

Economic Expert Report

Amendment C192 to the Greater Shepparton Planning Scheme

Dexus Property Group
17 July 2017



Deep End Services

Deep End Services is an economic research and property consulting firm based in Melbourne. It provides a range of services to local and international retailers, property owners and developers including due diligence and market scoping studies, store benchmarking and network planning, site analysis and sales forecasting, market assessments for a variety of land uses, and highest and best use studies.

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Document Name

Dexus Property Group report - Greater Shepparton Am C192 -
Economic Expert Report - Justin Ganly - 17 Jul 17

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This report should be read in its entirety, as reference to part only may be misleading.

Contents

1	Introduction	1
1.1	Background	1
1.2	Approach	1
1.3	Abbreviations	2
1.4	Expert's details	2
2	Am C192	5
2.1	Planning authority	5
2.2	Affected land	5
2.3	What the Amendment seeks to do	5
2.4	Why is the Amendment required?	6
2.5	Exhibition	7
2.6	Proposed post exhibition changes	8
3	Shepparton Marketplace	9
3.1	Background	9
3.2	Expansion plan	11
4	CACS, Am C192 and implications for Shepparton Marketplace	13
4.1	Background	13
4.2	Review 13	
4.3	Shepparton Marketplace	14
5	Issues requiring further consideration	16
5.1	Introduction	16
5.2	Shop floorspace cap	16
5.3	Cinema and/or department store development	19
6	Submissions	26
7	Conclusion	28

Appendices

Appendix A Curriculum vitae for Justin Ganly

Appendix B Dexus submission to Am C192, 8 August 2016

**Appendix C Supplementary Dexus submission to Am C192, 29
September 2016**

**Appendix D Council response to Dexus submissions to Am C192, 8
October 2016**

Tables + Figures

Table 1—Floorspace details for suburban single-DDS based centres in selected regional cities	17
Table 2—Cinema screen provision rate, selected Australian cities (by population)	23
Table 3— Cinema screen provision rate, selected Australian cities (by provision rate), 2017	24
Figure 1—Shepparton Marketplace, centre plan	10
Figure 2—Shepparton Marketplace location context	11
Figure 3—Shepparton CBD and Shepparton Marketplace Comparison	18
Figure 4—Village Cinemas, daytime view from Stewart Street	20
Figure 5—Village Cinemas, daytime view from Maude Street Mall	20
Figure 6—Village Cinemas, night time view from Maude Street Mall	21
Figure 7—Village Cinemas, internal view	21

1

Introduction

1.1 Background

- ⁰¹ This statement considers economic issues relevant to Dexus Property Group (“Dexus”) which is the owner of Shepparton Marketplace, located at 110 Benalla Road in Shepparton.
- ⁰² The statement is to assist the Panel formed to consider Amendment C192 (“Am C192”) to the Greater Shepparton Planning Scheme (“Scheme”).
- ⁰³ Am C192 proposes, amongst other things, to update the Municipal Strategic Statement (“MSS”) and Activity Centre Zone (“ACZ”) to implement the recommendations of the Commercial Activity Centres Strategy, November 2015 (“CACS”).

1.2 Approach

- ⁰⁴ The tasks completed in the preparation of this statement have included:
 - Reading and considering relevant background documents to Am C192 (and Am C193, including permit application documentation lodged by 18 Pty Ltd).
 - Reading and considering all submissions made to the exhibited Am C192.
 - Reading and considering the proposed changes to the exhibited Am C192.
 - Inspecting relevant retail and entertainment facilities within Shepparton and Mooroopna.
 - Considering the supply of department store and cinema facilities elsewhere in Australia.

1.3 Abbreviations ⁰⁵ The following abbreviations are used in this statement:

ABBREVIATION	EXPLANATION
ABS	Australian Bureau of Statistics
ACZ	Activity Centre Zone
Am C192	Amendment C192 to the Greater Shepparton Planning Scheme
Am C193	Amendment C193 to the Greater Shepparton Planning Scheme
C1Z	Commercial 1 Zone
CACS	<i>City of Greater Shepparton Commercial Activity Centres Strategy</i> , Essential Economics for City of Greater Shepparton, November 2015
Council	Greater Shepparton City Council
DDS	Discount Department Store
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
Dexus	Dexus Property Group
FTE	Full-Time Equivalent
GRZ	General Residential Zone
MSS	Municipal Strategic Statement

1.4 Expert's details

⁰⁶ The following expert witness details are provided as required in Planning Panels Victoria's *Guide to Expert Evidence*.

Name and address of expert

Mr Justin Ganly
 Managing Director
 Deep End Services Pty Ltd
 Suite 304, 9-11 Claremont Street
 South Yarra Victoria 3141

Expert's qualifications and experience

- Graduate Diploma of Applied Finance & Investment, Securities Institute of Australia.
- Bachelor of Engineering (Chemical) (First Class Honours), University of Melbourne.
- Managing Director of Deep End Services since 2003.
- Retail and property consultant for KPMG, Coopers & Lybrand and Coles Myer from 1993 to 2003.
- A full CV is included at Appendix A.

Expert's area of expertise to make report

- Preparation and presentation of economic expert witness evidence.
- Activity centre network planning.
- Thorough understanding of retail and residential land use and development patterns throughout Victoria.

- Preparation of sales and attendance forecasts for new, expanded and refurbished shopping centres, other retail facilities and cinema complexes.
- Feasibility analysis for property owners and developers of all forms of property.
- Demographic analysis.
- Population and land use forecasting.

Other significant contributors to the report

- I was assisted in the preparation of this statement by John Deane, Senior Associate.

Instructions that defined the scope of the report

I received written instructions from King & Wood Mallesons on 29 May 2017 as follows:

We are instructed to engage you as an expert witness to prepare an expert witness report within the scope of your expertise, and present evidence at the Panel Hearing to express your opinion as to whether the Amendment is appropriate having regard to:

- any regulatory framework applicable to the proposal which is within your expertise to examine and comment on;*
- your own judgement and experience; and*
- any other matter which you regard as relevant to the formulation of your opinion, stating clearly the basis of your views.*

In preparing any report, you should have regard to the requirements of Planning Panel Guide to Expert Evidence (copy attached).

Facts, matters and assumptions upon which the report proceeds

- Stated in relevant sections of my report.

Documents, materials and literature used in preparing this report

- Stated in relevant sections of my report.

Summary of the opinions of the expert

- Am C192 is critical for the future orderly and efficient planning of Shepparton's activity centre network.
- The basis of Am C192 – the CACS – is a generally sound and effective document.
- Indeed, in my opinion, there are only three matters of contention from my perspective in relation to the Shepparton Marketplace:
 1. The Section 1 Shop floorspace cap should be increased from 22,500 sqm to 25,000 sqm as such an increase is minor and will allow for the development of an appropriately sized centre.
 2. There should be no requirement to demonstrate that the addition of a department store and/or cinema complex at the centre will not undermine the primacy of the CBD and not change the centre's role in the activity centre hierarchy. Such additions will clearly do neither.
 3. Any reference to the discouragement of the relocation of a cinema and/or department store from the CBD to the centre should be removed so as to encourage continued investment in Shepparton and provide competitive tension or points of difference between commercial operators which will encourage them to continue to trade within the Shepparton market.

Provisional opinions not fully researched

- None.

Questions outside the expert's expertise

- None.

Report incompleteness or inaccuracies

- None.

2

Am C192

2.1 Planning authority

⁰⁷ Am C192 has been prepared and requested by the Greater Shepparton City Council (“Council”) which is the planning authority for the Amendment.

2.2 Affected land

⁰⁸ The Am C192 Explanatory Report notes that:

Am C192 applies to land generally within the commercial/business areas of Greater Shepparton.

⁰⁹ Shepparton Marketplace and the land to the south of Shepparton Marketplace – also owned by Dexu – is within the area impacted by Am C192.

2.3 What the Amendment seeks to do

¹⁰ The Explanatory Report states that:

The proposed Amendment updates the Municipal Strategic Statement (MSS) and Activity Centre Zone to implement the recommendations of the Commercial Activity Centres Strategy, November 2015.

¹¹ Am C192 then seeks to achieve this via the following actions:

- *Update the activity centre hierarchy in the MSS at Clause 21.06-5 Commercial/Activity Centres.*
- *Amend the MSS at Clause 21.06-5 Commercial/ Activity Centres to:*
 - *discourage the location of cinema and department stores outside the retail core (Precinct 1).*
 - *reinforce the Shepparton CBD as the principal retail centre.*
 - *include the Commercial Activity Centres Strategy November 2015 as a reference document.*
 - *encourage expansion of retail and commercial convenience facilities in Shepparton North, subject to detailed planning and development assessment criteria.*

- *Rezone the Shepparton Marketplace, land along Benalla Road (Enterprise Corridor) and Wyndham Street (Wyndham Street North) from Commercial 1 and 2 Zone to Activity Centre Zone.*
- *Provide an increase to the retail floorspace cap at Shepparton Marketplace from 15,000sqm to 22,500sqm.*
- *Remove Schedule 3 to the Design and Development Overlay relating to the land in the Wyndham Street North Precinct and update the Overlay maps accordingly.*
- *Update Clause 21.06-7 Strategic Work Program to reflect work undertaken and include the preparation of Structure Plans/ Urban Design Frameworks for relevant activity centres.*
- *Update Clause 21.08 General Implementation to reflect the recommendations of the Commercial Activity Centres Strategy November 2015.*
- *Update Clause 21.09 Reference Documents to include the Commercial Activity Centres Strategy November 2015.*
- *Amend the Schedule to Clause 34.01 Commercial 1 Zone to remove reference to Shepparton Marketplace.*

2.4 Why is the Amendment required?

¹² Council is responding to a range of issues in the commercial and retail communities – which are constantly evolving – in seeking to implement Am C192.

¹³ Council also considers that Am C192 is required to address, in part, the changes introduced to Victorian planning via the introduction of new commercial zones in 2014.

