Expert Evidence Statement Amendment: Hume C198

Julian Szafraniec

November 2015

SGS
Economics
& Planning

Independent insight.

TABLE OF CONTENTS

1 INTRODUCTION

1.1 Overview and instructions

I, Julian Szafraniec, make this statement to assist the Panel appointed to hear matters in relation to the proposed amendment Hume Planning Scheme Amendment C198: Craigieburn North Employment Area Precinct Structure Plan (PSP).

I have been appointed by the Metropolitan Planning Authority (MPA) to provide expert evidence regarding economics and retailing. The evidence prepared is primarily based on our (SGS) original study *Restricted Retail Study – Craigieburn North*, April 2015 (referred to as SGS Report). I was project director for the report. Yilong Shi, was the lead author of the original SGS report and has assisted in the preparation of my evidence. The report specifically focused on restricted retailing and included a high level demand and supply (for selected locations) assessment.

In preparing my expert evidence the MPA instructed me to address the following matters:

1. What locational characteristics attracts restricted retailing?
2. A broad explanation of the methodology and assessment of the locational suitability of the site for proposed restricted retailing in comparison with the rest of the North Growth Corridor;
3. Some clarification on level of demand is required for restricted retail floorspace in the North Growth Corridor Plan, both now and throughout stages of development in the Northern Growth Corridor up to 2051;
4. The effect of Amendment C198 on competition in the anticipated restricted retail market in Melbourne's north growth corridor, throughout stages of growth of the Northern Growth Corridor;
5. Demonstration of the benefits in providing for 'out-of-centre' locations for restricted retail and employment land and type of retailing appropriate;
6. The effect of the restricted retail and commercial uses in Amendment C198 might have on identified town centres in Melbourne's north growth corridor;
7. Any other matter you believe relevant to inform the Panel regarding the appropriateness of the proposed restricted retailing in the Craigieburn North Precinct Structure Plan.

In the preparation of this report I have also:
- Reviewed the documents that form part of Amendment C198, including the Craigieburn North Employment Area PSP; the explanatory report
- Reviewed the submissions received, most notably Submission No 1/9/12b.
- Reviewed the North Growth Corridor Plan, June 2012
- Reviewed the Growth Corridor Plans: Activity Centre and Employment Planning, Essential Economics, Nov 2011 *(referred to as the Essential Economics Report)*
- Hume Retail Strategy

I am able to provide evidence to Panel regarding the SGS report preparation, findings and relevant related technical/economic matters surround the analysis.

In this statement of evidence, I shall address the following matters:
- Overview of the SGS report and key assumptions findings, including clarification around number of specific matters raised by MPA in relation to the C198 amendment.
- My views on the public submissions made, where I have relevant expertise.

SGS
Economics
& Planning

1.2 Credentials

Julian Szafraniec

My full name is Julian Wincenty Szafraniec. I am a Principal of SGS Economics & Planning Pty Ltd, based in the firm's Melbourne office at Level 14, 222 Latrobe Street, Melbourne.

I hold the following academic qualifications:

- Bachelor of Economics (Econometrics) (Honours) (Monash University)

I have experience in applying economic theories and models to urban and regional issues across Australia and internationally. I have provided advice to all tiers of government and the private sector, related to the dynamics of housing, transport, retailing, employment and the general economy.

I have previously presented expert evidence at Planning Panels Victoria hearings.

Some of my relevant retail sector experience includes:
− MPA (2015): Restricted Retail Study – Craigieburn North
− City of Yarra (2015): Alphington Park Project Economic Assessment
− City of Sydney (2015): Review of Green Square and Southern Areas Retail Study
− Nillumbik Shire Council (2015): Nillumbik Activity Centre Strategy
− City of Stonnington (2014): Chapel Re-vision development projects and employment capacity update
− City of Darebin (2014): Darebin Retail Strategy
− City of Melton (2013): Employment Lands Study
− City of Melbourne (2013): Value of Hospitality Sector
− City of Melbourne (2013): Retail Expenditure Study
− Yarra Ranges Shire (2012): Economic/retailing impact of proposed rezoning of ex VicTrack site.
− Hume City Council (2009): Development of the Hume City Retail Strategy
− Central Activities Areas Councils (2013): Role of activity centres in metropolitan Melbourne.
− City of Penrith (2011): Review of proposal for a major out of centre retail development.
− ACT Planning Authority (2010): Development of a retail system simulation model for Canberra to enable impact analyses.

