

Precinct 15 Altona North Economic Impacts

Independent Peer Review

City of Hobsons Bay
September 2015



Independent insight.



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1 INTRODUCTION

1.1 The proposal

Precinct 15 in Altona North is the former industrial Dons Site bounded by Blackshaws Road, Kyle Road, New Street and the Westgate Freeway.

The City of Hobsons Bay has been engaged for a number of years in preparing for a potential redevelopment of this site. This led to the specific identification of Precinct 15 as an area expected to transition towards residential, open space and mixed use development. The *2006 Hobsons Bay Activity Centre Strategy* prepared by Charter Keck Cramer specifically identified the precinct as a substantial new residential area of the future, requiring the provision of 'local convenience shops' amongst other elements.

In August 2012, developers lodged initial plans and supporting expert evidence to redevelop the site into a mixed use precinct including dwellings, open space, and retail facilities. SGS subsequently peer reviewed the economic evidence provided by Deep End Services supporting a 4,000sqm Activity Centre anchored by a 2,500sqm mid-sized supermarket.

The SGS review was generally supportive of the proposed Centre and the accompanying evidence, notwithstanding some caveats around timing and centre design.

In March 2015, the developers lodged revised plans and supporting expert evidence to redevelop the site in a similar but slightly altered mixed use precinct. In the revised development plans, the proposed Activity Centre was now proposed to be a 5,550sqm Neighbourhood Centre anchored by a 4,200sqm full line supermarket. In May 2015, SGS was again asked to provide an independent peer review of the revised development plan and Economic Impact Assessment from Deep End Services.

SGS has also been asked to comment on the Development Contributions Plan (DCP) Assessment. That peer review is provided in a separate report.

1.2 This report

The City of Hobsons Bay has requested SGS to provide a peer review of the economic assessment produced in support of the Development Plan. Specifically, the review is an appraisal of the justification supporting the retail and commercial floorspace detailed in the proposal. This report provides that review.

This report includes:

- A review of the retail planning aspects of the proposal with regard to policy set in the Hobsons Bay Planning Scheme and the 2006 Hobsons Bay Activity Centres Strategy.
- An appraisal of economic evidence provided in support of the Development Plan by Deep End Services, and
- Identification of missing information (if any) which should be required from the proponent.

A summary of findings is presented at the end of the report.

2 REVIEW OF DEEP END ASSESSMENT

In March 2015, Deep End Services prepared a report assessing the economics of the proposed retail and commercial floorspace at Precinct 15 submitted in support of the Development Plan. This section provides a review of that report.

2.1 Structure of the report

The report by Deep End Services is set out as follows:

- A review of the site location and regional context
- Proposed development and retail facilities
- An analysis of the trade area, including the spending of residents
- The competition from centres within and beyond the trade area
- The supply and demand for retail floorspace in the area over the period to 2031
- The sales potential of the proposed neighbourhood centre, particularly in relation to the proposed supermarket
- The market share gained by the centre
- The economic impacts of the proposed neighbourhood centre

This is a logical approach and structure in which all of the relevant issues are described and analysed.

2.2 Policy basis

Initially, the Deep End report is reasonably transparent in its description of the policy context. In particular, it directly quotes some key excerpts from the 2006 Hobsons Bay Activity Centre Strategy:

“The creation of substantial new residential precincts on former industrial sites (Newport Railway workshops and Precinct 15) will require the provision of local convenience shops to provide basic needs and encourage walking and cycling. These may include 24 hour convenience stores, chemist, newsagent, greengrocer or a “limited line” supermarket (as distinct from a full line supermarket). They should be located with exposure from arterial roads to ensure viability.”

- Deep End report; directly quoted from the 2006 Hobsons Bay Activity Centre Strategy

The Deep End report then provides some critique of the Activity Centre Strategy’s position on the matter:

*“The Strategy’s position on possible new retailing for the Strategic Redevelopment Areas is somewhat **ambiguous**. While, on the one hand, it recommends against the creation of new activity centres in the City and sets out a range of convenience based retailers, it also raises the possibility of a “limited line” supermarket which is undefined and could be subject to varying interpretations.”*

- Deep End report page 10

The remainder of the Deep End report then proceeds to provide analysis and a case for a Neighbourhood Centre anchored by a 4,200sqm full line supermarket.

Comment

The major ambiguity would appear to be around the definition of a local node, with the development of even a limited line supermarket plus specialty shops generally better classified as a Small Neighbourhood Centre as opposed to a Local Centre.

*Page 29 of the Activity Centre Strategy is however, very clear that **a limited line supermarket is not a full line supermarket** (the word “distinct” is used). There is next to no chance that a limited line supermarket could be interpreted as the 4,200sqm supermarket which is proposed.*

Clauses 21.02-4 and 21.06 of the Hobsons Bay Municipal Strategic Statement (MSS) both support the intent of the 2006 Activity Centres Strategy in focusing on the protection of existing centres. Objective 5 of Clause 21.06 does make the caveat that new land uses should only be introduced subject to appropriate justification.

