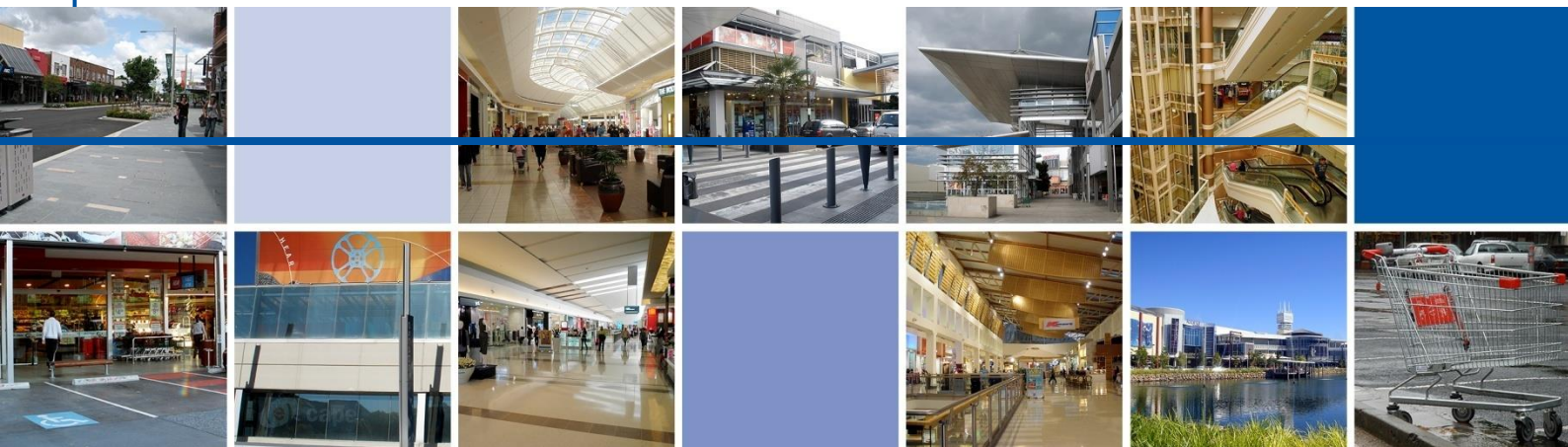


Shell Cove Boat Harbour

Economic Impact Assessment

April 2017



Prepared for:

Frasers Property Group

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Table of contents

Executive Summary	5
Overview	5
The current project approval	6
Specific modelling assumptions	7
Headline economic impact assessment results	8
Section 1: Introduction	10
1.1 Project Scope	10
1.2 Information Sources	10
1.3 Limitations	11
Section 2: Background	12
2.1 Locational Setting	12
2.2 Development Details	13
Section 3: Policy Context	16
3.1 Overview	16
Section 4: Economic Assessment Approach	18
4.1 Expenditure Impact Calculation	19
4.1.1 Construction and maintenance expenditure	19
4.1.2 Resident Expenditure	19
4.1.3 Tourism/ Visitor Expenditure	20
4.2 Employment Generation Calculation	20
4.2.1 Direct Employment (Initial Effects)	20
Section 5: Specific Assessment Assumptions	21
5.1 Construction expenditure	21
5.2 Resident Profile	22
5.3 Trends in Tourism and Conferencing Activity	23
5.3.1 Tourism Trends	23
5.4 Visitor Profile	25
5.4.1 Conference visitors	25
5.4.2 Holiday and Recreation Visitors	26

Section 6: Assessment Results	28
6.1 Expenditure Impacts	28
6.2 Employment Generation	29
Section 7: Conclusion	30
Appendix A: Shell Cove Development Cash Flow	31
Appendix B: Reference – Hunter Regions	32

Executive Summary

Overview

1. MacroPlan has been engaged by Frasers Property Group to undertake an economic and impact assessment of the Shell Cove Boat Harbour project, a major residential & tourist development at Shell Cove.
2. This assessment examines the expected expenditure benefits and employment generated as part of the construction and ongoing operation of the impact from the Boat Harbour project. Economic impacts are framed around construction, resident and tourist expenditure, as well as incomes accruing to commercial operations enabled by the project.
3. The economic impact is based on the effect the project has on outputs to the local economy based on a 20-year assessment period from 2017 to completion. This analysis updates a previous MacroPlan economic impact assessment report of the Boat Harbour project, dated May 2008.
4. The values in this report are not directly comparable with the previous 2008 report, because the net present values are presented in 2017 dollars, in contrast to the prior analysis in 2008 dollars. To evaluate the impact of proposed changes to the masterplan for the Boat Harbour, we address the scale and context of the floorspace amendments.
5. The proposed changes are expected to raise the project's benefits for the local tourism industry. Removing hotel uses from the floorspace cap is preferable, as it allows for potential additions to the scale of hotel services (beyond those that are currently planned). Allowing for a taller hotel will increase the number of rooms with ocean views, which are particularly attractive for tourists but currently lacking in the Shellharbour region. The proposed amendment will also facilitate a higher number of holiday homes, with apartments that are close to the harbour precinct and with views of water and boats.