Yilong Shi

Yilong Shi is a Senior Consultant of SGS Economics & Planning Pty Ltd, based in the firm's Melbourne office at Level 14, 222 Latrobe Street, Melbourne.

Yilong holds the following academic qualifications:
− Bachelor of Urban Planning (University of Melbourne)

Yilong is a planner and urban economist with over five years' experience in public policy analysis. His consulting assignments have focussed on land use plans, retail and economic analyses and feasibility studies. These studies have looked to facilitate growth and development of innovative new retail businesses. He has provided analysis and advice to ensure that retailing delivers a positive net community benefit.

A selection of Yilong's recent retail related projects includes:
− City of Greater Bendigo(2015): Commercial Land Strategy
− Various studies/assessments for Metropolitan Planning Authority (formerly Growth Areas Authority)
− City of Darebin (2014): Darebin Retail Strategy
− City of Yarra (2014) Analysis of New Commercial Zones
− Monash (2014) University Clayton Campus Commercial Strategy
− City of Macedon Ranges (2013) Riddells Creek Commercial and Commercial Strategy

1.3 Summary of my opinion

The following provides a brief overview of my opinion documented in this expert evidence statement

− The SGS report was a high level assessment of restricted retailing. It was not intended assess all retail and employment uses or site attributes.
− The analysis highlighted the significant amount of development planned in the norther growth corridor and the need to plan for both low and high density restricted retailing.
− While higher density restricted retailing should be focused within identified activities centres there is a net benefit to the community in providing opportunities for lower density restricted retailing to occur out of these centres.

While not analysed in the SGS Report some relevant general comments can also be made:
− There is a need to consider other employment uses and demand when considering the C198 area.
− As develop occurs there will be will be various cycles of household formation and demand pressures for different uses at different stages that should be considered holistically when planning.

2 SGS RESTRICTED RETAIL STUDY, APRIL 2015

SGS prepared the *Restricted Retail Study – Craigieburn North, April 2015* for the MPA. The SGS report contained a high level demand and supply assessment of the location, scale and merits of restricted retailing needs across the Northern Growth Corridor at a formative stage in its development.

It was used by MPA to inform the development of the Craigieburn North PSP and is exhibited as a background report to the Hume C198 amendment.

A number of public submissions have raised aspects of the report method and/or findings. The following section of my evidence highlights key aspects of the study particularly relevant to the Hume C198 amendment and provides clarification around the approach/findings.

2.1 Restricted retailing definition and locational choices

A healthy and competitive retail economy operates on a continuum to support innovation and diversity to the consumer. Restricted retailing is a subset of this broader retail economy, however there is no single definition regarding the specific form/products sold within a restricted retail store.

The SGS April 2015 report documents some definitions and characteristics of restricted retailing:
− Section 2.2. (page 4) outlines key characteristics of bulky goods retailing
− Section 2.3 (page 4-6) outlines key policy context and definitions. This includes the distinction of low and high density restricted retailing as described in the Hume Retail Strategy. The strategy recommends higher density forms to locate in designated activity centres and lower density forms to locate in specialised bulky goods centres.
− Section 3.5 (page 11-12) provides an apportionment by product types by low and high density restricted retailing. This informed the demand analysis and subsequent findings for report.

Table 1 provides a brief summary of the two forms of restricted retailing defined in the SGS report.

