PPM CONSULTING

An Analysis of Lower Floor Space Ratios at Middleton Grange

FINAL – Prepared for Manta Group Pty Ltd by PPM Consulting

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Contents

Introduction

Manta Group Pty Ltd has commissioned PPM Consulting to provide an assessment of the effect of lowering the floor space ratio for the proposed town centre development at Middleton Grange, in Liverpool Local Government Area (LGA).

The development site is at 60-80 Southern Cross Avenue and 45-65 Hall Circuit, Middleton Grange.

Recent residential development in the area has resulted in a population explosion without a commensurate increase in the amount of retail space and other amenities. The Middleton Grange town centre would bring the much-needed retail and other commercial services that are needed today by current residents of the area. Even without the new residents that would move into the town centre as a result of this development, current residents are under-served and currently need to travel up to five kilometres to purchase their daily needs. The Middleton Grange town centre is designed to ensure the retail and other commercial needs of current and future residents are met. Indeed, with population growing as fast as it is, there may need to be even more retail space in the area – in addition to Middleton Grange – in the next five to ten years.

The site has a Gateway approval for a total floor space ratio (FSR) of 2.5:1, comprising a commercial FSR of 2.5:1 and a residential component of 1.5:1.

The site is 69,000m^2 in total area, with 43,559m^2 available for development. The gross floor area (GFA) of retail is proposed to be 20,240m^2, while other commercial will have a GFA of 2,533m^2, at an FSR of 2.5:1 for all B2 zoned land.

It is proposed that 912 apartments be built on the site (91 one-bedroom, 548 two-bedroom and 273 three-bedroom apartments). Once built, the development will house around 1,600 people. The GFA will comprise 86,031m^2 at an FSR of 1.5:1 for all R1 zoned land.

Table 1 outlines the key aspects of the proposed development.

Table 1 – Middleton Grange – Key Aspects

Total Area (m^2)	69,000
Developable Area (m^2)	43,559
Gross Floor Area (m^2)	
Retail (m2)	20,240
Other Commercial (m2)	2,533
B2 (m2)	22,773
Residential (m2)	86,031
Total (m^2)	108,804
FSR	
R1	1.5:1
B2	2.0:1
Total Site	2.5:1

The site currently has a maximum FSR of 1.5:1. Using the ratios of commercial to residential in the proposal, Table 2 shows the GFA available for development at 1.5:1.

Table 2 – Middleton Grange – Key Aspects at Current FSR

Total Area (m^2)	69,000
Developable Area (m^2)	43,559
Gross Floor Area (m^2)	
B2 (m^2)	13,676
Residential (m^2)	51,663
Total (m^2)	65,339
FSR	
R1	1.5:1
B2	2.0:1
Total Site	1.5:1

Under existing controls, the proponent could submit a Development Application with the parameters outlined in Table 2.

Using the same ratios as in the proposal, at 1.5:1 there is only 1,521m^2 available for other commercial (e.g. medical centre) and 12,154m^2 available for retail. Overall, at 1.5:1, there is 40 per cent less GFA than in the proposal at 2.5:1.

Despite receiving Gateway approval in 2016, and having all conditions attended to and strong ongoing community support, a lower FSR across the site (2.0:1) may be recommended by Council. This will have significant impacts on the viability of the development. Table 3 shows the key aspects of a development at an FSR of 2.0:1.

Table 3 – Middleton Grange – Key Aspects at FSR of 2.0:1

Total Area (m^2)	69,000
Developable Area (m^2)	43,559
Gross Floor Area (m^2)	
B2 (m^2)	18,234
Residential (m^2)	68,884
Total (m^2)	87,118
FSR	
R1	1.5:1
B2	2.0:1
Total Site	1.5:1

Under this scenario, the GFA reduces by 25 per cent against the proposal. This reduces the other commercial space available from 2,533m^2 to 2,028m^2 and retail space from 20,240m^2 to 16,206m^2

It is also clear that a large amount of investment is put at risk by seeking to reduce the development at this late stage, post-Gateway approval. A lot of money has been invested to bring the proposal to its current state, which would be lost completely if the development does not go ahead. This would, in turn, signal to the business community that it is unsafe to invest in Liverpool, as changes made at any stage could result in a devastating loss. It is in Liverpool Council's interests to ensure that investment in the local area is not unduly made any more risky than it should otherwise be.

This report seeks to outline the consequences of a reduction in FSR. It relies on the report, *Middleton Grange Town Centre, Economic Impact Assessment, June 2015*, by MacroPlan Dimasi and does not seek to carry out any original modelling.

If the project is made unviable, it will not produce any of the benefits outlined in the MacroPlan Dimasi report. Even if the project were viable with a lower GFA, the number of apartments (and therefore the number of affordable dwellings available), the variety of the retail offering and the number of jobs created would all be significantly less than under the Gateway-granted proposal.