The current project approval

1. The Shell Cove project is a large scale, master-planned, urban development located on the New South Wales Coast in the Shellharbour City region.
2. The project comprises development of over 3,000 residential dwellings, a 300 berth boat harbour, 18 hole championship golf course, district retail centre, community facilities and open space networks.
3. This assessment looks generally at the economic impacts from the Boat Harbour Project, inclusive of the amendments specified in the current proposal. The proposed Boat Harbour Project includes:
 - Subdivision Construction (including Waterfront Precinct)
 - Major Works Civils (wetlands, major roads, etc.) and Boat harbour Civil
 - Residential housing
 - Retail (supermarket, specialty shops, restaurants, tavern, etc.)
 - Accommodation Hotel
 - Community centre and library
 - Business park campus precinct
 - Marina Dry Stack and other facilities
4. When completed, the development will include quality short-stay accommodation with high quality conference facilities. The facility will have the ability to accommodate and service large number of visitors to the region for both business and holiday purposes. We note that the proposal is for the facility to comprise hotel and serviced apartments, in a building format that may be integrated with standard residential apartments.
5. Flexibility on the use between hotel and serviced apartments is necessary to allow for a business operator to choose the better format and offering for the specific market position of the Boat Harbour. Potential for some integration with standard residential apartments is necessary in order to allow for a blend with serviced apartments, if this format of accommodation is pursued by a business operator.

Specific modelling assumptions

1. The economic impact assessment comprises an expenditure based calculation of value-added associated with the project. Direct and first-round indirect effects are included in the modelling projections. Further multiplier effects are not included in the calculations, as MacroPlan does not believe that these effects can be adequately calculated for the Shellharbour or broader Illawarra region. This approach to calculation of the economic impacts is more conservative than that provided in the 2008 economic assessment report.
2. Greater tourism visitation is an important feature of the Boat Harbour project, as the new assets provide an attraction that is unique within the region. The expenditure by residents and tourists will genuinely add to the region's economic base, rather than just shifting spend from one part of the Illawarra region to another. Visitation from Sydney is likely to be the dominant source of expenditure, but there will also be attraction for international tourists, given the Boat Harbour's proximity to Sydney and the scale of overseas students at the University of Wollongong.
3. Tourism potential is critical to the proposed amendments to the project approval. A greater height for the short-term accommodation offering reflects the importance of the tourism assets, and this building will provide a visual focal point for the project. A higher yield of apartments is also relevant, as it will allow for more holiday homes to be produced. The Boat Harbour is likely to be particularly attractive to holiday home owners from Sydney. This yield is beneficial for the local economy given that there are few apartments being developed along the Shellharbour coast line.
4. MacroPlan developed particular assumptions about resident and visitor profiles and expenditure patterns to assess the economic impact of the project. Assumptions about length of stay at the hotel were made and applied to Tourism Research Australia data on expenditure by overnight holiday and conference visitors.
5. These assumptions were then used to estimate expenditures per trip at Shell Cove project for visitors. Details on the specific assessment assumptions used in the calculations of economic and employment impact are provided in more detail in a following section.

Headline economic impact assessment results

1. For the Shellharbour LGA and broader Illawarra economies, the proposed Boat Harbour precinct will generate:
 - Extensive new construction industry jobs.
 - Increased expenditure by residents and visitors (including holiday home owners).
 - Induced new expenditure and employment in other industries including retail, conferencing, restaurants and tourism.
 - Increased local job opportunities through the provision of a business park
2. Inclusive of the proposed amendments, MacroPlan has estimated that the economic impact in Net Present Value (NPV in 2017 dollars) terms of the Boat Harbour precinct project will be \$1.25 billion over a 20-year period from 2017. This comprises of:
 - \$482 million in construction and maintenance expenditure
 - \$436 million in residential expenditure from residents living within the Boat Harbour precinct
 - \$335 million in tourist expenditure from tourists staying at the hotel
3. It is noted that there will be flow on benefits to the regional and national economy. These secondary effects have not been calculated due to the absence of interregional input-output tables.
4. The Boat Harbour project will directly generate employment opportunities as below:

Employment Impact

	Full Time Equivalent Jobs
Construction Employment (p.a.)	295
Maintenance Expenditure (p.a.)	30
Tourism Generated Employment (p.a.)	416
Resident Generated Employment (p.a.)	477

Source: MacroPlan (2017)

Conclusion

1. The Shell Cove Boat Harbour Project represents a critical investment for the local area of Shell Cove and the Shellharbour City region. Benefits will flow more broadly into the wider Illawarra region.
2. The benefits include:
 - A major ongoing construction program across a number of different residential and commercial products supporting spending and employment multipliers throughout the region.
 - The provision of local jobs in retailing, hospitality and commercial activities for local residents, encouraging sustainable private commuting behaviour.
 - The offer of a wide range of residential dwellings not typically offered in the area.
3. The Shell Cove Boat Harbour Project will contribute to the establishment of a sustainable regional economy within the City of Shellharbour through new expenditure from residents and tourists.
4. The project will further develop a focus for tourism within region. The provision of a hotel with conference facilities as well as the golf course develop is likely to attract delegates and businesses looking for a unique experience in an attractive recreational location.

Section 1: Introduction

We note that JBA is currently engaged by Frasers Property Group and seeks for modification to the Shell Cove Boat Harbour Concept Plan Approval, under 75W of the Environmental Planning and Assessment ACT 1979, in response to design development, market trends, and to provide more flexibility in the future.

MacroPlan has been engaged by Frasers Property Group to assess the economic impact of the Shell Cove Project, inclusive of the proposed amendments to the project plan.

As part of preparing the submission, this assessment includes a review of the economic impact of the construction expenditure at the project, the new residents and tourism sector benefits from induced visitors (conference, holiday and day visitors).