TABLE 1   LOW AND HIGH DENSITY RESTRICTED RETAILING

	Low density restricted retailing	High density restricted retailing
Examples:	Hardware and tool shops Bedding and furniture stores Larger household appliance stores	Smaller linen and household furnishing stores Smaller household appliance stores Phone and electrical stores

2.2 Restricted Retail demand in the Northern Growth Corridor

Restricted retail demand within the broader Northern Growth Corridor should be considered when assessing the C198 amendment specifically.

Melbourne is projected to see significant population growth into the future, with a large portion of this growth being accommodated to the north of Melbourne.

- Plan Melbourne identifies the northern sub region[1] as having a current population of 869,000. Future population is planned to grow by 400-470,000 people by 2031. In addition, there are anticipated to be between 100-140,000 additional jobs by 2031 (from 231,500 currently). Around 60% to 70% of this growth is planned for growth areas, with the remainder within established areas of the sub-region.
- The Growth Corridor Plan identifies an eventual population of 260,000 within the Melbourne North (Hume-Mitchell-Whittlesea) growth corridor. This geographic definition only includes greenfield development areas. It also identifies capacity to provide for at least 83,000 jobs within the corridor.
- The Essential Economics Report identifies between 177,000 to 304,000 additional people within the Melbourne North (Hume-Mitchell-Whittlesea) growth corridor by full development. This geographic definition aligns with the Growth Corridor Plan and excludes established parts of the corridor.
- Using the latest information available at the time the SGS report estimated current and future population for the broader Trade Area (as defined by Figure 2 - page 8 of the SGS report). This Trade Area definition broadly aligns with whole the *'Northern Growth Corridor'*. The area contained around 52,000 residents as of 2011 and this is expected to increase to between 342,000 and 382,200 residents by 2051 (or full development).

These four sources (while covering different geographic extents) each highlight the significant population growth planned for the whole corridor. For context, the full build out of the corridor represents a similar population as both Geelong (230,000) and Ballarat (100,000) regional cities combined

Current urban development within the corridor is predominately focused in the south. As the corridor develops it is anticipated to occur largely sequentially from south to north along the central Hume Freeway spine. However, planning for some precincts and higher order nodes in corridor are further developed and will catalyse development earlier. Planning for Merrifield Town Centre (MTC) is quite advanced and significant residential development is likely to begin within the next few years.

While I and SGS have not completed analysis of the broader employment and housing economy in our analysis, I can provide some comment on this form of development generally.

As the corridor develops there will be will be various cycles of household formation and demand pressures for different uses at different stages that should be considered holistically. In general, as growth corridors develop over time residential demand is often experienced first. Once an established residential catchment is developed, local and then higher order employment uses are increasingly in demand and needed in the corridor.

The Essentially Economic Report analyses this broader employment demand in detail and highlights the importance of planning for sufficient employment opportunities for local residents. Planning for a variety of employment sectors can help sustain a more diversified and robust local economy.

The significant amount of new households establishing in the region will also create significant demand for household goods, largely found in bulky goods stores. This is the focus of the SGS Report.

Based on the assumptions detailed in the SGS report (see Section 3.3-3.5) the overall demand for restricted retail within the broader Trade Area by 2051 is between 250-280,000 sqm (see Table 2 below).

---

[1] Defined as the municipalities of Banyule, Darebin, Hume, Mitchell (part), Moreland, Nillumbik and Whittlesea.

SGS
Economics
& Planning

TABLE 2   GROSS FLOORSPACE REQUIREMENTS FOR TRADE AREA, (SQM)

	2011	2031	2051
Low density	20,700	89,800-98,800	173,600-194,000
High Density	9,200	40,100-44,200	75,800-84,800
Gross Restricted Retail Demand	**29,900**	**129,900-143,000**	**249,400-278,800**

Source: SGS

This gross demand will be allocated across a number of existing centres/precincts and will also need to be supported by a number of future centres/precincts. Its distribution will also need to be considered alongside demand for other employment uses within the corridor.

