Submission to the Inquiry into Local Economic Development Initiatives in Victoria

September 2012
1. Introduction

Mainstreet Australia is pleased to make a submission to the Inquiry into Local Economic Government Initiatives in Victoria. We consider that it is a vital inquiry that should have a significant influence on the future direction of State and Local Government programs, policies and resource allocation in this important area.

2. Our Charter and Interest in this Inquiry

Mainstreet Australia is a highly respected and energetic incorporated association that works with a range of government and business interests to support and promote strip shopping/business centres as well as town centres across Australia. We consider that these centres are and should continue to be at the heart of our communities.

Our membership is united by a common vision that vibrant main streets and town centres are an integral component of the community delivering a complex and interrelated range of economic, cultural, social and environmental benefits.

Mainstreet Australia provides a raft of services to support its membership to positively contribute to the successful operation and revitalisation of main streets and town centres. This includes networking, education, mentoring and support, professional development, strategic advice and industry representation and advocacy.

An integral aspect of Mainstreet Australia’s approach is to build on the uniqueness of the main street experience, develop the capacity of stakeholders to work together, establish partnerships among the many private and public stakeholders and develop sustainable models that engage and empower businesses to collectively work together to revitalise and maintain vibrant and successful main streets and town centres.

Our interest in this Inquiry stems from a strong belief that State and Local Governments, in partnership with business associations and local businesses, play a vital role in facilitating the economic development of these places. We are and want to continue to be actively engaged in ensuring that governments develop and support best practice techniques to make these centres more sustainable.

3. The Economic Value of Main Streets and Town Centres

In 2011, the international consulting firm Essential Economics prepared a report for Mainstreet Australia on the economic value of main streets. We consider that this was an important piece of research and want to bring it to the attention of the Inquiry, as it provides a critical context for our submission. A copy of the report is attached. The key conclusions were:
An estimated 680 Main Street activity centres are located across Victoria, with 211 centres identified as having greater than 5,000 square metres of retail floorspace. A total of approximately 5.3 million square metres of retail floorspace are estimated to be in Main Street centres in Victoria, representing approximately 45% of total retail floorspace in the State.

Total employment generated by Main Street centres in Victoria is estimated at approximately 374,000 jobs or 13% of total employment in the Victorian economy. This employment generates approximately $15,500 million in wages per annum.

Main Streets are a key focus for business activity. The mix of land uses in Main Street centres is typically wider and more diverse than in other (hard top shopping) centres. Many Main Street centres have more than 50% of their leasable floorspace occupied by non-retail activities, reflecting the traditional mixed-use role of these centres.

Main Street centres have a high level of business diversity which is reflected in the share of businesses which are sole traders or independently operated.

The importance of Main Street activity centres to the business sector in Victoria including new business development is recognised by a range of stakeholders. Major chains including Myer, JB Hi Fi, Grill’d and Spotlight commenced as single stores in Main Street centres in Victoria, while major retailers such as Coles and Woolworths have a high share of their stores in Main Street centres. Main Streets are also an important component of Victoria’s tourist industry and are explicitly recognised in travel guides and tourist promotions for such features as shopping, dining and entertainment.

An important feature of Main Street activity centres is their level of integration with adjacent urban areas and the high degree of accessibility to the community.

Main Street activity centres tend to be locations for a wide range of social infrastructure that leverage off the accessibility these locations provide to the surrounding community. This includes localised infrastructure such as schools and child care, as well as community services of metropolitan importance, including medical precincts and higher education.

Main Streets are also an important source of community pride and identity, and this is recognised by the investment that local Councils provide to their activity centres. It is also evident in the way in which real estate agents spruik properties in proximity of Main Street centres.

Main Street centres also have an important role in meeting the strategic land use objectives of State and Local Government.

Creating successful Main Street centres requires recognition that a wide range of factors and influences determine centre performance. Main Street centres have a diverse range of stakeholders, often with conflicting interests, and this means that significant value can be captured through a process of centre management, marketing and community engagement which captured any issues quickly and effectively. This is a key reason...
behind the success and popularity of special rate and charge schemes where finds are available for a centre co-ordinator and for other initiatives to serve local businesses in the centre.

- Management and marketing programs supported by a special rate or charge scheme operate in 21 municipalities and generate $7.6 million in revenue (per annum), excluding other funding sources. Approximately 16,500 businesses are supported by these schemes which provide traders in Main Street centres with access to resources that are otherwise taken for granted by traders in hardtop shopping centres where such resources (e.g., marketing) are typically provided as part of the lease agreement.

- A wide range of economic, social and environmental reasons explain why Main Street activity centres are important to the community. These benefits should be reflected in the objectives and actions of policy makers, and recognised by those engaged in the process of promoting vibrant and successful Main Street activity centres.