1.1 Project Scope

The report is set out as follows:

- Section 2 – Examines the locational setting and the expected configuration of the proposed development.
- Section 3 – Discusses the key policy drivers, from the Illawarra-Shoalhaven regional Plan, affecting the current study.
- Section 4 – Reviews the overall assessment approach taken in this economic impact assessment.
- Section 5 – Describes the specific assessment assumptions that MacroPlan has used including profiles of visitors to the project.
- Section 6 – Reports the assessment results including a review of the expected economic impact, employment creation and visitor expenditures.
- Section 7 – Provides a conclusion to the assessment.

1.2 Information Sources

This report draws on a wide range of information sources. The more important information sources include:

- ABS Input- Output Multipliers
- ABS: Survey of Tourist Accommodation – Small Area Data 8635.2
- Tourism Research Australia

1.3 Limitations

The information in this report has been obtained from, and opinions herein are based on, sources believed to be reliable. Although great care has been taken to ensure accuracy and completeness in this report, MacroPlan has not independently verified and does not accept responsibility for its completeness and accuracy of the factual information on which its opinions and assumptions are based. Further, as the report involves future forecasts, it can be affected by a number of unforeseen variables. It represents for the party to whom or which it is addressed the best estimates of MacroPlan, but MacroPlan can give no assurance that any forecasts will be achieved.

Section 2: Background

2.1 Locational Setting

The site sits within the Shellharbour Statistical Local Area, (as defined by the ABS), and is located 17km south of Wollongong. Shell Cove is approximately 2 hours from the Sydney CBD.

As illustrated in the map below, the site is located adjacent to the Pacific Ocean with frontage to Shellharbour beach. The site is accessed via Shellharbour Road, which intersects with the Princess Highway at Dunmore.

Regional Location Map



Source: MacroPlan (2017)

2.2 Development Details

The Shell Cove project comprises development of a community with over 3,000 residential dwellings, a 300 berth boat harbour, 18 hole championship golf course, district retail centres, community facilities and open space networks. In November, 1996 the Minister for Planning approved a proposed Boat Harbour and associated Marina at Shell Cove.

Approved Concept Plan



Source: COX Richardson (2017)

The proposal for adjustment to the approved project represents a substantively different position for the commercial property within the project. Currently, the commercial property is specified for two locations (the town centre, and a separate element at the mouth of the harbour). In the proposed amended plan, the commercial uses are consolidated to be within the town centre precinct. This adjustment is preferable, as it allows all of the short-term accommodation to achieve leverage from retail services and direct access to the harbour.

The terms of the **current** Shell Cove Boat Harbour Concept Plan Approval are as follows:

- Up to 1,238 dwellings with a total gross floor area of approximately 150,000m² comprising single dwellings, medium density and apartments.

- A business park with a maximum gross floor area of 30,000m².
- Retail/commercial/hotel/community development with a maximum gross floor area of 22,000m².
- Public open space and wetlands.
- Associated drainage, stormwater infrastructure and roads.

This assessment specifically assesses the economic impact from the Boat Harbour Project, **inclusive of the proposed amendments**. The details of the proposed modifications to the aforementioned approval are as follows:

The details of the **proposed** modifications to the aforementioned approval are as follows:

- Up to 1,556 dwellings comprising single dwellings, medium density and apartments.
- Increase the maximum height of the residential flat buildings from 4 storeys to 6 storeys in parts of the Shell Cove Town Centre.
- Relocate the proposed Shell Cove Town Centre hotel and increase its maximum height from 9 storeys to 11 storeys.
- Allow the additional permit for both serviced and residential apartments development in the hotel building(s) .
- Retail and commercial development combined retains with a maximum gross floor area of 22,000m².

Revised Concept Plan Principles



Revised Concept Plan Principles



Source: COX Richardson (2017)

Components of the Boat Harbour Project

Component	Details
Civil Constructions	<ul style="list-style-type: none"> Subdivision Construction (including Waterfront Precinct) Major Works Civils (wetlands, major roads, etc) Boat harbour Civil
Residential Developments	<ul style="list-style-type: none"> 2,104 low density houses 459 median density houses 778 high density houses
Retail	<ul style="list-style-type: none"> Supermarket Specialty shops Restaurant precinct Tavern
Hotel	<ul style="list-style-type: none"> With supporting restaurant, bar, conference, reception and service areas
Business Park	<ul style="list-style-type: none"> 20,000sqm GFA of commercial space in business park
Community Uses	<ul style="list-style-type: none"> Community Centre/Library
Marina Dry Stack	<ul style="list-style-type: none"> Marina Dry Stack Marina Maintenance yard and travel lift

Section 3: Policy Context

3.1 Overview

This section discusses the key policy drivers affecting the current study.

Illawarra-Shoalhaven Regional Plan

The Illawarra Region is framed by the natural features of the Illawarra Escarpment and coastline. It is home to more than 400,000 people, delivered \$16.2 billion in economic output to the State (in 2013), and the regional city of Wollongong. The southern portion of the region is characterised by cultural landscapes and agricultural lands that provide a long-term resource for sustainable food production.

According to the latest NSW population projections, by 2036, the region's population is expected to increase by 60,400 people from 2016. The Regional Plan aims to ensure that adequate housing is available and appropriately located to sustainably accommodate the region's sustainable economic growth over the next 20 years. The Plan also integrates economic, social and environmental considerations in the interests of achieving ecologically sustainable development for the region.

