

Interim Action Plan

Economic Development

2020 – 2022

(Internal Operational Plan)

Document Purpose

This document provides an interim action plan for the delivery of City led economic development initiatives beyond the expiry of the current economic development strategy in mid-2020.

An interim plan is being put in place ahead of a new strategy in order to achieve alignment with a major review of the City's Strategic Community Plan due to take place in 2022. The actions outlined in the report will be led by the City's economic development and marketing team but may involve other City teams and resources as appropriate.

It should be noted that this document is not intended to be an economic development strategy, rather it exists as an internal action plan for City staff in order to maintain momentum around a number of city led economic development initiatives, while a strategy is being developed.

Background

In July 2019 officers undertook a review of the City's economic development strategy (2015 – 2020) in order to provide an update on the status of projects identified within that strategy and to assess current macro and microeconomic conditions relative to Fremantle's economy. The review along with a series of recommendations around an approach to the development of the next strategy was presented to Council who adopted the following resolution in August 2019:

1. Receive the Economic Development Strategy Review as provided in Attachment 1 of this item in the Finance, Policy, Operations and Legislation Committee Agenda (10 July 2019).
2. Endorse aligning the development and delivery of a new economic development strategy with:
 - a. The next major review of the Community Strategy Plan (FY 2021/22).
 - b. The next State Election (scheduled to be held on 13 March 2021).
3. Endorse the development of a 2-year action plan (2020 – 2022) to guide City led economic development initiatives beyond the expiry of the current economic development strategy, which is to be brought back to Council for review before the October meeting of Council.
4. Request the CEO to implement a process to assist the Council to refine and focus on the most relevant economic development strategies in the lead up to the next State election. The process shall include informal elected member meeting(s) or workshop(s) and deliver outcomes capable of being incorporated in the advocacy plan for implementation starting in early 2020.

This document was developed in response to item (3) outlined in the resolution.

Situational Analysis

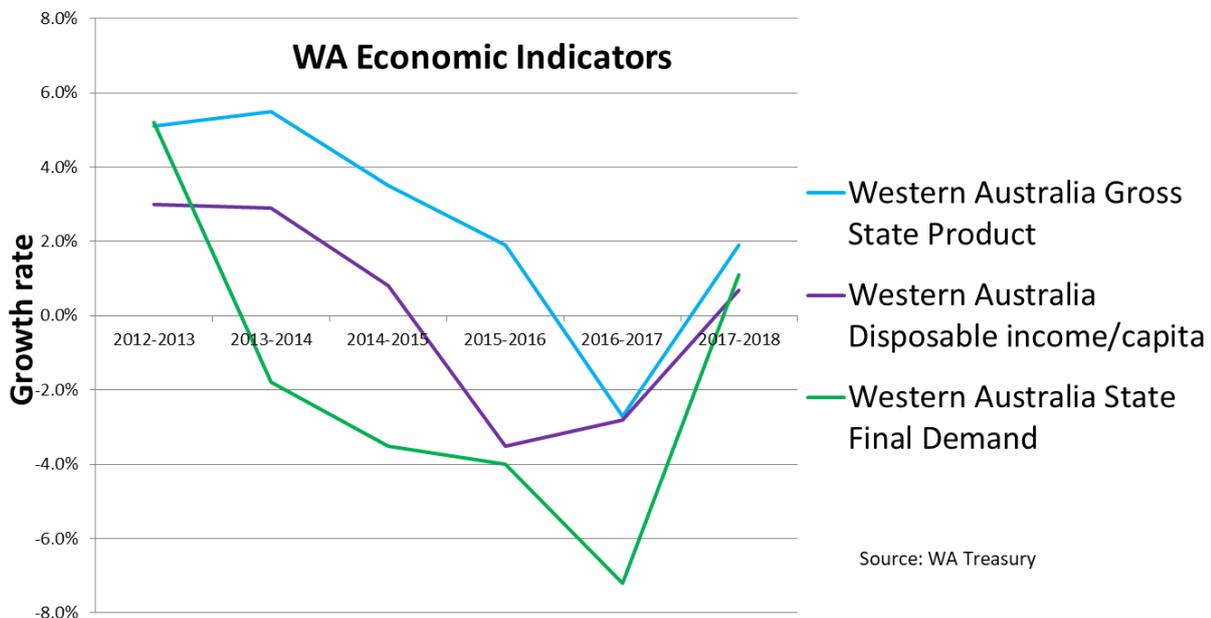
The following provides a brief overview of the current economic context for both Western Australia and Fremantle.