¹⁴ The Explanatory Report sets out Council's reasoning in full for Am C192 as follows:

Shepparton is the fourth largest regional city in Victoria and a major area of urban growth and development within the Goulburn Valley region. The city caters for a large regional economic catchment, serving both a local and regional economic role as a business, retail and services hub. Despite its important role servicing the retail needs of the region, it has been over a decade since the retail strategy has been addressed, and as a result much of the existing strategy needs updating. Further, in 2014 the State government introduced new commercial zones which changed the way the planning system works in commercial areas, and this strategy also enabled Council to respond to these changes.

To address these issues the Council (with consultants Essential Economics and Spiire) prepared the Commercial Activity Centres Strategy November 2015. The Strategy provides a current, comprehensive approach to commercial services throughout the municipality. The Strategy seeks to respond to the changes in retail practices, consider the evolving retail and commercial environment, existing studies and Council policies, and seeks to provide the most appropriate guidance (in terms of zones, design guidelines and appropriate uses) in commercial areas.

The proposed amendment seeks to introduce the required planning controls and policy into the Greater Shepparton Planning Scheme to implement key priorities of the Strategy, particularly, to ensure the primacy of the CBD as a key regional retail and commercial centre, providing a hierarchy of activity centres and defining their role in supporting retail growth in Shepparton.

The ACZ is the preferred planning tool for activities areas in Metropolitan Melbourne and major regional centres in Victoria which display Central Business District (CBD) type functions. The ACZ is able to more easily and effectively implement the strategic objectives for these areas, and to more transparently reflect the outcomes identified in structure plans (in this case, the Commercial Activity Centres Strategy November 2015).

The ACZ is a flexible control that allows for a mix of uses and development and can be tailored by Councils to meet the particular needs of a centre through the Schedule to the Zone and simplifies the planning process by replacing zones and overlay controls into one single set of use and development provisions.

The proposed Amendment has been prepared to provide Council with a framework to highlight where private sector investment and new business activity is encouraged, to identify priority locations for new public infrastructure, to support the productive and efficient use of land, and to support liveability for the community, while advancing the development and economic viability of all commercial activity centres in the municipality.

2.5 Exhibition

¹⁵ Am C192 was exhibited from 7 July 2016 to 8 August 2016.

¹⁶ A total of 11 parties made submissions regarding the exhibited Am C192.

¹⁷ These included Dexus which made a submission on 8 August 2016 and a supplementary submission on 29 September 2016.

¹⁸ Copies of the Dexus submissions are attached at Appendix B and Appendix C, with Council's response of 8 October 2016 attached at Appendix D.

2.6 Proposed post exhibition changes

¹⁹ Council has published a set of proposed post exhibition changes which respond to some of the submissions made to Am C192.

²⁰ Of relevance to Dexu are changes which:

- Specifically mention “facilitation” of the expansion of Shepparton Marketplace “beyond 22,500 sqm” subject to demonstration that this would not be contrary to the role of this centre vis a vis the CBD [within Strategies – Commercial Activity Centres at Clause 21.06-5 (Commercial/Activity Centres)].
- Alter the ‘discouragement’ of department stores and cinemas locating outside of the “retail core” to ensuring (via planning and economic impact assessments) that such proposals will not alter the role of the centre or impact on the primacy of the retail core [within Policy Guidelines – Development outside of the Central Activities District at Clause 21.06-5, within 2.0 Land use and development objectives to be achieved at Schedule 1 to the ACZ and within various places in 5.9 Precinct Objectives – Shepparton Marketplace at Schedule 1 to the ACZ].
- Specifically discourage relocation of department stores or cinemas outside of the “retail core” [Within Policy Guidelines – Development outside of the Central Activities District at Clause 21.06-5, within 2.0 Land use and development objectives to be achieved at Schedule 1 to the ACZ and within various places in 5.9 Precinct Objectives – Shepparton Marketplace at Schedule 1 to the ACZ].
- Alter the ‘soft cap’ floorspace allowance of 22,500 sqm (including Department Store and Supermarket) at Shepparton Marketplace from Retail Premises (excluding Adult sex book shop, Department Store, Hotel and Tavern, Restricted retail premises, Supermarket or Trade Supplies) (my emphasis) to Shop (excluding Adult sex book shop, Department Store, Hotel and Tavern, Restricted retail premises or Supermarket) (my emphasis) [Within 3.0 Table of uses, Section 1 at Schedule 1 to the ACZ].
- Remove the prohibition of the granting of a new permit for a Department Store in excess of 4,000 sqm) [Within 3.0 Table of uses, Section 2 at Schedule 1 to the ACZ].

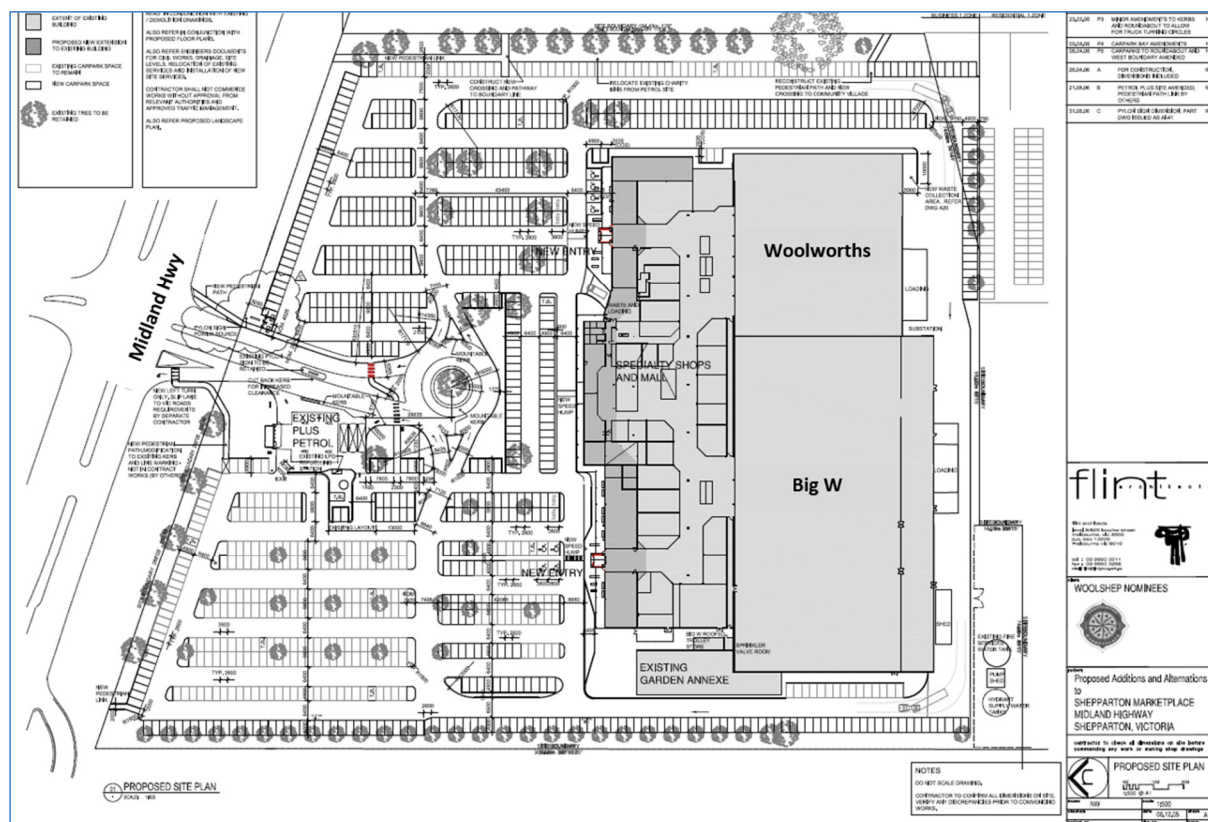
3

Shepparton Marketplace

3.1 Background

- ²¹ Shepparton Marketplace is the only fully enclosed shopping centre containing a discount department store in Shepparton.
- ²² Located 2 km east of the CBD on Benalla Road (Midland Highway), the centre opened more than 30 years ago as a freestanding Big W store and Woolworths supermarket within the former Shire of Shepparton.
- ²³ Shepparton Marketplace was redeveloped in 1998 to incorporate specialty shops and expanded further in 2005.
- ²⁴ The centre is designated by the CACS as Shepparton's only "Regional Retail Centre" which places it second in the activity centre hierarchy behind the CBD.
- ²⁵ Shepparton Marketplace comprises 16,599 sqm of floorspace, of which 11,660 sqm (or 70%) is occupied by Big W and Woolworths. This is an unusually high proportion and reflects the historical development pattern of the centre and the constrained nature of the currently suitably-zoned site.
- ²⁶ The centre plan is provided on the following page as Figure 1.