Selected items with most relevance to the subject area as follows:

- Develop a stronger marine-based tourism industry, capitalising on the region's numerous small ports and building on The Waterfront, Shell Cove marine facility
- Deliver housing in new release areas best suited to build new communities, provide housing choice and avoid environmental impact Established and smaller release areas will add to the diversity of supply such as Shell Cove, Tullimbar, Haywards Bay, South Kiama, West Culburra, Vincentia, Sussex Inlet, Manyana and Milton-Ulladulla.
- Sequence release areas, in the vicinity of mineral resources, to allow the continuation of working extraction activities. In addition, identified release areas such as Shell Cove (near Bass Point Quarry) and Spring Creek (near Bombo Quarry) have sequenced development so that working quarries can

continue to operate. This approach to the staged rollout of new release areas in the vicinity of extractive operations should continue.

The Plan applies to the four local government areas of Kiama, Shellharbour, Shoalhaven and Wollongong. The Plan will be reviewed every five years. The implementation of these actions, in the Regional Plan, will be the responsibility of the NSW Government, the four local Councils and the Illawarra Pilot Joint Organisation (JO).

Section 4: Economic Assessment Approach

Details of specific assumptions used by MacroPlan in assessing the expenditure and employment generation impacts of proposed developments are outlined under each development sub-section in this report.

Boat Harbour Project – Indicative Yield numbers for revised 75w

Precinct	Apartments	Land Lots	Additional duplex yield	Medium density	Studios	Total
B2	81			38	6	125
C2	99			39	6	144
B1/C1		88	14	133	15	250
E	120	57	9	65	8	259
A1		32	4	7	1	44
A2		40	3	41	7	91
F & G	102	38	7	82	10	239
H	100	64	7	10	2	183
D	221					221
Total	723	319	44	415	55	1,556

Source: Frasers Property Group (2017)

The general approach taken by MacroPlan in assessing the 'economic impact' of a particular development proposal includes an expenditure and employment assessment.

The economic impact analysis is based on the effect the project has on inputs and outputs to the local economy based on a 20 year assessment period. The economic benefits of particular projects assessed in this report include:

- The total expenditure generated by the project.
- The employment outcomes based on the number of jobs supported within the development and identified expenditure impacts.

Whilst this assessment has included the calculation of direct and indirect expenditure flows, the key benefits for the local economy will primarily come from the direct increase in expenditure within the immediate area. The multiplier effect, whilst significant, will

primarily tend to benefit the regional and national economy, although undoubtedly some of the multiplier effect will benefit local suppliers across a wide range of industries.

The economic impact assessment differs from a Benefit Cost Analysis framework by analysing the following factors, including:

- Employment generation (long term, short term etc);
- Private expenditure levels/ leverage; and
- Value adding;
- Multiplier effects;
- Integration with existing facilities and services and linkages to other visitor attractions;
- Other relevant factors including expenditure on other industries

4.1 Expenditure Impact Calculation

4.1.1 Construction and maintenance expenditure

Construction expenditure has been separated into two broad phases, development expenditure (i.e. construction) and on-going maintenance expenditure. These expenditure streams (i.e. both development and on-going maintenance) directly support employment in the construction industry.

For the purpose of this study, specifically the preparation of the site and construction of facilities, different timeframes have been used depending on the particular development. The assumed construction timeline is highlighted under each sub-section of this report.

4.1.2 Resident Expenditure

The proposed development will also attract permanent residents that will contribute to local and regional economic activity by virtue of their expenditures. The resident expenditures have been calculated based on average household expenditures over a 20-year period for New South Wales on a per capita basis.

Compared to our previous assessment (2008), there is an adjustment made to household expenditures to align household size with dwelling format. Apartments are expected to comprise smaller households than detached houses and townhouses.

4.1.3 Tourism/ Visitor Expenditure

The proposed development will also generate potential benefits from the expenditure of visitors. These benefits will be induced through an increased capacity for the Illawarra Region and Shell Cove project to attract and accommodate additional visitors for increased periods of time. Flow-on effects include additional expenditure, which supports the overall sustainability of commercial uses as well as growth providing additional local employment for residents.

The importance of tourism expenditure is significant particularly given that some of this expenditure represents “new” money injected into the economy from interstate or overseas and not a redirection of expenditure from elsewhere in the economy.

Induced tourism/ visitor expenditure has been calculated based on a detailed review of the Tourism Research Australia Local Government Area Profiles.

4.2 Employment Generation Calculation

The proposed development will generate significant employment opportunities. Employment opportunities are classified into two categories:

- Direct employment: the initial amount of on-going jobs directly created by the proposed development; and
- Indirect employment: additional on-going jobs indirectly created by the proposed development in other industries.

4.2.1 Direct Employment (Initial Effects)

Direct employment in this case refers to the initial amount of employment created directly as a result of the proposed developments expenditure. Every dollar spent in the Australian economy sustains employment directly within the industry that it is spent. For instance, for every \$1 million dollars that is spent in the retail industry, 12 retail industry jobs are created and sustained. The amount of direct employment generated differs between industries, depending upon the levels of output, contribution to the economy and labour intensity. The ABS calculates these initial employment effects for each industry based upon a detailed input-output analysis of the Australian economy.

In order to calculate the amount of direct employment generated by the proposal, ABS industry employment multipliers were applied to the amount of expenditure generated in each industry as a result of construction, resident expenditure, and visitor expenditure.

