

Amendment C142 Whitehorse Planning Scheme

Statement of Evidence (Economics) of
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April 2012

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Expert witness details

Name and address of expert

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Expert's qualifications and experience

My CV is included as Appendix 1 to this statement of evidence. I have extensive experience in the field of retail economics and analysis gained over the past 8 years, having provided independent advice on hundreds of retail development projects and proposals throughout all parts of Australia, to a broad range of clients. This experience includes previous work undertaken in and around the City of Whitehorse.

Expert's area of expertise

- I have practised as a consulting economic and retail analyst since 2004. During that time I have worked in all states of Australia, and have advised on many hundreds of retail developments of all types and sizes.
- I have practiced as an Economist for 8 years, working with local, State and Commonwealth Governments as well as with the private sector.

- My area of expertise covers financial and economic analysis; forecasting; retail, supermarket and commercial economics; and residential feasibility and analysis. Key areas of my expertise include:
 - a) Preparation and presentation of economic expert witness statements and evidence.
 - b) Sales forecasting and store network planning for national retailers.
 - c) Sales forecasting and planning for retail and supermarket operators.
 - d) Determination of economic impacts due to development of new retail facilities.
- I have undertaken work on numerous occasions throughout the City of Whitehorse over many years, relating to both existing and proposed retail developments.
- In preparing this statement of evidence, I acknowledge that my duty is to assist the Panel and I have discharged that duty. No instructions were given or accepted to adopt or reject any particular opinion in the preparation of this assessment.
- I confirm that I have made all the investigations deemed appropriate in the preparation of this report and that the matters and facts on which the report have been based are true to the best of my knowledge.



Justin Malkiewicz

Senior Manager, Economic (Retail)
MacroPlan Dimasi

Introduction

I have been instructed in this matter by the City of Whitehorse. The City of Whitehorse commenced preparation of the Retail Strategy Review in May 2010. The objective of this strategy review was to research and develop a strategy for retail centres throughout the municipality, understand the current retail conduits via extensive surveys (including resident phone surveys, in-centre shopper surveys and business surveys) and to develop assessment tools for consideration of expansions to retail floorspace at activity centres.

In assisting the City of Whitehorse in the establishment and implementation of Amendment C142, my office prepared economic analysis within the Retail Strategy Review in May 2010.

My role in conjunction with my involvement in the preparation of the Retail Strategy Review enable me to provide assistance / evidence to Panel on the economic background and research regarding the retail and activity centre network within Whitehorse.

The amendment proposes to include the Retail Strategy Review 2010 as a reference document into the Planning Scheme and introduce the requirement for an applicant to prepare a Retail Sustainability Assessment (RSA) to accompany a planning permit application that proposes an increase in retail floorspace beyond specified thresholds.

An RSA provides an assessment of a proposed retail development application to consider the sustainable economic development and triple bottom line outcomes and the overall costs and benefits of a proposed development including social and economic impacts. Generally an RSA would include the following

- Trade area definition.
- Retail expenditure analysis.
- Demand for retail floorspace.

- Market share and impact analysis.
- Wider community benefit analysis, including employment generation.

The preparation of an RSA will allow Council to consider the retail market fundamentals for a specific proposed development, where a trigger point is reached, and to make an informed decision regarding the appropriateness of a proposed retail development.

The amendment was exhibited through the customary process, during which 3 submissions were received in relation to the proposed amendment. At its meeting of 20 February 2012 Council resolved to refer the submissions to an Independent Panel.

1 Background

1.1 Reflecting wider policy context in which the Review was produced, the Retail Strategy Review is not a traditional local retail or commercial strategy. Previous Strategies often focused on prescriptive retail demand and the application of more rigid floorspace recommendations.

1.2 There are a number of key differences to the approach taken by the Retail Strategy Review, which include;

- a shift towards evidence and performance based retail planning.
- the avoidance of floorspace caps to control the planning and development of activity centres.
- centre planning is to be focused on the centre's use, role and function within the hierarchy, and
- a focus on delivery of a wider community benefits.

1.3 There are ten principles (detailed in section 8 of the Review) that form the core of the Retail Strategy Review and will be used to guide planning, decision making and investment undertaken by the City relating to its activity centres. These principles are:

- Access to services.
- Competition.
- Evidence.
- Innovation.
- Location.
- Employment impact.
- Environment impact.