The overall picture of the northern growth corridor highlights the significant magnitude of restricted retail demand that will need to be services at a broad level. The Merrifield TC and other specialised low density restricted retail precincts, which the C198 amendment provides an opportunity for, could all contribute to meeting this overall growth challenge.

2.3   Further clarification around supply assessment approach

The SGS report included a high level assessment of eight retail sites where unmet restricted retail demand could potentially be supplied (Section 2.2). The assessment was based on current conditions and a field visit of all relevant sites (completed by Yilong Shi, SGS Senior Consultant).

The criteria employed to assess sites were chosen in consultation with the City of Hume. In accordance with the Hume Planning Scheme, the assessment was setup to find the most appropriate sites for
− (a) higher density restricted retailing near an Activity Centre and
− (b) lower density restricted retailing along a major arterial.

The assessment was only intended to inform early planning work and did not included detailed environmental, traffic or other studies. Nor did it consider how future infrastructure/investment may change the scores attributed to the various sites.

The SGS report highlighted that *"More up to date analysis should be conducted as the broader catchment evolves"*.

2.4   Key locational characteristics for restricted retailing

Restricted retailing is typically an infrequent and generally high cost shopping activity which often requires larger floorplates to accommodate products. As a result key locational factors which are attractive to restricted retailing stores in particular included:
− Central location to customers in a large catchment
− Exposure to customers – busy main road or freeway frontage is desired.
− Parking
− Truck access
− Larger lots/store floorplates
− Competitively priced land

For the above reasons 'out of centre' locations are often attractive to restricted retailing. Yet these attributes alone do not directly indicate restricted retailing should be supported. Other issues including the attractiveness, supply and demand of other uses needs to be considered.

Restricted retailing in out of centre locations

However, there can be a net benefit to the community in directing some forms of restricted retailing into 'out of centre' locations, or into specialised restricted retailing centres.

The land take of bulky goods can be extensive and job density low. This activity is often not well suited for vibrant mixed use centres that focus on high density urban forms including food and convenience retailing, personal and business services, high/medium density housing and public transport activation.

If large scale and low density bulky goods in particular are directed to specialised centres, land in core activity centres is released for higher density and higher value land uses.

For this reason the SGS report, in line with the Hume Retail Strategy, has made a clear distinction between unmet demand for high and low density restricted retailing (See Table 3 below). High density restricted retailing should be directed toward identified town centres and low density restricted retailing directed into potentially one or two specialised centres.

TABLE 3   DISTRIBUTION OF RESIDUAL UNMET DEMAND BY 2051

Centre	Residual unmet demand (sqm)	Recommended Number of Centres	Floorspace per centre
Activity Centre Bulky Goods (High Density)	29,200 to 35,000	1	29,200 to 35,000
Low Density Bulky Goods	47,800 to 60,900	1 or 2	47,800 to 60,900 in one centre OR 23,900 to 30,500 each across two centres

Source: SGS

Along with other employment uses (not assessed in the SGS Report), the Amendment C198 should provide land use opportunities for some low density restricted retailing which will be in close proximity to new residential development and support other key locational characteristics highlighted above.

It should have the effect of absorbing some demand for lower density uses so as to release land in identified Town Centres for more higher order and higher intensity uses including higher density retail formats, high/medium density housing and personal/business services. As they are two different types of restricted retailing centres they should not significantly compete and rather complement.

3 COMMENTS ON PUBLIC SUBMISSIONS

In this section of my evidence, I comment on selected questions and themes raised in submissions to the exhibited Am C198. These are matters which I judge to be within the scope of my expertise.

For each topic area, I firstly reproduce the summary of submissions prepared then I present my opinion on each point raised.