On that basis, the City of Hobsons Bay needs to firstly explore the potential for accommodating new retail demand in the existing centres network as defined by the 2006 Activity Centres Strategy. If it is demonstrated that the existing network of centres is incapable of expanding to accommodate the extra projected demand, then a sequential test approach should be applied, with the Precinct 15 site then likely to be potentially supported by appropriate justification for a full-line supermarket development and associated specialty shops.

However, if the City of Hobsons Bay can demonstrate that the projected future retail demand of the area can indeed be accommodated through the expansion of existing centres in the nominated hierarchy, then the main anchor of the proposed retail centre on Precinct 15 must be capped at a limited line supermarket (as specified in the 2006 Activity Centres Strategy).

Otherwise the proposed composition of specialty shops are accepted as a good outcome which will encourage local small business development in the area.

Location

The Deep End report states that:

“A frontage to Blackshaws Road, one of several cross-suburb main roads and a key link between Millers Road and Melbourne Road is a key asset for the NAC. It will offer convenience to passing traffic and for workers in the area to access food and services from their place of work.

This is a more preferable location than an embedded site within the precinct where the size and scale of the NAC (and its benefits to the area) would be significantly smaller.”

- Deep End report page 16

Comment

This is generally accepted on the basis that the 2006 Activity Centres Strategy explicitly states the need for shopping facilities to have exposure from arterial roads.

*It should be mentioned, however, that best practice in Precinct Structure Planning would have looked to minimise the need for car trips. On that basis the centre should be internalised within Precinct 15. Our usual recommendation for the fairest and most reasonable location would be to place the NAC at the **centroid** of the redevelopment site.*

2.3 Indicative need

The Deep End report makes extensive use of population to floorspace ratios to arrive at a conclusion that by 2031, 'additional population growth and higher rates of provision will support an additional 8,472 sqm of neighbourhood space over and above 2014 supply levels'. The analysis is best summarised by the reproduced table below:

FIGURE 1 ACTIVITY CENTRE DEMAND – SUPPLY ANALYSIS

	2014	2016	2021	2026	2031	Change 2014-2031
<u>Per capita rates of floorspace provision</u>						
CAD's	0.24	0.24	0.25	0.25	0.26	
PAC's	0.38	0.38	0.39	0.40	0.41	
MAC's	0.47	0.48	0.49	0.50	0.52	
NAC's / other	0.64	0.65	0.67	0.68	0.70	
<u>Sub total</u>	<u>1.73</u>	<u>1.75</u>	<u>1.80</u>	<u>1.84</u>	<u>1.89</u>	
Bulky goods	0.51	0.52	0.53	0.54	0.56	
Total	2.24	2.27	2.32	2.38	2.44	
<u>Population</u>¹	26,025	26,919	29,938	32,835	35,829	9,804
<u>Supportable floorspace (sq.m)</u>						
CAD's	6,212	6,489	7,399	8,320	9,308	3,097
PAC's	9,844	10,284	11,726	13,186	14,751	4,907
MAC's	12,334	12,885	14,692	16,521	18,482	6,149
NAC's / other	16,745	17,494	19,947	22,430	25,093	8,348
<u>Sub total</u>	<u>45,134</u>	<u>47,153</u>	<u>53,765</u>	<u>60,457</u>	<u>67,635</u>	<u>22,500</u>
Bulky goods	13,275	13,868	15,813	17,781	19,893	6,618
Total	58,409	61,021	69,578	78,238	87,527	29,118
<u>Retail floorspace supply (sq.m)</u>²						Supply vs Demand - 2031
CAD's						
PAC's						
MAC's	25,070	25,070	25,070	25,070	25,070	6,588
NAC's / other	16,620	16,620	16,620	16,620	16,620	-8,472
<u>Sub total</u>	<u>41,690</u>	<u>41,690</u>	<u>41,690</u>	<u>41,690</u>	<u>41,690</u>	

Source: Deep End Services, id consulting

* Small area population forecasts by .id for Altona Gate, Newport West, Brooklyn and South Kingsville apportioned from South Kingsville/Spotswooc

* Retail floorspace supply includes Altona Gate MAC, Newport (west of Melbourne Rd), Borraek Square, The Circle, Vernon St, Challis St

Blackshaws Rd, Brooklyn & Second Ave.