Section 5: Specific Assessment Assumptions

MacroPlan has made the following key assumptions as part of the assessment of the economic impact of the development.

This assessment has not been designed to calculate expenditure by visitors and residents at the proposed development in isolation. Our calculations of impact are based on an assumed visitor profile and resident profile that may be visiting, residing at or living at the development in the short term. Based on this approach we can calculate the expenditure and employment impact of visitors and residents.

5.1 Construction expenditure

Construction expenditure estimates used in this assessment have been estimated by Frasers Property Group. The construction expenditure items are as follows:

Civil Constructions	
Subdivision Construction (including Waterfront Precinct)	\$407,293,000
Major Works Civils (wetlands, major roads, etc)	\$70,654,000
Boat Harbour Civil	\$183,174,000
Residential Developments	
2,104 low density dwellings	\$994,650,000
459 median density dwellings	\$180,300,000
778 high density dwellings	\$350,100,000
Retail	
Supermarket, specialty shops	\$22,580,000
Restaurant precinct	\$2,859,500
Other retail uses	\$1,610,000
Tavern	\$4,940,000
Other Facilities	
Hotel	\$65,370,000
Business Park	\$45,000,000
Community Centre/Library	\$10,600,000
Marina Dry Stack and other facilities	\$4,000,000

Source: Frasers Property Group (2017)

The following assumptions have been made:

- Forecast costs for infrastructure, subdivision works and Boat Harbour civil works extracted from Shell Cove feasibility and based on actual costs plus detailed estimates.
- Commercial, retail and apartment construction costs based on unit rates provided by Frasers Property Group.
- Detached housing costs are included as third party expenditure and based on an estimated average cost per dwelling.

The timing of construction has been based on information supplied by Frasers Property Group.

Our assessment and findings are illustrated overleaf (Appendix A).

5.2 Resident Profile

MacroPlan has assessed a resident profile based on the likely owners – and or renters – of the 1,556 dwellings that will be provided at the Boat Harbour development. This is comprised of the following:

Precinct	Apartments	Land Lots	Additional duplex yield	Medium density	Studios	Total
B2	81			38	6	125
C2	99			39	6	144
B1/C1		88	14	133	15	250
E	120	57	9	65	8	259
A1		32	4	7	1	44
A2		40	3	41	7	91
F & G	102	38	7	82	10	239
H	100	64	7	10	2	183
D	221					221
Total	723	319	44	415	55	1,556

Source: Frasers Property Group (2017)

MacroPlan has assumed that the each dwelling will accommodate a household with expenditure levels similar to an average of \$300 per day. This is sourced from the ABS Household expenditure survey (2009-10)¹.

¹ The expenditure figure has escalated in relation to the consumer price index

5.3 Trends in Tourism and Conferencing Activity

MacroPlan has undertaken an overview assessment of recent trends in tourist and conferencing activity as part of our assessment of likely visitor profiles at the proposed development. The ABS 'Tourist Accommodation' (2015-16, cat no. 8635.0) and the 'Local Government Area Profiles' prepared by Tourism Research Australia have been used to review this activity.

MacroPlan have used the following LGAs as a benchmark for the tourist market at Shell Cove; Kiama, Shellharbour, and Wollongong (Illawarra region). We have used the wider catchment as the sample sizes for Shell Cove region were small. The aforementioned LGAs represent a market that provides a reasonable benchmark for the potential scale of visitation to the proposed Boat Harbour.

We note that the Boat Harbour represents a major new tourism asset for the region, and visitation from Sydney residents and overseas visitors is likely to be stimulated. Hence, the project is expected to expand the regional tourism market, and this adds to the argument that the economic impacts are genuine additions to the local economy, rather than shifting activity from one part of the region to another.

5.3.1 Tourism Trends

An overview of the recent tourism activity is provided below:

Holiday Visitors – Selected LGAs

	Annual Average (2012–15)
Expenditure (\$'000)	\$133,625
Overnight visitors ('000)	1,069
Average Expenditure per Overnight Visitor	\$125

Source: Local Government Area Profiles (TRA)

MacroPlan has also reviewed conference activity in the Illawarra region:

Conference Visitor Trends – Selected LGAs

	Average (2012–15)
Expenditure (\$'000)	\$18,400

Overnight visitors ('000)	100
Average Expenditure per Overnight Visitor	\$184

Source: Local Government Area Profiles (TRA)

The regional tourism and conferencing market is suffering due to the lack of investment in quality assets.

Moreover, the number of overnight visitors has almost halved since 2004-06, from 173,000 to 100,000. Our analysis shows that the Illawarra region is experiencing lack of quality hotels, especially for business travellers.

The assessment of conferencing activity in the catchment reveals that the average expenditure by overnight conference visitors has decreased from \$252 in 2004-06 to \$184 in 2012-15.

A review of room occupancy rates and average lengths of stay has also been undertaken for input into our impact modelling. It is evident that room occupancy in the region is relatively low, as the target benchmark for most operators would be an occupancy rate of 75%. In Sydney, the core CBD market now has a very high occupancy rate in the order of 80%, due to the boom in overseas tourism activity.

Tourist accommodation recent performance – Illawarra

	Room occupancy rate	Average length of stay
	(%)	(days)
June Quarter 2016	54.2	1.5
March Quarter 2016	65.7	1.7
December Quarter 2015	63.7	1.6
September Quarter 2015	53.1	1.6
Average 2016	59.1	1.6

Source: ABS Tourist Accommodation' (2015-16, cat no. 8635.0)

It is evident that this demand is not flowing into the Illawarra region, despite the success of the University of Wollongong in attracting overseas students, who tend to be a source of attraction for family and friends visiting Australia.

