

Castlemaine Commercial Centre Study

Final Report
Mount Alexander Shire Council
31 October 2012



This report has been prepared for:



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EXECUTIVE SUMMARY

This report is designed to guide the continuing evolution of the Castlemaine Commercial Centre over the next 10 to 15 years having regard to opportunities for growth and change. This report contains 10 sections with sections 1 to 8 providing context, policy, research and analysis information and sections 9 and 10 presenting the strategy and implementation plan.

The recommended vision for the Castlemaine Commercial Centre is as follows.

Vision

Over the next 10 to 15 years, the Castlemaine Commercial Centre will consolidate its position as the primary retail and commercial centre in Castlemaine and surrounds, operating in a hierarchy defined by Bendigo as the regional city.

The Commercial Centre will offer more retail and commercial services, with a focus on food for home, personal services, clothing and household goods, local business services, dining, entertainment, art and cultural activities.

Additional retail and commercial investment will be supported and encouraged in the Commercial Centre boundary focusing major new investment on Forest Street. The primacy of the Commercial Centre will be protected and the use of land outside of the Commercial Centre for substantial retail activity will be discouraged. Small-scale local commercial centre development in areas outside of the Castlemaine Commercial Centre will be supported under certain conditions.

New investment in the Commercial Centre will be pedestrian oriented and sympathetic to the built form and historic fabric of the town. Homogenised and generic chain retail design formats will be discouraged in recognition of the town's point of difference. Restoration of shopfronts and sympathetic streetscape design will be encouraged.

The Commercial Centre will accommodate an additional supermarket facility, speciality shops and small niche businesses. Growth in cafes and restaurants related to tourism and a new local demographic will occur.

The walkability of the Commercial Centre will be protected and enhanced, with traffic calming and pedestrian linkages improved across Forest and Barker Streets.

Strategies

The recommended strategies for the Castlemaine Commercial Centre are as follows.

- Strategy 1 - Confirm the Castlemaine Commercial Centre as the primary centre in Castlemaine whilst enabling small-scale local commercial centre development outside of the Castlemaine Commercial Centre under certain conditions.
- Strategy 2 - Facilitate more retail and commercial investment along Forest Street.

- Strategy 3 - Improve Commercial Centre walkability across Forest and Barker Streets.
- Strategy 4 – Facilitate and support good urban design.
- Strategy 5 – Facilitate and support trader co-ordination and small business development.
- Strategy 6 – Discourage Commercial Centre land withholding.

A number of actions are nominated for the strategies. Refer to the report for details.

1 INTRODUCTION

SGS Economics and Planning Pty Ltd. (SGS) was commissioned by Mount Alexander Shire Council to prepare the Castlemaine Commercial Centre Study. The brief notes the following in relation to the purpose of the Castlemaine Commercial Centre:

"The Castlemaine Commercial Centre is the primary commercial and employment centre for the 18,000 people that currently call the Shire of Mount Alexander home. With the population projected to grow to approximately 23,000 by 2026, it is expected that the Castlemaine Commercial Centre will continue to be the focus of the community in terms of a place to work, do business, recreate and socialise, as well as increasing in its role as a tourist destination for people visiting the goldfields region."

Source: Project Brief

This report is designed to guide the continuing evolution of the Castlemaine Commercial Centre having regard to opportunities for growth and change.

1.1 Context Map

Figure 1 below provides a context map of Castlemaine within the region.

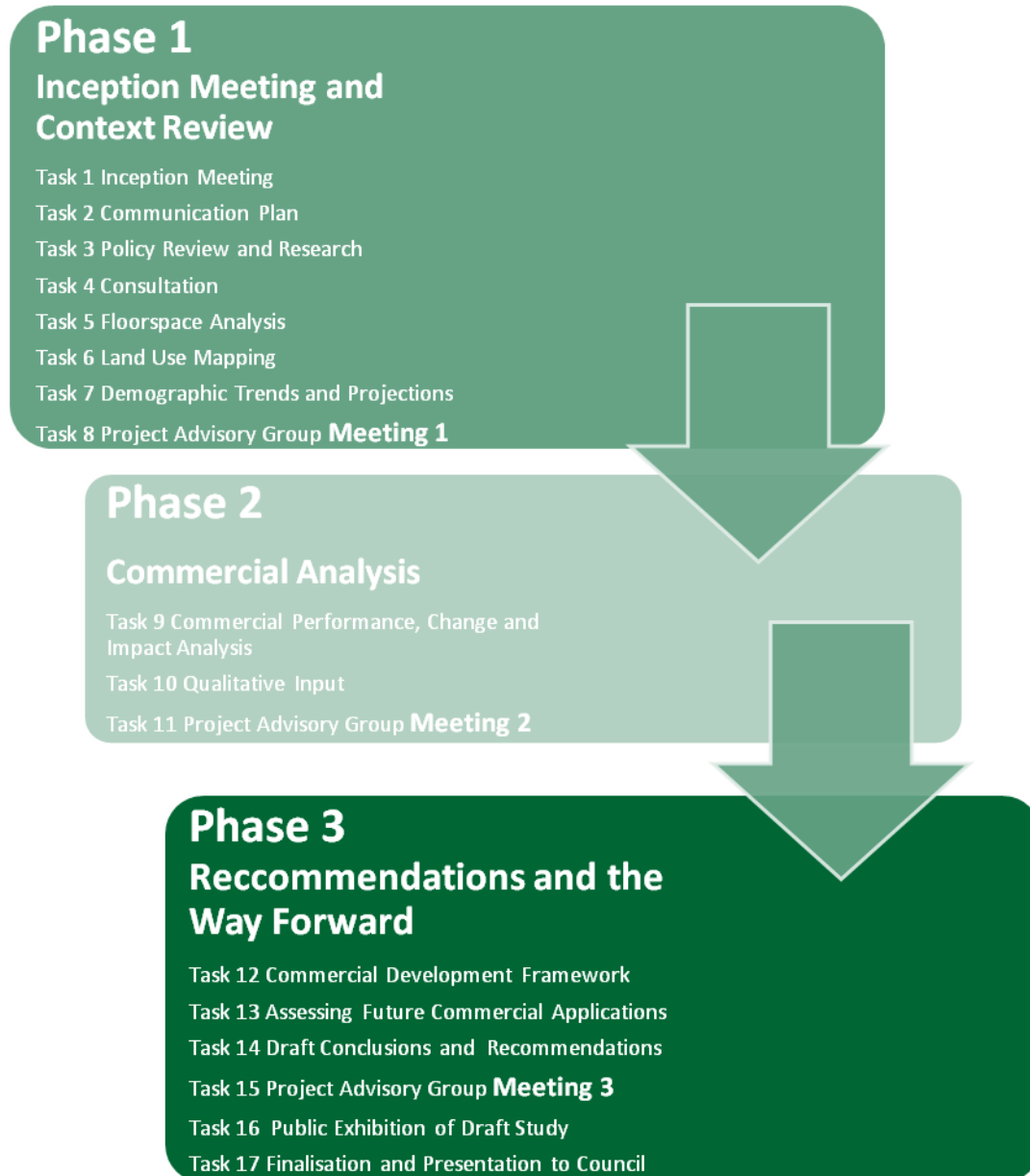
Figure 1: Context Map



1.2 Project Method

SGS has undertaken the project in line with the following project method.

Figure 2: Project Method



1.3 Structure of this Report

This report is structured as follows:

- Section 2: Policy Context
- Section 3: Demand Side Influences
- Section 4: Socio-Economic Context
- Section 5: Supply Side Conditions
- Section 6: Consultation Findings
- Section 7: Economic Potential of the Castlemaine Commercial Centre
- Section 8: Issues and Opportunities
- Section 9: Strategy
- Section 10: Implementation

2 POLICY CONTEXT

This section documents the key local policies, strategies and documents relating to commercial development in Castlemaine. These are:

- *Mount Alexander Council Plan (2009- 2013);*
- *Castlemaine Central Area Retail Study (1995);*
- *Mount Alexander Planning Scheme (MSS);*
- *Castlemaine Economic Development Framework Strategy (2006);*
- *Castlemaine Central Area Urban Design Framework (2002); and*
- *State Planning Policy Framework.*

2.1 Mount Alexander Council Plan (2009-2013)

The *Mount Alexander Council Plan* outlines four priorities for 2009-2013. These priorities are:

- Partnering for better services;
- Ensuring a prosperous and diverse local economy;
- Creating a sustainable future; and
- Strengthening our community.

The priority of 'ensuring a prosperous and diverse local economy' directly relates to the commercial development of Castlemaine. The following potential initiatives are attributed to this priority:

- Commercial and retail strategy for Castlemaine;
- Old Castlemaine Gaol Redevelopment in partnership with other organisations;
- Food and wine industry promotion and development;
- Support the 'buy local' campaign;
- Expand on-line tourism services;
- Improve navigation around the Shire through signs, brochures, banners and branding; and
- Implement the Castlemaine Urban Design Framework and an audit of amenity and infrastructure requirements.

2.2 Castlemaine Central Area Retail Study (1995)

The *Castlemaine Central Area Retail Study* identifies some key strengths and weaknesses of the Central Castlemaine area relating to commercial activity and development opportunities. Key strengths of the area that were identified are:

- The Castlemaine Town Centre is the natural community hub for the entire Mount Alexander Shire population;
- In 1991, the Castlemaine sub region had a retail expenditure pool of \$75.1 million; and
- In 1995, Castlemaine was trading better than Bendigo in food retail, with Castlemaine trading at \$4,114 per sqm, and Bendigo trading at \$3,863 per sqm.
- The Town Centre has many historic buildings, which are described as being a significant asset.

Some weaknesses defined in the retail study are:

- Market gaps in the retail mix of the Castlemaine Town centre for supermarkets, small household goods stores and clothing outlets;
- Retail linkages and streetscapes in Castlemaine town centre do not encourage shoppers and tourists to spend time in the centre;
- Non-food retail does not perform as well as Bendigo, trading at \$1,414 per sqm compared to Bendigo's \$2,489 sqm; and
- Historic buildings could be better utilised.

2.3 Mount Alexander Planning Scheme

The *Mount Alexander Planning Scheme* supports the ongoing development of Castlemaine as the highest order centre in the Shire.

Clause 21.03 contains the Castlemaine Framework Plan (shown overleaf). Key elements are:

- Future residential land will be on the fringe of Castlemaine with low density residential development to the north and possible future expansion to the south of the township; There is the possibility of a small amount of residential expansion to the west of the township;
- There is a proposed local activity centre on Main Road, Campbell's Creek. This will provide a focus for the community;
- Minimal opportunities exist for new residential development to the east given areas of heritage and cultural significance; and
- Significant areas of vegetation exist throughout the area which will be protected.

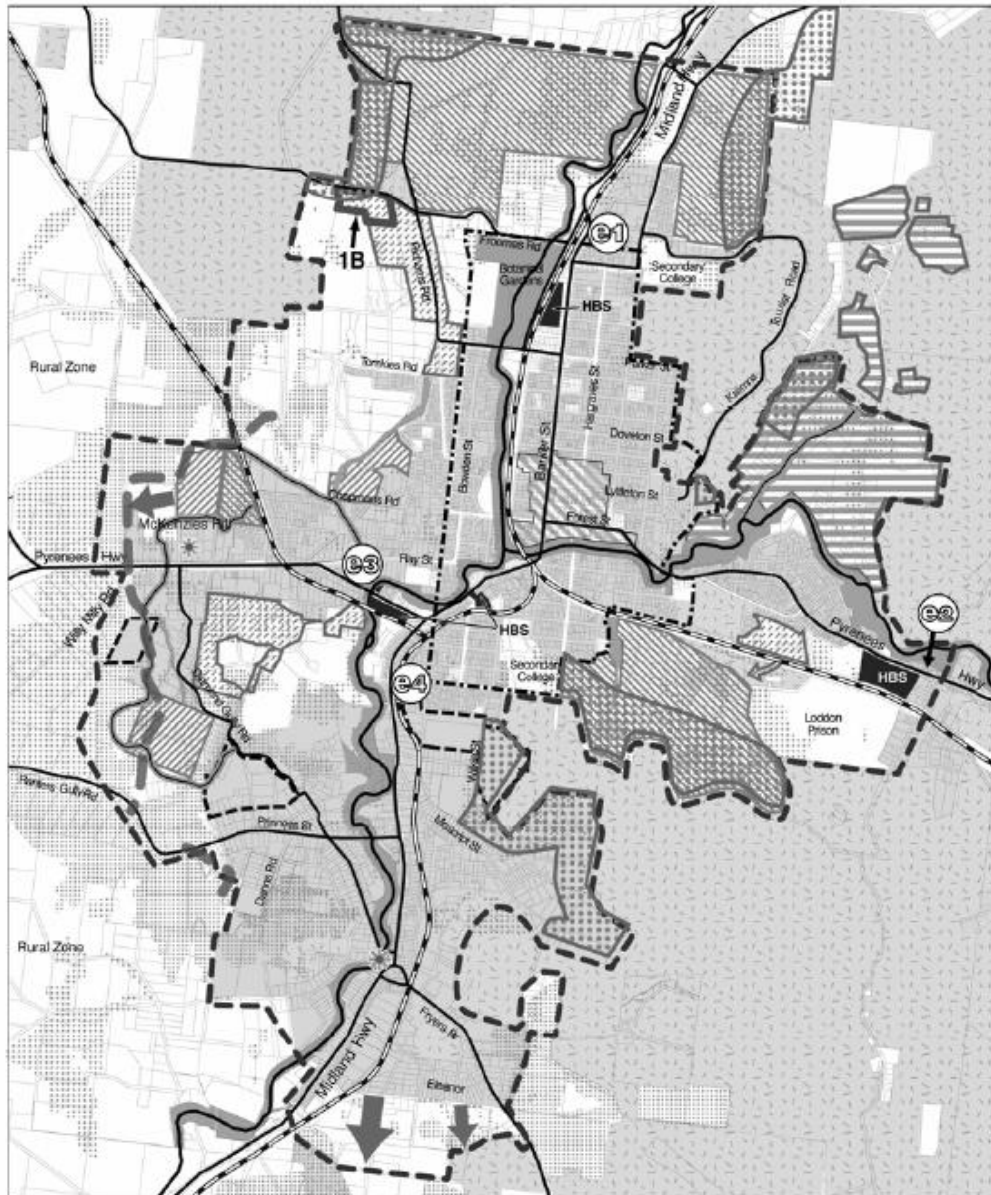
Clause 22.01 – Castlemaine has the following objectives relating to commercial development:

- The primacy of the Castlemaine Central Business District will be protected by reinforcing the role of the centre and accommodating commercial development within the existing commercial precinct;
- The rezoning of land for business purposes involving substantial retail activities outside the existing commercial business area will not be encouraged; and
- The redevelopment of land within the existing retail area will be encouraged.

Clause 22.01 notes the following policies for commercial development:

- Future commercial development is to be located in Castlemaine town centre so as to strengthen its role as a regional service centre;
- The restoration of shopfronts and sympathetic streetscape design is supported; and
- Further development of the town centre will need to reflect the existing character of the centre, especially aspects such as car parking, street furniture, pavements, lighting, tree planting and streetscape aesthetics.

Figure 3: Castlemaine Framework Plan



PLAN 3: CASTLEMAINE LAND USE FRAMEWORK

- | | |
|---|--|
| <ul style="list-style-type: none"> Existing Residential Zoned Land (including Township zone to be rezoned to Residential 1 Zone) Existing Residential Zoned Land with constraints (vegetation, slope, National Park edge). Change zoning &/or apply appropriate overlay. Future residential - subject to structure planning & Urban Forest Interface Study <ul style="list-style-type: none"> • Incorporated Plan Overlay for McKenzie Hill/Diamond Gully area • Development Plan Overlay for Chapman's Road area • For both overlay areas see Castlemaine Residential Strategy 2005 Further investigation for residential expansion Potential low density residential area <ul style="list-style-type: none"> • Zoning of vegetated areas to be determined following assessment of flora and fauna • Significant Landscape Overlay 2 overlaid into proposed LDR Zone areas and to include native bushland areas Zone and Overlay provisions in Happy Valley/Moonlight Flat are to provide protection for the heritage and cultural landscape significance of Happy Valley/Moonlight Flat, and the heritage and natural values of The Castlemaine National Heritage Park. Proposed Castlemaine Urban Forest Interface Study <ul style="list-style-type: none"> Public Forest Interface Private Forest Interface National & State Parks, Reserves. | <ul style="list-style-type: none"> Urban Boundary Castlemaine Central Residential Area (refer to CCRA Plan in Castlemaine Residential Strategy) Open Space Network (based on major creeks. Develop more extensive network using major creeks as open space spines) Vegetation on Freehold Land Proposed Activity Centres <ul style="list-style-type: none"> • indicate location for local shops and community focus • strengthen community focus around village end of Main Rd Campbell's Creek Castlemaine Town Centre <ul style="list-style-type: none"> • implement Town Centre Urban Design Framework Highway Business Sites - design & development overlays to be applied to protect & enhance entrance character. Refer to Castlemaine Town Entrances Strategy. Implement Castlemaine Town Entrances Strategy Industrial and Service Business Nodes <ul style="list-style-type: none"> • existing industrial areas with some in-fill potential • Stage 3 of Wesley Hill Industrial Area south of railway line. Investigate better vehicle access option away from residential areas. Potential Industrial 3 Zone - to provide buffer to more sensitive land uses |
|---|--|

2.4 Castlemaine Economic Development Framework Strategy (2006)

The *Castlemaine Economic Development Framework Strategy* is a high level document which outlines strategic options for economic development within Mount Alexander Shire. The document highlights Castlemaine's significance regarding employment and industrial and commercial development. It also identifies Castlemaine's geographical significance, with its convenient location near Bendigo, Ballarat and Maryborough.

