196-206 High Street, Windsor
Community Benefit Assessment

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Introduction

This report presents a Community Benefit assessment for an office development proposed for the site at 196-206 High St, Windsor, located in the Windsor Village precinct within the Chapel Street Activity Centre (the Activity Centre).

The balance of this statement is set out as follows:

- **Section 1** examines, as background, the development trends witnessed over the past decade or so within both the Activity Centre and the Windsor Village precinct.

- **Section 2** sets out my assessment, against that background, of the benefits of an office development as proposed on the subject site.

In preparing this assessment information has been sourced from a number of relevant documents, in particular the Structure Plan for the Chapel Street Activity Centre; the Neighbourhood Framework Plan for the Windsor Village precinct, as detailed in the document Chapel reVision, issued by the City of Stonnington; the relevant objectives for the Chapel Street Activity Centre Zone (ACZ) as set out in the City of Stonnington Planning Scheme; and the City of Stonnington Economic Development Strategy 2017-2041.

Dimasi & Co. previously prepared a Community Benefit Assessment for a proposed development at the subject site in October 2019. Since that date the project has been revised and reduced in scale thus this report relates to the revised plans for the project as made available to Dimasi & Co. in March 2021.
Section 1: Background: Total Activity Centre and Windsor Village Precinct

The subject site forms part of the Windsor Village precinct of the Chapel Street Activity Centre (the Activity Centre). Therefore, as background to my consideration of the community benefit of the proposed development on the subject site I first address the stated objectives for the Activity Centre as well as the nature and intended role of the Windsor Village precinct within it.

1.1 Chapel Street Activity Centre

Chapel reVision sets out the Structure Plan for the Activity Centre. It was adopted by Stonnington Council in July 2014 and implemented under Amendment C172. When prepared, in 2013, Chapel reVision noted that considerable change had occurred within the Activity Centre since the previous structure plan, Chapel Vision, had been adopted in 2007, in particular that:

i. Almost 2,000 new dwellings had been constructed within the Activity Centre; and

ii. There had been a net increase of around 20,000 square metres of office/commercial space, however a “…substantial decline/reduction in commercial/employment space across the Activity Centre has occurred as former industrial/commercial sites are redeveloped into largely residential apartments.” (p. 8)

The economic assessment behind Chapel reVision, prepared by id Consultants and SGS Economics, concluded that over the period to 2031 there was potential for the Activity Centre to add:

i. 13,644 new residents, accommodated in 10,718 new apartments;

ii. 31,000 square metres of retail floorspace;

iii. 49,500 square metres of hospitality floorspace; and

iv. 115,200 square metres of office floorspace.
The Vision for the Activity Centre set out in Chapel reVision is that:

- The Chapel Street area will continue to develop as a focus for inner city living and evolve as a desirable place for shopping, business and employment, particularly in creative industries.

- It will have a diverse range of uses, activities and interests and will be a thriving, colourful, people-focused community with a strong sense of place, pride and belonging, living in a resilient and sustainable urban environment which supports their wellbeing. (Chapel reVision, p. 9)

Ten objectives to deliver the vision are set out at page 10. The first three of those objectives are the following:

- To retain and enhance the Chapel Street area’s role as a premier metropolitan and higher order shopping, entertainment, tourism, business, civic, community and cultural destination, with a strong local community role that continues to serve the needs of people living and working in the area.

- To recognise that the Centre is a metropolitan focal point for significant new inner city living and employment and to provide a wide range of housing and employment choices including higher density, affordable, community and mixed-use housing: corporate, boutique and incubator offices; creative jobs focused on the new economy.

- To provide greater opportunity for business and employment space throughout the Centre, to balance the influx of new housing, particularly work environments for the creative sector of the economy. (my emphasis)

The importance of enabling additional employment opportunities throughout the Activity Centre is stressed at various points throughout the Structure Plan, including:

- at page 13, where one of the Strategies enunciated to achieve the first objective above states “Recognise the difference between the various localities, precincts and neighbourhoods within the centre, the varying roles they play and the importance of each in creating the diversity and interest that contributes to the success, character and experience that is provided by the overall Activity Centre.”

- at page 16 where one of the strategies to achieve the third of the above objectives reads “Implement Council’s Economic Development Strategy 2012, which has a strong emphasis on
creative jobs, with specific attention to the economic and employment role and opportunities presented by the Chapel Street area”.