Finally, if the development is made unviable or significantly curtailed, Council would not receive the benefits of a Voluntary Planning Agreement (VPA) to fund local infrastructure upgrades. Placing a VPA worth between $15 million and $20 million (subject to final negotiation) in jeopardy would be a major loss to the local area. It would be impossible for Council to acquire these funds out of general revenue, meaning the local area would suffer, not just from the loss of the town centre, but from the local infrastructure upgrades (such as local parks, paths, etc) that would come with the VPA.

A Note on the MacroPlan Dimasi Report
The MacroPlan Dimasi report referred to in this report was completed in June 2015. In this time, the Middleton Grange area has experienced a higher population growth than was anticipated at the time. As a result, the report would under-estimate the impacts of the development (and therefore the losses if it does not go ahead.

Town Centre

The proponent seeks to create a vibrant town centre that is sustainable and capable of providing an array of services to the local community. When fully built, the local area will accommodate 10,000 residents, most within walking distance of the town centre.

This is an innovative development in that all 1,600 residents will be within a five-minute walk of the retail and commercial centre. Some current and future residents are also likely to work in the town centre, reducing reliance on the transport system markedly.

The current population of the area has expanded markedly since the MacroPlan Dimasi report was concluded over two years ago – more than was anticipated in the report. This means that the benefits of the town centre development outlined in that report would be even greater than they were thought they were going to be. The recent population increase has not come with any increase in amenity, including the amount of retail and other commercial space to fulfil local needs. Current residents are under-served and currently generate private car trips of up to five kilometres in order to obtain their basic needs. The Middleton Grange town centre is designed to ensure the retail and other commercial needs of current and future residents are met. Indeed, with population growing as fast as it is, there may need to be even more retail space in the area – in addition to Middleton Grange – in the next five to ten years.

A reduction in FSR could have one of two consequences: it could make the development totally unviable, resulting in it not getting built at all, or it could severely curtail the proposed offerings. Neither outcome would be good for either current residents or future residents of the surrounding area.

Unviable
If the town centre is made unviable, it will not be built at all, resulting in:

- Ongoing travel required for current residents when accessing retail amenities and other commercial, community and entertainment uses.
- Loss of additional retail choice and competition for current residents of Middleton Grange, and residents more broadly across the area.
- Reduced housing choice and residential density within the Liverpool LGA; building around 1,000 dwellings would have had a positive impact on housing affordability in the area.
- Reduced access to jobs for current residents of Middleton Grange and across Liverpool LGA and the South-West Growth Centre.
- Reduced investment/economic stimulus in the Liverpool LGA.
- The need for Liverpool LGA to make up for the lost housing and employment against their targets.

In addition, construction of the town centre would bring hundreds of jobs (direct and jobs induced by increased spending of those who gain employment directly on the construction of the development) which, if the development is made unviable, would not go ahead, further exacerbating the unemployment issues in greater western Sydney.

Reduced Offering

The overall viability and sustainability of the retail and commercial aspects of the proposal are enhanced by the residential component. This is because the 1,600 residents will be using the town centre for their daily needs, as well as recreation (for example, enjoying the park, walking along the tree-lined streets, stopping for coffee, going out for a meal, or going to a bar). Reducing the population to 1,200 (or less if the FSR reductions result in a higher-than-proportional reduction in apartments) would severely impact on the viability of the retail offering, and in particular, the viability of cafes, restaurants and bars.

If the development is still viable, but with reduced floor areas, it is likely that the town centre would be reduced to a “strip shop” or “convenience” offering. This would be likely to be unviable and unsustainable. This is evidenced by the failure of “local shops” in Canberra’s outer suburbs, where small retail offerings fail to compete against regional centres.

Residential

The proposed development includes the construction of 912 dwellings across the town centre. Of these, 91 would be one-bedroom, 548 would be two-bedroom and 273 are proposed to be three-bedroom. It is expected that, when complete, the area around the town centre will house 10,000 residents.

Unviable
If the residential aspects of the town centre are made unviable, 912 dwellings will not be built. With demand for housing continuing to grow in the area, fewer houses will place additional pressure on prices, making the area less affordable.

Without the 912 apartments in the area, there will be less housing choice and residential density in the Liverpool LGA.

Without the residential component of the town centre, there will be less diverse housing, particularly for those looking to buy for the first time, as well as those looking to downsize. Downsizers create an opening in the existing supply of housing for families, allowing the housing mix to better fit the housing needs of the LGA.