The Strategy notes that the Shire's main employing industries are:

- Manufacturing (19.7% of the employed workforce);
- Retail Trade (14.7%); and
- Health and Community Services (12.9%).

2.5 Castlemaine Central Area Urban Design Framework (2002)

The *Castlemaine Central Area Urban Design Framework* (UDF) sets out a strategy for future urban design improvements to Castlemaine. It is a long term strategic document and outlines specific recommendations.

The main objectives for the Castlemaine Central Area are:

- Improving vehicle and pedestrian access and links;
- Providing development opportunities for businesses;
- Enhancing heritage and landmark sites;
- Establishing a precinct framework for action plans;
- Identifying key sites for new development/redevelopment
- Creating public space areas integrated with new developments; and
- Providing opportunities for urban art.

2.6 State Planning Policy Framework

Clause 11.05-1 (Regional Settlement Networks) of the State Planning Policy Framework nominates a hierarchy of regional cities and towns across the State with a view to "*promote the sustainable growth and development of regional Victoria through a network of settlements identified in the Regional Victoria Settlement Framework Plan*".

The Major Regional Cities include Bendigo and Ballarat, amongst others in other regions of the State. Castlemaine is nominated as a lower tier Regional Town, along with the nearby centres of Maryborough and Daylesford and other more distant ones. Services and development is to be co-ordinated across this regional network.

2.7 Summary

The Castlemaine Commercial Centre is a key feature of the regional economic, social and tourism fabric and its ongoing success is critical to the town and region.

The Castlemaine Commercial Centre is the main activity centre in the town and hinterland and it operates within a regional network defined by Bendigo as the Major Regional City.

A key feature and success factor of Castlemaine Commercial Centre is that it is a compact and walkable mixed use centre, that includes historic buildings and streetscapes and serves both residents and visitors.

Planning policy seeks to reinforce the role of the centre as the primary local service centre, whilst building on historic features and further improving activity mix, functionally and amenity.

3 DEMAND SIDE INFLUENCES

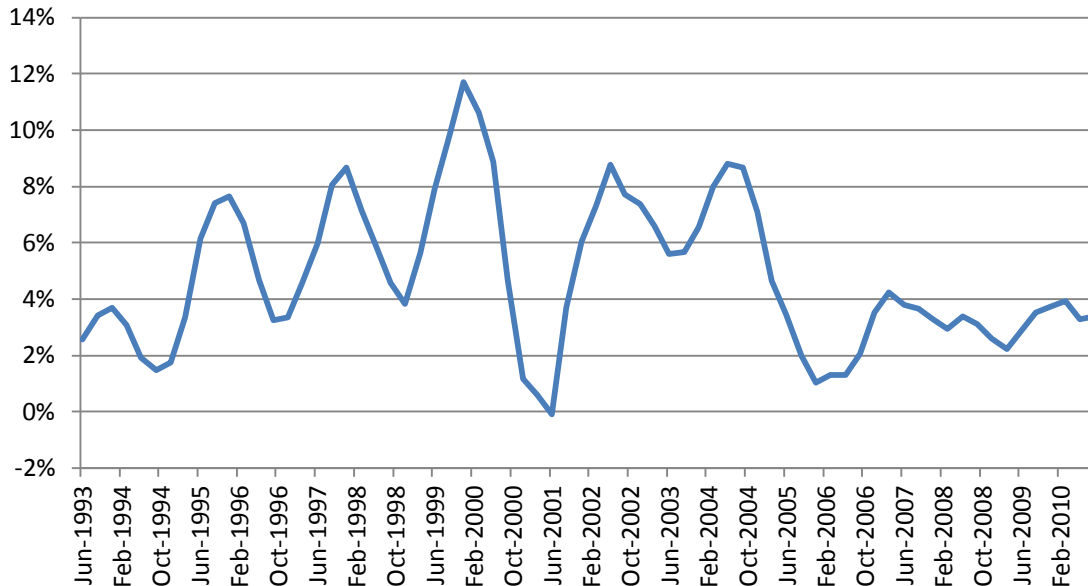
3.1 Trends in Retailing

3.1.1 Economic Trends

The macro-economic context has a significant impact on retail performance and investment. Figure 4 below shows the annualised growth of retail activity in Victoria over time. This data shows that retail trade overall has remained positive but has slowed in recent years. From 2004 growth has been sluggish and generally near inflation levels.

The retail industry reports competitive pressure from a variety of sources. In recent times, rising interest rates have dented consumer confidence. The Federal Government's fiscal stimulus package supported consumption sectors in the post GFC period and the withdrawal of that package has coincided with rising interest rates to dampen consumer confidence in recent months. Furthermore, the growth in on-line retailing continues to pressure discretionary goods sectors, such as clothing and books.

Figure 4: Retail Trade Victoria Annualised Growth Rate (Seasonally Adjusted Chain Volume Measures)



3.1.2 Shopping Behaviour

Shopping for retail goods consumes a significant proportion of household expenditure and the activity of shopping accounts for significant resource consumption, particularly the consumption of time and energy resources utilised in transportation.

The purposes underlying shopping trips vary and traditionally have been classified into five main categories:

- **Convenience Shopping** is undertaken to "top up" common household consumer items (such as milk and bread), and occasionally applies to emergency situations such as when unexpected guests drop in.
- **Household Shopping** is often perceived to be a 'chore', and is usually referred to as 'doing the shopping'. This generally involves the major weekly shopping trip, is often planned in advance, and usually occurs at the local supermarket.
- **Comparison shopping** usually represents a more pleasant trip to a larger shopping centre, and is often referred to as 'going shopping' and relates to purchase items including clothes, music, books, etc. It can also comprise a social event and incorporate activities such as meeting a friend for lunch.
- **Special Purpose Shopping** involves the purchase of white goods, furniture and other household durables. Such goods are termed "durable goods" and maintain a longer lifespan compared to goods purchased during household and comparison shopping trips, making special purpose trips infrequent. In recent times, special purpose shopping trips have become the domain of 'category killer' shopping centres, for example large homemaker centres.
- **Recreational Shopping** is synonymous with a leisure pursuit where shopping is perceived as a day event in which consumers seek to be entertained through shopping. Examples include a trip to the market or to a coffee shop to read the newspaper and relax.

More recently however, the boundaries between the various classifications of shopping trips have become significantly blurred, and further diversification has occurred with growth in **online shopping** – see discussion below.

Convenience retailers are progressively carrying a larger selection of goods, and now cater for what could be considered minor household shopping. Likewise supermarkets have experimented with the development of express aisles and "megamarts" in order to capture convenience shoppers and stock household items normally purchased in discount department stores.

One particular and increasingly prevalent crossover in shopping trips involves the distinction between recreational shopping and comparison shopping. There is an increasing demand by consumers for a shift from traditional retailing, which usually involves mass sales of low-margin goods, to a new service based approach.

In response to growing and changing consumer demands for retail services, the retail industry responds with new space, location and car parking requirements. Ownership tends to be concentrated and when these factors are combined, there is constant pressure for freestanding locations for new retail facilities. The difficulties of expanding and redeveloping within established centres where land values are high and land parcels are fragmented create a 'push' factor.

The outcome of this trend towards freestanding locations, if unchecked, is that cars will become further entrenched as the principal means of access to most retail facilities and synergies with other activities will become eroded. The challenge is to ensure that Castlemaine is sufficiently resilient to allow new retail technologies to evolve from within.

3.2 On-Line Retailing

On-line retailing is now starting to take hold in the retail sector and has the potential to significantly impact on the retail economy and landscape in the future.

Citi Equities Research¹ estimates that on-line retail sales currently represent approximately 4.5% to 5% of retail sales in Australia. About 3% is captured by domestic retailers and the remaining 1.5% to 2% is captured by off-shore sites. The non-food retail sector, particularly clearance outlets, has so far been most successful in using the Internet for sales.

Citi Equities Research estimates that on-line penetration rates have been highest in the following retail sectors: books 9%, CD/DVD 8%, apparel and accessories 6%, appliance and electronics 5%, health and beauty 5% and grocery and alcohol 1%. These commodity groups face strong competition from off-shore retailers. Off-shore retailers can by-pass import duties and GST for products valued less than \$1,000 according to Citi Equities Research.

This view is generally supported by JP Morgan² research. JP Morgan writes that the Internet and technology is both supporting and changing modern consumer behaviour. This is due to the Internet being mobile, social, personal, local and comprehensive. All retailers face the competitive threats of price transparency, on-line innovation, vertical integration and foreign competition. JP Morgan claims that these competitive pressures pose a "*downside risk to medium- and long-term sales growth and gross margins*", particularly for discretionary retailing.

The implications of on-line retail are yet to be fully understood for localities. For Castlemaine, which performs a largely local convenience and regional and visitor recreational retail function - where face-to-face contact and personal experience is important - the implications may be limited. However, standard shopping centres that offer generic clothing, books and appliances for example may be more significantly impacted.

¹ City Equities (2010) *Will it be an On-Line Christmas?*, What's In Store Issue 33, 9 December 2010.

² JP Morgan (2010) *Online Retailing - Reviewing the Competition Threats Posed by Technology and the Web*, Australian Equities Research 24 December 2010.

3.2.1 Retail Delivery Models

Supermarkets

In addition to being the primary commodity group for household retail spending, supermarkets perform an anchor function for centres. Following is a summary of contemporary supermarket delivery models for the so-called major or 'full line' supermarkets and the smaller versions.

Major supermarket operators generally prefer:

- Locations such as corners of major roads and near public transport nodes, due to high exposure levels and accessibility to customers;
- High quality and visible car parking for customers at the front door;
- Ample room and well designed delivery and 'back of house' operations;
- A base catchment of at least 10,000 people but expenditure would be drawn from a larger catchment and hence a highly accessible and visible location is desired;
- Floorspace of at least 3,000 sqm; and
- A functional retail mall design. A 'main street' design is not seen as being important for the retail operator, and indeed can be a hindrance to retail performance if accessibility, exposure, car parking, deliveries, site lines and walkability are not addressed appropriately.

Small supermarket operators generally prefer:

- Locations (similar to larger supermarkets) at main roads and at 'gateways' to estates;
- A base catchment of around 3,000 to support a small supermarket, but this figure is variable;
- Floorspace around the 500 sqm to 2,000 sqm mark and perhaps bigger;
- Catchments that have a gap in major supermarket provision;
- A 'main street' design. Smaller operators will generally have a convenience focus, with walking catchments and main street design given greater consideration.

However, it is generally acknowledged that prices in smaller convenience based supermarkets tend to be higher than in the large volume supermarkets. Notably, both large and smaller format supermarkets favour high levels of exposure and accessibility.

The main-street format of new retail developments appears to be more favoured by smaller supermarket operators whereas the large chain supermarkets tend to favour enclosed centres which are less vulnerable to negative effects of weather and car parking constraints.

Discount Department Stores

Discount department stores share similar location criteria to that of larger format supermarkets. Main road locations, particularly corner-road positions are preferred, and an abundance of car parking is favoured due to the nature of the goods sold.

Floorspace size is generally around 8,000 sqm and catchments are in the order of 35,000 people, given the less-utilised nature of these stores. Discount department stores are co-located with supermarkets to facilitate viability and generate multi-purpose trips.

Department Stores

Population catchments for department stores are larger than other types of retailers, and they tend to be disproportionately distributed throughout metropolitan Melbourne and in the large regional centres. This reflects the location requirements utilised by department stores, which includes regional catchments and selected demographics.

Bulky Goods

Genuine bulky goods consume large retail floorplates and achieve a lower Retail Turnover Density (RTD) compared with core retail services. Decades ago this issue was addressed by department stores accommodating bulky goods on upper (and lower pedestrian traffic) floors of multi-storey buildings.

The market comprises two main forms of development – freestanding superstores and multi-tenanted homemaker centres. The bulky goods sector has emerged as the fastest growing retail sector since the mid 1990s. According to various analysts, this has been driven by the aggressive growth of major retailer chains, a strong housing sector and strong retail turnover growth, particularly in the household goods sector.

The Business 4 zone (B4Z) is the primary zone for bulky goods retailing. However, it is also possible to locate in other employment zones subject to planning permit approval. The success of a restricted retail precinct relates to its access, exposure, agglomeration and integration attributes (assuming a sufficient catchment is in place to support the centre). These attributes are explained as follows.

- **Accessibility** - The accessibility of a precinct to its regional catchment is a critical success factor. A highly accessible precinct is usually located on a major road or highway and near the junction of other major roads. The optimal access system for a restricted retail / showroom precinct is a radial road network that connects the precinct with its catchment in multiple directions.
- **Exposure** – Related to the above point, businesses that establish in restricted retail / showroom precincts benefit from being located on the main road frontage due to the exposure it provides to its regional catchment base. Businesses are able to be better recognised and patronised by being in a visible location.
- **Agglomeration** – A critical mass of restricted retail / showroom businesses adds to the gravity of the precinct by expanding its catchment and catchment penetration. Customers are drawn to precincts with a large number of similar businesses due to the comparison shopping benefits a large and consolidated precinct can offer.
- **Integration** – Agglomeration benefits can be enhanced or diminished by the level of linkage and integration between businesses in the precinct. Ideally, precincts should offer the capacity for customers to park in zones and walk to numerous businesses without having to drive to each business.

The dominance of vertically integrated major retail businesses (ie. major department stores) has become more fragmented over a number of decades whereby many new and innovative business formats have emerged, with some specialising in bulky goods retailing. The trend has been for modern bulky goods retailers to develop cost-effective single level buildings at highly visible road locations on sites with ample car parking.

The amount of land required to accommodate these businesses has arguably caught the planning system off-guard to some extent, resulting in significant dispersion of such activity across the urban landscape, including in industrial zones.

Mini Majors and Retail Warehouses

Mini majors predominantly locate near existing retail centres, however there is a trend towards 'stand alone' developments given some retailers have the capacity to generate their own catchment.

Retailers like Costco for example may compete with supermarkets and discount department stores to some extent, across a regional area, and hence establishment of such facilities should ideally focus on activity centres.

Tourism and Independent Retailing

Many regional communities are tapping into the local tourism industry through the delivery of high quality, niche, independent retailing. This includes the provision of retailing which is owned and operated by local residents, and usually small businesses. The offer is typically structured around boutiques and food and beverage outlets which utilise local produce.

These retailers may reflect the composition of the local population (artistic communities) or target a tourism market leveraging off other tourism facilities in the area.

3.2.2 Retail Policy Development

ACCC Review

The Australian Competition and Consumer Commission (ACCC)³ report on competitiveness in the Australian grocery sector highlights a number of issues which has implications for land use planning and property management. Specifically, the report analyses the extent to which competition has contributed to increased grocery prices in recent times. The ACCC uses a supply chain approach in its analysis of the cost of groceries in Australia.

The ACCC found that grocery retailing is 'workably competitive', but there are a number of factors that currently limit the level of price competition, most notably:

³ Report of the ACCC Inquiry into the Competitiveness of Retail Prices for Standard Groceries

- The limited price competition that Coles and Woolworths face from the independent sector. Independent supermarkets such as Foodworks and IGA tend to focus on convenience and service; and
- The high barrier to entry and expansion for supermarkets, such as the difficulty in finding new sites. The inference is that more sites available for supermarkets within the planning system will facilitate competition and lower prices.