- Main Streets have a vital role to play in serving communities ranging from small local centres to much larger centres of metropolitan and state-wide importance. Importantly, they are a source of community identity.

The final comment in the report is that “the case for investing in and supporting Main Street activity centres is compelling for any stakeholder with an interest in contributing to Victoria’s economic, social and environmental wellbeing”.

4. Response to The Committee’s Terms of Reference.

We put forward the following response to the six issues being addressed by the Committee of Inquiry:

4.1 Examine The Range of Existing Local Economic Development Programs being carried out in Victorian Municipalities

Mainstreet Australia, with several representatives from Victorian councils on our Committee of Management over many years, is very familiar with the extensive range of existing economic development programs being carried out by Victorian Local Governments.

The current programs that we consider most useful to the support and development of main street centres are:

- Facilitation or delivery of business skill development programs for both retailers and other commercial/professional business operators
- Development and nurturing of business networks in centres through the encouragement of and ongoing support for business associations as well as through specific networking events
• Promotion of centres as a key economic asset to a municipality through council newsletters, websites, economic development forums, and shop local campaigns
• Development attraction and facilitation programs designed to enable Local Government to take a proactive approach to encouraging a desirable mix of activities and the most effective use and development of strategic sites
• Leadership in facilitating major retail, commercial and community services development in centres – e.g., the Coburg Initiative by Moreland City Council, the Greensborough project by Banyule City Council, and Sunshine Rising project by Brimbank City Council
• Provision of key infrastructure (e.g., Government offices and agencies, Council offices, community services, arts, cultural and other leisure facilities, streetscape and transport improvements) in centres
• Public space management services including design, building, maintaining, renewing of public spaces as well as activating and co-ordinating fair and equitable access to spaces through parking, cycling, and walking arrangements as well as advice on the placement of public transport facilities
• Maintenance services (e.g., cleaning, garbage removal, parking surveillance) to sustain Council’s assets in centres
• Information, advice and assistance to businesses in centres relating to the range of available Council services
• Preparation of planning and design frameworks for centres to encourage and facilitate coordinated use and development of land and facilities
• Facilitation of business plans for centres in conjunction with business associations to provide coordinated frameworks for the marketing, business and community development, and management of centres
• Establishment of special rate and charge programs (under Section 163 of the Local Government Act) in conjunction with business associations to provide funding for the marketing, business development, and management with contributions from property owners and business operators in centres – there are 70 schemes currently operating in strip shopping/business centres and town centres in both Metropolitan Melbourne and Regional Victoria generating almost $8 million of funds per annum

These programs work best when there are at least one or two dedicated officers as part of a council’s planning/economic development team committed to the development and improvement of centres

We consider that this range of programs confirms our view that local councils acknowledge the economic importance of centres in their municipalities and want to engage with businesses and business associations to do things to improve them.
4.2 Examine the Appropriate Role of Local Government in generating Economic Development and Review the Allocation of Responsibility in this Area with the State Government

Mainstreet Australia considers that Local Government plays a very considerable role in encouraging and supporting economic development in main street and town centres. As for the appropriate role for Local Government in Victoria, we consider this to be a mixture of:

- Good frameworks/controls to guide and nurture investments and ensure high standards of uses and development
- Positive actions to encourage a collaborative and coordinated approach to centre development and management, to deliver specific programs and to invest in new infrastructure that facilitates further economic activity

The appropriate frameworks/controls include:

- Development of good land use planning frameworks and controls to encourage a greater concentration of mixed use development in centres (as opposed to out of centre development) and minimise impediments to new investment
- Public health permits/audits of food shops and hospitality services in centres to maintain high standards of cleanliness and hence high quality take away shops, cafes, restaurants - a key ingredient in the economic success of many strip or town centres
- Appropriate streetscape standards and car parking controls
- High standards of maintenance

The more pro-active services include:

- Hands-on advice and assistance to businesses and business associations
- Grants to business groups to undertake or support activities (e.g., street festivals) or projects (e.g., graffiti removal) in centres
- Direct delivery or support to business associations in the delivery of specific economic development programs in centres (e.g., business planning and training) to encourage business growth and innovation, attraction of new businesses, or containment of the decline in business activity
- Provision of effective centre streetscape, car parking, and community service infrastructure to improve the appearance, amenity and functioning of centres
- Land assembly and development of key sites for new car parking infrastructure, new commercial developments or community services
- Business awards to recognise excellence in different types of businesses within centres or financial support to business associations providing these types of awards
Encouragement and assistance to business associations in the establishment and renewal of special rate and charge programs

In our opinion, the councils in Victoria demonstrating best practice are those providing an effective range of these two types of services, with an increasing priority towards the delivery of positive supportive services and facilities in conjunction with business associations.

In contrast to this extensive local government role, Mainstreet Australia considers that the role of State Government in the economic development of centres is more limited than it should be.