Chapel reVision therefore both recognises the crucial role of employment within the Activity Centre and directs that strategies and actions be implemented to strengthen that role. The City of Stonnington Planning Scheme echoes the above and stresses at Clause 37.08 Activity Centre Zone that one of the main objectives for the Centre is:

To encourage a mixture of uses and the intensive development of the activity centre:

- As a focus for business, shopping, working, housing, leisure, transport and community facilities.

- To support sustainable urban outcomes that maximise the use of infrastructure and public transport. (my emphasis)

The City of Stonnington Economic Development Strategy 2017-2041 (the Economic Development Strategy) similarly recognises the difficulties faced by the Chapel Street Activity Centre and stresses the need for a number of strategies that will encourage greater employment within the Activity Centre across a number of industries, including creative and digital industries. The first two of twelve strategies set out in the Economic Development Strategy are:

STRATEGY 1:
Position Stonnington as a preferred location for creative and innovative business and enterprise.

STRATEGY 2:
Ensure a suitable supply of commercial land and premises are available to support business expansion and new investment.
1.2 The Windsor Village Precinct

The Windsor Village precinct is one of ten neighbourhoods into which the Activity Centre is divided, and Chapel reVision sets out a Neighbourhood Framework Plan (the Neighbourhood Plan) for each. The Neighbourhood Plan Objective for the Windsor Village precinct reads as follows:

A distinctive local neighbourhood centre and urban village that is energised by Chapel street retaining a low scale and valued heritage streetscape, with fine grain character throughout the precinct. Continue to provide an eclectic range of shops and mitigate the displacement of small business. Encourage a diverse range of creative, educational, residential and community uses within the precinct which is underpinned by a well integrated pedestrian and public transport movement network. (p. 34; my emphasis)

Against the background of the aspirations, strategies and plans of Chapel reVision, the actual changes which have occurred within both the total activity centre and the southern part of the centre, which includes the Windsor Village precinct, can now be considered. Those changes are shown for the inter-censal period 2011-2016 in Table 1.1 below for the total Activity Centre and also for the part of the Activity Centre south of Commercial Road, which includes the Windsor Village precinct.

The reality, as is readily apparent from the information in the table, is that the Activity Centre is rapidly and increasingly moving to a dominance of residential use, while employment growth has been seriously lagging. The same is true of the southern part of the activity centre which includes the Windsor Village precinct.
Within the total Activity Centre the number of dwellings increased by 81% or more than 4,000 while the residential population increased by 8,030 or 88.5% over the period. By contrast, the number of workers increased by 3,261 or just 22.1%.

For the southern part of the Activity Centre which includes the Windsor Village precinct the rates of change are lower, as there has not been as much redevelopment activity undertaken as has occurred within the northern part, but the comparison is very similar - the number of dwellings increased by almost 40% and the residential population increased by 1,710 or 43%, while the number of workers increased by only 575 or 10.6%.

While no official data are available for the period since 2016, it is evident that these trends have continued, and most likely intensified further. Many residential towers are currently under construction, particularly though not only within the Forest Hill precinct in the north, while by comparison there is relatively little other development activity currently underway.

Retail vacancies throughout the Activity Centre are now widespread. A number of field inspections - undertaken in May and October 2019, pre-COVID 19 – have shown that there are more than 30 readily observable shopfront vacancies along Chapel Street within the Activity Centre, an area previously considered as prime retail real estate and where vacancies were rare. Within the Windsor Village precinct the number of shop vacancies is now significant and has been growing – with some 11 premises identified as vacant in mid-October 2019 just in the 300 metre strip of Chapel Street and Union Street.

### Table 1.1

<table>
<thead>
<tr>
<th>Item</th>
<th>2011</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td><strong>Activity Centre south of Commercial Road</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of Dwellings</td>
<td>2,120</td>
<td>2,961</td>
<td>841</td>
</tr>
<tr>
<td>No. of Residents</td>
<td>3,972</td>
<td>5,682</td>
<td>1,710</td>
</tr>
<tr>
<td>No. of Workers</td>
<td>5,420</td>
<td>5,995</td>
<td>575</td>
</tr>
<tr>
<td><strong>Total Activity Centre</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of Dwellings</td>
<td>4,958</td>
<td>8,976</td>
<td>4,018</td>
</tr>
<tr>
<td>No. of Residents</td>
<td>9,070</td>
<td>17,100</td>
<td>8,030</td>
</tr>
<tr>
<td>No. of Workers</td>
<td>14,736</td>
<td>17,997</td>
<td>3,261</td>
</tr>
</tbody>
</table>

Sources: ABS; GapMaps; Dimasi & Co
The number of apartments built however has continued its inexorable growth. At four sites currently under construction - the Capitol Grand project (396 dwellings), Yarra One (248), 42 Claremont Street (141), and 649 Chapel Street (72), all within the Forest Hill precinct - a further 857 apartments will be completed.