Economic Outlook for Western Australia

Although the Western Australian economy is showing early signs of recovery, it is widely accepted that it will take time for the local economy including small businesses to benefit from this recovery.

The recent ComSec State of the States July 2019 report ranks WA's economy in the bottom two economies nationally across eight economic indicators.

Of particular concern is the negative growth rate in the WA economy in four of the last five years (State Final Demand) and low Disposable Income per Capita numbers from WA Treasury that reflect lower discretionary spending on retail, food & beverage and services.



The Chamber of Commerce and Industry WA (CCIWA) released the results of surveys relating to business confidence¹ and consumer confidence² for the June quarter of 2019 which stated the following observations with regard to business confidence, consumer confidence and barriers to growth:

- Business confidence:
 - 59% of respondents expect economic conditions to worsen or stay the same over the next 12 months.
 - Profitability index has fallen to a 3 year low.
 - Weak demand has been cited as the largest barrier to business growth.
 - 4 out of 5 small businesses expect their workforce will contract or remain unchanged over the next three months.
 - Mining and professional services remain confident and upbeat about the economy.

- Largest barriers to business growth:
 - Weak demand in agriculture, retail, construction and manufacturing.
 - Weak consumer spending.
 - Rising operating costs in healthcare.
 - Availability of skilled labour in mining.

- Indicators of financial stress
 - 15% of respondents had to borrow money from friends or family.
 - 12% could not pay off their credit card bill.
 - 1 out of 4 young people (18-39) couldn't pay their bills on time.
 - One third of consumers (33%) spent more than they earned.
 - More encouragingly 45% of consumers reported experiencing none of these.

- Consumer confidence
 - Short term (3 month) consumer confidence index at highest level in 6 years.
 - More West Australians believe the economy is stronger rather than weaker.
 - 58% consider living costs to have a negative influence on confidence.
 - Job prospects index is down 0.6 points since last quarter.
 - 2 out of 3 consumers are unlikely to make major household purchases in the next quarter.

CCIWA flagged weak demand as the largest barrier to business growth in line with survey results and attributed this to dampened consumer spending. The CCIWA consumer confidence survey for the same period reported that two out of three WA consumers considered it unlikely that they would make any major household purchases next quarter however they feel less stressed

¹ CCIWA Survey of Business Confidence – June Quarter 2019

² CCIWA Survey of Consumer confidence – June Quarter - 2019

about personal finances. CCIWA went on to say consumers remain cautious about increasing spending and have concerns about future job prospects, somewhat explaining the disconnect between growing confidence and low expenditure growth.

In considering the broader economic outlook for WA³, CCIWA reported cost of living as the most commonly cited barrier to growth with retailers continuing to report low demand. Conversely small increases in discretionary spend were reported across furnishings and household equipment, purchase of vehicles and hotels, cafes and restaurants.

Main factors cited as driving the WA economy into the future included increased business investment in major resources projects, increase in dwelling investment to respond to population growth and growth in export volumes.

These results suggest that whilst there is a level of optimism regarding WA's economy, consumers remain cautious around spending resulting in weak demand across retail, construction and real estate.

Current Economic Context for Fremantle

At the time the previous economic development strategy (EDS) was released (2015), the Western Australian economy was considered strong with positive growth being driven by what is now understood to be the tail end of the mining boom, and unprecedented growth in the property market.

Since 2015 Western Australia's Gross State Product (GSP) growth which is strongly driven by the resource sector has slowed substantially given weakened global demand for iron ore, a transition from the construction phase of mining into the production phase and subsequent reduction in employment within that sector. This is coupled with a slowdown in WA population growth as a result of the post boom reduction in employment and net interstate migration loss as more people leave for interstate than move to WA from interstate. Western Australia's property market has suffered a similar fate with greater than 20% decline in median house value (Core Logic September 2019) and subsequent reduction in demand for construction. Only now are we seeing the beginnings of a very slow recovery of the resource sector.