1. Background

- Return on government investment in public transport.
 - Supporting a hierarchy.
 - Social impacts.
- 1.4 The purpose of these is to provide developers and centre owners with more certainty as to Council's general policy objectives and requirements.
- 1.5 Further to these principles, and to limit the burden on a potential retail expansion for minor developments, and/or developments consistent with a Council approved plan, a series of trigger points were established to highlight where an RSA would be required.

1.1 Trigger Points for an RSA

- 1.6 Many strategies spend a great deal of time and energy focused on the definition of floorspace demand with little or no detail on how these may be practically implemented.
- 1.7 Retailing is a dynamic and ever changing industry, with regular changes to population, demographics, spending patterns, competition and innovation. Consequently, activity centre owners continuously review their centre to ensure it remains competitive and meets residents' needs.
- 1.8 The Retail Strategy Review aims to provide a roadmap to ensure that activity centres are able to evolve and adapt to these changes, and maintain relevance for the residents they serve with a clear decision making framework. Key to this approach is having a strong link to the broad performance based assessment framework that can be utilised in the City's decision making responsibilities. This performance based assessment framework aims to be:
- Robust, defensible and evidence based, and
 - Able to be implemented within the context of the City's available resources and competencies.

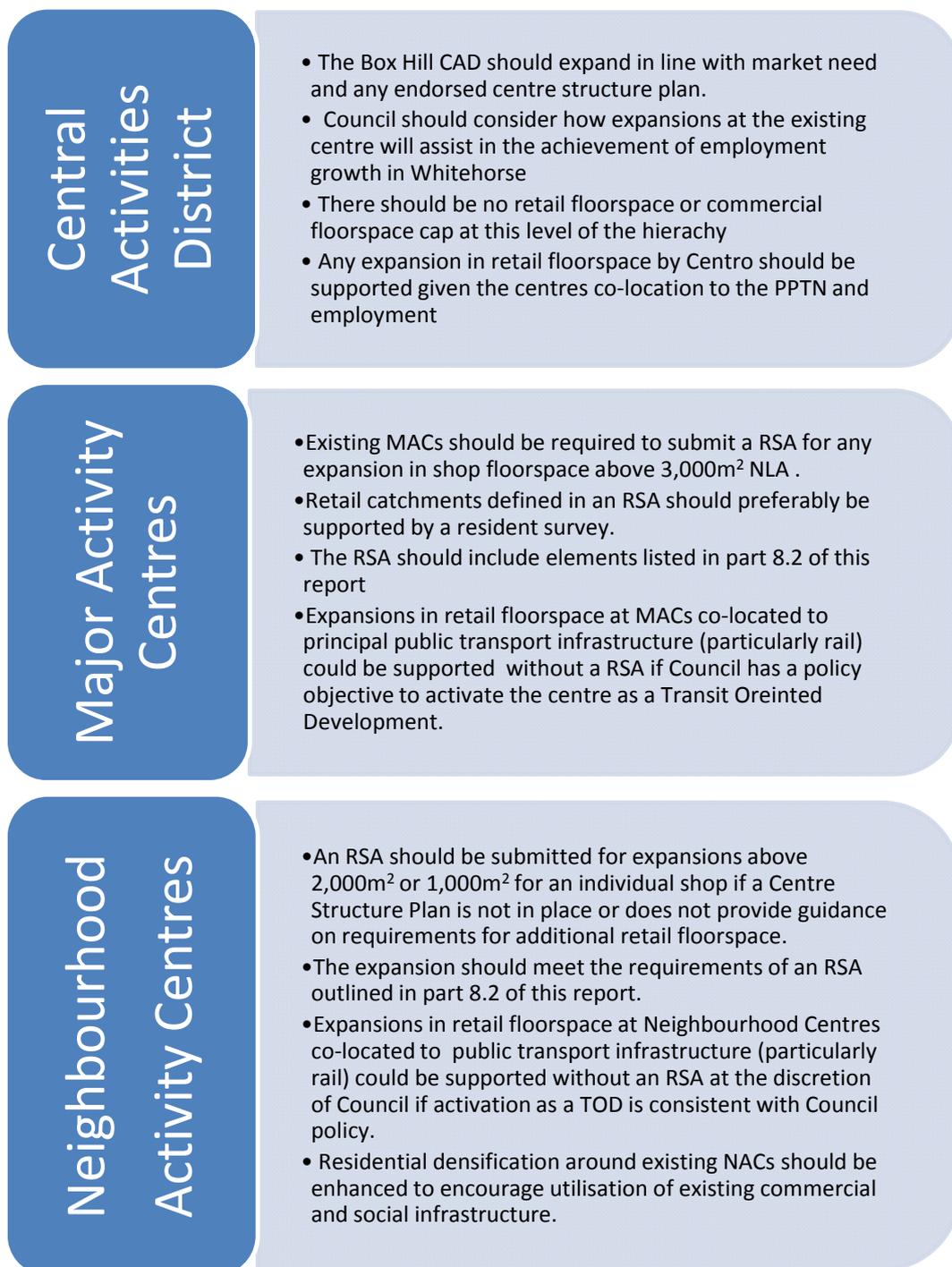
- 1.9 The Retail Strategy Review's assessment framework aims to respond to both the scale of any proposed development and the importance of the centre within the activity centre hierarchy.
- 1.10 It seeks to provide a clear understanding of the expectations from the City and proponents of development within the City's activity centres.
- 1.11 The trigger point for an RSA is fundamentally important as it allows for the balancing of the sustainable development of activity centres in the City of Whitehorse with the goal of ensuring an adequate supply of retail floorspace to meet consumer needs.
- 1.12 Detailed within the review was the importance that an RSA is not bluntly applied to any development application received for a retail centre. A trigger point for the requirement for an RSA is therefore critical. These trigger points will allow for greater developer certainty and a smoother development assessment process.
- 1.13 It is believed that the need for a more rigorous RSA framework does have a place in the assessment process, however it is not appropriate at all levels of the retail hierarchy. An RSA should not be required for a centre that is developing within the boundaries of an endorsed centre structure plan and should only be required for centres that plan to deliver a significant variation in retail floorspace above the volume endorsed within the Centre Structure Plan.
- 1.14 Furthermore, it is understood Council is seeking to amend this provision to not only apply to an endorsed centre structure plan, but more generally to all 'approved plans'.
- 1.15 These triggers are not only applicable for a centre that may be expanding within its designated retail hierarchy; they are also potentially applicable if a centre is proposing to deliver a format of retail floorspace or a volume of retail floorspace that would effectively elevate its role to a new level of the centres hierarchy.