Figure 1—Shepparton Marketplace, centre plan



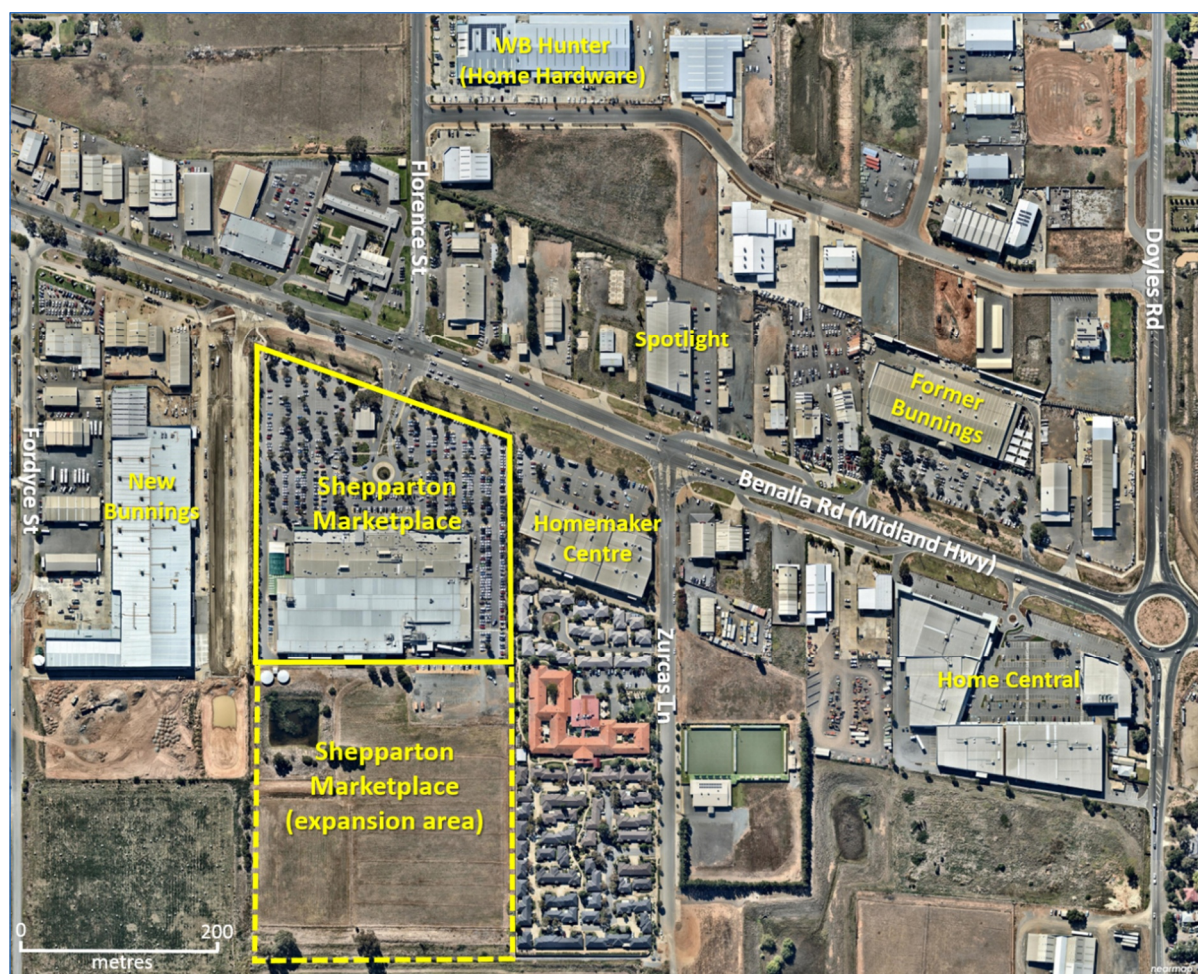
Source: Dexu

- ²⁷ Partly as a result of the centre's small size, but also because of its unique nature within the region, Shepparton Marketplace's retailers generally trade very strongly.
- ²⁸ Indeed, retailers in the centre reported total sales of \$113.5 million in 2015/16, corresponding to an average trading level of \$7,445 per sqm based on 15,240 sqm of the centre's floorspace being occupied by retail tenants.

3.2 Expansion plan

- ²⁹ Shepparton Marketplace was acquired by Dexus in December 2014.
- ³⁰ The previous owner had made some minor changes to the centre prior to that but, realistically, little had been done since 2005.
- ³¹ In some part, this was due to the centre's design but, largely, was the result of the Schedule to the Commercial 1 Zone ("C1Z") which limits Shop floorspace (excluding Restricted Retail) to 15,000 sqm for the site on which the centre is located. This is a 'hard' cap, meaning a permit for Shop floorspace above this level cannot be sought.
- ³² Dexus is now considering a redevelopment and expansion of the centre.
- ³³ The expansion would involve the land to the south of the centre which is also owned by Dexus but is currently zoned General Residential Zone 1 ("GRZ1").
- ³⁴ This expansion land – of approximately 5.5 ha – is indicated on Figure 2, along with surrounding uses, to place the location of the existing centre and potential expansion land in context.

Figure 2—Shepparton Marketplace location context



Source: Deep End Services; Dexus; Nearmap

- ³⁵ The plans for the expansion of Shepparton Marketplace are very much a work in progress.
- ³⁶ However, at this stage the plans contemplate the addition of another supermarket, the centre's first mini-major stores, additional specialty shops, a cinema complex, enhanced dining and takeaway food offers and a small amount of non-retail floorspace.
- ³⁷ The expanded centre would contain approximately 24,000 sqm of shop floorspace.
- ³⁸ The development would take into account drainage issues via an enlarged retarding basin but, more importantly, allow for appropriate integration of the centre with the new residential community of approximately 2,200 dwellings which will develop to the centre's south within the Shepparton South East Growth Corridor.
- ³⁹ This new growth corridor is being planned by Council in conjunction with the VPA.

4

CACS, Am C192 and implications for Shepparton Marketplace

4.1 Background

⁴⁰ The CACS was prepared by Essential Economics in association with Spiire for the City of Greater Shepparton.

⁴¹ The first draft of the CACS was dated 19 December 2014, with subsequent drafts completed in April and July 2015.

⁴² The final CACS was dated 23 October 2015 although it is referred to as the “November 2015” edition.

⁴³ Council adopted the CACS at its meeting of 19 December 2016 with a resolution to implement its recommendations via a planning scheme amendment (i.e. Am C192).

4.2 Review

⁴⁴ At the outset, I observe that the CACS has been completed in a manner which I would regard as being appropriate for such a document.

⁴⁵ In particular, the carrying out of floorspace surveys and commissioning of a telephone survey was useful to establish key criteria such as floorspace supply and catchment area extent.

⁴⁶ I am also of the opinion that the assessment of additional retail floorspace required for Greater Shepparton of between 35,700 sqm and 55,300 sqm from 2015 to 2036 (refer Table 4.9 on page 70 of the CACS) provides useful context when assessing proposed developments which could add to the local retail floorspace supply.

⁴⁷ The CACS also addresses the critical task of updating Greater Shepparton’s activity centre hierarchy and, in my opinion, nominates a proposed activity centre hierarchy which is sensible (refer Table 2.1 on page 24 of the CACS).

⁴⁸ The CACS also correctly focusses on the importance of maintaining the primacy of the Shepparton CBD.

- ⁴⁹ Table 2.2 on page 50 shows that the CBD currently contains 111,250 sqm of shopfront floorspace, or 47% of the total for Greater Shepparton.
- ⁵⁰ Shepparton Marketplace (15,600 sqm) and the three Sub-Regional Centres (Mooroopna CBD, Riverside and Shepparton North, total 46,520 sqm) contain just 23% of Greater Shepparton's shopfront floorspace.
- ⁵¹ Table 4.4 on page 64 then sets out estimated retail sales achieved by the activity centres in 2015.
- ⁵² The Shepparton CBD was estimated to have recorded sales of \$408 million, or 41% of total sales for the activity centres.
- ⁵³ Shepparton Marketplace (\$112 million or 11%) and the three sub-regional centres (\$179 million or 17% in total) recorded retail sales of 28% and therefore also well below those recorded by CBD retailers.
- ⁵⁴ Obviously, the Shepparton CBD is 'well clear' at the top of the retail hierarchy from either a floorspace or retail sales perspective.
- ⁵⁵ It is undoubtedly the primary activity centre for Greater Shepparton.

4.3 Shepparton Marketplace

- ⁵⁶ The CACS describes the current nature, role and function of the Shepparton Marketplace – as well as its relationship to the CBD – within Section 2.3 on pages 35-38 of the report.
- ⁵⁷ Whilst acknowledging that Shepparton Marketplace attracts customers from a similar regional catchment to the CBD, that the centre is undersized and that the owner has expressed interest in expanding, the CACS emphasises that:
- Any such expansion should be undertaken in a manner that does not undermine the role and function of the Shepparton CBD as the highest-order location for retail, commercial, cultural and community functions in the region.*
- ⁵⁸ Section 9.1 of the CACS then sets out three actions for the future planning of the Shepparton Marketplace.
- ⁵⁹ Council chose to adopt Action 3, which involved working collaboratively with Dexu to put in place controls which will allow for the redevelopment and expansion of the centre in a manner which ensures the primacy of the CBD is maintained.

⁶⁰ Central to the process is the intent to:

- Apply the ACZ to the existing Shepparton Marketplace and the expansion land to the south (with the underlying zone being the C1Z across both sites);
- Increase the Shop floorspace cap from a ‘hard’ 15,000 sqm to a ‘soft’ 22,500 sqm across the two sites;
- Require an expansion in excess of 22,500 sqm of Shop floorspace to be justified by planning and economic studies which demonstrate that the primacy of the CBD would not be undermined;
- Require the addition of a department store and/or cinema complex to be justified by planning and economic studies which demonstrate that the primacy of the CBD will not be undermined and that the addition(s) would not change the centre’s role in the activity centre hierarchy; and
- Discourage relocation of a department store and/or cinema complex from the CBD to the centre.

⁶¹ Where necessary, I will discuss these in more detail in the next section of my statement.

5

Issues requiring further consideration

- 5.1 Introduction** ⁶² Am C192 is critical for the future orderly and efficient planning of Shepparton’s activity centre network.
- ⁶³ To this end, there is much to like about the exhibited and subsequently amended documentation.
- ⁶⁴ Indeed, there are only three matters of contention from my perspective in relation to the Shepparton Marketplace:
1. The level of the 22,500 sqm ‘soft’ Shop floorspace cap;
 2. The requirement to demonstrate that the addition of a department store and/or cinema complex at the centre will not undermine the primacy of the CBD and not change the centre’s role in the activity centre hierarchy; and
 3. Discouragement of the relocation of a cinema and/or department store from the CBD to the centre.
- 5.2 Shop floorspace cap** ⁶⁵ The CACS states at Marketplace Action 3 on page 113 that the increase in ‘Shop floorspace cap from 15,000 sqm to 22,500 sqm is justified on the basis that the latter figure is consistent with “... industry benchmarks for centres anchored by a discount department store”.
- ⁶⁶ Whilst the statement regarding a typical single-DDS based shopping centre is correct, it is important to note that such centres continue to gradually increase in size.
- ⁶⁷ The increase in size has been generally due to the presence of more supermarkets and, more recently, mini-major tenants within such centres.