The emergence of Aldi is claimed to have introduced vigorous price competition that has brought about competitive responses from Coles and Woolworths on many products. In particular, the shift in emphasis of all of the larger supermarkets to 'home' brands is attributable to Aldi's entry into the market.

The report found that price competition between supermarkets is strongest on promotions of key value items. However, it is acknowledged that these are commonly used as 'loss leaders' to encourage consumers to change where they buy their other groceries at regular prices.

The report addresses the relationship between supermarkets and their suppliers:

- It identifies that Coles, Woolworths and Metcash have significant buyer power in many packaged grocery products because many suppliers have little other outlet options. However, much of this is passed onto consumers as cheaper prices rather than being retained as higher profits; and
- It dismisses the proposition that retail prices have risen while farm-gate prices have stagnated or declined. It found that farm-gate pricing are set by supply and demand in competitive markets. Anecdotal evidence to the contrary was not backed up with firm evidence.

The report does not consider the potential role of small independent grocery shops - such as delicatessens, bread shops, and public produce markets - in supplying food in competition with supermarkets. The ACCC identifies two particular situations of concern that can create barriers to competition:

- Restrictive clauses in supermarket leases in shopping centres; and
- Planning and zoning regulations which can limit supply of land for retail development.

Restrictive Clauses in Supermarket Leases

It is commonly perceived that the size and dominance of the two major supermarket chains can influence the development industry unduly. As both often act as anchor tenants for major shopping centres, they can demand a condition in their leases that they are not subjected to competition from other supermarkets.

The ACCC report confirms that such restrictive provisions have been included in leases. Furthermore, it recognises that these conditions serve little purpose other than to reduce the exposure of the incumbent supermarkets to competition. Such restrictive practices are prohibited under the *Trade Practices Act 1974* and the ACCC undertakes to take action to prevent it. However, the report does acknowledge that a temporary monopoly situation may be acceptable whilst the population builds up in a newly developing area.

Planning and Zoning Regulations

The ACCC is concerned that government regulations, especially land planning and development regulations, reduce the accessibility of land for competing supermarket developments. Controlling the number of places where supermarkets can be developed is an inevitable result of planning.

However, there are interests other than 'competition between supermarkets' to be considered in the management of urban growth. For example, a responsible authority is likely to consider the effect of an out-of-centre location for a new supermarket (against an in-centre location) on the overall prospects for public transport usage.

The complexities of the planning application system and especially the public consultation and appeals mechanisms are recognised to offer opportunities for incumbent retailers to prevent, or at least delay, competing supermarkets from entering into a local retail system. Undoubtedly this does occur and although vexatious objections are technically illegal it is difficult to prove that an objection is vexatious.

Ultimately, the ACCC recommends that all appropriate levels of government consider zoning and planning laws, and how these can impact on competition between supermarkets in an area. This consideration should ideally apply to all forms of retail, with particular regard given to whether a proposal for retail will facilitate or hinder the entry of a potential supermarket operator.

3.3 Trends in Commercial Office Activity

Commercial centres range in size, scope of activity, catchment and development potential. They may host a range of activities in addition to retail and personal services including:

- Offices and commercial activity;
- Community services;
- Recreation and leisure opportunities;
- Hospitality and tourism attractions;
- Transportation nodes; and
- Associated residential and even industrial activity.

While the role of a commercial centre at any given time is typically influenced by its size, mix of activities hosted and catchment, its ultimate development potential will be determined by other factors such as:

- The structure, size and growth trends in the regional economy;
- Geographic barriers influencing catchments;
- Relationship to major transport infrastructure; and
- Relationship to competing centres and the broader flow of movement.

The office market has a number of segments, which can be defined by business / organisational groups as follows.

- **Local offices** - This segment comprises local business services that primarily serve the regional population, for example government services, tax agents, solicitors, real estate agents and related businesses that have a local orientation. The size of this sector is a function of the size of the regional population or catchment, much like the retail sector.
- **Back offices of large firms** - Call centres and data processing centres that serve a wide market favour locations that have a relatively skilled but stable workforce with few alternative employment opportunities. Low property costs are also desired by these operations because they generally occupy 'large' horizontal floorplates. This sector is more 'footloose' but is a candidate for more affordable locations that offer the attributes demanded by these organisations.
- **Advanced business services** - This segment comprises businesses that offer highly specialised services potentially serving local, national and international clients. Key locational criteria for this segment are access to the highest quality skills and business networks (ie. being 'close' to partner firms and clients). 'Lifestyle' is important to this group, because of the need to attract and retain skilled workers. These firms typically look for a capital city location.
- **Corporate headquarters** - This encompasses 'large' firms that provide all kinds of services and are located in major office facilities. Access to skills, proximity to business services and a prestigious address are key decision criteria. Firms in this category tend to demand a CBD address or a high profile site with good access to managerial and executive labour.
- **Offices attaching to industry and institutions** - A significant stock of office activity will attach to industry, research facilities and institutions such as universities and hospitals. These activities can be dispersed across the urban landscape which may or may not include activity centres.

Furthermore, the office market can be segmented on a locational preference basis, where some firms tend to prefer a CBD / activity centre location and others campus style locations.

- **CBD / town centre environments** - Many firms will seek out a CBD or town centre setting for their office premises. Such locations offer benefits in terms of: co-location with other firms / organisations (providing agglomeration benefits) and activities that offer a wide range of services (including lifestyle services); the opportunity for face-to-face business contact; quality information and communication infrastructure; and good accessibility by multi-modal transport systems (including road and radial public transport services).
- **Campus environment** - Some firms will favour predominantly car-based locations that offer campus style accommodation, 'large' sites, high quality 'detached' buildings with large floorplates and superior landscaping (perhaps in conjunction with recreation facilities and cafes). High profile street frontages are desired for the corporate address. Organisations that favour this type of accommodation will tend to look for out-of-centre sites, much like the freestanding shopping centre.

This has major implications for how regional centres engage with commercial office markets. In regional Victoria, the following trends are evident:

- Office development is concentrating in the major regional centres which serve large catchments and which can access a critical mass of skilled labour. Government policy notes the regional centres of Geelong, Ballarat, Bendigo and the towns of the Latrobe Valley as key locations for employment growth and investment, particularly in commercial activities.
- The apparent return to Federal and State policies of 'decentralisation' means that emphasis will be placed on regional centres to accommodate a growing share of office based jobs in the name of 'relieving pressure on Melbourne.' This is already being seen Geelong, Ballarat and Bendigo through Government office relocations and greater private investment in office developments.

3.4 Summary

Castlemaine performs a local convenience and regional and visitor recreational retail function, where face-to-face contact and personal experience and service is important. More generic forms of retailing are accessed in other centres like Bendigo and Maryborough.

A strength of the centre is its diverse main street format that includes historic buildings and streetscapes. The town provides opportunities for small and independent businesses to establish and leverage off the attributes of the location.

A weakness of the town centre is a limited range of sites for new development, especially for larger scale commercial and retail projects. Limited supply of land for retail has been raised by bodies like the ACCC in restricting competition.

Castlemaine performs a local level role in the commercial office market, mainly geared towards local offices and government services. The centre has potential to accommodate higher order business services as the regional economy and skills base grows and diversifies.

4 SOCIO-ECONOMIC CONTEXT

4.1 Population

The Castlemaine Commercial Centre is located within the Mount Alexander (S) – Castlemaine Statistical Local Area (SLA). The Mount Alexander (S) Local Government Area (LGA) comprises the Mount Alexander (S) – Castlemaine SLA and the Mount Alexander (S) Balance SLA.

Population Growth and Change

Mount Alexander (S) LGA has around 18,500 residents (2010 data) and has grown at 0.8% pa between 2001 and 2010.

Mount Alexander (S) – Castlemaine SLA has grown from an estimated resident population of 7,270 in 2001 to 7,681 in 2010, at an average annual growth rate of 0.6% pa. Mount Alexander (S) Bal SLA is larger in terms of population with an estimated 10,740 residents in 2010 and has grown at a marginally faster rate of 0.9% pa over the same time period.

As Table 1 shows, Mount Alexander (S) has experienced slower growth than the Loddon Region (1.2% pa), Melbourne SD (1.8% pa) and Victoria (1.6% pa).

Table 1: Estimated Resident Population, 2001 – 2010

Region	2001	2005	2010	Change	AAGR 2001 – 2010 (%)
Mount Alexander (S) - C'maine	7,270	7,341	7,681	411	0.6%
Mount Alexander (S) Bal	9,872	10,192	10,740	868	0.9%
Mount Alexander (S) LGA	17,142	17,533	18,421	1,279	0.8%
Loddon Region	166,954	172,647	186,201	19,247	1.2%
Melbourne SD	3,471,625	3,680,609	4,077,036	605,411	1.8%
Victoria	4,804,726	5,048,602	5,545,932	741,206	1.6%

Source: ABS Census of Population and Housing and SGS Economics & Planning

Population Projections

Victoria in Future (VIF) 2008 Population Projections indicate that from 2006 to 2026, Mount Alexander (S) is expected to see population growth of around 3,900 residents, reflecting an annual average growth rate of 1.3% pa. These projections suggest the pace of growth will accelerate in the area.

Table 2: Population Projections, 2006 – 2026

Region	2011	2016	2021	2026	Change	AAGR 2011 - 2026 (%)
Mount Alexander (S) - C'maine	7,805	8,289	8,845	9,448	1,643	1.3%
Mount Alexander (S) Bal	11,109	11,884	12,623	13,358	2,249	1.2%
Mount Alexander (S)	18,914	20,172	21,468	22,806	3,892	1.3%
Loddon Region	188,998	203,240	218,338	233,575	44,577	1.4%
Melbourne SD	4,082,871	4,396,918	4,704,719	5,000,048	917,177	1.4%
Regional Victoria	1,466,939	1,545,996	1,628,058	1,711,142	244,203	1.0%
Victoria	5,549,810	5,942,913	6,332,777	6,711,190	1,161,380	1.3%

Source: VIF 2008 and SGS Economics & Planning

Population Projections by Age Cohort

Age cohort projections suggest most growth will be concentrated in older age groups, especially the over 60 cohorts and with some growth in the 30-44 year cohort.

Table 3: Population Projections by Age Group, AAGR, 2006 – 2026

Region	Average Annual Growth Rate 2011 - 2026 (%)					
	0 - 14	15 - 29	30 - 44	45 - 59	60 - 74	75 +
Mount Alexander (S) - C'maine	0.7%	0.6%	1.3%	-0.6%	2.7%	2.9%
Mount Alexander (S) Bal	0.3%	-0.5%	0.7%	0.3%	2.7%	5.7%
Mount Alexander (S)	0.5%	0.0%	1.0%	0.0%	2.7%	4.1%
Loddon	1.0%	0.7%	1.0%	0.5%	2.8%	4.1%
Melbourne SD	1.1%	0.4%	1.3%	1.1%	2.4%	3.3%
Regional Victoria	0.5%	0.1%	0.7%	0.1%	2.5%	3.7%
Victoria	1.0%	0.4%	1.2%	0.8%	2.4%	3.4%

Source: VIF 2008 and SGS Economics & Planning

Household Size

Median household size for Mount Alexander (S) has fallen from 2.5 in 1996 to 2.3 in 2006. This trend is consistent with State trends associated with an ageing population and smaller average household size.

Table 4: Median Household Size (Persons Per Household)

Region	1996	2001	2006
Mount Alexander (S) - C'maine	2.3	2.2	2.1
Mount Alexander (S)	2.5	2.4	2.3
Regional Victoria	2.6	2.5	2.5

Source: ABS Census Data and SGS Economics & Planning

Household Income

The table below shows that median household income for Mount Alexander (S) grew at 4% pa, which was slightly below Regional Victoria rate. Average income levels are below that of Regional Victoria, which may reflect the strong retiree population in the area.

Table 5: Median Household Income (\$/weekly)

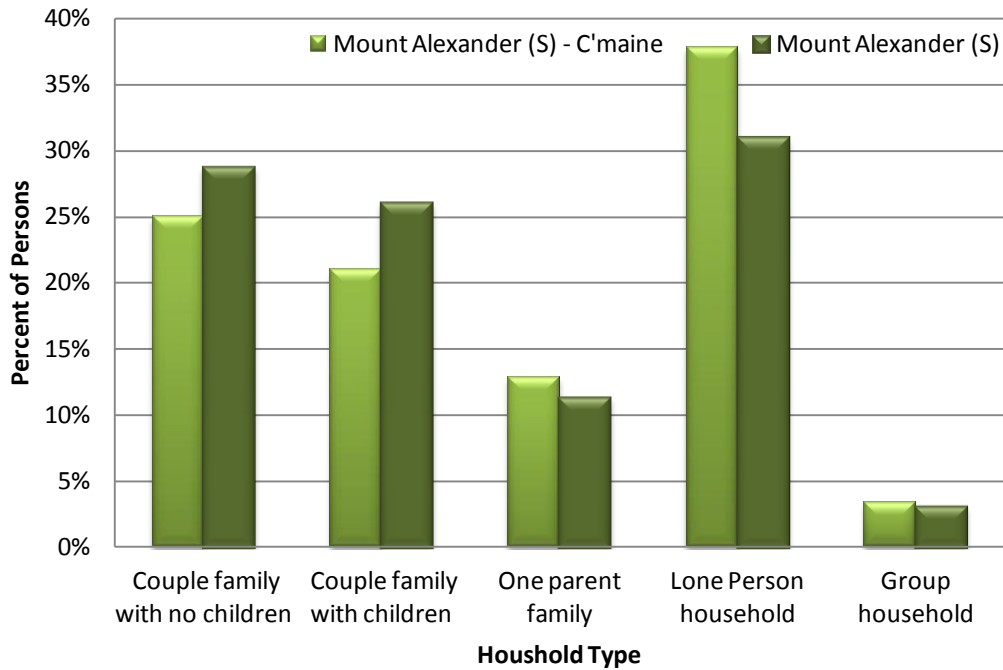
Region	1996	2001	2006	AAGR 1996 - 2006 (%)
Mount Alexander (S) - C'maine	427	496	615	4%
Mount Alexander (S)	445	538	662	4%
Regional Victoria	504	679	821	5%

Source: ABS Census Data and SGS Economics & Planning

Household Composition

The figure below indicates that lone person households are the dominant household type in Mount Alexander (S). Couple family with no children and Couple family with children are the next largest household type in both SLAs.

Figure 5: Household Composition, 2006



Source: ABS Census Data and SGS Economics & Planning

4.2 Economy

Employment by Industry – Workers

This data provides a profile of jobs located within an area, and thus the local economic structure of an area.

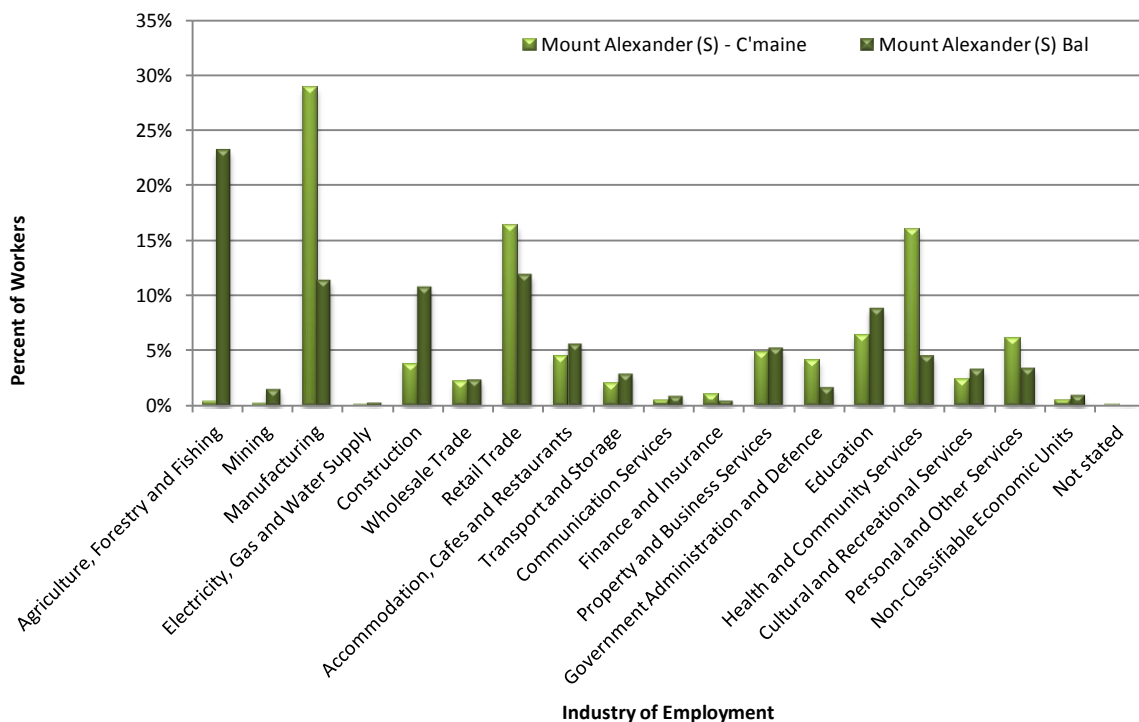
There are some differences between the economic structure of the two SLAs of the Shire, with the Castlemaine SLA not surprisingly being more urban in nature and the Balance SLA being more rural in nature.