Source: Deep End report

Comment

Whilst we believe the data is accurate, there are a number of flaws in the **application** of this approach:

- CADs, PACs, MACs and NACs were part of a metropolitan Activity Centres hierarchy defined under Melbourne @ 5 million which has since been superseded by Plan Melbourne. Planning for the Melbourne @ 5 million centre hierarchy was conducted at a regional (or sometimes corridor in the Growth Area context) level. It is inappropriate to use a regional hierarchy for the purposes of analysing supply and demand in a local area in isolation.
- For the purposes of undertaking an economic assessment using supply and demand metrics, we should be using retail hierarchy classifications of regional, sub-regional and neighbourhood centre. The Activity Centre Strategy should provide some guidance on how these economic classifications would concord with planning definitions of Activity Centres. For analytical purposes, Plan Melbourne provides little guidance on these matters.
- The table appears to demonstrate an oversupply of MAC floorspace. However a MAC always serves a much wider catchment, and when in close proximity, essentially removes the need for a NAC. Therefore the major contention that there is an undersupply of NAC floorspace may be misleading.
- These ratios tend to only make sense in self-contained neighbourhood catchments such as Diggers Rest in the City of Melton. This catchment area is clearly serviced by a network of multiple stores and centres; the trade areas of each centre is likely to overlap significantly, with higher order centres playing a significant role over wider attachments. Population to floorspace ratios are therefore a poor measure of the supply and demand equation in this context.
- When catchments in Hobsons Bay overlap significantly (as they currently do), the preferred method should be to clearly define where catchment boundaries are and how much local spending is actually captured, with comments

The Deep End report then applies similar population to floorspace logic for appraising demand and supply of supermarkets in the area. The report states:

“The City of Hobsons Bay has one of the lowest rates of supermarket floorspace provision in Metropolitan Melbourne. The current rate of 250m sqm of supermarket space per 1,000 residents is 24% below the average for metropolitan Melbourne and the 6th lowest of Melbourne’s 31 municipalities. The adjoining municipalities of Wyndham, Maribyrnong and Brimbank are all close to the metropolitan average in the range of 325 – 339 sqm per 1,000 residents.”

- Deep End report page 20

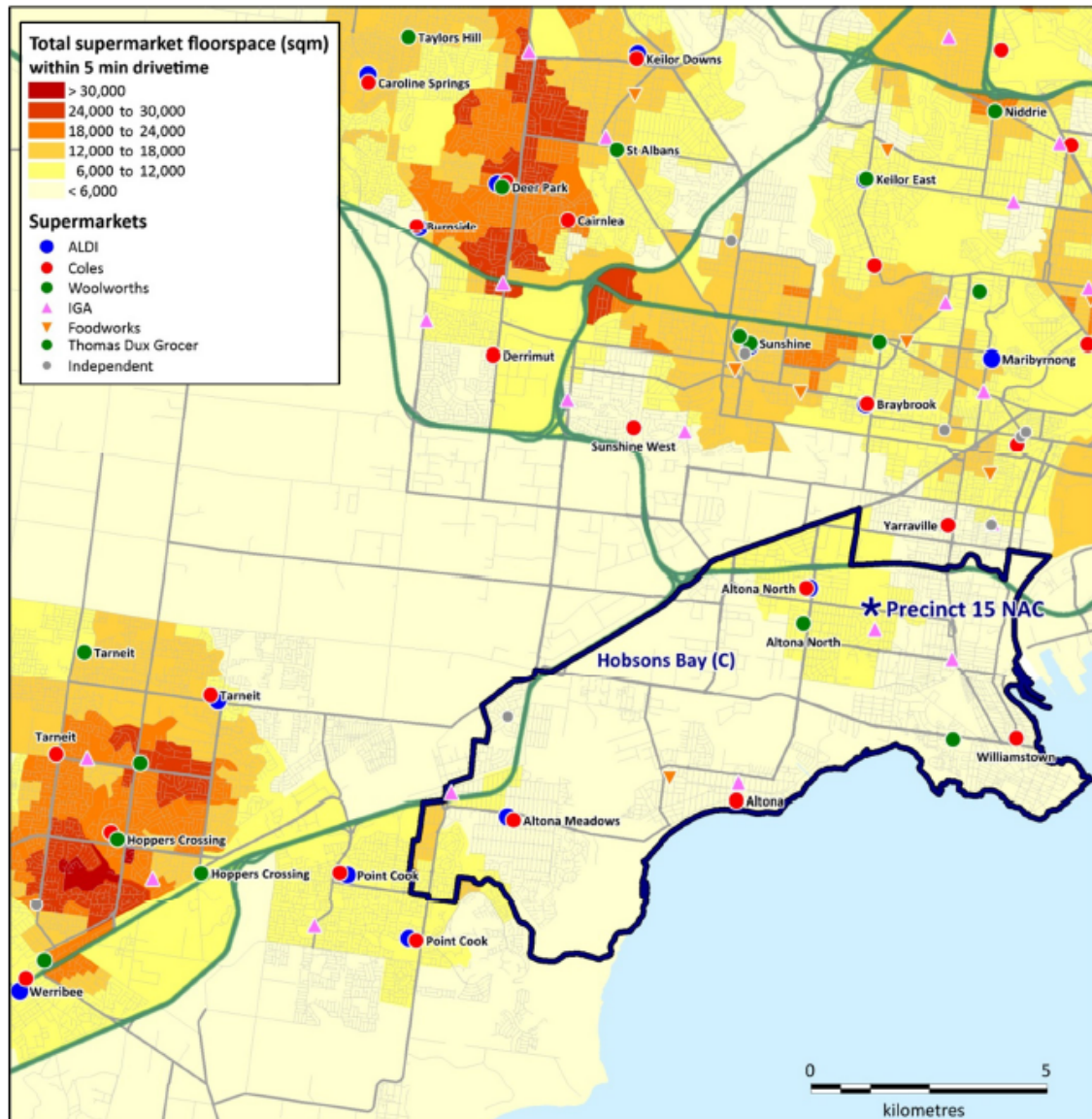
Comment

This statement does generally give some justification for more supermarket floorspace to be provided in the City of Hobsons Bay, however:

- Those numbers should in the first instance be interpreted as evidence for more floorspace to be provided within the existing centres hierarchy of Hobsons Bay
- These ratios always need to be used with caution because neighbouring municipalities may possess large centres which service the local catchments.

The Deep End report then provides the following map to highlight a perceived lack of supermarket floorspace provision in the relevant study area. Lighter shades are intended to demonstrate reduced access to supermarkets.

FIGURE 2 SUPERMARKET ACCESSIBILITY



Source: Deep End report

Comment

The analysis of this figure continues the narrative that demonstrates a general undersupply of supermarket floorspace in Hobsons Bay. However, it also inadvertently highlights the fact that future residents of Precinct 15 will essentially be within 5 minutes access of at least 6,000sqm of supermarket floorspace – the equivalent of almost two full line supermarkets.

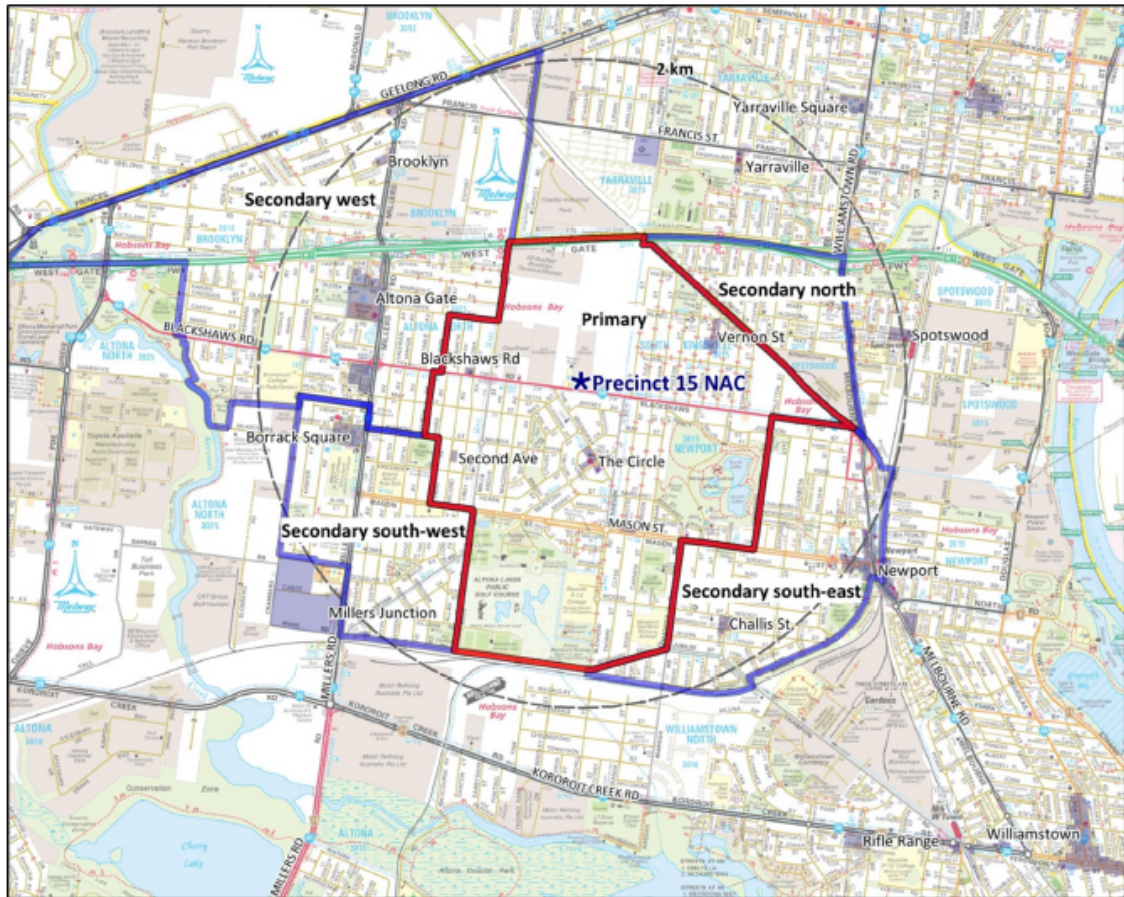
It is unclear why the Deep End report considers five minute access to two full line supermarkets to be inadequate. Indeed, what Figure 10 essentially demonstrates is that there are other parts of Hobsons Bay that are in much greater need of supermarket floorspace than the Precinct 15 study area.