In addition, without the residential component, no affordable housing will be provided. Under the proposal, 45 affordable dwellings would be provided to be managed by a community housing provider to be dedicated as affordable rental in perpetuity. But if the development is made unviable, none of these will be built, depriving the key workers and other potential low-paid tenants the benefit renting those dwellings.

Reduced Offering
If the residential offering is reduced by 25 per cent, there will be 228 fewer apartments built. When fully developed, the 684 remaining apartments would house around 1,200. This is a reduced town centre population of around 400, which would in-turn affect the viability of the retail and commercial offerings in the town centre.

In addition to the lost market dwellings, there would be fewer affordable dwellings provided. If provision of affordable dwellings remains at five per cent (and it may need to be lower to ensure viability of the remaining development), only 34 dwellings would be available for subsidised rent through a community housing provider. This is a reduction of at least 11 affordable dwellings in an area where there is already a shortfall of affordable housing stock.

Retail and Commercial

The retail and commercial aspects of the development form the core component of the town centre development. The Middleton Grange town centre is necessary to ensure the long-term viability of all recent developments in the area, none of which have had their retail needs met. Without a viable town centre at Middleton Grange, the area is doomed to be another failed cluster of dormitory suburbs in Sydney's western suburbs.

Table 4 shows the key aspects of the retail and commercial proposal, and what they would be under alternative scenarios.

Table 4 – GFA Under Alternative FSR Scenarios

GFA	2.5:1	1.5:1*	2.0:1*
Retail (m^2)	20,240	12,154	16,206
Other Commercial (m^2)	2,533	1,521	2,028
Total B2 Zoned GFA (m^2)	22,773	13,676	18,234

* Using the same ratios as at 2.5:1, Retail is 89 per cent of B2 zoned GFA and Other Commercial is 11 per cent of B2 zoned GFA.

Under the Planning Proposal that has received Gateway approval, there would be 20,240m^2 of retail space and 2,533m^2 of other commercial space. At 1.5:1 (the current controls), only 1,521m^2 is available for other commercial and 12,154m^2 for retail – too small for a meaningful town centre, and in particular too small for the range of other commercial uses – which is the reason the Planning Proposal was lodged. At 2.0:1, the range of retail and commercial uses is reduced by 25 per cent, which would mean that the town centre would either be unviable to build, or would include a severely reduced offering of speciality shops, supermarkets and other commercial, such as a smaller medical centre, possibly no child care centre and possibly no gym.

The MacroPlan Dimasi report showed that in 2014 there was an existing market gap/leakage of traditional retail floorspace of around 31,200m^2 and around 6,300m^2 of supermarket retail floorspace demand. Even with additional retail floorspace provision at the Middleton Grange Town Centre, as proposed, as well as future supply additions at other centres in the main trade area (i.e. Austral and Tenth Avenue), the estimated net leakage of traditional retail floorspace demand would be in excess of 32,800m^2 by 2031. Net supermarket leakage would be in the order of 5,600m^2 by 2031. In other words, by 2031, even the amount of space in the current proposal at 2.5:1 will be less than required by the community to fulfil their retail needs.

Unviable

If the town centre is made unviable, it will not be built by the current proponent. It is likely that it will then not be built for at least another 10 years (by the time the current proponent sells the land, a new buyer buys it with a residual land value low enough to be in a position for 2.0:1 to be viable, the new owner lodges a Planning Proposal, receives Gateway approval, lodges a DA and then completes construction).

The consequences of the retail and commercial aspect of the town centre not being built are laid out in the MacroPlan Dimasi report. The surrounding retail and commercial offering will continue to be used by current Middleton Grange residents, generating trips of up to 5 kilometres to obtain essentials including milk and bread.

Other commercial uses identified as part of the proposed development concept include commercial/mixed use space, medical uses, child care, entertainment uses, a large gym and a community centre. None of these will be built if the project is made unviable. The MacroPlan Dimasi report showed that there is an undersupply of certain types of non-retail uses in the main trade area, and that additional population growth (even without the 1,600 new residents coming from the current proposal) will drive the need for additional services.

There are currently only two medical centres in the primary trade area, neither within walking distance of the current population of Middleton Grange. The MacroPlan Dimasi report said, “In the context of the existing provision of medical facilities, and the projected growth, we consider that there is a strong demonstrated need for a medical centre offer at Middleton Grange.” A smaller commercial area puts an adequate medical centre in jeopardy.

The MacroPlan Dimasi report acknowledged the need for new child care facilities – facilities that would not be built if the town centre is not built.

Entertainment uses such as restaurants, cafes, taverns would also not come to fruition if the town centre is unviable and not built.

The biggest effect of losing the town centre will the loss of the employment that would be generated if the town centre development goes ahead. Table 5 is an extract from the MacroPlan Dimasi report, showing the employment impacts of the retail and commercial aspect of the proposed town centre development.