1. Background

1.16 As part of this process, MacroPlan recommended that there are no restrictions on the supply of non-retail floorspace (i.e. office) at the Box Hill CAA or MACs.

1.17 The trigger points within the Review are detailed in Figure 1 below.

Figure 1. Trigger points for a RSA – CADs, MACs and NACs



Source: MacroPlan Australia 2010

2 Forest Hill Major Activity Centre (MAC)

- 2.1 Forest Hill is identified as a Major Activity Centre (MAC) under state planning policy such as Melbourne 2030 and Melbourne @ 5 million, which provide this centre with an overarching strategic framework for growth and development. Given its higher order status as a MAC and given the strategic importance of Forest Hill, there is more of a focus on a wide mix of uses such as commercial, retail, higher order personal services, entertainment, education, government and tourism.
- 2.2 Through the engagement process Council found there was a high degree of support for the development of the Retail Strategy with only 4 submissions being received to the exhibited document including one from Urbis on behalf of Forest Hill Chase received in October 2010.
- 2.3 Urbis has raised no new grounds for Amendment C142. Therefore, the issues raised by Urbis regarding the exhibited Retail Strategy Review can be summarised as follows:
- Urbis did not agree with the assumed level of market growth that would drive future retail floorspace requirements. The market growth predicted in the Retail Strategy Review was considered too low resulting in an assessment of a lower future floorspace requirement. Within the submission, Urbis adopted a population growth of 0.6%, which is above the forecasts within the Strategy. This would result in a higher retail demand than forecast. We note Council adopted population growth based on Forecast ID which are low for the City of Whitehorse (0.2% from 2010-2031). This would account for some differences in floorspace based on the current market share Forest Hill achieves.
 - The trade area defined for Forest Hill was considered too small. It was felt that as an area used to assess potential future requirements it was not representative of the region of relevance to Forest Hill Chase. The trade catchments between MacroPlan and Urbis are not significantly different,

with MacroPlan not identifying a tertiary trade area. This variation would have limited implications on the centre recommendations.