The increase in dwellings recorded within the Activity Centre between 2011 and 2016, together with the number of dwellings currently under construction, will mean that since 2011 the number of dwellings within the Centre has increased by more than 5,000. Further residential development on the subject site, were it to occur, would continue this pattern and would take out of circulation one more site which could potentially be developed for a different use, i.e. office. Given the proliferation of residential development, and the comparative absence of office development, such an alternative use, i.e. office, would be of much greater benefit in delivering the vision for the Activity Centre as well as the objectives for the Windsor Village precinct as set out in the Neighbourhood Plan.

There are economic/financial reasons why residential development, rather than office development has dominated the Chapel Street Activity Centre over the past decade. These factors highlight a fundamental reason why the type of development which has occurred over the past 7-8 years, and which is currently occurring, within the Activity Centre has been almost exclusively residential development.

The much higher financial hurdle for the delivery of an office development is due to a combination of factors, namely:

1. the greater floor to floor height required for levels of a high-quality office development means that approximately 20% fewer levels can be built, for any given height, therefore a residential building at 18 metres height would be able to provide at least one extra level in this instance as well as a slightly greater amount of leasable/sellable space per level;

2. the greater requirement for area devoted to lifts and lift core as well as required amenities on each level means a lower efficiency ratio per level (i.e. ratio of leasable area to gross area); and

3. while construction cost per square metre is lower for office space versus residential space, that advantage is offset by the considerably lower end value ($ per square metre) for office space as compared to residential space.

The bottom line is that the net return from an office development of comparable height to a residential development will invariably be considerably lower.
There is therefore a much greater degree of (financial) difficulty faced by an office development when compared to a residential development. An office development will therefore only be undertaken by a developer taking a longer-term view on the attractiveness of the Activity Centre as an office location, and in turn contributing to such a longer-term outcome by undertaking such a development, rather than residential development.

Given all the above, the preponderance of residential development within the Activity Centre over the past eight years can be understood from the perspective of individual developers wanting to optimise their financial outcomes. The downside, from the net community benefit viewpoint, has been the absence of mixed-use development, in particular the lack of employment opportunities that have resulted, despite the stated objectives of Chapel reVision. The community benefits of office development at the subject site are discussed further in the following section.
Section 2: Community benefits of proposed development at the subject site

It is evident that Chapel reVision as well as the objectives for the ACZ in the Planning Scheme stipulate that more diverse development, in particular employment generating development, should occur, both within the Activity Centre and also the Windsor Village precinct. Such office development – or some alternative employment use - is highly desirable to ensure the long-term health of the Activity Centre.

2.1 The need for office accommodation – employment by occupation

The apparent decline in the retail function of the Activity Centre over recent years as well as the low rate of employment growth when compared to apartment/residential population growth highlight the need for alternative employment opportunities. Given the nature of both the Activity Centre and the surrounding workforce, those opportunities should be largely in office employment. Table 2.1 below details the employment profile of the residential population within the Activity Centre, highlighting the fact that 60% of employed Activity Centre residents work as Managers or Professionals compared with 39% of the labour force across Greater Melbourne. The pattern of employment by occupation evident for the Activity Centre residents is also true of the population of the broader South Yarra/Toorak area.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Chapel Street ACZ</th>
<th>Melb. Metro Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Managers</td>
<td>1,718</td>
<td>18.8%</td>
</tr>
<tr>
<td>Professionals</td>
<td>3,753</td>
<td>41.0%</td>
</tr>
<tr>
<td>Clerical &amp; Admin. Workers</td>
<td>1,042</td>
<td>11.4%</td>
</tr>
<tr>
<td>Technicians &amp; Trade Workers</td>
<td>613</td>
<td>6.7%</td>
</tr>
<tr>
<td>Community &amp; Personal Services</td>
<td>740</td>
<td>8.1%</td>
</tr>
<tr>
<td>Sales workers</td>
<td>809</td>
<td>8.8%</td>
</tr>
<tr>
<td>Machinery Operators &amp; Drivers</td>
<td>90</td>
<td>1.0%</td>
</tr>
<tr>
<td>Labourers</td>
<td>259</td>
<td>2.8%</td>
</tr>
<tr>
<td>Not Stated/Not Described</td>
<td>136</td>
<td>1.5%</td>
</tr>
<tr>
<td>Total</td>
<td>9,160</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Sources: ABS; GapMaps; Dimasi & Co
2.2 Employment creation

Despite the aspirations and objectives of Chapel reVision and the Windsor Village Precinct Neighbourhood Plan, the developments which have occurred within the Activity Centre since 2011, as noted above, have been almost exclusively residential in nature and have effectively “crowded out” other forms of development such as office. There have been economic/financial reasons for the outcomes which have ensued, as also discussed in the previous section.