Again, the low rate of occupancy is indicative of the latent demand for accommodation within the Shell Cove and its surrounding regions. The Sydney tourism activity is

growing and recent major greenfield and infrastructure projects within the catchment contribute to this growth in accommodation demand, particularly the business visitor market. Continued low occupancy rates indicate that the Illawarra region is lacking in points of difference that will attract tourists, particularly those from overseas. In contrast, hotel demand in the Hunter region is booming, and the rate of construction for new accommodation is propelling the region's jobs growth.

The Boat Harbour project, particularly the new landmark hotel and serviced apartments, will cater towards the increasing demand for quality accommodation which has significant potential to capture expenditure that is not currently flowing into the region.

5.4 Visitor Profile

MacroPlan has developed an assumed profile of visitors to the development for the purposes of profiling conference activity and holiday visitors. The characteristics and spending patterns of visitors – including their expenditure on other activities – has been informed by Tourism Research Australia data (highlighted above) and our knowledge of conferencing and visitor activity in Shell Cove (i.e. potential new hotel and service apartments).

5.4.1 Conference visitors

MacroPlan examined spending characteristics of overnight stay conference visitors to the selected LGAs as a market benchmark for Shell Cove.

Assessment of average trip expenditure per overnight conference visitor between 2012 and 2015 equated to \$184. It must be noted that this expenditure is an 'average' and may be conservative in representing the trip expenditure of visitors attending a high level conference and residing in premium accommodation (MPD projection \$220 per visitor).

Based on this finding MacroPlan made the following assumptions:

- Conference visitors stay between Monday and Thursday nights for an average of one night. This means that there is potential for the hotel to be utilised by conference visitors for 208 nights of the year (4 nights*52 weeks).
- A 100% occupancy rate will not be achieved at the development throughout the year. MacroPlan assessed occupancy rates at resorts and hotels in the Illawarra region in 2016 and found they averaged approximately 75%.
- With 168 suites in the hotel (MacroPlan Assumption), the 208 trips per year at 75% occupancy rate are then applied to the average length of stay. As conference

visitors stay an average of one night, total trips per year for conferencing would equate to $168 \times 208 \times 0.75 / 1 = 26,208$ trips per annum.

- The 26,208 trips per annum are then applied to the average trip expenditure of \$220 per trip to generate an expenditure impact for conference visitors. Not all of the \$220 is spent at the development. Significant proportions are spent on other activities and locations in the Shell Cove region including golf or water sports.

Conference Visitor – Annual Expenditure

Expenditure	Conference
Expenditure per visitor*	\$220
Total Hotel rooms*	168
Total room nights per annum	208
Occupancy	75%
Length of stay	1
Total overnight visits per annum	26,208
Total Tourism Expenditure (p.a.) – per each Conference visitor	\$5,765,760
Visitor group size*	1.5
Total Tourism Expenditure (p.a.) – per each Conference group	\$8,648,640

*MacroPlan Projection

Source: TRA (2017), MacroPlan (2017)

5.4.2 Holiday and Recreation Visitors

In addition to our assessment of visitation generated by conferencing, MacroPlan has assessed the impact of visitation for holiday / recreational / wedding reception activity (i.e. weekend activity). We have assumed that this activity will occur on Friday, Saturday and Sunday nights i.e. 3 nights per week.

Assessment of average trip expenditure per overnight weekend visitor to the Shell Cove region between 2012 and 2015 equated to \$125. However, we anticipate a higher expenditure once the Shell Cove is offering the brand new accommodations and facilities (MPD projection \$200 per visitor).

Based on this finding MacroPlan made the following assumptions:

- Weekend visitors stay between Friday and Sunday nights for an average of 1.7 nights. This means that there is potential for the hotel to be utilised by holiday and recreational visitors for 156 nights of the year (3 nights*52 weeks).
- The 156 trips per year at 75% occupancy rate are then applied to the average length of stay. As holiday visitors stay an average of 1.7 nights, total trips per year for holiday and recreation would equate to 11,562 trips per annum.
- The 11,562 trips per annum are then applied to the average trip expenditure of \$200 per trip to generate an expenditure impact for holiday visitors. Not all of the \$200 is spent at the development. Significant proportions are spent on other activities and locations in the Shell Cove region including golf or water sports.

Holiday Visitor – Annual Expenditure

Expenditure	Conference
Expenditure per visitor*	\$200
Total Hotel rooms*	168
Total room nights per annum	156
Occupancy	75%
Length of stay	1.7
Total overnight visits per annum	11,562
Total Tourism Expenditure (p.a.) – by Holiday/Recreation visitors	\$2,312,471
Visitor group size*	2.2
Total Tourism Expenditure (p.a.) – by Holiday/Recreation group	\$5,087,436

*MacroPlan Projection

Source: TRA (2017), MacroPlan (2017)

Section 6: Assessment Results

The range of key benefits and economic impacts (including expenditure and employment generation) at the development are discussed in the further detail below.