Our interpretation of Figure 10 is that there is no geographical gap in the provision of supermarkets in the area in and around Precinct 15.

2.4 Trade area analysis

The Deep End report elects to define a 'trade area' for the proposed retail floorspace on the basis of the local road network, natural barriers and the major supermarket anchors. This is shown in Figure 3 below.

FIGURE 3 PRECINCT 15 CATCHMENT AREA



Source: Deep End report

Comment:

Whilst we generally agree with the defined trade areas, we question whether Precinct 15 is still playing a local role if it is drawing significant trade west of Millers Road and north of the West Gate Freeway into Brooklyn.

2.5 Population forecasts

The population forecasts in the Deep End report are replicated below.

FIGURE 4 TRADE AREA POPULATION FORECASTS

Catchment area sector	2006	2011	2014	2017	2021
<u>Population (No.)</u>					
Primary	7,675	8,611	9,190	10,032	13,539
Secondary north	1,537	1,582	1,648	1,709	2,101
Secondary south-east	4,987	5,351	5,635	5,832	6,060
Secondary south-west	3,403	3,490	3,642	3,718	3,787
Secondary west	<u>5,753</u>	<u>6,026</u>	<u>6,220</u>	<u>6,352</u>	<u>6,560</u>
Secondary	15,680	16,449	17,146	17,610	18,509
Total	23,355	25,060	26,336	27,642	32,048
<u>Population growth (No. per annum)</u>					
Primary	-	187	193	281	877
Secondary	-	154	232	155	225
Total	-	341	425	435	1,101
<u>Population growth (% per annum)</u>					
Primary	-	2.3%	2.2%	3.0%	7.8%
Secondary	-	1.0%	1.4%	0.9%	1.3%
Total	-	1.4%	1.7%	1.6%	3.8%

Source: Deep End report

Comment

We generally agree with these numbers, with the adopted growth rates reasonable. The demographic numbers also appear to be reasonable, with the overall implication that this is a relatively high income area.

However, we do question why population projections data are not presented beyond 2021 given the fact that the residential development of Precinct 15 may occur over a 15 to 20 year timeframe. A sensible planning of the proposed NAC would surely need to be conducted on the basis of population scenarios at full development of Precinct 15.

2.6 Retail spending

The total catchment expenditure forecasts in the Deep End report are replicated below.

FIGURE 5 TRADE AREA PER CAPITA EXPENDITURE FORECASTS BY COMMODITY

Spending category	Primary	Secondary north	Secondary south-east	Secondary south-west	Secondary west	Total	Melb.	VIC
<u>Spend per capita</u>								
FLG & Catering	\$7,682	\$8,230	\$8,124	\$6,692	\$7,231	\$7,568	\$7,723	\$7,700
Non-Food & Retail Services	\$5,573	\$6,565	\$6,594	\$4,398	\$4,665	\$5,477	\$5,913	\$5,799
Total	\$13,255	\$14,795	\$14,718	\$11,091	\$11,896	\$13,044	\$13,636	\$13,499
<u>Comparison to Melbourne average</u>								
FLG & Catering	-0.5%	6.6%	5.2%	-13.3%	-6.4%	-2.0%		
Non-Food & Retail Services	-5.7%	11.0%	11.5%	-25.6%	-21.1%	-7.4%		
Total	-2.8%	8.5%	7.9%	-18.7%	-12.8%	-4.3%		

Source: Deep End report

FIGURE 6 TRADE AREA TOTAL EXPENDITURE FORECASTS BY COMMODITY

Spending category	<u>Spending market (constant 2014 \$m)</u>			<u>Average change (%pa)</u>	
	2014	2017	2021	2014-17	2017-21
<u>FLG & Catering</u>					
Primary	70.6	78.7	109.6	3.7%	8.7%
Secondary	128.7	135.0	147.0	1.6%	2.1%
Total	199.3	213.7	256.6	2.4%	4.7%
<u>Non-Food & Retail Services</u>					
Primary	51.2	54.6	73.8	2.2%	7.8%
Secondary	93.0	93.3	98.7	0.1%	1.4%
Total	144.2	147.9	172.4	0.8%	3.9%
<u>Total</u>					
Primary	121.8	133.3	183.4	3.0%	8.3%
Secondary	221.7	228.4	245.6	1.0%	1.8%
Total	343.5	361.6	429.0	1.7%	4.4%

Source: Deep End report

Comment

Whilst the retail expenditure estimates appear to be generally reasonable, there is usually a greater level of delineation between the various commodity types. This level of specificity is missing here, but not essential.

2.7 Competition analysis

Existing Competitive Framework

Provided below is the summary of competing centres from the Deep End report.