⁶⁸ This is a trend which is likely to be maintained in the future, and particularly given the further entry of additional foreign and new concept retailers in the supermarket, clothing and homewares sectors (the latter two being particularly active in the mini-major space).

⁶⁹ I am of the opinion that we should always be cognisant of such trends, particularly in a situation where planning controls are to be put in place based, in large part, on the CACS which contemplates floorspace requirements to 2036.

⁷⁰ It is also important to realise that a number of single-DDS based suburban centres in regional cities in Victoria and elsewhere in Australia already have, or will have, shop floorspace in excess of 22,500 sqm.

⁷¹ As set out in Table 1 below, these include centres in suburban Geelong, Ballarat and Bendigo.

Table 1—Floorspace details for suburban single-DDS based centres in selected regional cities

Centre	City	State	Shop floorspace			Sub-total shop (sqm)	Other (sqm)	Total centre (sqm)
			Majors (sqm)	Mini-majors (sqm)	Specialty tenancies (sqm)			
Corio Central	Geelong	Vic	14,410	3,759	5,841	24,010	7,316	31,326
Smithfield Centre	Cairns	Qld	13,593	3,163	7,667	24,423	5,212	29,635
Clifford Gardens	Toowoomba	Qld	16,721	1,174	6,820	24,715	3,056	27,771
Stockland Wendouree	Ballarat	Vic	14,385	1,600	6,301	22,286	2,823	25,109
Bendigo Marketplace	Bendigo	Vic	12,242	800	7,531	20,573	4,487	25,060
Shepparton Marketplace	Shepparton	Vic	11,660	0	2,569	14,229	2,370	16,599

Source: Deep End Services; Property Council of Australia; various website

⁷² In relation to the Ballarat and Bendigo centres I note:

- Stockland Wendouree is currently being expanded by 6,700 sqm, with total Shop floorspace estimated to be 27,500 sqm upon completion in mid 2018; and
- Bendigo Marketplace was acquired along with adjoining C1Z-zoned land (part of which is known as the Ice Works site) by ISPT in 2014 and has been earmarked for expansion which would take Shop floorspace well beyond 22,500 sqm.

⁷³ As previously highlighted, the CACS states that the increase in Shop floorspace allowance for Shepparton Marketplace was based on average sizes for single DDS-based centres.

⁷⁴ It would also appear that the increase in floorspace allowance of 7,500 sqm was derived via application of the 15% floorspace share in Table 4.10 of page 71 of the CACS to the upper-end additional retail floorspace requirement for Greater Shepparton to 2036 of 55,300 sqm (as per Table 4.9 on page 70).

⁷⁵ The implementation of Am C192 will, amongst other things, result in the Activity Centre Zone being extended across an area which contains both the Shepparton Marketplace (Regional Retail Centre) and Benalla Road (Enterprise Corridor) activity centres.

⁷⁶ This is contemplated in the section on page 27 of the CACS which appears to have been added in the final version of the report.

- ⁷⁷ The implementation of the ACZ via Am C192 will result in some uses currently permissible within the Benalla Road Enterprise Corridor becoming prohibited (e.g. supermarket). I am unsure as to whether the CACS has taken this into account, and particularly within Table 4.10 on page 71 which shows that Enterprise Corridors are expected to provide up to 40% of future retail floorspace needs for Greater Shepparton.
- ⁷⁸ Increasing the Section 1 Shop floorspace limit at Shepparton Marketplace from 22,500 sqm to 25,000 sqm – and not the 30,000 sqm as previously contemplated via the supplementary Dexu submission of 29 September 2016 – would equate to 18% of Greater Shepparton's High Scenario future floorspace needs.
- ⁷⁹ The increase (from 15% for 7,500 sqm) is minimal when viewed from any angle.
- ⁸⁰ Certainly, a retail-focussed centre of 25,000 sqm would, in no way, threaten the primacy of the CBD, with the relative size, number of anchors, amount of office floorspace and presence of other attractors neatly summarised within Figure 3 from the CACS.

**Figure 3—
Shepparton CBD
and Shepparton
Marketplace
Comparison**

Source: CACS (page 38)

Shepparton CBD and Shepparton Marketplace Comparison		
	Shepparton CBD	Shepparton Marketplace
Total Leasable Floorspace	111,250m ² – shopfront 58,600m ² – dedicated office	15,600m ² - shopfront
Retail Floorspace	85,310m ²	15,250m ²
Land Area	109 hectares	6.2 hectares
Shop Vacancy Rate	11%	zero
Anchor Tenants	Kmart, Target, Harris Scarfe, Coles, ALDI, 1 st Choice Liquor, Dan Murphys	Big W, Woolworths
Physical Description	Traditional street-based centre with split ownership	Internalised shopping centre under single ownership
Presence of significant administrative, cultural and community infrastructure	Yes	No
Serves a regional catchment area	Yes	Yes
Contains cinema and other entertainment facilities	Yes	No
Location for substantial 'sunk' investment by Local and State Government	Yes	No

- ⁸¹ However, increasing the Section 1 Shop floorspace limit to 25,000 sqm at Shepparton Marketplace would allow:
- Delivery of a centre more in tune with modern centre sizes in similar locations elsewhere in regional Australia;
 - Optimal development of the land on which the centre is located – as well as the expansion land to the south – for the first time since retail activities commenced on the site;
 - Appropriate provision of facilities for the residents in the 2,200 additional dwellings within the Shepparton South East Growth Corridor who will rely on the centre for everyday needs as well as larger purchases; and

5.3 Cinema and/or department store development

- Certainty for the centre owner to proceed with expansion plans which would deliver 400-500 new full-time equivalent (“FTE”) jobs for the region.

5.3.1 Department stores

- ⁸² Shepparton is currently provided with three discount department stores (“DDSs”):
- Kmart and Target in the CBD; and
 - Big W at Shepparton Marketplace.
- ⁸³ Harris Scarfe – a junior DDS – is also located within the CBD.
- ⁸⁴ I estimate that these four stores recorded total sales of approximately \$75 million in 2015, or 7.5% of the total turnover of Greater Shepparton’s retailers as set out in Table 4.4 on page 64 of the CACS.
- ⁸⁵ I have analysed ABS *Retail Trade* data which shows that annual sales recorded by Australian department stores – which includes the four DDS and junior DDS chains as well as Myer and David Jones department stores – has increased from \$10.8 billion in the year ending March 1994 to \$18.6 billion in the year ending March 2017.
- ⁸⁶ However, sales for the sector have effectively gone sideways since \$18.9 billion was recorded in 2010.
- ⁸⁷ Total Australian retail sales were \$96.4 billion in 1994 and \$305.4 billion in 2017.
- ⁸⁸ This means that department stores’ share of retail spending has almost halved from 11.2% in 1994 to 6.1% in 2017.
- ⁸⁹ However, clothing and footwear retailers have been able to maintain their share of retail spending at approximately 8% since 2010, with turnover of this sector increasing from \$19.5 billion to \$24.0 billion in the past seven years.
- ⁹⁰ These figures illustrate the rapid pace at which Australian – and international retailing – is changing.
- ⁹¹ In the fashion sector, shoppers are increasingly turning away from the DDSs and department stores and directing their spending to specialists and mini-majors such as Zara, Uniqlo and H&M.
- ⁹² Within such an environment, any policy which applies a ‘heavy hand’ in dictating where DDSs or department stores should be located runs the distinct risk of resulting in the departure of, or under-investment in, local DDS operations. This includes DDSs already operating within the Shepparton CBD.

5.3.2 Cinemas

- ⁹³ Shepparton is currently provided with one cinema complex.
- ⁹⁴ The 4-screen Village centre is located in the northern half of the Maude Street Mall, with parking provided behind the centre in two car parks off Stewart Street.
- ⁹⁵ The Shepparton Village cinemas present as a disappointing offer to local patrons as shown in the following photographs.

Figure 4—Village Cinemas, daytime view from Stewart Street



Figure 5—Village Cinemas, daytime view from Maude Street Mall



Figure 6—Village
Cinemas, night time
view from Maude
Street Mall



Figure 7—Village
Cinemas, internal
view



- ⁹⁶ It is my opinion that the cinema complex integrates poorly with the surrounding area and that it provides relatively little benefit to Shepparton's cafés and restaurants.
- ⁹⁷ Shepparton residents and businesses are, therefore, to a large degree not benefiting from the presence of cinemas as residents and businesses in most other comparable Australian cities are.
- ⁹⁸ To further understand this, I have undertaken an analysis of the provision rate of cinema screens and centres in the 31 Australian cities with urban populations between 34,000 and 200,000.
- ⁹⁹ To enable consistency, I have then considered the population within a 30-minute drivetime of the CBD of each of these cities.
- ¹⁰⁰ Table 2 provides the analysis, with cities sorted by decreasing drivetime population.