The appropriate role for the State Government in developing and maintaining a framework for strong economic development in centres should include:

- A strong centres policy as part of the Government’s Metropolitan Strategy – Mainstreet Australia is concerned that this hallmark of metropolitan planning, previously with bipartisan support, may not be a strong feature of the new Strategy
- Commercial zones in both the metropolitan and regional areas of Victoria that support and facilitate a diversity of retail and office investment in centres – some of the provisions in the Government’s proposed new Commercial Zones 1 and 2 undermine the value of existing retail investment in centres and discourage new investment by allowing small supermarkets and associated convenience retailing uses ‘as of right’ in a variety of inappropriate and less expensive locations outside of centres. This is of concern in both metropolitan and country areas
- Effective legislative procedures under the Local Government Act to facilitate centre management and marketing programs where all property owners and businesses in a designated area contribute funds to such programs – continuation or refinement of the special rate and charge provisions under Section 163 of the Local Government Act. The Victorian provisions currently are the best in Australia and there is a desire by Mainstreet Australia to ensure that they continue to be in line with world best practice
- Effective police surveillance and assistance to maintain a safe environment for businesses to prosper

The appropriate role for the State Government in encouraging a collaborative and coordinated approach to centre development and management, the delivery of specific economic development programs and investment in new infrastructure should include:

- Grant programs to support the work of main street business associations and local government to deliver specific economic development programs in centres (e.g., business planning and training) to encourage business
growth and innovation, attraction of new businesses, or containment of the decline in business activity.

- Small business advisory services providing information, mentors and other assistance to small businesses in main street environments
- Information and assistance to business associations in the establishment and renewal of special rate/charge or business improvement programs
- Land assembly and/or development of key sites in major centres for new infrastructure, new commercial developments or community services. Places Victoria, for example, can play a key role in enabling and stimulating capital projects that may otherwise not get going
- Provision of effective public transport service infrastructure to improve the functioning of and accessibility to centres

The Government’s recently announced $6 million Streetlife Program over the next four years (being delivered by the Department of Business and Innovation) is a good example of a focused grants program. As a collaborative effort by the State Government, local councils and business associations in main street centres with support from Mainstreet Australia and the Australian Retailers Association, Streetlife has the real potential to stimulate further economic development in centres.

By contrast, the role of the Victorian Local Government Department in overseeing and supporting the establishment and renewal of special rate/charge programs for centre management and marketing has been very limited. Unlike similar departments in other parts of the world that provide information handbooks and assistance to local government and business associations, the Victorian Department is not engaged in the 70 current programs that operate in over 20 municipalities. There is no acknowledgement from the Department that these programs are generating close to $8 million of funds annually which have a multiplier effect resulting in approximately $40 million annually of new income from various forms of events, marketing and other economic development initiatives.

4.3 Examine whether the Role of Local Government in Rural and Regional Areas has Different Economic Development Tasks to that of Metropolitan Based Municipalities

There are both similarities and differences in the role that Local Government performs in rural and regional centres compared with centres in the Melbourne metropolitan area. We will focus on a few of the differences.

In general, town centres and main streets are more important in rural and regional areas because they are often the glue that keeps communities together through both good and bad times. It is critical, therefore, for Local Government to play a comparatively bigger economic development role in these centres.
With a smaller population and rate base in rural and regional areas, councils there generally have more limited budgets to allocate to economic department units within a council (several have very few or no dedicated economic development staff) and economic development programs. Hence, there is a more limited range of pro-active government programs.

Some infrastructure such as high speed broadband and natural gas is more difficult or more expensive to obtain in centres, in part because of the more limited range of suppliers.

A few municipalities with a high proportion of non-resident ratepayers means there are fewer people in the community to sustain local businesses all year round and fewer local volunteers to lead and support community economic development initiatives.

In some rural areas, there is a much greater emphasis on putting the maximum resources into infrastructure such as transport and community facilities as a necessary precondition for a vibrant local economy. This means fewer resources available for business support and attraction of new investment.

Economies of scale in rural and regional areas make provision of or access to training facilities and programs in centres more difficult.