FIGURE 7 REGIONAL NETWORK OF COMPETING CENTRES

Shopping centre/strip	Floorspace by TENANT TYPE (sqm)							Total floorspace (incl non-retail)	Total vacant	% of total floorspace
	Food			Non-Food						
	Smkts	Other food & drink	Total food & drink	Non-food	Retail Services	Total non-food & services	Total retail			
Precinct 15										
Activity Centres										
Altona Gate	5,062	2,775	7,837	13,670	1,415	15,085	22,922	25,358	265	1.0%
Millers Rd Nth	-	550	550	810	790	1,600	2,150	2,430	-	0.0%
Altona Gate & Millers Rd Nth	5,062	3,325	8,387	14,480	2,205	16,685	25,072	27,788	265	1.0%
Williamstown	3,131	10,165	13,296	5,380	2,120	7,500	20,796	27,921	630	2.3%
Altona	2,543	2,780	5,323	1,540	1,470	3,010	8,333	13,973	675	4.8%
Neighbourhood & Local Centres										
Newport	1,050	3,280	4,330	1,880	1,040	2,920	7,250	12,445	200	1.6%
Borlack Square	1,800	1,760	3,560	775	250	1,025	4,585	6,055	-	0.0%
Yarraville Square (Coles)	2,423	647	3,070	118	268	385	3,455	3,573	-	0.0%
Rifle Range	2,050	830	2,880	140	-	140	3,020	3,020	-	0.0%
The Circle	500	1,770	2,270	725	60	785	3,055	3,145	-	0.0%
Spotswood	-	1,270	1,270	690	240	930	2,200	2,780	60	2.2%
Vernon St	-	1,160	1,160	305	130	435	1,595	2,115	40	1.9%
Yarraville (Francis St)	-	840	840	210	290	500	1,340	1,680	-	0.0%
Challis St	-	790	790	240	80	320	1,110	1,940	100	5.2%
Second Ave	-	865	865	-	160	160	1,025	1,105	-	0.0%
Blackshaws Rd	-	360	360	150	140	290	650	650	-	0.0%
Blackshaws Rd & Misten Ave	-	258	258	-	248	248	506	594	-	0.0%
Brooklyn	-	210	210	-	70	70	280	920	420	45.7%
Other										
Millers Rd & Blackshaws Rd	-	-	-	622	-	622	622	967	-	0.0%
Millers Junction Homemaker Centre	-	-	-	21,625	-	21,625	21,625	21,625	-	0.0%
Total	18,559	30,310	48,869	48,880	8,771	57,650	106,519	132,296	2,390	1.8%

Source: Deep End report

Comment

Whilst not explicitly discussed in the Deep End report, it is important to draw attention to the size of existing Activity Centres in the area. What the table demonstrates is that (a) supermarket anchors in Neighbourhood Centres are no larger than 2,500sqm, whilst the vast majority of these Neighbourhood Centres are no larger than 3,600sqm in size.

This is an important observation because it demonstrates how the proposed 5,500sqm NAC that is anchored by a 4,200sqm supermarkets would not be in keeping with what is expected of a NAC in this area. Indeed, given the existing competition, the proposed development would immediately be highly competitive – which suggests trade diversions that would be greater than what could usually be expected of a 5,500sqm retail development.

We also note that given the significant levels of population growth that is expected across Hobsons Bay over the next decade, Council urgently needs to explore opportunities for expansions to existing centres.

2.8 Market assessment

The sales forecasts in the Deep End report are replicated below.

FIGURE 8 PRECINCT 15 NAC FORECAST SALES (2016/17)

Level / Tenancy	Floorspace (sqm)	Sales 2016/17 @\$2014 (\$m)	Trading level (\$/sqm)
Summary by Tenant Group			
Supermarket	4,200	31.1	\$7,400
<u>Specialty shops</u>			
• food	259	2.1	\$8,000
• catering	223	1.1	\$5,000
• non-food	508	3.0	\$6,000
• retail services	<u>225</u>	<u>1.0</u>	<u>\$4,500</u>
Sub-total specialty shops	1,215	7.2	\$5,965
Total Retail	5,415	38.3	\$7,078
Non retail	135	-	
Total Centre	5,550	-	
Summary by Product Group			
Food, Liquor, Groceries, Catering	4,010	29.3	\$7,305
Non-food & services	1,405	9.0	\$6,429
Total Retail	5,415	38.3	\$7,078

Source: Deep End report

Comment

The turnover per sqm or Retail Turnover Density (RTD) for the supermarket appears to be understated. Full line supermarkets in the Middle Ring suburbs of Metropolitan Melbourne usually trade at \$10,000 to \$12,000 per sqm (particularly when there is a slight undersupply as the Deep End Report has identified in Hobsons Bay), so \$7,400 per sqm is quite low. This figure cannot be accepted, with the implications for underestimating captured trade (and therefore trade diversions from other centres) needing to be borne in mind.

Sales forecasts are followed by analysis of market share and sales distribution expected of the proposed development in Figure 9 below.