Table 2—Cinema screen provision rate, selected Australian cities (by population)

City	State	Cinema centres (No.)	Cinema screens (No.)	Population within 30 min (No.)	Screen provision rate (No/10,000)
Geelong	Vic	3	18	269,118	0.67
Townsville	Qld	3	14	185,758	0.75
Cairns	Qld	3	17	163,560	1.04
Toowoomba	Qld	2	10	156,499	0.64
Ballarat	Vic	2	14	129,043	1.08
Bendigo	Vic	2	8	110,046	0.73
Launceston	Tas	2	5	105,816	0.47
Mackay	Qld	2	11	104,551	1.05
Albury	NSW	1	9	101,899	0.88
Bunbury	WA	2	10	89,856	1.11
Rockhampton	Qld	1	6	87,918	0.68
Traralgon	Vic	1	8	84,225	0.95
Nowra	NSW	1	5	81,709	0.61
Bundaberg	Qld	2	5	81,461	0.61
Warragul	Vic	1	3	79,185	0.38
Coffs Harbour	NSW	1	5	74,597	0.67
Shepparton	Vic	1	4	74,055	0.54
Hervey Bay	Qld	2	7	70,215	1.00
Wagga Wagga	NSW	1	6	67,599	0.89
Port Macquarie	NSW	1	5	65,651	0.76
Gladstone	Qld	1	7	60,749	1.15
Mildura	Vic	1	4	56,652	0.71
Orange	NSW	1	5	55,135	0.91
Tamworth	NSW	1	6	53,030	1.13
Bowral	NSW	1	4	51,311	0.78
Dubbo	NSW	1	5	47,159	1.06
Warrnambool	Vic	1	3	45,537	0.66
Bathurst	NSW	1	5	44,590	1.12
Busselton	WA	1	3	42,770	0.70
Geraldton	WA	1	4	41,360	0.97
Albany	WA	1	4	36,898	1.08

Note: Includes the 6-screen complex to open shortly at Delacombe (Ballarat)

Source: Deep End Services; ABS; various websites

¹⁰¹ It is apparent from Table 2 that:

- Shepparton's population within a 30-minute drivetime places it centrally within the list of cities;
- Only Warragul, Warrnambool and Busselton have fewer cinema screens (i.e. 3);
- Many smaller cities have more cinema screens (i.e. Hervey Bay and Gladstone - 7, Tamworth - 6, Port Macquarie, Orange, Dubbo and Bathurst - 5); and
- Only one smaller city – Hervey Bay – has two cinema centres.

¹⁰² I have re-sorted the information in decreasing screen provision rate – expressed as screens per 10,000 residents – within Table 3.

Table 3— Cinema screen provision rate, selected Australian cities (by provision rate), 2017

City	State	Cinema centres (No.)	Cinema screens (No.)	Population within 30 min (No.)	Screen provision rate (No/10,000)
Gladstone	Qld	1	7	60,749	1.15
Tamworth	NSW	1	6	53,030	1.13
Bathurst	NSW	1	5	44,590	1.12
Bunbury	WA	2	10	89,856	1.11
Ballarat	Vic	2	14	129,043	1.08
Albany	WA	1	4	36,898	1.08
Dubbo	NSW	1	5	47,159	1.06
Mackay	Qld	2	11	104,551	1.05
Cairns	Qld	3	17	163,560	1.04
Hervey Bay	Qld	2	7	70,215	1.00
Geraldton	WA	1	4	41,360	0.97
Traralgon	Vic	1	8	84,225	0.95
Orange	NSW	1	5	55,135	0.91
Wagga Wagga	NSW	1	6	67,599	0.89
Albury	NSW	1	9	101,899	0.88
Bowral	NSW	1	4	51,311	0.78
Port Macquarie	NSW	1	5	65,651	0.76
Townsville	Qld	3	14	185,758	0.75
Bendigo	Vic	2	8	110,046	0.73
Busselton	WA	1	3	42,770	0.70
Mildura	Vic	1	4	56,652	0.71
Rockhampton	Qld	1	6	87,918	0.68
Geelong	Vic	3	18	269,118	0.67
Coffs Harbour	NSW	1	5	74,597	0.67
Warrnambool	Vic	1	3	45,537	0.66
Toowoomba	Qld	2	10	156,499	0.64
Nowra	NSW	1	5	81,709	0.61
Bundaberg	Qld	2	5	81,461	0.61
Shepparton	Vic	1	4	74,055	0.54
Launceston	Tas	2	5	105,816	0.47
Warragul	Vic	1	3	79,185	0.38

Note: Includes the 6-screen complex to open shortly at Delacombe (Ballarat)

Source: Deep End Services; ABS; various websites

¹⁰³ It is apparent from Table 3 that:

- Only Launceston and Warragul have lower screen provision rates than Shepparton; and
- The screen provision rate in Shepparton is half that in Ballarat and well below that in other regional Victorian cities such as Traralgon, Bendigo and Mildura.

- ¹⁰⁴ The proposed Am C192 controls in relation to future cinema development in Shepparton could, in my opinion, result in little more than the maintenance of the status quo.
- ¹⁰⁵ The question I must ask is “why”?
- ¹⁰⁶ The current Shepparton cinema offer is relatively poor and the operator would not appear to have invested in the operations for some time.
- ¹⁰⁷ There is little incentive to do so, with Shepparton patrons unlikely to regularly drive to alternative venues which are all located well over an hour away.
- ¹⁰⁸ The CBD site would also appear to be constrained, meaning that expansion to provide additional screens is unlikely.
- ¹⁰⁹ The rule of thumb in the Australian cinema industry for adequate screen provision is one screen per 10,000 residents.
- ¹¹⁰ To achieve this based on the current 30-minute drivetime population, Shepparton would need to be supplied with 8 screens (i.e. an additional 4 screens).
- ¹¹¹ Modern cinema complexes are typically developed with a minimum of 6 screens to ensure that the operator has flexibility in programming and, in particular, can run overlapping sessions of blockbuster films.
- ¹¹² If such a complex cannot be developed on the current site, or elsewhere within the CBD, why should this not occur at Shepparton Marketplace where a modern 6-8 screen complex could be delivered in an environment where complementary food and beverages operations would also be on offer?
- ¹¹³ Village – the operator of the CBD complex – may well wish to bid to be the operator of the new complex at Shepparton Marketplace and, therefore relocate from the CBD.
- ¹¹⁴ Another operator could choose to operate from the CBD location or it may be converted to another use.
- ¹¹⁵ However, as the proposed controls are drafted, the “relocation” scenario would be contrary to policy and, hence, the likelihood that Shepparton will benefit from the development of new cinema screens will be largely diminished as it is unlikely that a new operator will seek to open a 6-screen or larger complex at Shepparton Marketplace while a 4-screen complex operates in the CBD.
- ¹¹⁶ In my opinion, the unintended consequence of the discouragement of the relocation of cinemas from the CBD is a net community disbenefit.

6

Submissions

¹¹⁷ A total of 11 parties – including Dexus – made submissions regarding the exhibited Am C192.

¹¹⁸ I have reviewed all submissions and the only one of direct relevance is Submission 10.

¹¹⁹ At the outset, I note that Submission 10 states that Am C192 is supported subject to consideration of a number of issues.

¹²⁰ I also note that the issues raised within Submission 10 come from Public Transport Victoria, VicRoads and the transport section within DEDJTR. Clearly, any issues are transport-oriented.

¹²¹ Under the heading of “Shepparton Marketplace expansion” the Submission 10 raises three issues.

¹²² The first of these is the need for assessment with regard to the *Transport Integration Act 2010*. I note that the post exhibition Explanatory Report includes an additional section which acknowledges this but such a requirement is outside of my area of expertise.

¹²³ The second issue is:

Furthermore, the increase in floor size appears to conflict with the current strategy in 21.06-5 that requires an economic impact assessment when considering the impact of expanding the Shepparton Marketplace.

¹²⁴ CACS and Am C192 suggest that the Section 1 Shop floorspace allowance at Shepparton Marketplace be increased from 15,000 sqm to 22,500 sqm. Such an increase, rightly, does not require the preparation of an economic impact assessment.

¹²⁵ Expansion beyond that figure and/or inclusion of another department store and/or cinema complex will still require the preparation of an economic impact assessment.

¹²⁶ The third issue is:

Please note, that any expansion of the marketplace [sic] is to be subject to Clause 52.29 of the Greater Shepparton Planning Scheme.

¹²⁷ This requirement relates to Road Zone access and is beyond my area of expertise.



Conclusion

¹²⁸ Am C192 is critical for the future orderly and efficient planning of Shepparton's activity centre network.

¹²⁹ The basis of Am C192 – the CACS – is a generally sound and effective document.

¹³⁰ Indeed, in my opinion, there are only three matters of contention from my perspective in relation to the Shepparton Marketplace:

1. The Section 1 Shop floorspace cap should be increased from 22,500 sqm to 25,000 sqm as such an increase is minor and will allow for the development of an appropriately sized centre.
2. There should be no requirement to demonstrate that the addition of a department store and/or cinema complex at the centre will not undermine the primacy of the CBD and not change the centre's role in the activity centre hierarchy. Such additions will clearly do neither.
3. Any reference to the discouragement of the relocation of a cinema and/or department store from the CBD to the centre should be removed so as to encourage continued investment in Shepparton and provide competitive tension or points of difference between commercial operators which will encourage them to continue to trade within the Shepparton market.

¹³¹ In arriving at my conclusion, I have made all the 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.

A handwritten signature in black ink that reads "Justin Ganly". The signature is written in a cursive style with a large, stylized 'J' and 'G'.