The key industries of employment in the Mount Alexander (S) – Castlemaine SLA are:

- Manufacturing;
- Health and Community Services;
- Retail Trade;
- Education; and
- Personal and Other Services.

This reinforces that the economy of Mount Alexander (S) – Castlemaine SLA is largely driven by the needs of the local population, and has one of regional Victoria’s largest food manufacturers (KR Castlemaine). Mount Alexander (S) – Balance SLA has a higher proportion of agriculture jobs.

Figure 6: Employed Workers, by Industry, 2006



Source: ABS Journey to Work Data and SGS Economics & Planning

The Shire had a total of 5,689 jobs in 2006 of which Mount Alexander (S) – Castlemaine SLA had 3,994 jobs and Mount Alexander (S) – Balance SLA had 1,695 jobs. Key growth sectors in Mount Alexander (S) – Castlemaine SLA between 2001 and 2006 were:

- Personal & Other Services (+13%);
- Transport and Storage (+10%);
- Cultural and Recreational Services (+6%); and
- Finance and Insurance (+5%).

Manufacturing experienced a 5% decline in jobs whilst declines were also seen in Education (-3%), Government, Administration and Defence (-2%) and Health and Community Services (-7%).

In the Mount Alexander (S) – Balance SLA, key growth sectors were:

- Agriculture, Forestry and Fishing (+15%);
- Cultural and Recreational Services (+6%); and
- Mining (+4%).

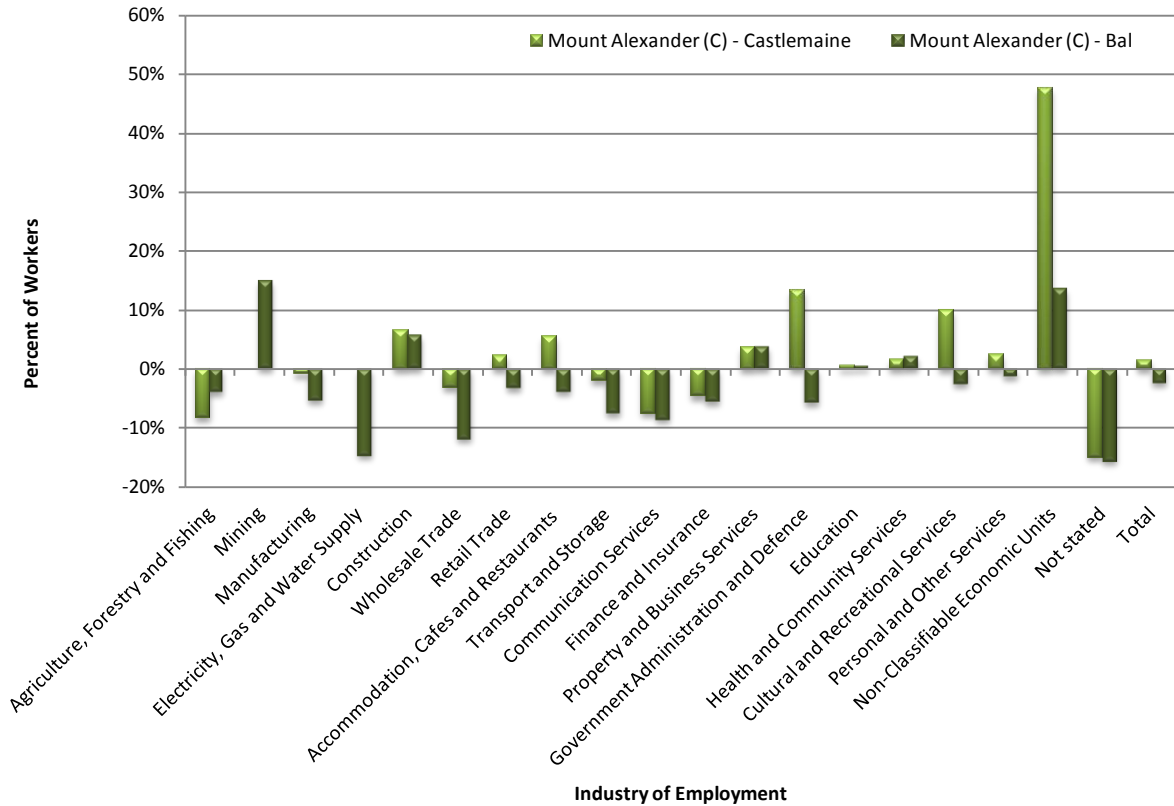
Table 6: Industry of Employment for Workers, Average Annual Growth Rates 2001 – 2006

	2006		AAGR 2001 - 2006 (%)	
	Mount Alexander (S) - Castlemaine	Mount Alexander (S) - Bal	Mount Alexander (S) - Castlemaine	Mount Alexander (S) - Bal
Accommodation, Cafes and Restaurants	13	393	-8%	-4%
Agriculture, Forestry and Fishing	7	26		15%
Communication Services	1,156	193	-1%	-5%
Construction	4	5	0%	-15%
Cultural and Recreational Services	150	183	6%	6%
Education	85	41	-3%	-12%
Electricity, Gas and Water Supply	654	202	2%	-3%
Finance and Insurance	176	96	5%	-4%
Government Administration and Defence	78	50	-2%	-8%
Health and Community Services	19	16	-7%	-9%
Manufacturing	41	9	-5%	-6%
Mining	193	89	4%	4%
Personal and Other Services	164	29	13%	-6%
Property and Business Services	255	150	1%	1%
Retail Trade	639	78	2%	2%
Transport and Storage	93	57	10%	-3%
Wholesale Trade	242	58	2%	-1%
Non-Classifiable Economic Units	21	17	48%	14%
Not stated	4	3	-15%	-16%
Total	3,994	1,695	2%	-2%

Source: ABS Journey to Work Data and SGS Economics & Planning

The change in employment by industry from 2001 to 2006 is further illustrated in the figure below.

Figure 7: Industry of Employment (Workers) Growth AAGR 2001 – 2006 (%)

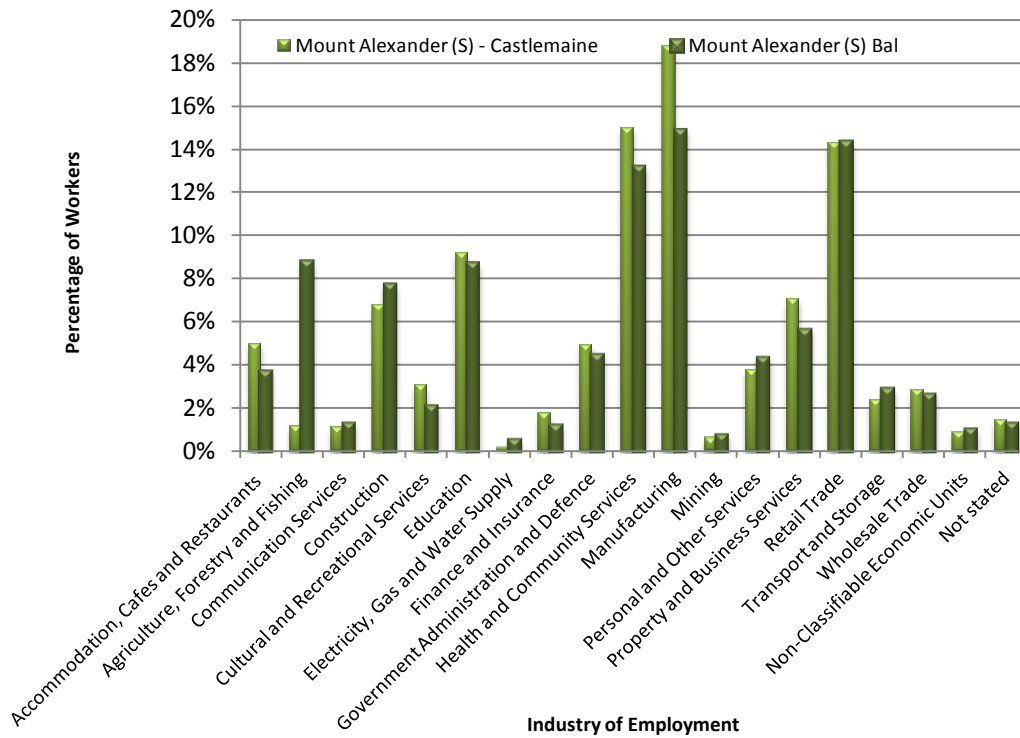


Employment by Industry – Residents

The following data shows type of jobs held by residents (in the labour force) of the Shire, regardless of the location of employment. Some locals access jobs in surrounding areas such as Bendigo and some in Melbourne and other areas.

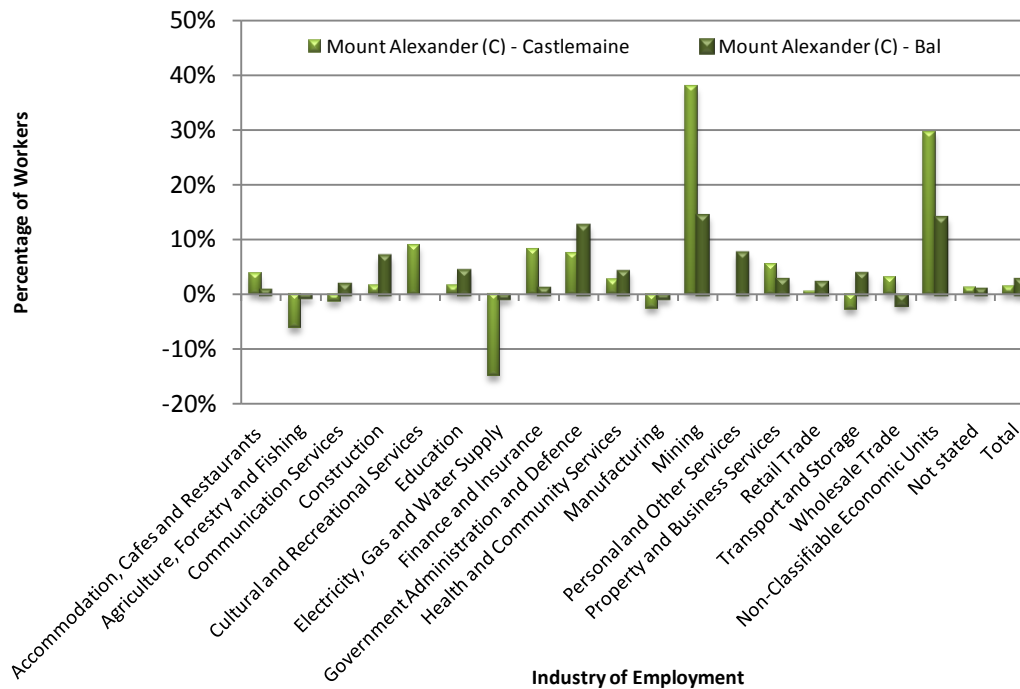
The jobs profile of residents is similar to the local area jobs profile but with a greater emphasis on business services of various types.

Figure 8: Industry of Employment (Residents), 2006



Source: ABS Census Data and SGS Economics & Planning

Figure 9: Industry of Employment (Residents) Growth AAGR 2001 – 2006 (%)



Source: ABS Census Data and SGS Economics & Planning

Table 7: Industry of Employment (Residents), AAGR, 2001 – 2006

Industry	2006		AAGR 2001 - 2006 (%)	
	Mount Alexander (S) - Castlemaine	Mount Alexander (S) - Bal	Mount Alexander (S) - Castlemaine	Mount Alexander (S) - Bal
Accommodation, Cafes and Restaurants	123	162	4%	1%
Agriculture, Forestry and Fishing	29	380	-6%	-1%
Communication Services	28	57	-1%	2%
Construction	168	333	2%	7%
Cultural and Recreational Services	75	92	9%	0%
Education	227	376	2%	4%
Electricity, Gas and Water Supply	4	24	-15%	-1%
Finance and Insurance	43	54	8%	1%
Government Administration and Defence	121	194	8%	12%
Health and Community Services	371	569	3%	4%
Manufacturing	466	642	-3%	-1%
Mining	15	35	38%	14%
Personal and Other Services	93	188	0%	7%
Property and Business Services	174	244	6%	3%
Retail Trade	354	618	1%	2%
Transport and Storage	59	126	-3%	4%
Wholesale Trade	70	115	3%	-2%
Non-Classifiable Economic Units	22	46	30%	14%
Not stated	35	58	1%	1%
Total	2,477	4,313	1%	3%

Source: ABS Census Data and SGS Economics & Planning

Employment Self Sufficiency

Employment self-sufficiency is defined as the proportion of local jobs to resident workers. Overall the Shire had (in 2006):

- 5,689 jobs;
- 6,790 workers;
- Representing a self-sufficiency rate of 84%.

This is a good ratio for the Shire given it is located near a Major Regional City.

Table 8 shows that the employment in the Mount Alexander (S) - Castlemaine was 161% self-sufficient.

The four industries with the highest recorded levels of self-sufficiency in the Mount Alexander (S) - Castlemaine SLA: Personal and Other Services (260%), Manufacturing (248%), Retail Trade (185%) and Health and Community Services (172%).

The self-sufficiency rate for the Mount Alexander(S) - Balance SLA was much lower at 39% reflecting the role of the Castlemaine as the employment centre for Mount Alexander (S) LGA. Agriculture, Forestry and Fishing recorded 103% self sufficiency, Mining 74% and Cultural and Recreational Services 62%.

Table 8: Employment Self-sufficiency, Mount Alexander (S) – Castlemaine SLA and Mount Alexander (S) – Balance SLA, 2006

Industry	2006					
	Resident Employment		Local Job Stock		Employment Self-Sufficiency	
	Mount Alexander (C) - Castlemaine	Mount Alexander (C) - Bal	Mount Alexander (C) - Castlemaine	Mount Alexander (C) - Bal	Mount Alexander (C) - Castlemaine	Mount Alexander (C) - Bal
Accommodation, Cafes and Restaurants	123	162	176	96	143%	59%
Agriculture, Forestry and Fishing	29	380	13	393	45%	103%
Communication Services	28	57	19	16	68%	28%
Construction	168	333	150	183	89%	55%
Cultural and Recreational Services	75	92	93	57	124%	62%
Education	227	376	255	150	112%	40%
Electricity, Gas and Water Supply	4	24	4	5	100%	21%
Finance and Insurance	43	54	41	9	95%	17%
Government Administration and Defence	121	194	164	29	136%	15%
Health and Community Services	371	569	639	78	172%	14%
Manufacturing	466	642	1,156	193	248%	30%
Mining	15	35	7	26	47%	74%
Personal and Other Services	93	188	242	58	260%	31%
Property and Business Services	174	244	193	89	111%	36%
Retail Trade	354	618	654	202	185%	33%
Transport and Storage	59	126	78	50	132%	40%
Wholesale Trade	70	115	85	41	121%	36%
Non-Classifiable Economic Units	22	46	21	17	95%	37%
Not stated	35	58	4	3	11%	5%
Total	2,477	4,313	3,994	1,695	161%	39%

Source: ABS Census and SGS Economics and Planning

Employment Projections

Employment projections for Mount Alexander were derived from previous work SGS had undertaken on behalf of the Department of Planning and Community Development (DPCD) in 2009. In that report, SGS made projections of employment by 1-digit ANZSIC industry for each Regional Victorian LGA to 2026.