6.1 Expenditure Impacts

The Shell Cove development will induce a range of expenditure impacts around Shell Cove and the Illawarra region from a variety of sources. The construction of the project includes the following activities:

- Boat Harbour civil including excavation, breakwaters, boardwalk, public boat ramp and marina berthing
- Boat Harbour and General project Infrastructure (e.g. roads and services, north west link road, wetlands, sewer pump stations)
- Residential construction
- Commercial construction – retail, hotel, business park
- Community infrastructure – community centre
- Other – subdivision costs, dry stack, boat maintenance

MacroPlan has assessed total expenditure by residents at the residential development. This assessment is based on expenditure flows over a 20-year period. Much of this expenditure will support the local retailing sector (e.g. the retail at the development and Shellharbour Village) and will in turn provide opportunities for other sectors in the region that supply retailers.

This analysis is based on the calculation of expenditure based input-output multipliers, with overall actual expenditure flows discounted according to a 7% discount rate at Net Present Value (NPV) of these benefits over 20 years. These are summarised below.

MacroPlan has estimated that the economic impact in Net Present Value (NPV) terms of the Boat Harbour precinct project will be \$1.25 billion over a 20-year period from 2017.

This comprises of:

- \$482 million in construction and maintenance expenditure
- \$436 million in residential expenditure from residents living within the Boat Harbour precinct
- \$335 million in tourist expenditure from tourists staying at the hotel

Expenditure Impact

Total: Years 2017-2036	NPV (\$ millions)
Construction Expenditure	\$482
Resident Expenditure	\$436
Tourist Expenditure	\$335
Total Expenditure	\$1,253

Source: MacroPlan (2017)

Notably, the economic impact from the tourism expenditures/activities is projected to be much higher than what we anticipated in 2008. This reveals the rapidly-expanding market for tourism and the premier tourism destination in NSW. The Shell Cove project has significant potential to capture the estimated expenditure at such activities.

6.2 Employment Generation

The proposed development will generate significant employment opportunities. These employment opportunities have been classified into two categories:

- Direct employment generation: the initial amount of ongoing jobs directly created by the proposed construction/ development phase and other visitor expenditure flows; and
- Indirect employment generation: additional ongoing jobs indirectly created by the proposed development in other industries not directly linked to the development

A summary of the total employment impact is provided below. Total direct employment generated from the construction of the development will average 295 (full-time equivalent) jobs per annum during the construction phase. There will also be 30 ongoing jobs related to the maintenance expenditure.

Moreover, there will also be 893 ongoing jobs from resident expenditure in other industries including retail and recreation and tourism.

Employment Impact

	Full Time Equivalent Jobs
Construction Employment (p.a.)	295
Maintenance Expenditure (p.a.)	30
Tourism Generated Employment (p.a.)	416
Resident Generated Employment (p.a.)	477

Source: MacroPlan (2017)

Section 7: Conclusion

The Shell Cove Boat Harbour project represents a major investment in the local area of Shell Cove and the Shellharbour City region. The benefits include:

- A major ongoing construction program across a number of different residential and commercial products supporting spending and employment multipliers throughout the region
- The offer of a wide range of residential dwellings not typically offered in the area
- The provision of local jobs in retailing, hospitality and commercial sector. This combined with the provision of commercial/recreational activities for residents encourages sustainable private commuting behaviour

The Shell Cove Boat Harbour project will contribute to the establishment of a sustainable regional economy within the City of Shellharbour through new expenditure from residents and tourists.

The project will further develop a focus for tourism within region. The provision of a hotel with conference facilities as well as the golf course development is likely to attract delegates and businesses looking for a unique experience in an attractive recreational location.

Appendix A: Shell Cove Development Cash Flow

Category	Note	Cost to date	Cost to go	total	2017	2018	2019	2020	2021	2022	2023	2024	2025
Subdivision Construction (stages 1 to 10)	Current Budget	\$ 193,689,000	\$ 23,807,000	\$ 217,496,000									
Subdivision Construction Waterfront Precinct	Current Budget	\$ 21,958,000	\$ 167,839,000	\$ 189,797,000	\$ 35,371,000	\$ 54,490,000	\$ 28,996,000	\$ 23,438,000	\$ 17,755,000	\$ 4,302,000	\$ 2,545,000	\$ 942,000	
Boat harbour Civil	Current Budget	\$ 108,150,000	\$ 75,024,000	\$ 183,174,000	\$ 34,735,000	\$ 18,256,000	\$ 13,294,000	\$ 1,656,000	\$ 3,500,000	\$ 3,584,000			
Major Works Civils (wetlands, major roads, etc)	Current Budget	\$ 60,463,000	\$ 10,191,000	\$ 70,654,000	\$ 6,356,000	\$ 3,501,000	\$ 156,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 31,000	\$ 26,000	\$ 13,000
Built form - Residential													
Residential homes (stage 1 to 10 * 3rd party build)	1,785 homes @ \$450,000*	\$ 783,250,000	\$ 20,000,000	\$ 803,250,000	\$ 10,000,000	\$ 10,000,000							
Medium Density Dwellings (stage 1 to 10 * 3rd party build)	44 homes @ \$325,000*	\$ 14,300,000		\$ 14,300,000									
WFP Homes - 3rd party build on land lots	319 homes @ \$600,000*		\$ 191,400,000	\$ 191,400,000	\$ 21,266,666.67	\$ 21,266,667	\$ 21,266,667	\$ 21,266,667	\$ 21,266,667	\$ 21,266,667	\$ 21,266,667	\$ 21,266,667	\$ 21,266,667
WFP MD terrace Homes - FPA build	415 homes @ \$400,000*		\$ 166,000,000	\$ 166,000,000	\$ 18,444,444	\$ 18,444,444	\$ 18,444,444	\$ 18,444,444	\$ 18,444,444	\$ 18,444,444	\$ 18,444,444	\$ 18,444,444	\$ 18,444,444
WFP Apartments - FPA external build	778 apartments @ \$450,000*		\$ 350,100,000	\$ 350,100,000	\$ 38,900,000	\$ 38,900,000	\$ 38,900,000	\$ 38,900,000	\$ 38,900,000	\$ 38,900,000	\$ 38,900,000	\$ 38,900,000	\$ 38,900,000
Built Form - Other													
Supermarket & specialty shops	RLB Cost Estimate		\$ 22,580,000	\$ 22,580,000	\$ 22,580,000								
Community Centre/Library	FPA Cost Estimate		\$ 10,600,000	\$ 10,600,000		\$ 8,000,000	\$ 2,600,000						
Restaurant precinct	817 sqm @ \$3,500 per m ²		\$ 2,859,500	\$ 2,859,500		\$ 2,000,000	\$ 859,500						
Other Retail uses	460 sqm @ \$3,500 per m ²		\$ 1,610,000	\$ 1,610,000			\$ 1,610,000						
Accommodation Hotel	RLB Cost Estimate		\$ 65,370,000	\$ 65,370,000			\$ 35,370,000	\$ 30,000,000					
Tavern	1,235 sqm \$4,000 per m ²		\$ 4,940,000	\$ 4,940,000			\$ 4,940,000						
Business park	20,000 sqm @ \$2,250 per m ²		\$ 45,000,000	\$ 45,000,000							\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Marina Dry Stack	MacroPlan Estimate		\$ 2,000,000	\$ 2,000,000				\$ 2,000,000					
Marina Maintenance yard and travel lift	MacroPlan Estimate		\$ 2,000,000	\$ 2,000,000			\$ 2,000,000						
Total		\$ 1,181,810,000	\$ 1,161,320,500	\$ 2,343,130,500	\$ 187,653,111	\$ 174,858,111	\$ 168,436,611	\$ 135,741,111	\$ 99,902,111	\$ 86,533,111	\$ 96,187,111	\$ 94,579,111	\$ 93,624,111