- With regards to remarks made by Urbis pertaining to demand assumptions leading to an implied floorspace cap, this is certainly not the case. As noted in Section 8 of the Review, it was recommended that there be a relaxation of floorspace restrictions on Forest Hill. Growth in retail floorspace for centres is an estimation over the years to 2031 and should be assessed only as an estimate based on current market share. If, for example, a centre wishes to develop to facilitate stronger market penetration, this would not be represented within the demand analysis as it would likely be in response to a competitive change.

2.4 The Retail Strategy Review acknowledged changes often occur within retail and activity centres to ensure they remain relevant to the catchment they serve.

2.5 Whilst the Retail Strategy Review provided an assessment of the growth in population and floorspace demand within the City based on current estimated market shares, it did not undertake analysis of potential competitive changes to a centre in the desire to capture a greater level of market share.

2.6 For example, if Forest Hill considered it desirable to increase the floorspace of a major anchor, this may in turn lead to increased market penetration within the existing catchment, or may lead to alterations in the centres catchment area. The numbers of possibilities for a centre to adapt to changes in the demographic and competitive environment are numerous, and it would be considered senseless to assess the many scenarios that could occur at the many centres within Whitehorse.

2.7 Rather, a trigger point approach was considered optimal, so a centre can adapt to minor changes within the need for an RSA. However, in circumstances where a major development was proposed (above and beyond trigger point levels), a more rigorous approach would be required, unless an existing plan adopted by Council was in place.

2. Forrest Hill Major Activity Centre (MAC)

2.8 In the case of Forest Hill, there is a current growth limit in the leasable floor area of 84,000 sq.m set in the Schedule to the Business 1 Zone, Schedule 1 of the DPO and the Forest Hill Development Plan.

2.9 The current allowable floorspace at Forest Hill is well above the current provision of floorspace, with Forest Hill currently providing total retail area of 49,802 sq.m and a total centre area of 57,454 sq.m (Property Council Shopping Centre Directory 2010).

2.10 Hence, no trigger for the requirement of an RSA would be set by an expansion at Forest Hill unless the development exceeded the 84,000 sq.m currently approved and allowed for.

2.11 Furthermore, it is highly likely that a centre owner proposing any major expansion is likely to undertake independent retail market and need research prior to undertaking such a significant investment in their centre. Hence, the actual burden for centre owners is likely to be limited, regardless of whether the trigger points are reached for a proposed development.

2.12 In addition to developing a set of recommended guidelines for consideration, MacroPlan considered a number of centre specific recommendations for Forest Hill to be actioned by the City, including the following:

- Beautification of strip shopping to the east of the centre to intensify the centre amenity.
- Look at relaxing restrictions on leasable floor area and in particular for restricted retail premises.

3 Conclusions

- 3.1 MacroPlan has undertaken a Retail Strategy Review for the City of Whitehorse, which included significant consultation with key stakeholder (residents, shoppers and businesses) to prepare a Strategy that is able to adapt to changes in the retail industry.
- 3.2 The review responds to both the scale of proposal expansion or development of retail floorspace, and the importance of the centre within the activity centre hierarchy.
- 3.3 MacroPlan has suggested a trigger point approach in the requirements for a centre to report on a retail proposal. The provisions outlined within Section 8.3 of the Review were recommended to be included within the LPP to provide for an RSA to be conducted under certain circumstances outside the allowances of the relevant structure plan. It is further confirmed with Council that this allowance be amended to consider an “approved plan”, not just an approved structure plan.
- 3.4 In the case of Forest Hill, there is a current growth limit in the leasable floor area of 84,000 sq.m set in the Schedule to the Business 1 Zone, Schedule 1 of the DPO and the Forest Hill Development Plan. This would result in no requirement for an RSA to be undertaken by Forest Hill for a centre expansion within this limit.
- 3.5 If Forest Hill considered it appropriate to develop above and beyond this 84,000 sq.m, there would be a requirement for an RSA to be undertaken if the trigger point was reached.
- 3.6 Given the significance of Forest Hill with an allowable floorspace limit of 84,000 sq.m, it is understandable this centre may continue to seek and strengthen its market penetration by potentially expanding at some point in the future.