Two methodologies were used to forecast employment in the 2009 analysis; the industry-driven approach and the population-driven approach. The industry-driven projections were guided by the principle that growth in industry will underpin demand for jobs whilst the population driven approach was based on the premise that employment will increase based on growing demand from the population growth. Whilst employment in Mount Alexander will be linked to industry growth and change to an extent, it is much more likely that population growth will be the key determinant. SGS has therefore used the population driven approach as the basis for projecting future employment. The results are presented as follows:

Table 9: Employment Projections by Industry, Mount Alexander, 2006 -2026

Industry	2006	2016	2026	Change 2006 - 2026 (%)
Accommodation, Cafes and Restaurants	391	494	614	2.3%
Agriculture, Forestry and Fishing	429	445	410	-0.2%
Communication Services	68	74	68	0.0%
Construction	507	671	910	3.0%
Cultural and Recreational Services	148	179	228	2.2%
Education	450	552	660	1.9%
Electricity, Gas and Water Supply	13	20	23	3.0%
Finance and Insurance	77	76	68	-0.6%
Government Administration and Defence	273	399	569	3.7%
Health and Community Services	760	874	1,001	1.4%
Manufacturing	1,494	1,522	1,479	0.0%
Mining	50	70	102	3.7%
Personal and Other Services	376	486	614	2.5%
Property and Business Services	265	331	432	2.5%
Retail Trade	734	861	1,024	1.7%
Transport and Storage	212	239	250	0.8%
Wholesale Trade	144	145	114	-1.2%
Total	6,390	7,436	8,568	1.5%

Source: SGS Economics and Planning Pty Ltd

Note: The employment figures for 2006 are based on adjusted figures to reflect undercounting in the ABS Census JTW figures.

4.3 Summary

The population of the Shire has been growing at a moderate rate but the pace of growth is expected to accelerate over time. The main population growth cohorts are persons aged over 60 and 'middle' aged families. Lifestyle is likely to be a key driver of growth in the area, perhaps summarised by the 'tree change' phenomenon.

In terms of the local economy, the Shire and Castlemaine township is driven by the local population and visitor base to a large extent. Jobs in retail and other services are important to the local economy as a result. This is supported by a food processing and agricultural economic base. Like population, the employment base of the Shire is expected to grow over time, at an increasing pace.

5 SUPPLY SIDE CONDITIONS

5.1 Regional Retail Supply and Centre Hierarchy

The figure overleaf illustrates the retail centre hierarchy and places Castlemaine in context of surrounding centres. The classification is based on the presence of major anchor retail stores including department stores, discount department stores, supermarkets, local shops and bulky goods activity.

In summary the centre hierarchy can be described as follows:

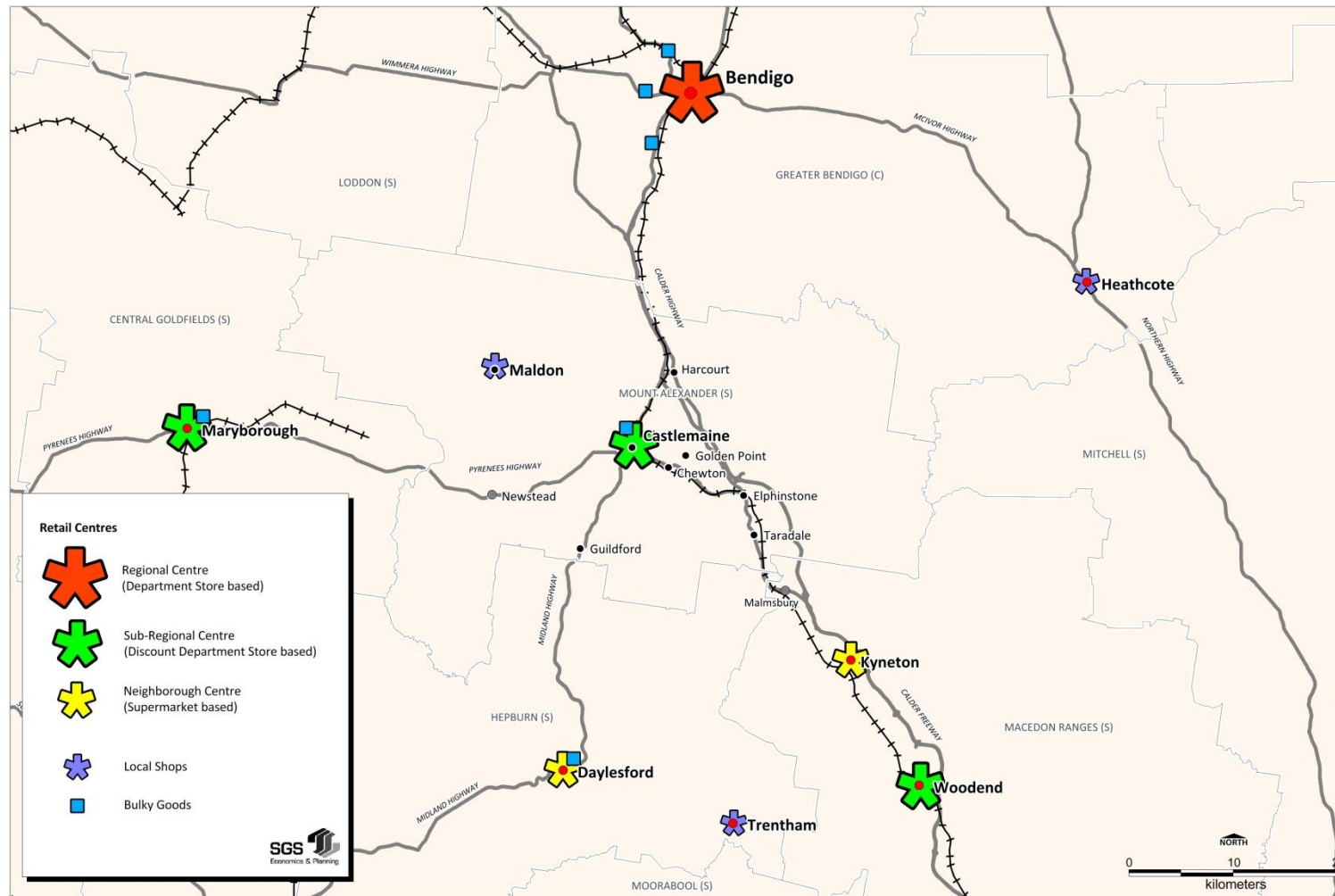
Table 10: Centre Hierarchy and Major Tenants

Centre	Centre Classification	Example of Major Tenants
Bendigo	Regional	Myer, Target, Big W, Kmart, Woolworths, Coles, Aldi, IGA
Maryborough	Sub-regional	Target Country, Kmart, Woolworths, Coles, Aldi, IGA
Castlemaine	Sub-regional	Target Country (290 sqm), Maxi IGA (2,340 sqm), IGA (600 sqm)
Woodend	Sub-regional	Target, Coles
Kyneton	Neighbourhood	Woolworths, IGA
Daylesford	Neighbourhood	Coles, IGA
Maldon	Local Shops	IGA
Harcourt	Local Shops	-
Newstead	Local Shops	-

Source: SGS Economics & Planning

Specialist bulky goods centres are mostly concentrated in Bendigo and surrounds along the Calder Highway in Kangaroo Flat, Maiden Gully and Eaglehawk. Smaller bulky goods retailing is located in Castlemaine, Daylesford and Maryborough.

Figure 10: Centre Hierarchy, Castlemaine and Region, 2011



Source: SGS Economics and Planning

A focus map of Castlemaine’s retail facilities is provided below.

Figure 11: Castlemaine Focus Map



Source: SGS Economics and Planning

5.2 Occupied Commercial Land by Business Zone

In 2011, the Castlemaine Commercial Centre contained approximately 17.4 hectares of land and 43,600 sqm of building area in the Business 1 Zone (B1Z). This zone is the dominant business zone covering the Castlemaine Commercial Centre.

The Business 2 Zone (B2Z) is located on Johnstone Street adjacent to Campbells Creek. This is the only B2Z land within the immediate Castlemaine area. The Business 4 Zone (B4Z) is located in the vicinity of the B2Z and comprises two separate areas. One area is located on Johnstone Street, the other at the intersection of Johnstone Street and Pyrenees Highway (Elizabeth Street). These areas have recently been rezoned to B4Z. There is no Business 3 or 5 Zone land in the area.

Table 11: Occupied Land and Floorspace by Zone, Castlemaine, 2011

Location	Zone	Land Area	Building Area	Floorspace	Floorspace Ratio
Castlemaine	B1Z	17.4	43,609	34,887	20%
	B2Z	0.8	1,194	955	13%
	B4Z	4.2	2,412	1,930	5%
	Total	22.3	47,215	37,772	17%

Source: Mount Alexander Shire Council Rates Database

The floorspace ratios vary significantly across the three business zones. The B1Z has the highest floorspace/land area ratio reflecting the established nature of the Castlemaine Commercial Centre. The B2Z and B4Z areas appear relatively undeveloped or under-developed at this point. These ratios could expect to increase over time.

5.3 Floorspace Stockake by Development Type

The table below presents employment estimates in the Castlemaine Commercial Centre as a basis for converting the above floorspace estimates into floorspace by development type. These employment estimates have been derived from ABS Census 2006 Journey to Work data.

In total, there are approximately 1,500 jobs in the Castlemaine Commercial Centre with Retail accounting for around 625 jobs, or 41% of total employment. There are around 300 office based jobs (19% of employment) and 340 Community jobs (22% of employment).

Table 12: Employment by Development Type, Castlemaine Commercial Centre

Development Type - Castlemaine Commercial Centre	Est. Jobs	% share
Retail	625	41%
Office	294	19%
Community	340	22%
Other	275	18%
Total	1,534	100%

Source: SGS Economics and Planning

Using the above employment data, a conversion has been made to derive floorspace estimates by development type. A reduction of 20% has also been applied to the building area figures to derive an estimate of net leasable floorspace. The results are presented in the table below.

There is approximately 15,400 sqm of retail floorspace, approximately 7,200 sqm office floorspace and approximately 8,300 sqm of community floorspace in Castlemaine.

Table 13: Floorspace by Development Type, Castlemaine Commercial Centre

Floorspace Estimate	Floorspace	% share
Retail	15,390	51%
Office	7,239	24%
Community	8,372	28%
Other	6,771	22%
Total	37,772	100%

Source: SGS Economics and Planning

The following breakdown of retail floorspace has been estimated for supermarkets and department stores, bulky goods and shopfront retailing.

Table 14: Floorspace by Retail Commodity Group

Retail Format	Floorspace	% Share of Retail
Supermarkets	2,932	22%
Department Stores	290	2%
Bulky Goods	1,162	9%
Shopfront Retailing	11,005	67%
Total	15,390	100%

Source: Mount Alexander Shire Council Rates database and SGS Economics and Planning

5.4 Land and Floorspace by Major Street

The following table notes that Mostyn Street accounts for the greatest share of land area in the B1Z in Castlemaine (7.8 ha/45%). Mostyn Street provides a focus for retail and commercial activity in Castlemaine. This is followed by Barker Street which contains 4.4 ha of B1Z land and accounts for 25% of total B1Z land in Castlemaine. The other streets contain up to 1.5 ha of B1Z land.

Barker Street accounts for the greatest share of floorspace in the B1Z in Castlemaine (11,450 sqm / 33%). This is followed by Mostyn Street which contains approximately 10,900 sqm of floorspace and accounts for 31% of total B1Z floorspace in Castlemaine. The other streets contain up to approximately 3,300 sqm of floorspace in the B1Z.

Table 15: Occupied Land and Floorspace in Commercial Streets, Castlemaine 2011, Business 1 Zone


Location	Zone	Land Area	% Share	Floorspace	% Floorspace Share	Floorspace Ratio
Barker Street	B1Z	4.4	25%	11,451	33%	26%
Mostyn Street	B1Z	7.8	45%	10,939	31%	14%
Hargraves Street	B1Z	1.4	8%	3,320	10%	23%
Forest Street	B1Z	1.2	7%	2,503	7%	22%
Templeton Street	B1Z	1.5	9%	3,319	10%	22%
Campbell Street	B1Z	0.03	0%	192	1%	63%
Lyttleton Street	B1Z	0.5	3%	1,782	5%	37%
Other	B1Z	0.6	3%	1,381	4%	24%
Total	B1Z	17.4	100%	34,887	100%	20%

Source: Mount Alexander Shire Council Rates Database

5.5 Land Use Mix Review

The summary table below illustrates the land use mix characterising the key commercial streets in the Castlemaine Commercial Centre.

Table 16: Land Use Mix Assessment, Castlemaine Commercial Centre

Barker Street – North-South Road linking to Midland Highway and providing access to east-west CBD streets	
Imagery	Land Use Mix Characteristics
	<ul style="list-style-type: none"> • Land area range per site– 0.01 – 0.3 ha • Average building size – 210 sqm • Building size range per site (30 – 1,400 sqm) • Mixed retail and commercial office character including: <ul style="list-style-type: none"> ○ Castlemaine Library (Mechanics Institute) ○ Small boutiques ○ Cafes and restaurants ○ Home Hardware ○ Cumberland Hotel ○ Real estate agents ○ Professional suites ○ Parkland



Source: Google Earth Images

- Built form generally 1-2 storeys with heritage values including verandas, front facades
- Streetscape includes central nature strip with street trees and garden beds
- Kerbside parking

Mostyn Street – East-west Road and core retail and commercial precinct in Castlemaine


Imagery


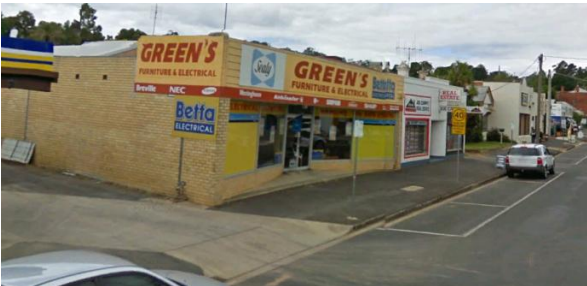


Source: Google Earth Images

Land Use Mix Characteristics

- Land area range per site– 0.01 – 0.8 ha
- Average building size – 240 sqm
- Building size range (70 – 3,000 sqm)
- Dominated by strip retail uses including:
 - Maxi IGA Supermarket
 - Small fashion and arts boutiques
 - Convenience retail and personal services
 - Cafes and restaurants
 - Parkland
 - Medical clinic
 - Banks
 - Hotel
- Built form generally 1-2 storeys with heritage values including verandas, front facades
- Streetscape includes central parking areas with street trees and garden beds, pedestrian crossings
- Kerbside parking and local bus stop

Hargraves Street – North-south Road with small retail and entertainment precinct	
<p>Imagery</p>  <p><i>Source: Google Earth Images</i></p>	<p>Land Use Mix Characteristics</p> <ul style="list-style-type: none"> • Land area range per site– 0.01 – 0.1 ha • Average building size – 166 sqm • Building size range per site (45 – 800 sqm) • Small scale strip retail uses plus the Theatre Royal. Mix includes: <ul style="list-style-type: none"> ○ Cafes and restaurants ○ Various retail boutique stores ○ Theatre Royal ○ Maxi IGA • Built form generally 1-2 storeys with heritage values including verandas, front facades • Streetscape includes small garden beds and alfresco dining • Kerbside angle parking on both kerbs with bicycle lane
Templeton Street – East-west Road with peripheral retail	
<p>Imagery</p>  <p><i>Source: Google Earth Images</i></p>	<p>Land Use Mix Characteristics</p> <ul style="list-style-type: none"> • Land area range per site– 0.03 – 0.3 ha • Average building size – 345 sqm • Building size range per site (135 – 1,170 sqm) • Strip includes: <ul style="list-style-type: none"> ○ Castlemaine Fashion Central ○ Cafes and restaurants ○ Convenience retail (closer to town centre) • Road links to Castlemaine Train Station • Built form generally single storey • Commercial activity interspersed by residential uses

Lyttleton Street – East-west Road with small retail and residential character	
<p>Imagery</p>  <p>Source: Google Earth Images</p>	<p>Land Use Mix Characteristics</p> <ul style="list-style-type: none"> • Land area range per site– 0.01 – 0.1 ha • Average building size – 185 sqm • Building size range per site (54 – 340 sqm) • Strip includes: <ul style="list-style-type: none"> ○ Medical centre ○ Cafes and restaurants ○ Council Town Hall and new civic offices ○ Police station ○ Professional offices ○ Art Gallery and Museum ○ Personal services • Retailing and commercial activity located mostly on southern side of the street • Built form generally 1-2 storeys with heritage values including verandas, front facades • Institutional buildings have taller built form • Streetscape includes street trees and median strip parking including kerbside parking on both kerbs
Forest Street – East-west Road with peripheral retail	
<p>Imagery</p>  <p>Source: Google Earth Images</p>	<p>Land Use Mix Characteristics</p> <ul style="list-style-type: none"> • Land area range per site– 0.02 – 0.24 ha • Average building size – 284 sqm • Building size range per site (45 – 620 sqm) • Strip includes: <ul style="list-style-type: none"> ○ Electrical retail ○ Real estate agent ○ Dwelling conversions ○ Parkland • Recent extension of Business 1 Zone east along Forest Road • Built form generally single storey; streetscape includes median strip and kerbside parking

5.6 Vacant Commercial Land Stocktake

In 2011, the Castlemaine Commercial Centre contained 0.4 hectares of vacant land in the B1Z. There is no vacant land within the B2Z and 0.4 hectares of vacant land in the B4Z. The small amount of vacant land in the Business zones is mostly located on the fringe of the existing commercial centre.