Table 5 – Employment Generation from Retail and Commercial Operation, Middleton Grange Town Centre

Type of use	Area (sq.m)	Job Ratio (sq.m/job)	Jobs (Total jobs)	FTE * Ratio	Jobs (FTE jobs)
Retail					
Major Retailer	9,750	35	279	80%	223
Mini-major & specialty shops (inc. Restaurants)	11,510	25	460	80%	368
Total retail	**21,260**		**739**		**591**
Commercial/other					
Commercial	2,490	35	71	90%	64
Medical	1,200	50	24	80%	19
Community Centre	500	250	2	80%	2
Entertainment	2,090	200	10	80%	8
Childcare	1,100	30	37	80%	29
Total commercial/other	**7,380**		**144**		**123**
Total dev. area GLA	**28,640**		**883**		**714**
Potential impact other centres			5.0%		5.0%
Net employment creation			**839**		**678**

**FTE = Full-time Equivalent positions*
Source: APP Corporation Pty Ltd; MacroPlan Dimasi

As shown in Table 5, 678 jobs would be generated in the retail and commercial offerings of the town centre. These are local jobs most likely to be held by local people. In the event of the town centre not going ahead, none of these jobs would come to fruition. Effectively, 678 full-time equivalent jobs would be destroyed by the development not going ahead. In addition, there would be construction jobs in creating the town centre that would not come to fruition as well (these potential jobs were not quantified by the MacroPlan Dimasi report).

Reduced Offering
Instead if a vibrant town centre, a reduction in GFA would likely result in a "strip shop" offering or equivalent, as a larger retail and commercial offering would be unviable due to a lower population and a less physical space to allow the variety necessary for sustainability. Local strip shopping centres tend to be more expensive, have less variety and are more likely to have empty shops than a diverse shopping centre like the one proposed.

Conclusion

There has been a large recent population expansion in Middleton Grange, Hoxton Park, West Hoxton, Carnes Hill, and new developments around Austral on the western side of the M7, as well as Elizabeth Hills, Hinchinbrook, the Len Waters Estate and others on the eastern side of the M7. These areas are set to be serviced by the new town centre at Middleton Grange. If this town centre is made unviable due to floor space restrictions, the retail needs of this new population will continue to be unmet locally, inducing more and longer private car trips and ultimately resulting in a lower standard of living for the residents of the area.

It is clear that a large amount of investment is put at risk by seeking to reduce the GFA of the development at this late stage, post-Gateway approval. A lot of money has been invested to bring the proposal to its current state, which would be lost completely if the development does not go ahead. This would, in turn, signal to the business community that it is unsafe to invest in Liverpool, as changes made at any stage could result in a devastating loss. It is in Liverpool Council’s interests to ensure that investment in the local area is not unduly made any more risky than it should otherwise be.

More specifically, if the project is made unviable, it will not produce any of the benefits outlined in the MacroPlan Dimasi report. Even if the project were viable with a lower GFA, the number of apartments (and therefore the number of affordable dwellings available), the variety of the retail offering and the number of jobs created would all be significantly less than under the Gateway-granted proposal. In particular, the following effects will happen if the FSRs are restricted such that the development becomes unviable:

- Ongoing travel required for current residents when accessing retail amenities and other commercial, community and entertainment uses.
- Loss of additional retail choice and competition for current residents of Middleton Grange, and residents more broadly across the main trade area.
- Reduced housing choice and residential density within the Liverpool LGA.
- A reduction in supply of nearly 1,000 dwellings is likely to impact on housing affordability in the area.
- Reduced access to jobs for current residents of Middleton Grange and indeed, residents more broadly across Liverpool LGA and South-West Growth Centre.
- The loss of investment/economic stimulus in the Liverpool LGA.
- The loss of a wide range of retail and commercial uses, including community centre, child care facility and medical centre.
- The need for Liverpool LGA to make up for the lost housing and employment against their targets.

If the town centre is made unviable, it will not be built by the current proponent. It is likely that it will then not be built for at least another 10 years (by the time the current proponent sells the land, a new buyer buys it with a residual land value low enough to be in a position for 2.0:1 to be viable, the new owner lodges a Planning Proposal, receives Gateway approval, lodges a DA and then completes construction).

Finally, if the development is made unviable or significantly curtailed, Council would not receive the benefits of a Voluntary Planning Agreement (VPA) to fund local infrastructure upgrades. Placing a VPA worth between $15 million and $20 million (subject to final negotiation) in jeopardy would be a major loss to the local area. It would be impossible for Council to acquire these funds out of general revenue, meaning the local area would suffer, not just from the loss of the town centre, but from the local infrastructure upgrades (such as local parks, paths, etc) that would come with the VPA.

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