Policy basis for restricted retail recommendations in the SGS report

<u>Submission 9</u>

> 2. The Restricted Retail Study – Craigieburn North, Final Report April 2015, (SGS Economics) and the Planning Report is flawed in approach to assessment and recommendations regarding the allocation of restricted retail floorspace. The Restricted Retail Study report also infers a development outcome for Merrifield City Centre which suggests the location is an inferior location for large format retailing. Given the advanced planning of Merrifield City Centre and the opportunity to create an integrated activity centre comprising a range of densities of retailing, it is inappropriate to make such inferences about the Merrifield City Centre.

<u>My Opinion</u>

The Essential Economics Report (page 59) identifies 20,000sqm of bulky goods floorspace in Major Town Centres (MTCs). This is less than the 29,000sqm to 35,000sqm of higher density bulky goods floorspace which the SGS Report recommended for Merrifield Town Centre.

The North Growth Corridor Plan is silent on specialised bulky goods centres and in these circumstances it is appropriate to have regard to the Hume planning scheme

The SGS Report makes a clear distinction between high and low density restricted retailing in direct accordance with Clause 21.07 of the Hume Planning Scheme Municipal Strategic Statement (MSS). Under Objective 4, there is clear direction to:

- *'Distribute bulky goods activity within a hierarchy, with retailers located in centres and in a selected number of specialized regional bulky goods centres.*
- *Encourage smaller scale and/or higher density bulky goods to locate in designated activity centres where they are integrated in higher density urban formats.*
- *Support regional scale specialised bulky goods based activity centres (large scale and low intensity) that service regional catchments where it can be demonstrated that they are not appropriate in existing and planned Activity Centres.'*

<div align="right">-Clause 21.07, Hume Planning Scheme, Page 2</div>

The SGS Report then states that Merrifield Town Centre is ideal for smaller scale/higher density bulky goods as a designated Activity Centre, whilst the lower density bulky goods is best suited to a specialised centre that can support a regional catchment. Given the north-south orientation of this growth corridor, sites along the Hume Freeway can potentially provide superior access for these needs.

Competition, out of centre development

3. The economic reports supporting the proposed extent of commercial development of Amendment C198 identify the potential floorspace based on the complete build-out of the North Growth Corridor. To facilitate out of centre development at this early stage of development will undermine the orderly growth and development of the North Corridor. The Ministerial Directions in relation to growth areas is to utilise retail floorspace limits to assist the development of activity centres. A significant floorspace limit in an out of centre area will undermine the viability and development of the activity centres identified in the activity centre hierarchy.

My Opinion

Specialised bulky goods centres are centres within their own right as articulated in Objective 4 of Clause 21.07 in the Hume Planning Scheme – so it is not correct to label a bulky goods node at Craigieburn North as 'out of centre'.

The development of a low density restricted retail node in Craigieburn North is also unlikely to compete with a high density restricted retail centre as there will be sufficient differentiation in product types being sold at the two locations. The SGS Report also makes a second distinction between a 'local' restricted retail centre in Merrifield versus a 'regional' restricted retail centre in Craigieburn North – therefore the two nodes should serve different roles in the retail hierarchy.

Oversupply of commercial land and the need for more residential land

Submission 1

THERE IS AN ABUNDANT AMOUNT OF LAND DESIGNATED FOR THIS USE, ANY FURTHER LAND WOULD LEAD TO A GLUT OF COMMERCIAL PROPERTIES ALSO IN CAMPBELLFIELD – CRAIGIEBURN – EPPING IN THESE AREAS THERE ARE MANY HUNDREDS OF FACTORIES AND COMMERCIAL PROPERTIES UNACCUPIED OR FOR SALE OR LEASE. FACTORIES SHUT THEIR DOORS EVERY DAY AND IMPORT THEIR PRODUCTS FROM OVERSEAS. IN THE NORTH VERY FEW COMMERCIAL PROPERTIES ARE BUILT, BECAUSE THERE IS SMALL DEMAND. THEREFORE, IT WOULD BE MORE LOGICAL THAT ANY FURTHER LAND BE ALLOCATED FOR "RESIDENTIAL USE". RESIDENTIAL PROPERTIES ARE IN FAR GREATER DEMAND, AND WOULD CREATE A RATIONAL MIX OF LAND USAGE, IN THIS AREA

Submission 12b (page 24)

2.2 -DEMAND

The Demand for an employment industrial use zone in this

PSP is non existent. The Restricted Retail Study Craigieburn North Final Report

September 2014 states in the conclusion summary that there will be a need for

between 47800 to 60900 square metres of low density retail commercial land, perhaps

required in the Craigieburn North Employment PSP.