This data suggests a low vacancy rate. When expressed as a percentage of total land area, the vacancy rate is 2.3% for B1Z, 0% for B2Z and 9.8% for B4Z

Table 17: Vacant Commercial Land, Castlemaine, 2011

Location	Zone	Land Area
Castlemaine	B1Z	0.4
	B2Z	0.0
	B4Z	0.4

Source: Mount Alexander Shire Council Rates Database

No vacant sites could be found in the core of the commercial centre. However, the existing B2Z and B4Z land appears to be under-developed at this point and this is masked by low land vacancies. This land is expected to be developed over time to reflect greater efficiency.

5.7 Potential Development Sites

Despite the highly developed nature of the Commercial Centre, the area has capacity for further development via redevelopment of sites and buildings that are vacant or utilised to a low level.

A prime candidate area for such development is assessed to be the Forest and Barker Street corridors, which are currently peripheral to core commercial activity. The former bus depot site and surrounds (within the Business 1 zone) is a prime example of a component of the Commercial Centre that could be redeveloped in the future. The Business 1 zoned land at this location (bound by Forest and Barker Streets and open space) is approximately 5,500 sqm in area.

Should additional land be proven to be needed to accommodate required investment, Castlemaine has adjacent land that could be considered for Commercial Centre inclusion. The primary opportunity is the former gasworks site on Forest Street. This site is vacant and is approximately 4,000 sqm in area.

Images of the former bus depot and gasworks sites are shown below.

View to the Former Bus Depot Site (within Commercial Centre Boundary), Corner of Forest and Barker Streets, Castlemaine



View to the Former Gasworks Site (adjacent to Commercial Centre Boundary), Forest Street, Castlemaine



5.8 Summary

In terms of function, the Castlemaine Commercial Centre can be defined as a sub-regional centre which operates within a hierarchy in which Bendigo is the primary centre. Castlemaine Commercial Centre serves town and hinterland residents – and visitors - with food and some personal and

household goods retail services and local business, health and community services. Higher order services are accessed in Bendigo and Melbourne.

Castlemaine Commercial Centre has approximately 37,800 sqm of floorspace of which 15,400 sqm is retail and 7,300 sqm is office, with the rest being community, civic and other uses.

The main retail 'anchor' in the town is the Maxi IGA supermarket. This is associated with numerous small shops and businesses that are clustered around the core of the centre, which is focused on Mostyn and Barker Streets. The centre has low vacancy and numerous heritage buildings and streetscapes.

Despite the highly developed nature of the Commercial Centre, the area has capacity for further development via redevelopment of sites and buildings that are vacant or utilised to a low level.

6 CONSULTATION FINDINGS

This section outlines the findings of the stakeholder interviews undertaken across the Castlemaine Commercial Centre on 12th and 13th October 2011. SGS met with the following organisations:

- Stocks Gallery;
- Home Hardware;
- IGA Supermarket;
- Midland Stock and Poultry;
- Toggs Café;
- Castlemaine Action;
- Public Inn;
- LMSW Lawyers;
- Lyttleton Street Medical Clinic;
- Good Table Café;
- Hot Rod Magazine;
- Bendigo Bank;
- Castlemaine Art Gallery;
- Stuart Real Estate; and
- Theatre Royal

From conversations held with the above local businesses and groups, the themes pertaining to retail and commercial development in Castlemaine have been categorised as relating to demographic change, barriers and impediments, and the role of Council.

6.1 Demographic Change

The demographic profile of Castlemaine was widely acknowledged as going through a period of substantial change, with many expecting this trend to continue into the future. This relates to both changes in the population mix and income profile and business mix in Castlemaine. The identified themes are as follows.

- **Melbourne population migration** – It was regularly noted that there had been increased residential migration from Melbourne, although responses about what types of households were moving from Melbourne to Castlemaine varied. Commonly respondents believed that households from Melbourne were choosing to live in Castlemaine for lifestyle reasons and commute to the city for work, often by train.

The improvements to Regional Fast Rail and the relative affordability of Castlemaine compared with Melbourne were identified as major factors driving this change. This commuter population was often associated with professional employment, and was said to be influencing the demand for certain retail services in Castlemaine, particularly higher end food and beverage services. Other residents may be moving to Castlemaine for retirement, to take advantage of a 'tree change' lifestyle.

- **Emergence of food and beverage industry and arts scene** – Castlemaine was identified as developing a higher end food and beverage industry, with cafes, restaurants and bars becoming common place. These industries were said to both rely on the changing local resident demographic and tourism, which was generally identified as comprising of day trips from Melbourne. The food and beverage industry was said to be complementary to the more established arts scene, which is growing.
- **Weekend population** – It was noted that many people purchasing property in Castlemaine were using their premises on weekends, which was creating varying weekend and weekday business conditions.
- **Hot-rod centre** – Several businesses consulted noted the clustering of hot-rod and specialty vehicle related industries in Castlemaine. Conversations revealed the wide ranging pull of Castlemaine as a centre for hot-rods, and coupled with the attractiveness of the town, was identified as attracting people to the region both for tourism and to reside.

6.2 Barriers and Impediments

Consultation respondents were asked to identify barriers or impediments to residential and commercial development in Castlemaine. The identified themes are as follows.

- **Land constraints** – It was regularly identified that there was a shortage of land available for development in the centre of Castlemaine. The historical centre of Castlemaine was said to have small lots which would often need to be consolidated to accommodate new business, however, the cost of land was such that consolidation of sites was unfeasible.

It was noted that the upper levels of buildings were poorly used, if at all. Adding to the limited availability of land were development constraints brought about by the number of heritage buildings in the centre. It was noted that there was a lack of sites for larger stores.

- **Heritage buildings** – While it was regularly noted that heritage was considered a strength and defining characteristic of Castlemaine, there was some discussion as to how new development could be incorporated amongst heritage buildings. Some noted that new development was appropriate amongst heritage buildings provided it was sensitive to historical features. Others said that while heritage was a valuable local feature, a better balance had to be struck between the old and the new.
- **Consolidated ownership** – The ownership of retail and commercial premises in Castlemaine were generally identified as being concentrated in the hands of a limited number of individuals. This was said to limit competition and reduce the incentive to update old stock.

- **Inappropriate stock** – The retail and commercial building stock in Castlemaine was generally considered inappropriate for the needs of modern retailing and office space, with street frontage and site/building size hindering business development. It was noted that many businesses operated out of converted residential buildings which did not meet the demands of the businesses.
- **Out-of-centre developments** – Many businesses were aware of interest in developing retail services at Campbell’s Creek, but felt that this out-of-centre development would damage the historical CBD. It was revealed that developers had looked at potential sites in Campbell’s Creek, but that the local catchment was insufficiently developed.
- **Office demand** – Throughout the consultation, office demand was rarely mentioned, with some even identifying that they believed there was excessive office space available. It was also identified that office space was expensive, sites generally had limited street frontage, and that office space may not necessarily need to be in the centre of town.

6.3 The Role of Council

The role the Council can play in retail and commercial development in Castlemaine was not generally agreed upon, however there were some common themes. The identified themes are as follows.

- **Tourism promotion** – Generally respondents saw Council as having a role in promoting the region as a tourist destination. Castlemaine’s ability to draw tourists was attributed to its heritage, arts, culture, and food and beverage industries.

However, there was hesitation in pursuing any one of these attractors too aggressively, as this could limit the organic growth of multiple tourism elements. While tourism was identified as an important aspect of the local economy, concerns were expressed that Castlemaine was experiencing variable retail conditions during the week and on weekends.

- **Encourage business development** – It was noted that Council could add value to business development activities and planning functions. Topics raised were management of regulation and decision making. It was felt that Council should support businesses that are established and are already doing well.
- **Community involvement** – Comments were made that Council could hold additional community forums and consultation to better understand the needs and challenges of business in Castlemaine.
- **A need to improve networks across the centre** - Stakeholders noted that a traders association was needed to support coordinated marketing, information sharing and networking.

6.4 Summary

There is a general desire to maintain and build on the strengths of Castlemaine, by leveraging off existing and successful businesses, tourism operations and historic assets. A theme of organic and quality growth was expressed as being desirable.

Opportunities for growth and improvement relate to better linking, co-ordinating and marketing business and tourism activities, exploring new development opportunities in and around the town centre and managing the risk of unchecked investment outside of the town centre.

A major planning and development challenge is to respect the built and cultural heritage of the town whilst facilitating new development and investment in a context of low land supply.

7 ECONOMIC POTENTIAL OF THE CASTLEMAINE COMMERCIAL CENTRE

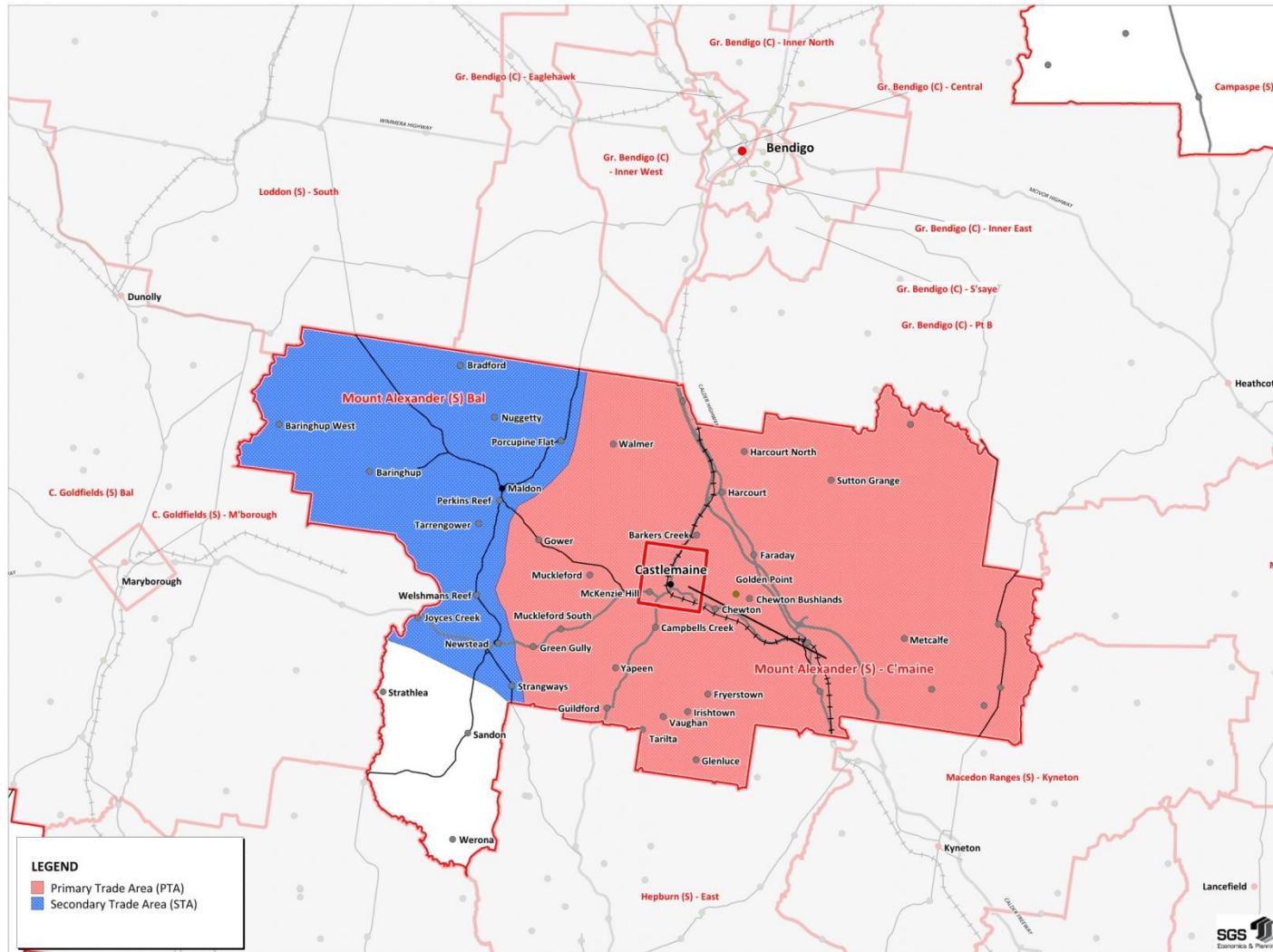
This section provides an analysis of the retail performance of Castlemaine and identifies retail development potential to 2026. The analysis considers retail demand generated by residents in Castlemaine and surrounds, the destination of shoppers, the origin of local retail turnover, analysis of the competitive environment and future floorspace demand potential by commodity group. Note that the 2026 analysis provides a point in time estimate of how the system could evolve over time. The potential for further commercial office development is also considered.

7.1 Retail Performance and Potential

7.1.1 Trade Area

The figure below illustrates the trade area for Castlemaine Commercial Centre. The trade area encompasses Castlemaine and the surrounding eastern and western towns. A secondary trade area is nominated comprising Maldon and the western district of Mount Alexander.

Figure 12: Castlemaine Commercial Centre Main Catchment Area



7.1.2 Catchment Population Projections

By using population projections, income variation by percentile group and real growth in retail expenditure, it is possible to calculate the amount of expenditure available within a given location. Population projections are based on *Victoria in Future 2008* estimates by SLA (see below).

Table 18: Population Projections by SLA - Mount Alexander Shire

Region	2006	2011	2016	2021	2026	2011 - 2026 change	AAGR 2011-2026 (%)
Mount Alexander (S) - C'maine	7,398	7,805	8,289	8,845	9,448	1,643	1.3%
Mount Alexander (S) Bal	10,258	11,109	11,884	12,623	13,358	2,249	1.2%
Mount Alexander (S)	17,656	18,914	20,172	21,468	22,806	3,892	1.3%

Source: SGS Economics and Planning

The SLA based estimates have then been reorganised to reflect the populations of the primary and secondary retail catchments of Castlemaine (see below). The primary catchment is expected to grow by 1.3% pa whilst the population of the secondary catchment is expected to grow by 1.0% pa.

Table 19: Population Projections by Retail Catchment - Mount Alexander Shire

Region	2006	2011	2016	2021	2026	2011 - 2026 change	AAGR 2011-2026 (%)
Primary Catchment	15,325	16,457	17,590	18,756	19,960	3,503	1.3%
Secondary Catchment	2,331	2,456	2,582	2,712	2,846	389	1.0%
Total	17,656	18,914	20,172	21,468	22,806	3,892	1.3%

Source: SGS Economics and Planning

7.1.3 Retail Expenditure Per Capita

The SGS Retail Model provides retail expenditure per capita by commodity group on an SLA basis. The data has been extracted for the Mount Alexander SLAs and has been converted into the identified primary and secondary catchments.

In real terms, per capita expenditure on retail goods in the primary and secondary catchments is expected to increase throughout the period from approximately \$10,000 in 2006 to approximately \$12,200 in 2026.

Table 20: Retail Expenditure Per Capita, Primary and Secondary Catchment

Commodity Group	2006	2011	2016	2021	2026
Supermarkets	\$2,838	\$2,845	\$2,919	\$3,161	\$3,361
Department Stores	\$1,777	\$1,688	\$1,725	\$1,949	\$2,144
Other Food	\$634	\$625	\$616	\$602	\$602
Clothing	\$1,183	\$1,266	\$1,341	\$1,403	\$1,480
HH Goods	\$1,076	\$1,088	\$1,142	\$1,260	\$1,373
Other Retail	\$1,158	\$1,146	\$1,203	\$1,393	\$1,561
Hospitality and Services	\$1,290	\$1,341	\$1,427	\$1,576	\$1,721
Total	\$9,956	\$10,000	\$10,372	\$11,344	\$12,242

Source: SGS Economics and Planning

Expenditure per capita is expected to grow for supermarkets, hospitality and services and clothing and other retail. Minor growth is expected in per capita spending on department store and household goods.