The development now proposed at the site will deliver a total 7,405 square metres of leasable floorspace comprising 6,458 square metres of office floorspace together with 947 square metres of Shop/Food and Drinks Premises at ground level. At an average space per capita rate of 10 square metres – a reasonable allowance reflecting current practices focussed around open plan offices, particularly for the types of businesses most likely to occupy office space at the subject site – such a building would deliver approximately 645 office employment positions and a further 45 estimated jobs in the Shop/Food and Drink uses, thus a total of 690 on-site jobs.

This addition would represent an increase of 11.5% to the number of workers within the activity centre south of Commercial Road as measured at the most recent Census (2016) which was 5,995 as detailed in Table 1.1 above. Such an increase is greater than the total increase in worker numbers recorded for that part of the activity centre over the five years inter-censal period 2011-2016, which was 575 jobs.

Additional employment will be created by the construction of the project, with an estimated capital cost of $37 million, and further multiplier-induced jobs resulting from its construction. The number of direct construction jobs to be created is estimated at 160 while the additional multiplier-induced jobs are estimated at 250, thus contributing an estimated 410 jobs attributable to the project’s construction.

The proposed development would therefore make a substantial contribution to the achievement of the objectives for both the Activity Centre and the Windsor Village precinct, as it would help deliver a true mixed-use outcome for the precinct with the addition of commercial floorspace and employment opportunities. A Grade A rated building, as proposed, is more likely to attract higher quality tenants and larger tenants, thereby offering greater opportunity for larger tenant leasing within the activity centre.
The additional workers accommodated on site would of course be potential customers for the retailers in the Activity Centre, and in particular for the many food and beverage retailers in the Windsor Village precinct, five days per week. As noted previously in this report there are increasingly widespread retail vacancies apparent within the centre and in the Windsor Village precinct specifically, despite the enormous increase in residential population within the centre witnessed over the past decade. An office development at the subject site, at the scale proposed, would represent a very significant injection of additional daytime population, i.e. potential customers for the Windsor Village precinct and the broader Activity Centre.

The retail uses in the Windsor Village precinct are eclectic and a touch bohemian in nature but are dominated by food and beverage operators. A growing workforce accommodated within the precinct, adding to daytime visitation numbers, would provide increased support for the retail offerings and would help to increase activation in that part of the centre. Because of lunchtime time constraints, the daytime worker population is much more likely to make use of the surrounding retail facilities, especially food and beverage outlets, than the resident population.

The 690 employees accommodated on site are estimated to contribute some $2 million annually in lunch-time food and beverage sales within the activity centre, based on typical metrics regarding likelihood of purchase and average expenditure. They would also contribute further in evening food and beverage expenditure and in occasional non-food retail expenditure. Visitors to the building would also make a further contribution to retail spending within the centre.

The Economic Development Strategy stresses the importance of the creative and digital economy specifically in relation to the Windsor Village precinct, stating:

A creative city

The importance of the creative and digital economy is being increasingly recognised for its contribution to a vibrant and diverse city that embraces culture and recreation.

A creative industry sector provides a wide range of social benefits, but also provides an important contribution to the success of the economy.

A specific strength in software and application development has been identified with a number of new SMEs establishing around the Chapel Street and Windsor Village precinct in recent years. Positioning South Yarra as a ‘digital tech hub’ may encourage start-ups to the precinct. Chapel Street and South Yarra remains a strong brand that could be leveraged further for creative businesses. (p. 20)
A development such as is now proposed at the subject site would provide ideal office accommodation for the types of SMEs envisaged in the above statement. By contrast, were the subject site to be used for residential development then it would likely deliver in the order of 60-70 apartments and accommodate a residential population of 120-140. Such an addition of residents would be immaterial for the Activity Centre especially given the numbers of apartments already built or under construction or planned.

The background economic analysis to Chapel reVision identified potential for some 10,718 new apartments and 115,200 square metres of new office floorspace within the Activity Centre over the period to 2031. The apartments target is being easily met and will most likely be exceeded. However, little progress has been made on the office floorspace target, and with each potentially available site being used for residential development, the office target will become more and more difficult to achieve.

