displacement not only puts further strain on up-and-coming artists at the beginning of their careers when their need for support – both creative and financial – is most important, but also hampers the growth of cultural and creative industries and exacerbates the problem of inequitable access to those industries in Victoria.

\$10 Million 

Gross business income from subsidized tenants



6%
of respondents receive government support (i.e. grants)



Conclusion

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Overview

This evaluation aimed to understand whether, how, and to what degree a developer initiative--a rent subsidy at Younghusband for cultural and creative tenants--could lead to economic and non-economic benefits for tenants, the community, and wider public benefits.

IIG is committed to community-focused development that begins with a collaborative co-design process designed to incorporate the needs and desires of the surrounding community.

At the time of purchase, Ironside Studios, Fox Gallery, The Facility, and Klik Collective leased space at Younghusband—four artistic enterprises that the community believed contributed to the social and cultural value of the Younghusband site and the Kensington Community.

After engaging in a collaborative design process with the Younghusband tenants and Kensington community, IIG felt that in order to preserve the rich artistic culture and identity of the community, these four legacy tenants should be offered new, discounted lease terms approximately 25-68% below commercial lease rates. By offering sub-commercial lease rates to specific legacy tenants, these tenants are able to remain in the area and continue contributing to the health, well-being, tenant diversity, and cultural heritage of the surrounding community.

In addition, this model of rent subsidies has facilitated economic benefits for both tenants and the surrounding Kensington community, largely through clustering and collaboration, driven in part by the collectives model of the four lease holders receiving rent subsidies.

The successful delivery of arts and cultural programs requires a healthy ecosystem of creative industries that generates opportunities for regular interaction with arts and culture. Yet, preserving equitable access to arts and culture is increasingly falling on the shoulders of private sector players in the absence of policy directives mandating development of affordable artistic spaces. Indeed, researchers studying the effects of cultural industries in London and New York found that the neighbourhoods experiencing the greatest growth boasted high cultural capital, but also suffered from high levels of gentrification, unaffordability, inequality, and inequitable access to the arts.²¹ As cultural and creative arts industries become increasingly important contributors to the Australian economy, both developers and policy makers should be

cognisant of the economic burdens facing cultural and creative artists and artistic enterprises and work together to develop policies that incentivise urban development designed to cultivate and inspire creative lifestyles and promote equitable access to cultural and creative arts and industries for all Australians.

IIG is interested in learning whether particular interventions that are designed to create wider social, environmental, cultural and economic value are, in fact, having their intended effect and what we as impact investors, investing for both private financial and public social/ environmental benefits can learn from these evaluations. We hope that by building an evidence base through these types of evaluation projects, we can illustrate how these interventions create measurable public and private benefits that in turn can provide a road map for our future work as well as the work of others across the sector.

²⁰ Commercial lease rates were determined by an independent real estate agent providing market comparison rates.

²¹ Hristova D, Aiello LM and Quercia D (2018) The New Urban Success: How Culture Pays. *Front. Phys.* 6:27. doi: 10.3389/fphys.2018.00027 ("The production of these findings relies on a new way of quantifying cultural capital that is based on the definition of the first taxonomy of culture (which is far more comprehensive than official classifications of cultural activities) and on the mining of digital data such as picture tags (which has made it possible to perform cultural studies at an unprecedented scale, contributing to the emergence of a new research field called 'cultural analytics.'").

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T: +61 3 8534 8060

E: enquiries@impact-group.com.au

W: impact-group.com.au

Melbourne

11 Princes Street
St Kilda
VIC 3182

Sydney

Level 2, 11 York Street
Sydney
NSW 2000