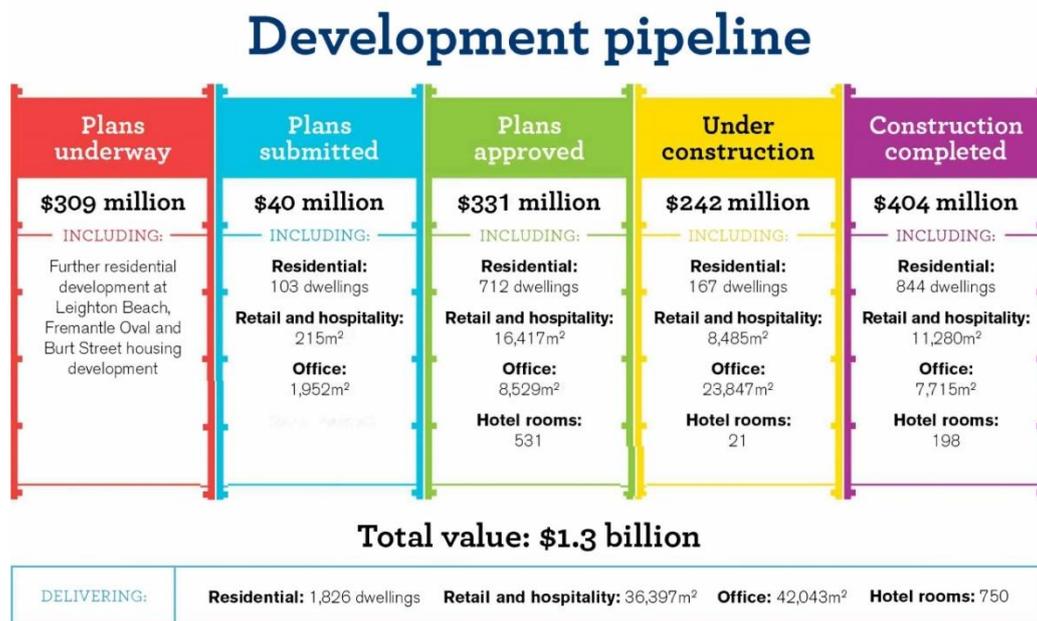
Whilst Fremantle has experienced a level of private investment and development during this period not seen since the America's cup, its population driven sectors such as retail, hospitality and tourism have not been immune from macroeconomic factors linked to the State's economy. The significant development and construction experienced within Fremantle over the past 2-4 years is critical for the longer term growth of our economy, however the construction phase of this development has and will continue to deliver its own set of challenges for those population driven sectors already operating on the ground in Fremantle.

³ CCIWA Outlook – Invested in the WA Economy July 2019

Key Highlights

Despite the poor performance of the Western Australian economy throughout the previous strategy period, a number of positive economic indicators have been identified that demonstrate an increasing confidence in Fremantle as a place to invest.

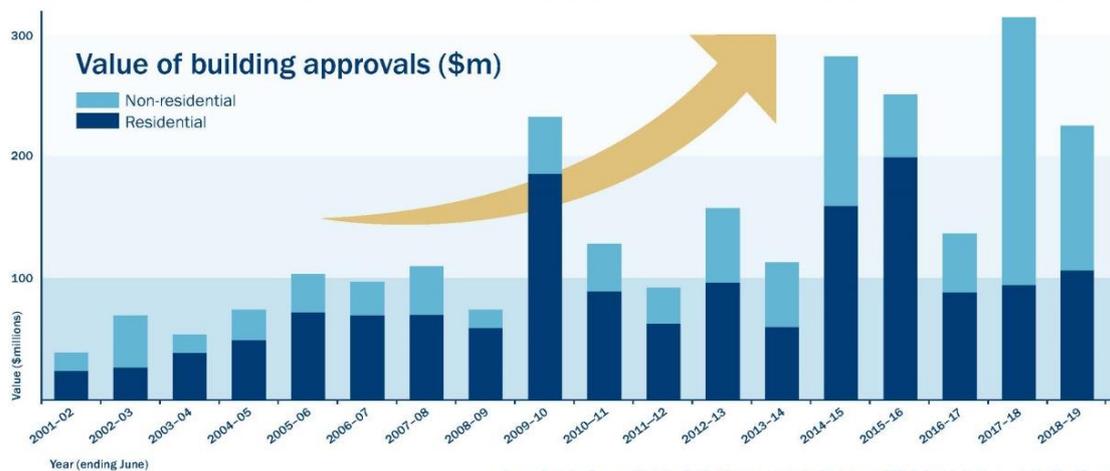
- Since 2015, inner city Fremantle has undergone a boom in private investment. Of the current \$1.3 billion development pipeline, \$600 million is either built or under construction.
- Up to 1,000 dwellings, 20,000 sqm of retail and hospitality, 30,000 sqm of office space and 200 hotel rooms are either recently completed or under construction with an additional \$331 million of developments approved.
- The \$270 million Kings Square project which aims to revitalise the heart of the city is progressing rapidly and due for completion in late 2020. This project incorporates:
 - \$50m investment by the City of Fremantle into a new urban realm, library, civic spaces and Council offices.
 - Relocation of the Department of Communities to Fremantle resulting in 1,500 workers being based in Kings Square to underpin the weekday economy.



