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Business & Property Economics

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Mr Ashley Everton
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Email: aeverton@ethosurban.com

Dear Ashley,

RE: ECONOMIC PEER REVIEW – MCU2017/2169 – 7-15 FIRST AVE & 11 SMITH ST, MOOLOOLABA

Following lodgement of the abovementioned application, this letter provides an updated Peer Review of the Economic Impact Assessment that forms part of the application. The first Peer Review, based upon the application, was provided by letter dated 14 December 2017. Subsequently, economic matters were not raised in the Information Request and the Response to the Information Request has not affected the retail elements of the proposed development to any significant extent.

Background

The Sunshine Coast Council owns half a block (6,778m²) in the Central Business District of Mooloolaba, which has been utilised as an at-grade public car park for many years. The Council desires to increase the number of public car parks on the site and has also recognised the significant development potential of this key site. Council sought Expressions of Interest from the development community, followed by a Tender process. Abacus Funds Management Ltd ATF Abacus Mooloolaba Trust was awarded Proponent status.

A Development Permit Application was lodged on 8 December 2017 for a Material Change of Use for a Parking Station, Car Wash, Shop (including full-line supermarket), Food & Drink Outlet, Shopping Centre, Multiple Dwellings, Retirement Facility, Residential Care Facility, Short-term Accommodation, Function Facility, Hotel, Bar, Indoor Sport & Recreation and Resort Complex over 7 stages.

The site is located in the District Centre zone within the Mooloolaba/Alexandra Headland Local Plan Area. This Local Plan specifically nominates this site as Key Site 1 and specifies that it is to provide “for an integrated, high quality mixed use development incorporating a range of centre activities and residential accommodation. Development provides for significant streetscape and landscape improvement to all frontages, strong pedestrian connections to the adjoining tourist accommodation area, a new road link between Smith Street and Brisbane Road to improve accessibility, and a well-designed and integrated public carpark.”

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The application is Code Assessable.

Due to Council being the landowner, Council has appointed an independent team, led by Ethos Urban, to assess this application.

The proposed development is to primarily comprise:

- (a) Public Car Park - 707 car spaces (of which 435 are to replace and expand upon the current 162 car spaces);
- (b) Full-line Supermarket - 2,997m², of which 200m² comprises a mezzanine (suitable only for ancillary offices);
- (c) Other Shops - (including Food & Drink Outlets) of 624m²;
- (d) Multiple Dwellings – 96 units ;
- (e) Retirement Facility - 97 independent living units;
- (f) Residential Care Facility – 30 aged care units; and
- (g) Short-term Accommodation – 104 hotel rooms.

The proposed development is to comprise two basement levels, a ground floor retail level, four podium levels of car parking and three towers. Building height is to be limited to 45m.

The Application was accompanied by an Economic Impact Assessment (EIA) prepared by Location IQ that addressed the need for and economic impact of the retail elements of the proposed development.

The purpose of this letter is to provide a Peer Review of the EIA.

Town Planning Report

From an economic perspective, several aspects of the Town Planning Report are questioned:

- (a) Section 5.3 purports to summarise the results of the Economic Impact Assessment. However, important aspects of the summary clearly do not match what the EIA says and are plainly incorrect from a factual perspective. I am perplexed as to what report was being summarised in this section because it was not the EIA. These comprise the statements that:
 - (i) The proposed development introduces the SECOND full-line supermarket within the Trade Area;
 - (ii) The proposed development would result in TWO major supermarkets in the Trade Area; and
 - (iii) The Coles supermarket within Mooloolaba Central is currently the only FULL-LINE supermarket in the Trade Area;
- (b) The table in section 4.2 indicates that the total commercial/retail GFA is 7,242m². It is actually only 3,621m²; and
- (c) Due to the errors set out in (a) above, section 7.3.1 has incorrectly identified a conflict with the District Centre Zone Code in stating that the proposal introduces a SECOND full-line supermarket within the Mooloolaba District Centre.

This latter point is dealt with below under the Planning Issues heading.

Economic Impact Assessment

The EIA addressed the proposed retail elements of the proposed development and concluded that it would result in a substantial net community benefit by introducing the first full-line supermarket to Mooloolaba and would not impact on the viability of competitive retail facilities in the area.

The EIA is considered to have adopted an appropriate methodology and reached supportable conclusions.