These figures are based on a population assumption of full development of the entire

outer northern corridor encompassing the townships of Beveridge and Wallan out to the

year 2051.

There is map in this report which highlights this.(See Figure Two Catchments Area in this report)

Even if this were an accurate analysis there is to be 84.08 hectares of this land zoned in this PSP. So you will actually have a surplus of some 75 to 80 hectares of land available for more development after the year 2051. This is an example from a very narrow banded report. Why such a small sample field (Restricted Retail Development) for such a wide population projection. The focus should have been on what particular industries may be attracted to this zone or what attributes industries require. What industries have made enquiries to the Hume City Council and the MPA to support these assumptions? You have to form a view that there is little or no interest from industry and that Council and the MPA have not researched any demand for an industrial zone.

<u>My Opinion</u>

The report SGS was commissioned to complete focused specifically on restricted retailing. I and SGS have not completed analysis of the broader employment economy and therefore cannot directly comment on demand/supply of other retail, commercial and industrial uses related to the C198 area.

However, to support the significant population growth within the northern growth corridor the Essential Economics Report (page 105) identifies job targets of between 66,000 and 105,000 for the North (Hume-Mitchell-Whittlesea) corridor. As estimated in the report this represents a significant ultimate employment land requirement of between 1320 - 2365 hectares once the corridor is built out.

In general, as growth corridors develop over time residential demand is often experienced first. Once an established residential catchment is developed, local and then higher order employment uses are increasingly in demand. Low demand for employment land *today* should not be seen as an indication that the employment land is not required once the corridor is built out. Sufficient employment land should be retained to ultimately support a diverse local economy. This is supported by the Essential Economics Report and a key driver for why the Growth Areas Authority commissioned the report and sort to plan for the whole corridor holistically.

It should also be noted that industrial precincts often require a higher vacancy rate to efficiently operate compared to other land uses such as residential or retail. Industrial businesses often have quite specific requirements and therefore premises are not as interchangeable. This higher vacancy rate can often be perceived as low demand. For context the following table presents average vacancy rates across Melbourne industrial precincts.

TABLE 4   AVERAGE VACANCY IN INDUSTRIAL PRECINCTS

	Occupied (Ha)	Zoned (Ha)	Occupancy Rate	Vacancy Rate
South	2,190	3,004	72.9%	27.10%
West	3,807	5,763	66.1%	33.90%
North	2,123	3,271	64.9%	35.10%
Hastings	830	1,407	59.0%	41.00%
Pakenham/Officer	263	668	39.4%	60.60%

Source: UDP 2014

These comments are general in nature and it should be noted that neither I nor SGS have completed an analysis of industrial vacancy within the C198 area or the Northern Growth Corridor.

4 DECLARATION

I have made all inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the Panel.

Julian Szafraniec

Principal, SGS Economics and Planning Pty Ltd
5th November 2015

SGS
Economics
& Planning

Contact us

CANBERRA

Level 6, 39 London Circuit
Canberra ACT 2601

+61 2 6263 5940
sgsact@sgsep.com.au

HOBART

Unit 2, 5 King Street
Bellerive TAS 7018

+61 (0)439 941 934
sgstas@sgsep.com.au

MELBOURNE

Level 5, 171 La Trobe Street
Melbourne VIC 3000

+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY

Suite 12, 50 Reservoir Street
Surry Hills NSW 2010

+61 2 8307 0121
sgsnsw@sgsep.com.au

SGS
Economics
& Planning