JUSTIN GANLY
Managing Director, Deep End Services
17 July 2017

Appendix A Curriculum vitae for Justin Ganly

Current Position	Managing Director, Deep End Services Pty Ltd
Previous Positions	<p>Associate Director, KMPG February 1999 – June 2003</p> <p>National Real Estate Analyst, Coles Myer January 1998 – February 1999</p> <p>Managing Consultant, Coopers & Lybrand Consultants August 1993 – December 1997</p> <p>Senior Consultant, Andersen Consulting January 1990 – July 1993</p>
Academic Qualifications	<p>Graduate Diploma of Applied Finance and Investment Securities Institute of Australia, 2003</p> <p>Bachelor of Chemical Engineering (First Class Honours) University of Melbourne, 1989</p>
Professional Affiliations:	<p>Board Member, MAB Corporation Advisory Board</p> <p>Member, Property Council of Australia</p> <p>Associate Member, Large Format Retail Association</p> <p>Member, Victorian Planning & Environmental Law Association</p> <p>Member, Urban Land Institute</p>
Skills / Attributes:	<ul style="list-style-type: none"> • Experienced economic expert • Well-developed modelling and forecasting skills • Clear and thorough communicator in both written and verbal presentations • Experience in dealing with all major retailers in Australia and New Zealand • Detailed knowledge of all major property classes within Australia and New Zealand • Developing knowledge of markets in Asia, USA and the Middle East • Well known in the business community via involvement with clients and through regular commentary in publications such as the <i>Australian Financial Review</i>, <i>The Australian</i>, <i>The Age</i> and the <i>Sydney Morning Herald</i>

Professional Experience:

Managing Director, Deep End Services (July 2003 – current)

- Justin established Deep End Services in July 2003 and now employs thirteen staff based in Melbourne and one based in Sydney
- Deep assists clients with a common requirement - the need to quantify the effects of the location of their business or property on sales, profitability, growth and income. “DEEP” represents three core service areas:
 - Demand Evaluation
 - Economics
 - Planning
- Within each of these three areas, Deep End Services provides consulting advice to retailers, property owners, property developers and others such as financial institutions, infrastructure providers and industry associations. The products offered included:
 - Store network planning and sales forecasting
 - Acquisition due diligence
 - Feasibility analysis
 - Economic impact assessment
- Deep’s property clients include:
 - AMP, Australand, Axiom Properties, Brookfield Multiplex, Cbus Property, Charter Hall Retail REIT, Dennis Family Corporation, Harvey Norman, ISPT, Lend Lease, MAB Corporation, Macquarie Bank, Mirvac, Orica, Pellicano, Places Victoria, Stockland, Villawood, Walker Corporation and Westfield
- Deep’s retail clients include:
 - ALDI, Anaconda, Baby Bunting, Beacon Lighting, Clark Rubber, Coles, Costco, Gazal Group, Harris Scarfe, Noni B, Officeworks, Orotan, Petbarn, Pillow Talk, Spotlight, The Good Guys and Woolworths
- Deep’s other clients include:
 - Archer Capital, InterContinental Hotels Group, KPMG, Large Format Retail Association, Medibank Private, Melbourne Racing Club, Newcastle Permanent Building Society, NSW Department of Planning & Environment and Reading Entertainment

Professional
Experience Cont’:

Associate Director, KPMG (February 1999 - 2003)

- Based in Melbourne, but working on assignments throughout Australia and New Zealand, Justin worked closely with Bernard Salt, Australia’s leading business demographer, to provide consulting services to clients requiring independent assistance on retail, property, demand and/or demographic issues.
- Services and clients at KPMG and Coopers & Lybrand Consultants included:
 - Planning & litigation support (AMP, Coles, Myer, Macquarie CountryWide)
 - Shopping centre development (AMP, Gandel, Leda, Macquarie CountryWide)
 - New location feasibility studies (Bunnings, Melbourne Museum, Reading Cinemas)
 - Store location network strategies (Freedom Furniture, Barbeques Galore, Rebel Sport)
 - Demand analysis (Strandbags, Just Jeans, Jeans West)
 - Specialty store micro-siting (Australia Post, Terry White, Strandbags).

National Real Estate Analyst, Coles Myer (January 1998 - 1999)

- Employed as Coles Myers’ National Estate Analyst in a position within the Shared Services team based at Tooronga in Melbourne.
- The key responsibilities in this position were the development of store sales forecasting models for all major Coles Myer brands (including Myer Grace Bros, Kmart, Target, Coles and Bi-Lo) plus delivery of sales forecasts for proposed new or refurbished stores for use in capital allocation decisions.

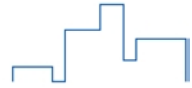
Managing Consultant, Coopers & Lybrand Consultants (August 1993 - December 1997)

- Employed as a Managing Consultant in C&LC’s Property Group, which comprised up to 40 staff located in offices in Melbourne, Sydney, Brisbane, Adelaide and Canberra.
- The Melbourne operation was responsible for providing consulting advice to clients involved in retail, property ownership and property development in Australia, New Zealand and South East Asia. This group transferred to KPMG in early 1998.

Senior Consultant, Andersen Consulting (January 1990 - 1993)

- Employed as a Senior Consultant in the Systems Integration Group in the Melbourne office and was involved in systems installation such as the design and installation of a retail property management system in Auckland.

Appendix B Dexus submission to Am C192, 8 August 2016



DEXUS
PROPERTY GROUP

8 August 2016

Elke Cummins
Greater Shepparton City Council
Locked Bag 1000
Shepparton VIC 3632

Via email: elke.cummins@shepparton.vic.gov.au

DEXUS Funds Management Limited

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AFSL: 238163

Australia Square Tower
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Sydney NSW 2000
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Royal Exchange NSW 1225

Tel: 02 9017 1100

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Dear Elke,

Planning Scheme Amendment C192 - Submission

DEXUS Property Group is the owner of Shepparton Marketplace and set out below is a submission to Planning Scheme Amendment C192 to the Greater Shepparton Planning Scheme.

This submission expands on and references a number of the issues discussed at the meeting with Council officers on 19 May 2016.

Firstly, DEXUS confirms its support for the proposed rezoning of the entire site to the Activity Centre Zone - Schedule 1 (ACZ1). This is particularly critical for the parts of the Shepparton Marketplace site that are currently within the General Residential Zone.

With regard to the proposed provisions within Amendment C192, and specifically the draft Schedule to the Activity Centre Zone and the new policy provisions, our submission follows:

Retail Premises Floorspace Cap

The ACZ1 specifies that the use of the land for 'retail premises (other than adult sex bookshop, department store, hotel and tavern, restricted retail premises, supermarket and trade supplies)' is as-of-right provided that the *total retail floor area (including department store and supermarket) does not exceed 22,500 square metres*.

Section 6.0 of the ACZ1 specifies that any retail floor space (including a department store and supermarket) which exceeds this floorspace cap should be justified by a detailed economic impact assessment.

Response:

DEXUS supports additional retail floorspace being allocated to Shepparton Marketplace; however it is our submission that the proposed cap of 22,500 square metres is inadequate as a base figure, and falls short of what can be sustained without having broader implications across the Shepparton retail centre hierarchy.

It is also suggested that any proposed 'soft' cap should follow 'accepted planning convention' and only be applied to 'shop' uses rather than the broader land use term of 'retail premises'. Not only does the use of a 'soft' cap for retail premises challenge accepted planning convention, it is submitted that the manner in which the provisions are drafted is confusing.

We also note that the 'Addendum to the Shepparton CBD Strategy' (March 2016), which is proposed to be introduced as a reference document as part of this Amendment, specifies a strategy to

‘continue to apply a shop floorspace cap at Shepparton Marketplace in the Planning Scheme’; not a ‘retail premises’ floorspace cap.

Activity Centre Zone - Schedule 1 (General)

There are general provisions throughout the ACZ1 that seek to discourage *‘department stores and ‘cinemas’ from locating out of the retail core (Precinct 1)’*.

This is reiterated in the Precinct 9 Objectives (Clause 5.9-2) and the Precinct 9 Guidelines (Clause 5.9-4).

Response:

It is our submission that the Shepparton Marketplace in its role as a Regional Centre is capable of supporting a range of retail, office, service and hospitality uses, including department stores and cinemas, without compromising the primacy of the Shepparton CBD or the activity centre hierarchy.

Larger format uses are common-place in the composition of higher order centres throughout regional Victoria and offer complementary uses to the basic shopping functions of these centres. These uses also play a role in supporting other businesses (and therefore employment) in centres such as Shepparton Marketplace.

Our concern with the use of such statements throughout the ACZ1 provisions is that they are likely to unduly constrain and prevent particular retailers and/or retail formats from establishing within the Shepparton Marketplace, although there may be scenarios where their establishment within the Shepparton Marketplace is more commercially viable or logical than being located within the Shepparton CBD.

Such scenarios include:

- There being physical constraints to establishing within the Shepparton CBD;
- The particular retailer or retail format is better suited to a mall based centre and may want to test the market in a mall-based format centre before committing to a street based format more common to the Central Business Districts; or
- Large format stores that are established in the Shepparton CBD wish to enlarge their ‘footprint’ and retail offer to the Shepparton Marketplace, which provides a logical expansion opportunity.

To this end, with this type of ‘discouraging policy’ there is a risk that a particular retailer or retail format may choose to ‘by-pass’ Shepparton altogether in favour of a competing regional centre, should there be significant planning barriers to their establishment.

Accordingly, it is requested that the provisions of the ACZ1 be modified to delete any ‘discouraging policy’ and reference the need for an economic impact assessment to justify a proposal to introduce a department store or cinema to the Shepparton Marketplace.

DEXUS also seeks clarity on the rationale for designating a ‘cinema’ use as being as-of-right within Precinct 2 when the role of Precinct 2 is identified as being a mix of office, café and residential uses, with no identified retail function.

Activity Centre Zone - Schedule 1 (Clause 5.9-2 Precinct Objectives)

The proposed objectives for Precinct 9 are:

- *To support the designated regional role of the Shepparton Marketplace as a retail specific centre.*
- *To support the role of the Shepparton Marketplace in a manner complementary to operation of Precinct 1, as the highest-order centre serving Shepparton and the surrounding region.*

- *To support the core retail role of Precinct 1, discourage entertainment based activities such as cinemas, places of assembly, accommodation and additional retail floorspace.*
- *To ensure appropriate retail floorspace is provided to enable a range of retail operations at the centre in a manner complementary to the operation of the retail core (Precinct 1).*

Response:

DEXUS opposes the following:

- It is considered inappropriate to refer to Precinct 1 in the Precinct 9 objectives. Whilst the role of the Shepparton CBD is not disputed, its growth should not inhibit the appropriate growth and maturity of Shepparton Marketplace. Accordingly, we consider that the Shepparton Marketplace should be given its own 'objectives' and reference could be made to maintaining the activity centre hierarchy in lieu of the references to Precinct 1.
- The wording: "discouragement of entertainment based activities such as cinemas and additional retail floor space" is not supported. It is our submission that this contradicts the other provisions of the ACZ1 which permits cinemas and additional retail floor space with planning approval and/or a detailed economic impact assessment.