Whilst, ultimately, not affecting the robustness of the conclusions reached, I disagree with some of the assumptions applied by the EIA. Relevant matters to highlight (not all of which fall into the disagreement category) are set out below:

- (a) The EIA has assumed a larger supermarket and retail floorspace than set out in the application (and larger than the superseded plan included in the EIA). The EIA assumed a supermarket of 3,500m² (instead of 2,997m²) and other retail space of 450m² (instead of 624m²), with the total being 3,950m² (instead of 3,621m²).
- (b) The EIA has not identified relevant planning issues, such as the application being Code Assessable and the Planning Scheme's limitation of only one full-line supermarket at each District Centre. These matters are dealt with below under the Planning Issues heading.
- (c) I consider the Secondary West and Secondary South Trade Areas to have little relevance to the analysis. Populations from these Trade Areas are more likely to patronise the more accessible Woolworths supermarket at Mountain Creek and/or the larger and more accessible supermarkets at Kawana Shoppingworld and/or Maroochydore.
- (d) Population growth significantly exceeds (by 50%) those set out in the Queensland Government Statistician's Office's medium series projections (2015 version that was released in early 2016) for this area, but only slightly exceeds (by 6%) the 2015 projections for this area prepared jointly by Council staff and Norling Consulting.
- (e) The retail expenditure projections assume real growth per capita at an average of 1.2% per annum over the projection period, which is considered to be optimistic.
- (f) The EIA appropriately recognises the significant patronage that would be obtained from the tourist market staying in and visiting the Mooloolaba area.
- (g) The EIA appropriately defines full-line supermarkets as being at least 2,500m² and major full-line supermarkets as being over 3,200m². However, due to the incorrect assumption that the proposed supermarket would be 3,500m², it incorrectly describes the proposed supermarket as a major full-line supermarket instead of just a full-line supermarket.
- (h) The claim that the Main Trade Area has no full-line supermarkets yet has sufficient population to support 3-4 full-line supermarkets currently, increasing to five by 2031 is an oversimplification of the real situation. Whilst the Main Trade Area does not currently have a full-line supermarket, it contains Coles and Woolworths supermarkets that are only slightly smaller than 2,500m² and a large ALDI (2,100m²) and five major full-line supermarkets are located within only 2.0km of the Main Trade Area's boundary.

- (i) The EIA conducted a floor space survey of retailing at Mooloolaba (Table 3.2) indicating that many shops target the tourist market. However, the EIA is silent as to the extent of vacancies that existed at the time of survey, which would have provided a measure of the health of this centre at the time of survey.
- (j) I consider the projected turnover (\$42m in 2019/20) to be overstated due to a combination of the EIA assuming a larger supermarket and total retail floorspace and due to insufficient consideration being given to the accessibility issue. Whilst four and a half levels of the development will provide public car parking, only one of those levels is connected to the supermarket level via a travelator (a preferred means of changing levels by supermarket shoppers). This level is also likely to be the most popular level for parking by the public (ie non-supermarket shoppers). Accordingly, it is my view that the parking arrangements for supermarket shoppers may not be as convenient or as accessible as they are at competing supermarkets. All other things being equal, this overstatement also results in the estimated impacts being overstated.
- (k) It is agreed that Mooloolaba Central is likely to receive the highest impact percentage and the evidence suggests that this centre may be achieving a high turnover presently, such that it would be able to absorb the estimated impact.

The identified differences are considered to effectively 'offset' each other such that the conclusions reached by the EIA are not undermined.

Planning Issues

The application is Code Assessable.

From a retail perspective, the District Centre Zone Code provides that:

- (a) District Centres are to complement the role and function of higher order centres by serving the convenience needs of district catchments (6.2.7.2(1));
- (b) Development provides a range of retail business activities that service the district level convenience needs of the surrounding population (6.2.7.2(2)(b));
- (c) Not more than one full-line supermarket is to be established in any District Centre (6.2.7.2(2)(f)(ii)); and
- (d) Higher order shopping facilities such as department stores and discount department stores are not to be established in any District Centre (6.2.7.2(2)(f)(iii)).

The proposed development is considered to comply with all of these four provisions. With respect to the existing presence of a 1,900m² Coles supermarket within Mooloolaba Central, the EIA appropriately recognises this supermarket as being too small to qualify as a full-line supermarket. Consequently, the proposed development would introduce the first full-line supermarket to the Mooloolaba District Centre (despite what the Town Planning Report states).

From a retail perspective, the Mooloolaba/Alexandra Headland Local Plan Code provides that:

- (a) Development in the District Centre zone contributes to the Town Centre's role as a district activity centre providing a range of businesses to service the needs of residents and visitors (7.2.20.3(2)(f));
- (b) Development in the District Centre zone contributes to the economic vitality of the Town Centre (7.2.20.3(2)(g)); and
- (c) Development in the District Centre zone on Key Site 1 provides an integrated, high quality mixed use development incorporating a range of centre activities (7.2.20.3(2)(h)).

Again, the proposed retail elements are considered to comply with these three provisions.

In circumstances where the application is Code Assessable and the proposed development accords with the intent of the zone and Local Plan, it is argued that the need and impact tests could be set at low levels.

Conclusion

It is concluded that the EIA has demonstrated that there is a need for the proposed full-line supermarket and supporting retail shops and that the level of economic impacts would not threaten the role and function or viability of other centres.

It is also relevant to note that the proposed retail elements are considered to be consistent with the provisions of the District Centre Zone and the Mooloolaba/Alexandra Headland Local Area Plan Codes.

I trust that this advice is sufficient for your present purposes. Should you have any further queries, please do not hesitate to contact the author.

Yours faithfully
Norling Consulting Pty Ltd



Jon Norling
Director