4.4 Identify the Barriers to Local Economic Development, including Compliance Costs for Business and Planning Delays, in operating in Local Municipalities and Develop Solutions to Address these Barriers

Mainstreet Australia considers the following as some of the key barriers to economic development in main streets and town centres:

- Planning and building permit application processes
- Business compliance costs associated with Government regulations
- High and increasing rents for business premises
- Lack of business capital to start up and/or continue with a business
- Poor overall customer service by businesses in the centre
- Lack of a united and collaborative marketing and business development approach in the centres
- Lack of business innovation including limited adoption of new technology (emails, websites, social media) particularly by small retail businesses
- Poor business mix in some centres – offering too many of the same products and services and not enough of other products and services
- Lack of a distinct niche role
- Poor centre branding and marketing
- Lack of centre leadership from both local government and the business community
• High turnover rate of businesses and associated high vacancy rates
• Lack of connection with the local community – limited sense of community in the centre
• Lack of engagement with or involvement of property owners and managers in the management, marketing and positioning of the centres
• Lack of key infrastructure (good public transport and car parking facilities)
• Limited maintenance of both private properties and public infrastructure

Some of the ways that governments can reduce or overcome these barriers include:

• Refinement of Government regulations, where appropriate
• Review and refinement of zoning provisions within centres – Mainstreet Australia supports the more flexible planning controls within centres in the Minister for Planning’s proposed new Commercial Zones as a means to attract a greater variety of uses within existing centres and to make it easier for premises in existing centres to change uses
• Review and refinement by local councils of their planning and building procedures
• Government business advisory/mentoring services to assist small businesses in areas such as customer service
• Assistance with technology upgrades in small businesses through direct Government assistance or grants to engage appropriate service providers
• Working with business associations and property owners to negotiate better property rentals for tenants
• Council grants or assistance (through staff in economic development departments) to business associations to organise centre business plans, business mix reviews, and analysis of centre vacancies, and develop remedial measures
• Review of the governance arrangements in centres being run by both local councils and business associations, and adoption of pro-active measures by each to improve leadership and management

4.5 Examine Ways in which Municipal Councils and the Victorian Government can jointly support Local Economic Development, enhance and promote Employment and Attract New Investment, especially in Locations with Emerging Economic Potential

We have addressed this to a large extent in earlier parts of our submission. In summary, the key ways that municipal councils and the Victorian Government can jointly support local economic development in main street and town centres, enhance and promote employment and attract new investment, especially in centres with emerging economic potential are:

• Coordinated activity centre policies and regulatory controls that stimulate and channel new forms of development and investment within centres and control inappropriate development outside of centres
• Collaborative programs such as Streetlife working in conjunction with centre business associations to facilitate the development of existing businesses and new employment, attract new investment, and promote the other community benefits of these centres
• Coordinated business advisory and mentoring services to assist small businesses to grow
• Joint efforts to inject new infrastructure in key centres (e.g., public and private transport improvements, State and Local Government offices, community facilities, streetscape programs) as a catalyst for new economic development

4.6 Investigate Best Practice Local Economic Development Initiatives relevant to the Terms of Reference

From an international perspective, Mainstreet Australia considers that there are several best practice economic development initiatives related to main streets and town centres that could be pursued further by the Victorian Government, local councils and key stakeholders:

• Business Improvements Districts (BIDs) or Business Improvement Areas (BIAs). A BID is a comprehensive economic development tool used in the USA, UK, Canada and South Africa to improve business and centre performance in designated town centres and main streets. There are now over 1,600 BIDs worldwide. A BID is established under separate legislation by Government through an information and balloting process, with property owners and/or businesses contributing to a compulsory levy on all properties in the designated centre area. Funds from the BID are used for marketing, development of existing business capacity, attraction of new businesses, centre management and maintenance, capital improvements, and acquisition of property for new commercial investment or infrastructure such as car parking facilities. Evidence indicates that successful BIDs are viewed favourably by the businesses and property owners that contribute to them and are seen as an investment by, rather than a cost to, the business. This in turn leads to a self-sufficient management and marketing of the centres and hence reduces the ongoing reliance on State or Local Government funding programs.

• Business Expansion and Retention (B.E.A.R.) Programs. This is a tool used in the USA, Canada, New Zealand, South Africa and parts of Australia.

• Key Recommendations in the Portas Review (December 2011) into the Future of High Streets in the United Kingdom, - e.g., local authorities to use discretionary powers to give rate concessions to new local businesses and to have pro-active powers (e.g., compulsory purchase orders) to encourage the redevelopment of key high street retail space.
• Use of improved information and communication technology (combined CCTV cameras and Wi-Fi) in centres to enhance visitor and business security, increase visitor access to information about products and services in the centre, and monitor the extent of activity (visitor counts)

• Better public transport networks in metropolitan and regional centres. International best practice supports improved public transport infrastructure within centres and better services within and connecting with centres as part of an overall strategy to improve the economic sustainability of centres

5. Conclusion

Mainstreet Australia is very supportive of this Inquiry into Local Economic Government Initiatives in Victoria. From direct experience and our extensive networks, we understand the current situation and want improvements.

In this submission, we have put forward various collaborative and best practice measures that State and Local Governments could undertake in conjunction with centre business associations to improve the economic development potential and performance in main street and town centres. In particular, we highlight the need for the Victorian Government to improve its role in the delivery of economic development initiatives.

We urge the Committee of Inquiry to take up our suggestions.

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