Activity Centre Zone - Schedule 1 (Clause 5.9-4 Precinct Guidelines)

Similarly, the proposed Precinct 9 Guidelines are as follows:

- *Provide some limited non retail uses, such as offices and some other personal and professional services where these are directly ancillary to retail operations at the centre and where such uses would not be more appropriately located in the retail core or other activity centres.*
- *New use and development needs to be carefully monitored to ensure that the Marketplace does not detract from its sub-regional role in the hierarchy. **Future land uses should complement the balance of activities within the retail core and the Benalla Enterprise Corridor.***
- *Discourage the relocation of large 'anchor' department store retailers that may compete with the retail core role and function of Precinct 1.*

Response:

DEXUS opposes the **bolded** wording of the above guidelines for the following reasons:

- The provision of non-retail uses within the Shepparton Marketplace is supported, however it is considered that there will be limited scenarios where such uses would not be '*more appropriately located within the retail core*'. It is requested that this wording be deleted due to the ambiguity in its interpretation.
- It is considered that the restriction of future land uses within Shepparton Marketplace to those uses which 'complement' the balance of activities within the retail core and the Benalla Enterprise Corridor is onerous and may unduly hinder the growth of the Shepparton Marketplace as a regional centre. Similarly, there is ambiguity in the interpretation of this guideline and how proposals will be assessed against this criterion.
- There is a point of difference between the mall based format of the Shepparton Marketplace to the street based experience of the Shepparton CBD which should be acknowledged in these guidelines, as some larger 'anchor' retailers may be more suited to a mall based format and should not be discouraged from locating within Shepparton Marketplace expressly for the reason that they are unable to, or have viable reasons for not wanting to locate within Precinct 1.

Activity Centre Zone - Schedule 1 (Clause 5.9-3 Precinct Requirements)

In terms of built form, the Precinct 9 Guidelines are as follows:

- *Preferred street wall height - 11.5 metres (3 storey)*
- *Preferred setbacks - 20 metres from the front lot boundary and 3 metres from the rear boundary to ensure a suitable interface with adjoining residential properties*

Response:

DEXUS queries the purpose and rationale of the preferred street wall height and setback provisions, and submits that any application to expand the centre should instead be based on a 'first principles' assessment.

Municipal Strategic Statement (Clause 21.06 - Economic Assessment)

DEXUS has the following concerns and/or queries in relation to the proposed provisions of Clause 21.06-5 (Commercial/Activity Centres):

- The rationale for the labelling of the Shepparton Marketplace as a 'regional **retail** centre', when no other centres identified in the activity centre hierarchy are referenced in this manner. It is submitted that this distinction is unnecessary and could unduly focus or influence the types of land uses within the Shepparton Marketplace.
- The "*Policy Guidelines - Development outside of the Central Activity District*" discourages the location of department stores and cinemas outside of the retail core (Precinct 1). For the reasons previously mentioned, the location of department stores and cinemas within the Shepparton Marketplace should be subject to an economic impact assessment and not discouraged. On this basis, it is submitted that their inclusion as policy guidelines within this Clause is unwarranted.

Commercial Activity Centres Strategy, November 2015 (Clause 21.09 - Reference Documents)

On the basis of our submissions, the *Commercial Activity Centres Strategy* should be amended to incorporate the changes made to the Schedule to the Activity Centre Zone and the policy provisions.

Addendum to the Shepparton CBD Strategy, March 2016 (Clause 21.09 - Reference Documents)

Having reviewed this document, we make the following submissions:

- In addition to the proposal to introduce the Commercial Activity Centres Strategy as a Reference document in the Planning Scheme, the Addendum to the Shepparton CBD Strategy is also proposed to be a Reference Document.
- The document discourages '*large anchor retail, additional discount department stores, cinema, major office and other uses that are more appropriately located in the CBD*' from the Shepparton Marketplace. For the reasons previously given, this type of 'discouraging policy' would unduly constrain future growth at the Shepparton Marketplace, as it is considered reasonable for a designated Regional Centre to support a range of major retailers including discount department stores and large anchor retailers. The use of the term '*other uses*' is also overly onerous and ambiguous.
- Generally, we oppose the statements throughout the document that discourages additional discount department stores, the relocation of large anchor retailers, cinemas and cinema based entertainment from locating within the Shepparton Marketplace. Conventional retail

planning requires the provision of these types of retailers or retail-formats, particularly anchor retailers, to facilitate the further expansion of the centre.

In summary, our submission seeks to ensure that the future expansion of the Shepparton Marketplace, which has been the subject of ongoing discussions with Greater Shepparton Council officers, is not unreasonably constrained by the new controls and policies. To this end, the expansion of the Shepparton Marketplace would generate significant development investment, create employment opportunities during construction and on a permanent basis, and result in a built form and public realm outcome that will integrate with the structure planning work that is currently being undertaken for the precinct by Council and the Metropolitan Planning Authority.

DEXUS thanks you for the opportunity to prepare and file this submission, and trust that our comments will be properly considered during the Planning Scheme Amendment process.

If you have any questions regarding this submission, please do not hesitate to contact the undersigned.

Yours sincerely



Lucy Burnitt

Development & Investment Manager

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Fax: 0290171101

Mob: 0412602254

Email: lucy.burnitt@dexus.com

Appendix C Supplementary Dexu submission to Am C192, 29 September 2016

29 September 2016

Lucy Burnitt
DEXUS Property Group
Level 25 Australia Square
264 George Street
SYDNEY NSW 2000

Dear Lucy

Supplementary submission to Greater Shepparton Am C192

DEXUS Property Group ("DEXUS") owns the Shepparton Marketplace and made a submission to the exhibited Amendment C192 ("Am C192") to the Greater Shepparton Planning Scheme ("Scheme") on 8 August 2016.

A meeting was held with the City of Greater Shepparton ("Council") on 25 August 2016 to discuss the submission and it was agreed that DEXUS would provide a supplementary submission on a range of issues discussed at the meeting. This letter represents our input to the supplementary submission.

1. Change in definition of floorspace cap

The Shepparton Marketplace is currently located on land zoned Commercial 1 Zone ("C1Z"). The Schedule to the C1Z limits shop floorspace (other than for Restricted retail premises) to 15,000 sqm.

Am C192 proposes to rezone the Shepparton Marketplace land and the vacant land owned by DEXUS to the south to the Activity Centre Zone ("ACZ") with all this land to constitute Precinct 9. The Schedule to the ACZ proposes to limit Section 1 "retail floor area" within Precinct 9 to 22,500 sqm, with this floorspace defined as comprising Retail premises (but excluding Adult sex book shop and Trade Supplies which are prohibited, Hotel and Tavern which are Section 2 uses and Restricted retail).

The application of the 'soft cap' of 22,500 sqm to a hybrid of Retail premises is most unusual. Victorian planning convention is that such caps are implemented using Shop floorspace, particularly when the underlying zone is the C1Z. This is the also the case in growth areas within Melbourne and Regional Victoria where Precinct Structure Plans may refer to "retail floorspace" caps but these are always implemented as "Shop" caps.

Shop is nested within Retail premises, with a myriad of other uses sitting alongside Shop within the Retail premises use category. It is therefore suggested that the floorspace cap should remain on the more focussed Shop use category for Precinct 9.

2. Further increase in Shop floorspace cap

The proposed increase in the Shop floorspace cap at Shepparton Marketplace from 15,000 sqm to 22,500 sqm was recommended as part of “Marketplace Action 3” on page 113 of the *Commercial Activity Centres Strategy* (“CACS”) prepared by Essential Economics and Spiire for Council in November 2015.

At the outset, and following on from the first item discussed in this supplementary submission, it is noted that the CACS refers to “shop” and not “retail” in some sections.

The justification given within the CACS for the choice of the shop floorspace cap of 22,500 sqm is that it is “... consistent with industry benchmarks for centres anchored by a discount department store”. Whilst this may be the case for single DDS-based centres today, it is certainly not the case for double-DDS based centres which typically contain between 35,000 sqm and 40,000 sqm of shop floorspace. Centres are also constantly evolving and so expansions to existing centres may well be based on the introduction of more supermarkets and, particularly, more mini-major tenancies than are typically found within today’s centres.

In this context, an expansion of Shepparton Marketplace to approximately 30,000 sqm of shop floorspace could be achieved without the introduction of a second DDS.

Approved expansions of this scale are in place (or developed) for non-CBD centres with a similar role to Shepparton Marketplace in large regional Victorian cities at Ballarat, Warrnambool and Mildura.

It is also apparent that the increase in the shop floorspace cap from 15,000 sqm to 30,000 sqm (i.e. a net additional 15,000 sqm) would represent between 27% and 42% of the additional retail floorspace of between 35,700 sqm and 55,300 sqm identified by the CACS as being required within Shepparton over the next 20 years. The proposed increase in Shop floorspace cap of 15,000 sqm at Shepparton Marketplace is then considered a reasonable figure in the context of Shepparton where the CBD dominates – and will continue to dominate – the retail hierarchy which will only be expanded modestly outside of Shepparton Marketplace in convenience-focussed centres.

It is therefore suggested that the Shop floorspace cap in Precinct 9 should be increased to 30,000 sqm.

3. Local community employment benefits

Industries supporting local employment growth are critical for the economic well-being of regional cities such as Shepparton. An expansion of the Shepparton Marketplace to include 30,000 sqm of shop floorspace would generate significant employment benefits for the local community.