7.1.4 Retail Expenditure Projections

The retail expenditure estimates for the primary and secondary catchments in 2006, 2011, 2016, 2021 and 2026 are shown in the tables below.

This analysis suggests the primary catchment will generate approximately \$164.6 million in retail sales across the retail system in 2011 and this spending level could increase to \$244.4 million by 2026. Expenditure growth is expected across all commodities.

The analysis suggests the secondary catchment will generate approximately \$24.6 million in retail sales across the retail system in 2011 and this spending level could increase to \$34.8 million by 2026. Expenditure growth is expected across all commodities although expenditure growth in other food is expected to be marginal.

The aggregated retail expenditure estimates for combined catchments areas is also shown overleaf.

Table 21: Retail Expenditure and Projections by Commodity Group, Primary Catchment, 2006 – 2026

Commodity Group	2006	2011	2016	2021	2026
Supermarkets	\$43,487,671	\$46,818,316	\$51,344,218	\$59,281,568	\$67,095,451
Department Stores	\$27,234,120	\$27,786,035	\$30,334,726	\$36,558,885	\$42,794,818
Other Food	\$9,715,953	\$10,282,624	\$10,834,973	\$11,287,299	\$12,016,243
Clothing	\$18,135,641	\$20,838,942	\$23,583,658	\$26,316,861	\$29,536,343
HH Goods	\$16,485,720	\$17,913,762	\$20,090,699	\$23,635,304	\$27,399,246
Other Retail	\$17,746,698	\$18,863,697	\$21,167,701	\$26,129,326	\$31,164,004
Hospitality and Services	\$19,766,356	\$22,070,465	\$25,096,633	\$29,557,261	\$34,356,983
Total	\$152,572,159	\$164,573,841	\$182,452,609	\$212,766,504	\$244,363,087

Source: SGS Economics and Planning

Table 22: Retail Expenditure and Projections by Commodity Group, Secondary Catchment, 2006 – 2026

Commodity Group	2006	2011	2016	2021	2026
Supermarkets	\$6,613,521	\$6,988,108	\$7,537,514	\$8,571,195	\$9,565,454
Department Stores	\$4,141,712	\$4,147,347	\$4,453,246	\$5,285,847	\$6,101,038
Other Food	\$1,477,583	\$1,534,786	\$1,590,613	\$1,631,968	\$1,713,094
Clothing	\$2,758,033	\$3,110,423	\$3,462,165	\$3,805,010	\$4,210,845
HH Goods	\$2,507,116	\$2,673,810	\$2,949,386	\$3,417,298	\$3,906,170
Other Retail	\$2,698,883	\$2,815,598	\$3,107,494	\$3,777,895	\$4,442,892
Hospitality and Services	\$3,006,029	\$3,294,240	\$3,684,275	\$4,273,521	\$4,898,099
Total	\$23,202,878	\$24,564,313	\$26,784,694	\$30,762,735	\$34,837,593

Source: SGS Economics and Planning

Table 23: Retail Expenditure and Projections by Commodity Group, Main Catchment Area, 2006 – 2026

Commodity Group	2006	2011	2016	2021	2026
Supermarkets	\$50,101,192	\$53,806,424	\$58,881,733	\$67,852,763	\$76,660,905
Department Stores	\$31,375,832	\$31,933,383	\$34,787,972	\$41,844,732	\$48,895,856
Other Food	\$11,193,537	\$11,817,410	\$12,425,586	\$12,919,267	\$13,729,337
Clothing	\$20,893,675	\$23,949,365	\$27,045,823	\$30,121,870	\$33,747,188
HH Goods	\$18,992,836	\$20,587,573	\$23,040,085	\$27,052,602	\$31,305,416
Other Retail	\$20,445,581	\$21,679,295	\$24,275,195	\$29,907,221	\$35,606,896
Hospitality and Services	\$22,772,385	\$25,364,705	\$28,780,909	\$33,830,782	\$39,255,082
Total	\$175,775,037	\$189,138,154	\$209,237,302	\$243,529,239	\$279,200,679

Source: SGS Economics and Planning

7.1.5 Market Share and Escape Spending

It is estimated that in 2011 about \$189.1m in retail sales is generated from both the primary and secondary catchments. If it is assumed average shop turnover is \$5,000 / sqm pa, which is a typical average, about 37,800 sqm of retail space is supported by the catchment population across the total retail economy.

From the supply audit it is estimated that Castlemaine accommodates about 15,400 sqm of retail floorspace. This suggests that the main catchment area's capture rate is around 41%, or equivalent to an aggregate escape of 59%. The capture / escape ratio varies by catchment segment and by retail commodity group. These factors have been considered in the floorspace potential analysis shown below.

7.1.6 Retail Turnover Densities

SGS has assumed the following Retail Turnover Densities (RTDs) as a basis for estimating turnover for Castlemaine Commercial Centre. This shows average productivity of retail floorspace. The RTDs are used to convert dollar values into floorspace.

Table 24: Assumed Retail Turnover Densities

Retail Format	Retail Turnover Density (RTD per sq m per annum)
Supermarkets	\$7,500
Department Stores	\$5,000
Other Food	\$5,000
Clothing	\$5,000
HH Goods	\$3,500
Other Retail	\$ 5,000
Hospitality and Services	\$5,000

Source: SGS Economics and Planning

7.1.7 Floorspace Projections

The table below shows that approximately 17,700 sqm of new retail floorspace will be supported in the primary catchment between 2011 and 2026, based on growth in population and expected growth in per capita spending. The secondary catchment figure is an additional 2,250 sqm.

Expenditure retention assumptions by commodity group and catchment sector have been estimated and these are also shown in the table below. Using the assumptions shown, it is estimated that about **6,300 sqm of additional retail space** could be accommodated in Castlemaine in this 15-year period. The figure is higher if Castlemaine achieves a higher market penetration or capture rate.

Approximately 3,550 sqm of additional supermarket floorspace will be supported by the two catchment areas over the period to 2026 across the retail economy. A share of this space could be captured in Castlemaine. An estimate of 1,700 sqm of additional supermarket space for Castlemaine is made.

Table 25: Change in Demand for Retail Floorspace, 2011 - 2026, Castlemaine

Primary Catchment								
	Supermarkets	Department Stores	Other Food	Clothing	HH Goods	Other Retail	Hospitality and Services	Total
New Space that can be Supported	3,148	3,112	460	2,280	3,118	2,683	2,918	17,720
Percentage Maintained in Region	50%	10%	50%	30%	30%	30%	50%	
Floorspace Demand within Castlemaine	1,574	311	230	684	935	805	1,459	5,999
Secondary Catchment								
	Supermarkets	Department Stores	Other Food	Clothing	HH Goods	Other Retail	Hospitality and Services	Total
New Space that can be Supported	394	392	47	291	400	349	378	2,250
Percentage Maintained in Region	20%	10%	10%	10%	10%	10%	10%	
Floorspace Demand within Castlemaine	79	39	5	29	40	35	38	264
Total New Floorspace Demand in Castlemaine								
	Supermarkets	Department Stores	Other Food	Clothing	HH Goods	Other Retail	Hospitality and Services	Total
New Floorspace Demand Castlemaine	1,653	350	235	713	975	840	1,497	6,263

Source: SGS Economics and Planning

These figures provide an 'order of magnitude' guide to possibilities. However, in practice, a range of outcomes are possible, generally within a range around the above figures. Potential outcomes include:

- Existing retail facilities are upgraded and performance of existing space improves as more expenditure is captured by the existing space.
- A small supermarket based facility is added to the town along with local shops, with say 2,000 sqm of floorspace. Such a development might require around 4,000 to 6,000 sqm of site area using conventional ratios.

- A large chain retailer seeks to establish a supermarket based centre in or near town, say around 4,000 sqm floorspace. The overall site area requirement for such as facility using conventional suburban format ratios is around 8,000 to 12,000 sqm.
- The above facility is proposed along with a discount department store component; if so, the size might be 10,000 sqm floorspace taking 20,000 to 30,000 sqm in site area.

7.2 Commercial Sector Potential

This section provides an analysis of commercial office sector potential. The method aggregates employment data by industry into blue and white collar jobs and then converts the white collar employment to office floorspace. A share of the floorspace would be developed as ancillary space to other land uses, such as warehouses, shops, schools, and health facilities, and some in the form of stand alone offices. For the stand alone office component, a share would relate to the Castlemaine Commercial Centre market.

Between 2011 and 2026, an additional 740 (approximate) office based jobs is expected in the Castlemaine SLA. We assume that about 50% of this stock of jobs would locate in a stand alone office facility or shopfront, where office is the main land use activity. It is assumed that 80% of the SLA demand applies to Castlemaine Commercial Centre, and the remainder applies to home based business and small office activity elsewhere.

A share of 13% of SLA based white collar employment is assumed to relate to stand alone office activity in the Castlemaine Commercial Centre. This assumption generates around 7,500 sqm of town centre office space, which aligns with the supply audit. A floorspace ratio of 20 sqm per job is applied to this analysis.

The main driver in this ratio analysis is likely change over time to 2026. This suggests that net additional office space demand may equal **around +2,000 sqm over 15 years.**

The extent to which this underlying demand estimate will translate into new development is difficult to say. Commercial office forecasts are difficult to estimate (compared to retail space) given the broader and more complex range of economic factors that drive office based employment and property outcomes. Nevertheless, the figure +2,000 sqm of net additional office absorption provides a guide for planning purposes over the period 2011 to 2026.

Some of this absorption may result in better utilisation of existing office space and some may translate into conversion of non office space to office uses and some may take the form of new development.

Table 26: Office Projections, Castlemaine Commercial Centre

					Change
	2011	2016	2021	2026	2011-2026
White Collar Employment (Total)	2,925	3,131	3,419	3,661	736
Stand Alone Office and CCC Capture	380	407	444	476	96
Office Floorspace SQM	7,605	8,141	8,889	9,519	1,914

Source: SGS Economics and Planning

It should be noted that the office projections are based on broad economic trends. A major new investment or shock to the system could change the situation.

7.3 Summary

It is estimated that about **6,300 sqm of additional retail space** could be accommodated in Castlemaine over the 15-year period to 2026. This figure provides an 'order of magnitude' guide to possibilities. However, in practice, a range of outcomes are possible, generally within a range around this estimate. Potential outcomes include:

- Existing retail facilities are upgraded and performance of existing space improves as more expenditure is captured by the existing space.
- A small supermarket based facility is added to the town along with local shops, with say 2,000 sqm of floorspace. Such a development might require around 4,000 to 6,000 sqm of site area using conventional ratios.
- A large chain retailer seeks to establish a supermarket based centre in or near town, say around 4,000 sqm floorspace. The overall site area requirement for such as facility using conventional suburban format ratios is around 8,000 to 12,000 sqm.
- The above facility is proposed along with a discount department store component; if so, the size might be 10,000 sqm floorspace taking 20,000 to 30,000 sqm in site area.

With respect to office space, the analysis and consultation findings (in the previous report section) suggests that net additional office space demand may equal **around +2,000 sqm over 15 years**.

The challenge is to set a planning and development framework that addresses the above possibilities, to facilitate the desired outcome and avoid an undesirable outcome.

8 ISSUES AND OPPORTUNITIES

8.1 Strengths

From the analysis, the following strengths have been identified.

- **Castlemaine is a compact, walkable centre:** Castlemaine is easily accessible by road and rail infrastructure and offers a compelling local retail and service offer. A key feature and success factor of Castlemaine Commercial Centre is that it is a compact and walkable mixed use centre that includes historic buildings and streetscapes and serves both residents and visitors. The topography of the centre is gently undulating assisting centre walkability.
- **A diverse local service offer:** At this point Castlemaine mostly supports the needs of a local resident population and tourist trade. The retail offer includes one large supermarket and a diverse range of boutiques and independent retail businesses.
- **High quality amenity and heritage characteristics:** Castlemaine offers high quality heritage buildings and local amenity. Many buildings within the CBD retain original condition or have been sympathetically restored. The centre has adapted well to support small retail businesses which are looking for small shopfront premises. Streetscapes have undergone improvement together with local parks.
- **Strong business links to an emerging arts and cultural scene:** Retail in Castlemaine is evolving with many small independent businesses leasing town centre based shopfronts. Businesses include small galleries, fashion and niche boutiques, and a supporting café and restaurant offer. This is particularly evident around the Theatre Royal which is developing as a café precinct supporting the theatre.
- **Changing demographic characteristics:** Improved accessibility to Castlemaine is seeing a growing commuter population moving into the area. This is bringing a higher income population which is now being reflected in the local retail offer.

8.2 Challenges

From the analysis, the following challenges have been identified.

- **Accommodation of an additional supermarket facility or similar and some commercial space over the next 15 years:** It is estimated that about 6,300 sqm of additional retail space and about 2,000 sqm of additional office space could be accommodated in Castlemaine over the 15-year period to 2026. This could include a supermarket facility and potentially a larger development. The challenge is to set a planning and development framework that addresses the above possibilities, to facilitate the desired outcome and avoid an undesirable outcome.

- **An absence of sites for larger retailers:** Land use patterns in Castlemaine reflect the historical nature of the town whereby small shopfronts were developed over time focussed around a walkable setting. However, contemporary retailing has seen the emergence of larger format retail outlets including supermarkets and discount department stores. There are minimal large sites within or adjacent to the Castlemaine Commercial Centre to facilitate the development of new, larger retail formats.
- **Heritage constraints on new business development:** Whilst heritage qualities are an advantage of Castlemaine they can also act as a hindrance to business development given the planning and building controls which exist.
- **Trader coordination:** The consultation cited that Castlemaine was suffering from a weakened traders association. The development of a local traders association was seen as critical to ensuring that centre promotion was coordinated, information could be shared and networks could be enhanced.
- **The tension between commercial enterprise and lifestyle:** Closing hours of local businesses suggest that there is a tension between improving Castlemaine's commercial success and the lifestyle oriented nature of some business operators.
- **Low demand for new office development:** The data and consultation suggests that there is low demand for new office floorspace in Castlemaine. Whilst employment growth may be occurring in office based sectors, some businesses suggested that a significant share of future demand could be accommodated within existing office space.
- **Heritage considerations for new businesses:** Whilst the heritage qualities of the Castlemaine Commercial Centre are a key feature, some business operators noted the challenges associated with new business development in Castlemaine where stringent building and planning controls exist. Others also noted that heritage assets worthy of protection needed to be better defined.
- **Growing reliance on tourism:** Some businesses cited that Castlemaine is becoming more reliant on tourism as a means of attracting expenditure. This suggests that there is significant escape expenditure to Bendigo and other centres where local residents can satisfy a broader range of retail and employment needs.

This is possibly a reflection of the difficulties in establishing a commercial business in Castlemaine where new operators face heritage issues and a lack of suitable sites for larger operations. In some cases, the introduction of new businesses may go some way to reducing escape expenditure from Castlemaine.

- **Lack of capacity to support niche businesses:** A lower expenditure pool combined with escape expenditure has led to the loss of several niche businesses from Castlemaine. This includes businesses in children's clothing and other boutiques.

- **Narrow hours of operation:** Castlemaine has a minimal night time economy. This appears to be hindering both local residents and tourists' enjoyment of the town.
- **Business development approvals:** Several examples were cited in consultation where businesses had difficulties in establishing their operations due to planning and other approvals processes (eg. waste management).

8.3 Opportunities

From the analysis, the following opportunities have been identified.

- **Accommodate forecast growth in retail and commercial demand:** As noted above, demand for various retail and business services is increasing. The opportunity is to accommodate the demand to provide more services and employment locally.
- **Build on higher income demographic entering Castlemaine:** The growth of a commuter population and the movement of higher income populations into Castlemaine present opportunities to diversify the retail and commercial offer in Castlemaine. The emergence of new restaurants suggests that business is responding to these opportunities.
- **Growth in niche sectors:** The emergence of Castlemaine as a hot rod centre presents a unique commercial development opportunity. Tourism also presents additional opportunities driven by improved road and rail accessibility.
- **Build on high quality amenity:** The opportunity exists for the further development of commercial activities in the broader Castlemaine Commercial Centre in addition to the core retail precinct around Mostyn Street. This includes further enhancing Hargraves Street, Lyttleton Street and Forest Street as commercial precincts.
- **Ongoing development of the food and beverage offer:** The consultation suggested that this sector is a major opportunity for Castlemaine. The offer continues to evolve to include higher order offerings such as The Good Table, Public Inn and the Empyre Hotel, amongst others.
- **Build on growing appeal of Castlemaine Art Gallery and Theatre Royal:** The improved capacity of the Theatre Royal to host major acts and the quality of the Castlemaine Art Gallery presents an opportunity for Castlemaine to grow its tourism visitation. However these organisations require assistance from the rest of the local business community through longer hours of operation particularly restaurants and other food establishments.
- **Retaining escape expenditure:** The loss of retail expenditure to other nearby centres in basic commodities suggests that Castlemaine would benefit from additional convenience retailing. This could include an additional full line supermarket and other food and retailing specialties.