2.3 Key conclusions

The community benefits of an office building as proposed on the subject site would be significant given the objectives and aspirations for both the broader Chapel Street Activity Centre and the Windsor Village precinct. The key benefits would be:

1. An injection of mixed-use development within the Activity Centre, as opposed to the large volume of (almost exclusively) residential development which has occurred over the past decade.

2. The creation of an estimated 690 on-site employment positions within the Activity Centre and specifically within the Windsor Village precinct (as opposed to increased residential population and fewer job opportunities if the site were to be used for more residential development). This addition would represent an increase of 11.5% to the number of workers within the activity centre south of Commercial Road as measured at the most recent Census (2016) and is greater than the total increase in worker numbers recorded for that part of the activity centre over the five years inter-censal period 2011-2016, which was 575 jobs.
3. the creation of an estimated **410 construction related employment positions** (directly and indirectly) attributable to the project’s construction; and

4. importantly, the addition of a substantial daytime population, i.e. potential customers, for the precinct and the overall Activity Centre, against a background of a large and increasing number of shop vacancies evident within the centre, including in the Windsor Village precinct. Because of lunchtime time constraints, the daytime worker population is much more likely to make use of the surrounding retail facilities, especially food and beverage outlets, than the resident population. The 690 employees accommodated on site are estimated to contribute some **$2 million** annually in lunch-time food and beverage sales within the activity centre and would also contribute further evening food and beverage expenditure and occasional non-food retail expenditure. Visitors to the building would also make a further contribution to retail spending within the centre.

By contrast, the community benefits for the activity centre of a residential building at the subject site, were that to occur, would be much less significant viewed from the same perspective. Furthermore, there has for many years been a “crowding out” of developments other than residential projects within the Activity Centre. That means that there are fewer and fewer sites available for office development, particularly in preferred locations within the Activity Centre, such as on main street frontages. The subject site is ideally located for office development and is also a relatively large site at a little over 2,000 square metres, attributes which are not easily found in remaining potential development sites throughout the activity centre.
Appendix 1: Curriculum Vitae
Tony graduated with Honours and Masters Degrees in Economics and Mathematics from the University of Melbourne, where he also taught Economics and Statistical Methods for a number of years.

In 1982 he commenced work as a consultant in the then emerging field of retail and property economics, and for the past 35 years he has provided independent analysis and advice to shopping centre owners and developers, retailers, service providers and public authorities. Over that time Tony has had the opportunity to work extensively with most of Australia’s shopping centres and retail precincts, and also most of the country’s major retailers, participating first hand in the development and evolution of the Australian retail sector, and particularly the shopping centre industry.

As a micro-economist, Tony’s emphasis in his work over the past four decades has been on the ever changing needs and wants of the consumer, which philosophically he has always regarded as being the essential underpinning of economic analysis for the retail sector.

Tony has worked across all parts of Australia and New Zealand, and has provided advice in relation to virtually every significant activity centre location in both countries. The range of projects has included CBD properties; super regional centres; regional and sub-regional centres; district and neighbourhood centres; homemaker retail facilities; freestanding stores; and all other retail formats, as well as commercial and industrial precincts.

Tony has also advised extensively on optimal retail and related services provisions to support major education and health facilities, including universities and hospital/health precincts. He has also advised widely on non-retail development projects, including residential and industrial projects, dairy processing, cattle export facilities, and poultry farming.

Tony appears regularly as an independent expert in state planning courts and tribunals across all states of Australia and in New Zealand, including:

- The Administrative Appeals Tribunal (AAT) of Australia;
- Independent Ministerial Panels and VCAT in Victoria;
- The Land and Environment Court of New South Wales;
- The Planning and Environment Court of Queensland;
- The State Administrative Tribunal in Western Australia;
- The Environment, Resources and Development Court of South Australia;
- The Liquor Licensing Court of South Australia;
- The Petroleum Products Retail Outlets Board of South Australia;
- The Resource Development Planning Commission in Tasmania; and
- The Environment Court of New Zealand.

He has also appeared regularly as an independent expert in federal parliamentary inquiries, including the Joint Parliamentary Inquiry into the Australian Retail Sector (Baird Inquiry); in ACCC hearings, including the Inquiry into the Competitiveness of Retail Prices for Standard Groceries in 2008; as well as Federal and County Court hearings.

He is also a regular conference speaker and columnist in retail industry publications.