- Building approvals in Fremantle reached a record high during 2017/18 with \$313 million worth of residential and commercial property developments approved for construction. Four of Fremantle's five strongest years in building approvals have occurred in the last five years. This growth in Fremantle bucks the WA trend which has seen building approvals fall by 13.6% in the year to July 2019 according to the WA Treasury.

Fremantle Building Approvals 2001–2019

Some of the major developments since 2009 which have contributed to the recent growth in building approvals



Source: Australian Bureau of Statistics, Building Approvals, Australia, Catalogue no. 8731.0. Compiled and presented by City of Fremantle.

- Fremantle’s city centre population growth has been slow increasing by only 60 to 844 in 2016, however recent scheme amendments have enabled additional density and potential for growth east of the Town Hall. The completion of significant high density residential developments including Heirloom by Match and DHA’s Liv Apartments continues to add to a growing inner city population. New residential developments either recently built or under construction are driving a projected 68 % increase in people living within the inner-city by 2021, the first significant increase in decades.
- Although business changeover is consistent in Fremantle, particularly along main commercial strips, new businesses continue to open with an obvious trend focusing on food & beverage rather than traditional retail reflecting global trends.
- Median house prices across the City of Fremantle maintained their value, performing better than the Greater Perth market in all suburbs with the exception of Samson (REIWA September 2019).

Current Challenges and Considerations

Fremantle has not been immune from the poor performance of the broader state economy over the past 3 - 5 years and continues to face a series of challenges, particularly for those operating at street level within the retail, hospitality and tourism sectors. Whilst these challenges are not endemic to Fremantle and being faced by many other town centres, they continue to create a difficult operating environment for our business and investment community.

- Vacancy rates in the city centre have been increasing in line with the wider metropolitan area, however it is apparent that the increasing vacancy in Fremantle is most commonly associated with clustering of vacancies in and around current redevelopment and construction zones. Notwithstanding vacancy rates remain comparatively low on high-traffic strips such as South Terrace.
- High commercial rents have also been flagged as a contributor to vacancy however several factors influence the cost of rent including a normal lag between changes in market conditions and reaction to those changes by property landlords. Current market conditions are prompting some property owners and leasing agents to re-evaluate their properties, reduce rents and offer incentives to secure tenants.
- Despite the City tripling its investment into addressing antisocial behaviour and substantially increasing the reach of the CCTV network, businesses continue to raise concerns with regards to antisocial behaviour and the impact this is having on public safety, trade and broader perceptions of Fremantle. This challenge is being faced in many urban centres including the Perth CBD and across the country.
- Anecdotal feedback from businesses and broader market data from CCIWA suggests that retail is experiencing some of the most challenging conditions seen in recent times, most commonly citing the changing nature of retail via online shopping. It is now widely accepted that the retail sector has undergone a paradigm shift in the way consumers engage with the sector and this is likely to remain unchanged in to the future. Fremantle remains exposed to major shifts in retail consumption patterns given its relatively high proportion of retail businesses operating in the CBD.
- Current challenges associated with financing of major construction projects being faced nationally as a result of the Banking Royal Commission and a cooling property market have contributed to some delay in delivery of major projects across the broader Perth metropolitan area, particularly residential projects. Similarly access to credit and a subdued job market has reduced the demand for residential investment resulting in long-lead times for residential developments to achieve pre-sale targets, consequently delaying construction.
- As a result of the downscaling of Fremantle hospital, the city centre has now been without the estimated 1900 jobs moved outside of Fremantle for more than 4 years, correlating with a significant reduction in pedestrian footfall over that period. It is

anticipated the estimated 1500 new workers coming back to the Fremantle CBD as part of the more centrally located Kings Square development will go some way in increasing pedestrian footfall and subsequent business trade throughout the city centre.