FIGURE 9 PRECINCT 15 NAC PROPOSED MARKET SHARE AND SALES DISTRIBUTION
(2016/17)

Catchment area sector	Spending (\$m 2013/14)			Market share (%)			Turnover (\$m)		
	FLG & Catering	Non-food & Serv.	Total Retail	FLG & Catering	Non-food & Serv.	Total Retail	FLG & Catering	Non-food & Serv.	Total Retail
Primary	109.6	73.8	183.4	14.7%	6.7%	11.5%	16.1	5.0	21.1
Secondary									
Secondary north	18.2	13.5	31.7	8.1%	3.0%	5.9%	1.5	0.4	1.9
Secondary south-east	51.8	38.9	90.7	9.1%	3.6%	6.7%	4.7	1.4	6.1
Secondary south-west	26.8	16.3	43.1	4.9%	2.5%	4.0%	1.3	0.4	1.7
Secondary west	<u>50.2</u>	<u>30.0</u>	<u>80.1</u>	<u>2.6%</u>	<u>1.4%</u>	<u>2.2%</u>	<u>1.3</u>	<u>0.4</u>	<u>1.7</u>
Total Secondary	147.0	98.7	245.6	6.0%	2.7%	4.6%	8.8	2.6	11.4
Total catchment area	256.6	172.4	429.0	9.7%	4.4%	7.6%	24.9	7.6	32.5
Beyond trade area (% sales)				15.0%	16.0%	15.2%	4.4	1.4	5.8
Total							29.3	9.0	38.3

Source: Deep End report

Comment

A similar pattern of underestimate is also observed for the market shares. Generally, a Neighbourhood Centre anchored by a full line supermarket should be capable of capturing 25% to 30% of trade from its Primary Trade Area, with the figure closer to 10% for a Secondary Trade Area. Again, the numbers cannot be justified. And in combination with the low RTDs, they appear to lead to a significant underestimate of trade diversions.

2.9 Economic (trade diversion) impact

The next element analysed in the Deep End report is the level of trade diversions.

FIGURE 10 PRECINCT 15 NAC – RETAIL SALES IMPACTS (2016/17)

Centre	Retail floorspace (sqm)		Retail sales (\$m)			Precinct 15 NAC impacts	
	2014	2017	2014	2017 Base Case ¹	2017 Post Precinct 15 NAC	(\$m)	(%)
Precinct 15 NAC	-	5,415	-	-	38.3	n/a	n/a
Activity Centres							
Altona Gate & Millers Rd Nth	25,072	25,072	148.1	150.9	141.5	-9.4	-6.2%
Williamstown	20,796	20,796	163.5	171.3	167.4	-3.8	-2.2%
Altona	8,333	8,333	67.1	70.7	69.8	-1.0	-1.4%
Neighbourhood & Local Centres							
Newport	7,250	7,250	44.8	46.5	43.0	-3.5	-7.5%
Borrack Square	4,585	4,585	48.9	50.4	44.9	-5.5	-10.9%
Yarraville Square (Coles)	3,455	3,455	66.7	71.0	69.1	-1.9	-2.7%
Rifle Range	3,020	3,020	44.0	45.8	42.2	-3.6	-7.9%
The Circle	3,055	3,055	20.2	22.1	20.4	-1.7	-7.9%
Spotswood	2,200	2,200	11.5	12.1	11.6	-0.5	-4.0%
Vernon St	1,595	1,595	8.0	8.9	8.4	-0.4	-5.0%
Yarraville (Francis St)	1,340	1,340	6.6	7.0	6.6	-0.4	-5.5%
Challis St	1,110	1,110	6.1	6.7	6.5	-0.2	-2.7%
Second Ave	1,025	1,025	4.7	5.2	5.0	-0.2	-4.2%
Blackshaws Rd	650	650	4.3	4.7	4.5	-0.2	-4.5%
Total Centres	83,486	83,486	644.3	673.2	640.9	-32.4	-4.8%
Other centres / unallocated	-	-	-	-	-	-6.0	-
						16%	
Total Precinct 15 NAC Activity Centre						-38.3	

Source: Deep End report

Comment

7.9% impact on *The Circle* appears to be extremely low for a centre which is in close proximity and will be competing directly for supermarket expenditure. The likely outcome is that *The Circle* will be severely affected because the proposed centre in Precinct 15 has no alternative but to attract most of its customers from a trade area which is almost identical to *The Circle's*.

The Circle is likely to be further disadvantaged by its nondescript location if the proposed centre is allowed to be established on Blackshaws Road with superior prominence and access.

The impacts for centres such as Williamstown, Yarraville Square and Rifle Range are highly questionable. By overemphasising the impact on these centres, the proponent is able to spread the projected economic impact across a broader region and wider number of centres, thereby diluting the figures for likely impact on the centres which are most likely to be under threat (*The Circle* and Borrack Square).

The impact assessment is essentially articulating that of the \$38.3m in turnover expected for the proposed NAC, almost 25% (\$9.3m) will be drawn from three centres that have little economic relationship with Precinct 15 and its surrounding local area. If this is actually true, then the proposed development would clearly be transcending beyond the local role that is mandated under the 2006 Activity Centre Strategy.

2.10 Net Community Benefit considerations

Finally the Deep End report assesses the extent to which the proposed NAC development at Precinct 15 will generate benefits for the community.