3. Conclusions

- 3.7 The Review encourages continued review by centre owners to ensure each centre adequately serves their catchment. On the occasion that a major expansion above and beyond the 84,000 sq.m limit be proposed at some point in the future, assuming the proposed development was above trigger point limits, an RSA would be required.
- 3.8 My experience in areas of this nature is that the successful delivery of significant activity centres, such as the continue transformation of the Forest Hill MAC, takes many years. Typically, such centres adapt to market conditions and strive for commercial success over many years, and it is desirable from a community point of view that this occur.
- 3.9 Furthermore, it is highly likely that a centre owner proposing any major expansion is likely to undertake independent retail market and need research prior to undertaking such a significant investment in their centre. Hence, the actual burden for centre owners is likely to be limited, regardless of whether the trigger points are reached for a proposed development.

Appendix 1

Justin Malkiewicz | Senior Manager

Activity Centres and Policy

Justin has been a consultant with MacroPlan for 7 years after completing his Bachelor of Economics Degree with honours. Managing the Activity Centres and Policy team, has provided him with experience that extends to both the public and private sectors of the property industry.

Retail economic analysis and strategic planning of mixed use centres have been Justin's major focus including representation as an expert witness on retail centres throughout Australia.

Projects within the private sector have included economic, social and demographic analysis and forecasting, feasibility assessments for a variety of commercial markets, including, retail centres, residential development and industrial land and retirement development. Other projects have included assessment of conference venues, residential developments, accommodation studies, entertainment and tourism facilities.

Justin's technical capabilities include retail/commercial modelling, sales forecast, demographic and property market research, GIS mapping, site identification and concept development, economic and retail impact assessment, and economic forecasting.

PROJECT EXPERIENCE

Site Identification & Site Assessment

- National Retirement Village Opportunities and demographic analysis and site identification for Becton
- Retail strategy in delivery of a pharmacy network nationally for Symbion.
- Various site assessments across the eastern seaboard of Australia for leading developers and investment firms including, Urban Pacific, Peet and Macquarie.

Concept Development

- Cardinia Road Town Centre, market sizing and strategic justification.
- Wodonga Town Centre, sustainability and strategic retail analysis Wodonga City Council
- Urban Pacific concept development and market testing for various residential projects across Victoria and South Australia.

Retail and Activity Centre Assessment

- Casey Cardinia Retail Strategy. Review of expected long term drives of retail and market drives, Cardinia Shine Council

- Coles Pty Ltd. Undertaking a secondment with the network Planning team at Coles, evaluating potential supermarket sites and sale forecast
- Retail Sustainability Guidelines, WA Department of Planning (2011), development of Perth and Peel region retail guidelines and planning policy.
- Retail and Activity Centres Strategy, City of Whitehorse, including implementation of strategy into the Whitehorse Planning Scheme.
- Ballarat West Growth Area Retail and Commercial Strategy, City of Ballarat.
- Dandenong DFO Market Assessment and Review, VicUrban.
- Kawana Specialist Activity Centre, market assessment, composition sizing facilitation and economic modelling or the development of a special Activity Centre for Stockland.
- Top Ryde Retail and Mixed use development, Market research (\$1.2 bn) for National Australia Bank.
- Coomera Town Centre Retail forecasting, Gold Coast City Council
- Hobart DFO, Strategic Retail Assessment, Property Council of Australia
- Gold Coast City Council, Economic Impact Review and Strategic Advice
- Residential Market Research Urban Pacific, Peet Limited
- Prospectus document economic research and analysis - Peet and Company.
- Geelong Conference Centre demand Geelong Otway Tourism, City of Greater Geelong

Expert Witness

Economic and retail expert evidence at panels, tribunals and courts nationally (Tas, Vic, Qld, NSW, WA) including:

- Expert Witness, Blacks Beach Activity Centre, Mackay Regional Council.
- Australian Community Pharmacy Authority, numerous catchment assessment and expert witness nationally.
- Expert witness, Lauderdale Retail Centre, Tasmania 16,000sqm supermarket centre
- Preparation and attendance for South Mackay Bunnings at the Planning and Environment Court, QLD.



Qualifications

- Bachelor of Business (Economics & Finance) RMIT, 2004.
- Masters of Urban Planning, Melbourne University (under progress)



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