Source: Frasers Property Group (2017), MacroPlan (2017)

Appendix B: Reference – Hunter Regions

As a reference point, the recent trends in the Hunter regions could be relevant to setting out the long-term prospects for Shell Cove Harbour Precinct.

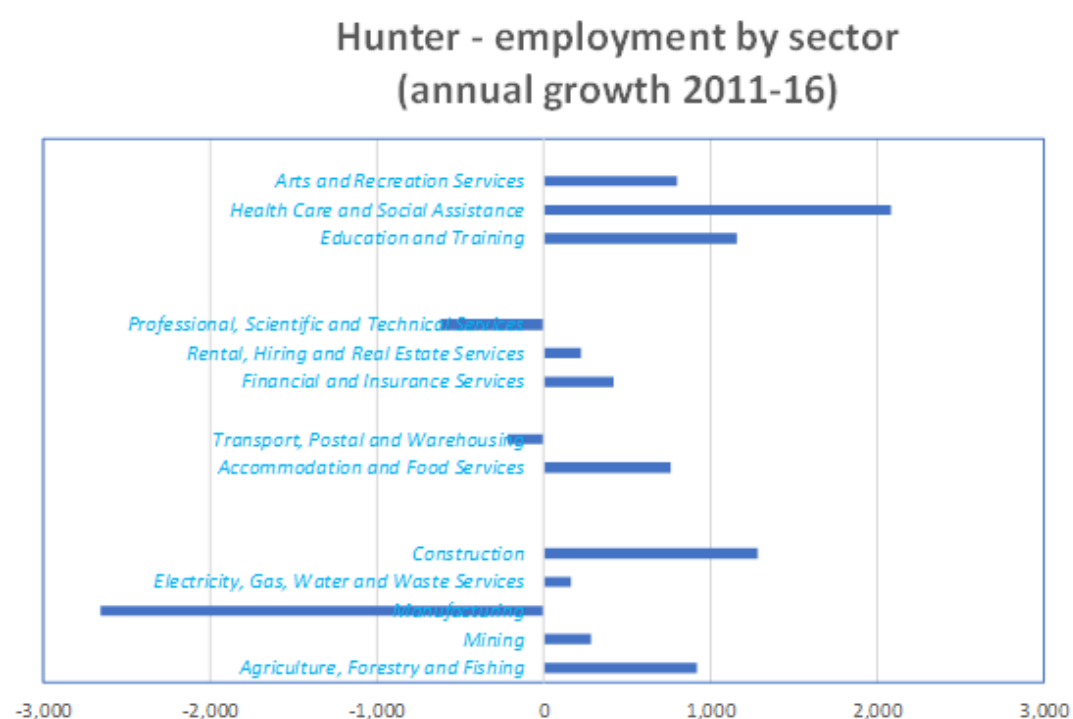
Cumulative increase in short-term accommodation (2013 – 2016)

<i>Format</i>	<i>Establishments</i>	<i>Rooms</i>
Hotels and resorts	4	640
Motels and guest houses	12	682
Serviced apartments	3	186
TOTAL	19	1,508

Source: ABS short-term accommodation data

The table above shows the expansion in the Hunter region's short-term accommodation offering in recent years. An important feature of the Hunter region's tourism is that it has leveraged greatly from proximity to the Sydney CBD and its natural environment.

Hunter region jobs growth by sector



Source: ABS labour force data