It should be noted that a list of positive economic impacts to the community should not be interpreted as a complete assessment of *net* benefit to the community. There is an implicit assumption in the analysis that if the proposed investment does not occur at Precinct 15, it will never occur.

This appears to be untested, especially if the City of Hobsons Bay is proactive in facilitating investment in their established network of Activity Centres; in which case this appears to be an unsustainable proposition. It should at least be acknowledged as an assumption.

Some of the more specific net community benefit items are discussed in detail below:

Employment benefits

The Deep End report discusses the expected level of permanent employment likely to be generated from the proposed NAC development. This is summarised below:

FIGURE 11 PRECINCT 15 NAC EMPLOYMENT CREATION

Tenancy type	NAC floorspace (sqm)	Job Rate - all paid emp. (no/100sqm)	Full time equivalent jobs		
			Direct jobs (no.)	Indirect jobs (no.)	Total (no.)
Supermarket	4,200	4.4	92	57	150
Specialty retail	1,215	6.1	37	23	60
<i>Sub-total</i>	<i>5,415</i>		<i>129</i>	<i>80</i>	<i>210</i>
Specialty non-retail	135	4.3	3	3	6
Total retail & specialties	5,550		132	83	215

Source: Deep End report

Comment

*Whilst the direct employment numbers are acceptable, it is highly questionable whether they constitute **net** benefits. This is because these jobs are simply a reflection of expenditure in the local area. Indeed, the trade diversion analysis would suggest that most of these jobs are likely to have been redistributed from other Activity Centres in Hobsons Bay and elsewhere in the metro area. Hence these employment numbers cannot be interpreted as net benefits to the Victorian community.*

The use of multipliers to provide an estimate of indirect employment is also rather misleading since these jobs could be anywhere in the Australian economy (or if goods are imported, then anywhere in the global economy). In any case, these multipliers are linked to retail spending, which will occur elsewhere if it doesn't occur on the proponent's site. The Victorian Treasury recommends against the use of multipliers in net community benefit analyses.

We would recommend that direct employment yields be the limiting measure on the extent of employment benefits in a net community benefit assessment.

Precinct benefits

The final page of the Deep End report states:

“The NAC will form the basis of a commercial and community hub directly linked to the needs of the Precinct. It will meet a range of consumer needs within a walkable distance for over 7,000 new residents in the Precinct and by its location and layout, should interact well with existing residential areas. Its location in and around a large medium-density residential development housing new residents to the area, will reinforce the overall living, working, shopping and social benefits of the Precinct.”

- Deep End report, page 48

Comment

In general, 7,000 new residents directly equates to approximately 3,000sqm of neighbourhood retail floorspace demand. Accounting for the servicing of a modest local catchment, this equates to a basis for perhaps a 4,500sqm NAC anchored by a small or mid-sized supermarket with some specialty shops.

Additional floorspace over and above that amount would usually result in the attraction of residents from a broader catchment, resulting in increased vehicular travel and related negative externalities associated with car use.

Ultimately the quantum of floorspace to be provided at Precinct 15 should be contingent on growth. If there was to be a population yield of much greater than 7,000 residents then there should be a case for a NAC to be larger than 4,500sqm

Notionally, we agree that a small centre serving a small population yield in Precinct 15 will need passing trade on Blackshaws Road to guarantee viability.

A larger centre which has a larger population yield supporting it in Precinct 15 would be less reliant on passing trade.

But at this stage a 4,500sqm NAC with a population yield of 7,000 residents on Precinct 15 should be allowed to locate on Blackshaws Road if that is what the developer prefers.

3 CONCLUSIONS

The Economic Impact Report prepared by Deep End is generally well structured and comprehensive. However when considered in depth, the evidence presented in the analysis was found to contradict the report's main arguments in support of the development proposal. These included:

- A lack of policy support for a 4,200sqm supermarket anchored centre
- An indicative analysis of supply and demand which actually demonstrates that the study area is currently well serviced by supermarkets
- Low RTDs, low Trade Area captures and inflated impacts on distant centres which result in an underestimate of local trade diversion impacts
- Incorrect presentation of employment benefits.

On balance it appears as though the catchment area in question is reasonably well serviced by Neighbourhood retail facilities at present.

So whilst the future redevelopment of Precinct 15 will certainly necessitate an increase in the level of local retail provisions, the development itself in no way justifies the provision of a full line supermarket which threatens the viability of established centres such as The Circle and Borrack Square.

We do agree with Deep End's assertion that Hobsons Bay will require more supermarket floorspace in the future. However that floorspace would be more appropriately located within the established centres network.

We consider the proposed floorspace for a new NAC to be excessive until it is conclusively proven that the City of Hobsons Bay has exhausted all possible avenues for expanding surrounding centres.

Otherwise, a more modest development configuration similar to the limited line supermarket anchored NAC in the original 2012 proposal would be the appropriate response under the policies in the 2006 Hobsons Bay Activity Centre Strategy.

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