Such an expansion would require a substantial investment in the order of \$45 million (in today's prices) to be made by DEXUS. Such an investment would result in increased local employment – measured as Full-Time Equivalent (“FTE”) jobs – as follows:

Phase	Timeframe	FTE jobs		
		Direct	Indirect	Total
Construction	18 months	155	136	291
Operation	Ongoing	404	298	702

The most recent Small Area Labour Market data published by the Australian Government's Department of Employment for the June 2016 quarter indicates that there was an estimated 34,137 people living within the City of Greater Shepparton in the labour force at June 2016. Of these, 1,677 (or 4.9%) were estimated to be unemployed.

The construction jobs created during an 18-month expansion phase at Shepparton Marketplace would be important as many of these would be skilled and supported within a regional economy which requires such ongoing investment to ensure that workers in key sectors such as construction can continue to live and work locally.

However, the ongoing increase in jobs supported by the operation of new retail (and associated non-retail) facilities at Shepparton Marketplace would be vital. If 70% of the new jobs – i.e. approximately 500 – were filled by residents of the City, and these jobs were worked at an average rate of 0.7 FTE, an additional 700 local residents would have employment. This would result in the current unemployment rate dropping from 4.9% to 2.9%, a decrease of 200 basis points. Most importantly, the majority of new direct retail jobs would be filled by younger residents. In a regional economy where youth unemployment rates are typically at least three times the rate observed for the rest of the population, such employment opportunities are vital.

It is also important to acknowledge that retail is a stable provider of employment. Unlike many other industries, and particularly those related to agriculture, there is relatively little seasonality in retail and it is an industry which is largely immune to financial and economic shocks domestically and globally.

4. Keeping Shepparton on a growth path

Council has recently exhibited the report *Greater Shepparton Economic Development, Tourism and Major Events Strategy 2016-2020* ("Economic Strategy") and called for submissions on this key document.

The Economic Strategy is based on 7 key themes:

1. Best practice economic development
2. Food hub
3. Training and attracting a capable workforce
4. Re-invigoration of the CBD
5. Future industries
6. Visitor economy
7. Major events hub.

It is submitted that an expansion of the Shepparton Marketplace would be entirely consistent with the themes of the Economic Strategy with workforce issues already addressed in the previous section of this submission.

Another key benefit would be the introduction to Shepparton of retail formats and brands which cannot be accommodated within the Shepparton Marketplace or CBD at the current time. Currently, local residents are forced to shop outside of Shepparton to access these formats and brands, with local escape spending estimated at 19% in the CACS. There is a danger that this will grow, particularly with internet retailing becoming more prevalent in regional markets, unless development is fostered in locations such as the Shepparton Marketplace.

The Economic Strategy also emphasises the importance of the visitor economy to Shepparton and the role which major events play in attracting visitors. The provision of an increased and modern range of retail facilities will always be important in attracting events and visitors to Shepparton, with context provided by the CACS which estimates that just 9% of current retail turnover within Greater Shepparton (or \$85 million) is derived from people living outside of Shepparton's extensive catchment area.

5. Support of the South East Shepparton Growth Area

Council and the Metropolitan Planning Authority (“MPA”) are currently progressing the planning for the South East Shepparton Growth Area which extends from Benalla Road south to the Broken River. The southern portion of this area is currently largely semi-rural in nature but will eventually be developed to provide housing for approximately 10,000 new residents.

An Urban Design Framework (“UDF”) is being developed for the Benalla Road portion of this growth area, reflecting its importance as the gateway, employment and, in the case of the Shepparton Marketplace, activity centre focus for the area.

The UDF will require the Shepparton Marketplace to be altered so as to address the community which will grow to its south. An expansion of the centre – requiring redevelopment of the existing centre which is purely focussed on Benalla Road – and extending onto the land owned by Dexus to the south will enable integration with the new community. This will be enhanced by development of roads and other movement pathways into and through the centre.

Such a redevelopment and extension comes at a high cost, but a cost which Dexus will bear if it can expand the centre in a manner which generates the return required on its investment.

Conclusion

This letter has been prepared as requested to assist with DEXUS’ supplementary submission to Am C192. It focusses on the economic benefits which would result from the proposed expansion of the Shepparton Marketplace and makes a number of suggestions about modifications which should be made to Am C192 in order to facilitate the appropriate future of the centre and the wider Shepparton community.

We would, of course, be happy to provide further information if required.

Kind regards

A handwritten signature in black ink that reads 'Justin Ganly'.

Justin Ganly
Managing Director

Appendix D Council response to Dexus submissions to Am C192, 8 October 2016

6 October 2016

Lucy Burnitt
Dexus Property Group
PO Box R1822
SYDNEY NSW 2000

Dear Lucy

**GREATER SHEPPARTON PLANNING SCHEME
AMENDMENT C192**

I refer to your submissions to Amendment C192 to the Greater Shepparton Planning Scheme, received by Council on 8 August 2016 and 21 September 2016, and our meeting at Council Offices on 25 August 2016.

Please find attached the Municipal Strategic Statement Clause 21.06 and the Activity Centre Zone Schedule 1, with proposed post exhibition changes made as a result of submissions highlighted in yellow. The post exhibition changes include a revised Business Framework Plan, minor edits to the wording relating to the Activity Centres and corrections to drafting errors in the provisions.

Your submission relates primarily to aspects of the Amendment implementing the *Commercial Activity Centres Strategy November 2015* (the Strategy) concerning Shepparton Marketplace. Specifically, your submission concerns the proposed uses allowed in the Marketplace, the addition of 7,500sqm of retail floorspace and the inclusion of the site in the Activity Centre Zone (Precinct 9).

The Strategy comprises a detailed assessment of the demand and supply for retail and commercial development in the municipality, and provides a policy framework to support the economic development and efficient use of land.

The Strategy provides an opportunity for an immediate increase in the available shop floorspace at the Marketplace from 15,000sqm to 22,500sqm. This will reflect the industry benchmark for centres anchored by a discount department store, and will represent a 50% increase from the current floorspace.

Your submission seeks a greater increase than this 7,500sqm. While we understand Dexus have put forward a preliminary argument towards increasing the size, supported by an additional submission from Deep End on 21 September 2016, Council officers considered any increase above the immediate 7,500sqm must accord with the recommendations of the Strategy and provide detailed planning support, including an economic impact assessment, for such a proposal. As such, it is considered premature to further increase the shop floorspace at the Marketplace as part of this Amendment.

Your submission seeks a “soft cap” in floorspace to relate to “shop” rather than “retail” as is “accepted planning convention”. The Strategy estimates that 98% of the centre shopfront floorspace is currently occupied by retail categories, including food and beverage. While the Strategy uses ‘retail’ and ‘shop’ floorspace interchangeably in relation to Shepparton Marketplace, it is considered reasonable to allow for an increase in the provisions as they are currently written, and Council officers have made changes to the provisions to reflect this.

Council officers note that the increase in “shop” floorspace from 15,000 to 22,500 will allow you to utilise additional floorspace above this cap for office and other retail premises, such as food and drink premises. We consider this an appropriate increase in immediate retail floorspace available to the Marketplace at this stage.

Your submission requests the removal of ‘discouraging policies’ in the MSS and Activity Centre Zone Schedule 1. Similar concerns are expressed regarding the wording in the *Addendum to the Shepparton CBD Strategy, March 2016*. Council officers agree in part that this wording is ambiguous in relation to its intention for cinema and department store and have changed the discouraging policy wording in the proposed Amendment to refer to the “*relocation* of cinema and department stores”. In relation to your concerns regarding the wording in the *Addendum to the Shepparton CBD Strategy, March 2016* and the ACZ Schedule 1, Council officers have also removed the reference to “large anchor”.

Council officers provided additional wording surrounding new uses of this type in the Marketplace, requiring an economic impact assessment to detail their impact on the role and function of the Marketplace and retail core. It is considered this reflects the intention that cinema and department store remain discretionary uses in ACZ Precinct 9, and in recognition of the unique role and function of the CBD, the initial location for these facilities will be this central area.

Your submission opposes the reference to Precinct 1 in the objectives for Precinct 9. Similarly, your submission opposes wording in the guidelines referring to relationships with other precincts in the Activity Centre Zone. The Strategy, and activity centre hierarchy, clearly impose a relationship between the CBD and Shepparton Marketplace, as well as the Marketplace and its surrounding context. The Strategy supports growth of the CBD for certain retail and entertainment purposes over other Activity centres. It is therefore considered appropriate that the two Precincts are linked in the objectives.

Likewise the Amendment provides objectives that ensure the relationship between the Marketplace and other precincts is considered when making land use and development decisions. Any application for increased retail, office, service and hospitality floorspace will be assessed on its merits, via a detailed planning assessment considering the impacts of any such proposal.

Your submission objects to the introduction of built form guidelines. The Strategy recommends that any, “assessment should seek improved public and private realm improvements, and ensure the centre engages with urban growth occurring in adjacent

south-east growth corridor". The built form requirements are preferred guidelines to ensure consideration is given to achieving high standard built form and layout in future development proposals.

You express concern in relation to the labelling of the Marketplace as a 'regional retail centre'. As discussed in the Strategy, the designation signifies its unique position and influence in the activity centre hierarchy. The terminology best reflects the current and intended role and function of the Marketplace.

The *Commercial Activity Centre Strategy* was adopted by Council at its Ordinary Council Meeting on 16 December 2016, with a resolution to implement its recommendations via a planning scheme amendment. Council considers the Strategy went through a robust planning process, including significant consultation, and will not be revisiting the contents of the Strategy at this stage.

Please review the proposed post exhibition changes that have been made. If your concerns have been addressed and you require no further changes to the proposed planning scheme amendment, please advise Council of this in writing.

Council has been granted an exemption from the need to comply with Ministerial Direction No. 15, to set a date for a Directions Hearing and a Panel Hearing to consider any submissions. We will keep you updated on expected timing for these events when they have been requested.

If you have any questions about this matter, or would like to discuss your submission or this response in person, please contact myself via email at elke.cummins@shepparton.vic.gov.au or by phone on (03) 5832 9730.

Yours sincerely



Elke Cummins
PRINCIPAL STRATEGIC PLANNING

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