- **Stimulate demand for office development:** Better promotion of Castlemaine as a commercial centre may go some way to stimulating demand for office development, particularly small businesses. Growth should first be explored in the population serving commercial activities such as local accountants, lawyers and other professional services.
- **Take advantage of development site opportunities within the Commercial Centre and potentially adjacent land:** The analysis shown in this report has forecast a level of growth in retail and commercial development over the next 15 years that should be able to be accommodated within the Castlemaine Commercial Centre boundary. The former bus depot site is a candidate for future investment. Should additional land be proven to be needed to accommodate development, the Castlemaine Centre has adjacent land that could be considered for inclusion in the Commercial Centre boundary at the former gasworks site.

8.4 Threats

From the analysis, the following threats have been identified.

- **Land withholding:** Planning policy seeks to reinforce the role of the Castlemaine Commercial Centre as the primary local service centre, whilst building on historic features and further improving activity mix, functionally and amenity. Whilst this is a desirable policy, a risk emerges in this context due to limited land supply for new development which can be compounded by private interests acquiring and withholding development sites from development, with a view to limit competition. Activity of this nature would limit competition and the provision of new services and jobs in the town, and increase escape spending.
- **Out of centre development:** A risk of limited land supply in town to accommodate growing demand is pressure to gain approvals for a retail facility on the fringes of Castlemaine or elsewhere outside of the Commercial Centre. This could establish a competitor to the Commercial Centre and diminish its vibrancy and primacy. An extreme case of this could lead to growing vacancy rates and reduced investment in the Commercial Centre.
- **Unsympathetic development:** Whether in or out of centre, a risk to the town is the development of shops and buildings which are not in keeping with the design and amenity qualities of the town. For example, a poorly designed and integrated major retail development could diminish the historic and tourism attributes of the town if established.

9 STRATEGY

9.1 Vision

Over the next 10 to 15 years, the Castlemaine Commercial Centre will consolidate its position as the primary retail and commercial centre in Castlemaine and surrounds, operating in a hierarchy defined by Bendigo as the regional city.

The Commercial Centre will offer more retail and commercial services, with a focus on food for home, personal services, clothing and household goods, local business services, dining, entertainment, art and cultural activities.

Additional retail and commercial investment will be supported and encouraged in the Commercial Centre boundary focusing major new investment on Forest Street. The primacy of the Commercial Centre will be protected and the use of land outside of the Commercial Centre for substantial retail activity will be discouraged. Small-scale local commercial centre development in areas outside of the Castlemaine Commercial Centre will be supported under certain conditions.

New investment in the Commercial Centre will be pedestrian oriented and sympathetic to the built form and historic fabric of the town. Homogenised and generic chain retail design formats will be discouraged in recognition of the town's point of difference. Restoration of shopfronts and sympathetic streetscape design will be encouraged.

The Commercial Centre will accommodate an additional supermarket facility, speciality shops and small niche businesses. Growth in cafes and restaurants related to tourism and a new local demographic will occur.

The walkability of the Commercial Centre will be protected and enhanced, with traffic calming and pedestrian linkages improved across Forest and Barker Streets.

9.2 Spatial Strategy

The spatial strategy for retail and commercial investment in Castlemaine is to:

- Focus major new investment in the Castlemaine Commercial Centre; and
- Enable establishment of small-scale local commercial centres in areas outside of the Commercial Centre within the town of Castlemaine provided the conditions noted below are satisfied.

A small-scale local commercial centre is defined as a retail and / or commercial centre (regardless of number of property titles) of between 200 sqm and 1,500 sqm of leaseable space.

This could comprise a small supermarket or grocery store of up to 1,000 sqm plus smaller speciality shops. A small-scale local commercial centre may be smaller than 1,500 sqm, for example comprising a small number of speciality shops or a single convenience store.

A small-scale local commercial centre:

- Must have a catchment of 1,500 dwellings in which no other small-scale local commercial centre is located; and
- Must not be located within one kilometre of the Castlemaine Commercial Centre boundary.

Any use or development or centre (over 200 sqm) that does not meet the above conditions is to locate within the Castlemaine Commercial Centre boundary.

The basis for this direction is to protect the primacy of the Castlemaine Commercial Centre in the municipality whilst also enabling some local convenience services to establish close to where people live.

This approach is justified by the analysis shown in this report which has forecast a level of growth in retail and commercial development over the next 15 years that should be able to be accommodated within the Castlemaine Commercial Centre boundary.

Within the Castlemaine Commercial Centre, the major development site for retail and commercial investment, in particular another supermarket, is assessed to be the former bus depot site on the corner of Forest and Barker Streets.

Should the Commercial Centre redevelop in accordance with the recommendations of this strategy, and further major retail and / or commercial investment is proposed, it is recommended that Council assess whether the former gasworks site is suitable for inclusion in the Commercial Centre boundary.

9.3 Strategies and Actions

Strategy 1 - Confirm the Castlemaine Commercial Centre as the primary centre in Castlemaine whilst enabling small-scale local commercial centre development outside of the Castlemaine Commercial Centre under certain conditions.

Action 1 – Update the Planning Scheme to reflect the intent and vision of this strategy by including the text and map shown in section 9.4 of this report (Planning Scheme Policy) in the Planning Scheme.

Strategy 2 - Facilitate more retail and commercial investment along Forest Street.

Action 2 - Identify the former bus depot site and adjacent land in planning and economic policy as the preferred location for major new retail and commercial investment, in particular as the preferred location for another supermarket.

Action 3– Prepare a structure plan and design framework to guide future development along the Forest Street and Barker Street corridors.

Strategy 3 - Improve Commercial Centre walkability across Forest and Barker Streets.

Action 4 – In collaboration with traders, the community and VicRoads, undertake a pedestrian access and traffic calming design study to identify ways of better integrating the south side of Forest Street and the west side of Barker Street to the core of the Commercial Centre.

Strategy 4 – Facilitate and support good urban design.

Action 5 – Prepare graphic design concepts and marketing material of Commercial Centre investment possibilities focusing on key sites and redevelopment and restoration opportunities. This should showcase concepts in images to help guide investor thinking.

Action 6 – Provide planning and design advice to proponents of retail and commercial developments so as to help facilitate desirable outcomes (request Department of Planning and Community Development’s assistance for this action).

Strategy 5 – Facilitate and support trader co-ordination and small business development.

Action 7 – Establish a Commercial Centre place manager to help trader co-ordination activities and facilitate desired investment outcomes.

Action 8 – Provide small business start-up advice and referral services in collaboration with Department of Business and Innovation and regional organisations.

Action 9 - Develop an investment attraction strategy to attract retail and business investors to the Commercial Centre, including supermarket investment.

Strategy 6 – Discourage Commercial Centre land withholding.

Action 10 – Explore options to discourage strategic site land banking and underdevelopment of strategic sites.

9.4 Planning Scheme Policy

The following text and map are recommended to be included in the Mount Alexander Planning Scheme.

Retail and Commercial Vision

Over the next 10 to 15 years, the Castlemaine Commercial Centre will consolidate its position as the primary retail and commercial centre in Castlemaine and surrounds, operating in a hierarchy defined by Bendigo as the regional city.

The Commercial Centre will offer more retail and commercial services, with a focus on food for home, personal services, clothing and household goods, local business services, dining, entertainment, art and cultural activities.

Additional retail and commercial investment will be supported and encouraged in the Commercial Centre boundary focusing major new investment on Forest Street. The primacy of the Commercial Centre will be protected and the use of land outside of the Commercial Centre for substantial retail activity will be discouraged. Small-scale local commercial centre development in areas outside of the Castlemaine Commercial Centre will be supported under certain conditions.

New investment in the Commercial Centre will be pedestrian oriented and sympathetic to the built form and historic fabric of the town. Homogenised and generic chain retail design formats will be discouraged in recognition of the town's point of difference. Restoration of shopfronts and sympathetic streetscape design will be encouraged.

The Commercial Centre will accommodate an additional supermarket facility, speciality shops and small niche businesses. Growth in cafes and restaurants related to tourism and a new local demographic will occur.

The walkability of the Commercial Centre will be protected and enhanced, with traffic calming and pedestrian linkages improved across Forest and Barker Streets.

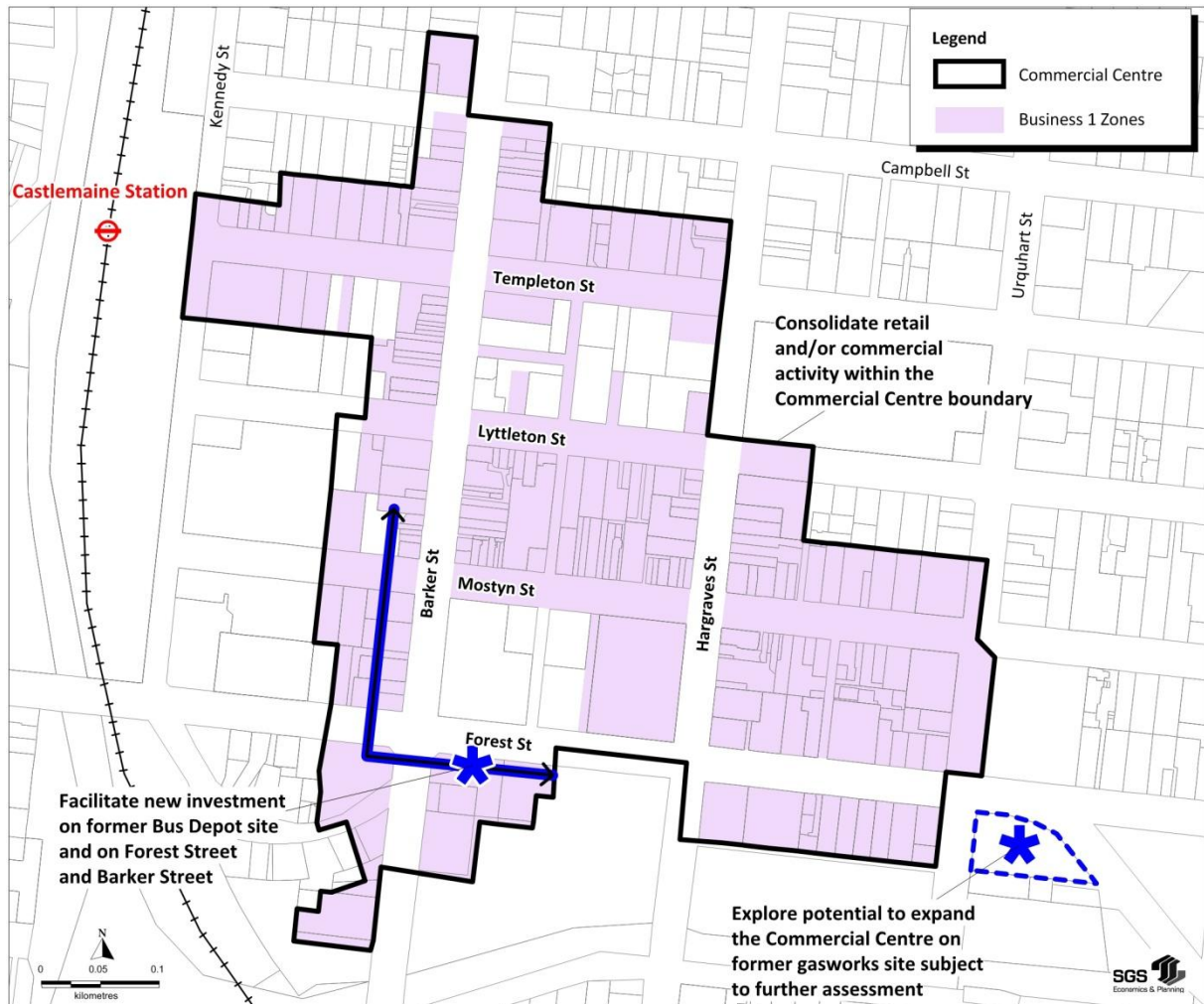
Retail and Commercial Policy

It is policy to:

- *Focus major new retail and / or commercial investment in the Castlemaine Commercial Centre – see figure below for a boundary map; and*
- *Enable establishment of small-scale local commercial centres in areas outside of the Commercial Centre within the town of Castlemaine provided the conditions noted below are satisfied.*

Retail or Commercial is defined as those uses nested as Retail Premises or Office at clause 75 of the Planning Scheme.

Castlemaine Commercial Centre Boundary Map



Major New Retail and / or Commercial Investment

Any retail and / or commercial use or development or centre (over 200 sqm leaseable floor space) in Castlemaine that does not qualify to be defined as a 'small-scale local commercial centre' as noted below is to locate within the Castlemaine Commercial Centre boundary.

It is policy to encourage:

- More retail and commercial investment along the Forest and Barker Street corridors within the Commercial Centre boundary; and
- Major new retail and commercial investment, in particular another supermarket, on the former bus depot site and adjacent land.

Small-Scale Local Commercial Centres

A 'small-scale local commercial centre' is a retail and / or commercial use or centre of between 200 sqm and 1,500 sqm of leaseable floorspace.

To be supported, a small-scale local commercial centre:

- Must have a catchment of 1,500 dwellings in which no other small-scale local commercial centre is located; and*
- Must not be located within one kilometre of the Castlemaine Commercial Centre boundary.*

10 IMPLEMENTATION

The implementation plan for this strategy is shown below. The funds necessary to implement the Study may come from Council resources, State or Federal government grant programs and Special Charge Schemes. The timing for implementation will be dependent on available funds and an indicative timeline is shown below

Implementation Plan

Strategy	Action	Lead Agency	Potential Partner(s) (Subject to Request and Confirmation)	Timing
Strategy 1 - Confirm the Castlemaine Commercial Centre as the primary centre in Castlemaine whilst enabling small-scale local commercial centre development outside of the Castlemaine Commercial Centre under certain conditions.	Action 1 – Update the Planning Scheme to reflect the intent and vision of this strategy by including the text and map shown in section 9.4 (Planning Scheme Policy) of this report in the Planning Scheme.	MASC	-	Within 12 months
	Action 2 - Identify the former bus depot site and adjacent land in planning and economic policy as the preferred location for major new retail and commercial investment.	MASC	Landholders	Ongoing
Strategy 2 - Facilitate more retail and commercial investment along Forest Street.	Action 3 – Prepare a structure plan and design framework to guide future development along the Forest Street and Barker Street corridors.	MASC / Landholders	MASC / Landholders, DPCD	Within 24 months
	Action 4 – In collaboration with traders, the community and VicRoads, undertake a pedestrian access and traffic calming design study to identify ways of better integrating the south side of Forest Street and the west side of Barker Street to the core of the Commercial Centre.	MASC / VicRoads	MASC / VicRoads, Landholders	Ongoing
Strategy 3 - Improve Commercial Centre walkability across Forest and Barker Streets.	Action 5 – Prepare graphic design concepts and marketing material of Commercial Centre investment possibilities focusing on key sites and redevelopment and restoration opportunities. This should showcase concepts in images to help guide investor thinking.	MASC	DPCD, DBI, Landholders	Within 24 Months
Strategy 4 – Facilitate and support good urban design.	Action 6 – Provide planning and design advice to proponents of retail and commercial developments so as to help facilitate desirable outcomes (request Department of Planning and Community Development’s assistance for this action).	MASC	DPCD	Ongoing
	Action 7 – Establish a Commercial Centre place manager to help trader co-ordination activities and facilitate desired investment outcomes.	MASC	DPCD	Ongoing
Strategy 5 – Facilitate and support trader co-ordination and small business development.	Action 8 – Provide small business start-up advice and referral services in collaboration with Department of Business and Innovation and regional organisations.	MASC	DBI	Ongoing
	Action 9 - Develop an investment attraction strategy to attract retail and business investors to the Commercial Centre, including supermarket investment.	MASC	DBI, Landholders	Within 24 months
	Action 10 – Explore options to discourage strategic site land banking and underdevelopment of strategic sites.	MASC	-	Ongoing

MASC = Mount Alexander Shire Council

DPCD = Department of Planning and Community Development

DBI = Department of Business and Innovation

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