- As with the loss of hospital jobs, the loss of comparative advantage due to the departure of Myer and the change in retail trading hours has only been exacerbated by the continuing expansion of major suburban shopping centres. This expansion has remained consistent throughout the entire term of the previous strategy, notwithstanding some of those expansion projects recently appear to have been put on hold due to current market conditions.
- Fremantle's smaller than usual retail catchment remains a disadvantage given the geographic constraints created by the ocean, however conversely the proximity to the ocean also provides a significant comparative advantage by providing an experiential outcome (access to the ocean) that other metropolitan town centres cannot provide.

Key Observations and Assumptions

A series of high level observations have been made in line with the current economic outlook for the State. The observations are also based on consideration around changes in Fremantle's local economic context since the commencement of the previous strategy.

- Given major construction and infrastructure projects such as Kings Square are now reaching completion, Fremantle is now well positioned to capitalise on the next phase of more balanced sustainable economic growth (more so than it was able to during the mining boom period). To leverage this next wave of growth and maximise opportunities surrounding the Kings Square project, the development and delivery of short to medium term initiatives to attract visitors, workers and residents back to the city centre after an extensive period of construction is considered critical.
- A large number of projects that form part of the \$1.3 Billion investment pipeline are now completed, which has resulted in a shift in focus by developers away from construction and towards ensuring new commercial space is leased and inner city residential dwellings are sold or occupied. As such marketing and promotion of Fremantle as a place to live and work should now form a substantial part of investment attraction activities (as opposed to solely focusing on attracting and enabling new development).
- Given challenges associated with current economic conditions, provision of support to existing businesses will be important in order to assist them in building the capacity to adequately leverage and add value to the outcomes associated with the completion of Kings Square and the City's increased investment into destination marketing.
- Tourism is becoming increasingly important as a driver of economic growth and diversification across the State, and remains one of Fremantle's genuine comparative advantages as the second most visited destination in WA. Development and growth of tourism should be considered as a priority when determining a Local Government led approach to growing our economy.
- The development and growth of the film sector and global demand for content has peaked interest in Australia as a location for content production, particularly for major international markets such as China. Based on an assessment of opportunities within this industry and the broader creative sector, Fremantle is strongly positioned to capitalise on this demand, more so than other locations throughout Perth.
- Fremantle remains an attractive location for the pursuit of creative and knowledge based activities (whether informal or professional), particularly given the presence of a major university and technical college within our West End. To better leverage this comparative advantage, any future investment attraction initiatives delivered by the City may be bolstered by a more direct collaboration with the University of Notre Dame and South West Metro TAFE (and other relevant industry partners), particularly given both organisations are actively engaged in research & innovation across a variety of creative and knowledge based sectors.
- Given the challenges being faced by the retail sector and competitive pressure from online shopping, experiential offerings and resident populations are becoming increasingly important in ensuring main streets and town centres remain vibrant and activated. Whilst consumers can and will continue to shop online, it is unlikely that they can enjoy the experience of eating out at a restaurant or socialising at a bar without

visiting an entertainment precinct or a bricks and mortar business. There may be room for growth in Fremantle's hospitality offering with just over 20% of our business mix including cafes, restaurants, bars and closer to 30% being classified as retail.

- A variety of major projects and investment initiatives are occurring across our immediate region. Whilst jobs and workers linked to these initiatives may be located in other LGAs, a genuine opportunity remains for Fremantle as a place for the people filling these jobs to live and play. As such it would be prudent for Fremantle to remain active in and supportive of broader sub-regional economic development activities in collaboration with other LGAs.
- Given the aforementioned observations the core underlying objective of all City led economic development initiatives should remain as the attraction of more people to our City Centre including residents, workers and visitors.

Interim Action Plan 2020 – 2022

Based on a review of the previous strategy (2015 – 2020) and findings provided in the previous situational analysis, the following action areas have been identified as key priorities to be delivered as part of an interim 2 year action plan in the lead up to the development of a new strategy for beyond 2022.



A series of actions have been developed for each action area, with delivery being led by the City of Fremantle Economic Development and Marketing team.

Action Area 1 – Research and Analysis

In order to support informed decision making and the development of both the next Community Strategic Plan and Economic Development Strategy, the collection and analysis of primary and secondary economic and social data is important. The following actions will be delivered as part of this action area:

- a. Procure or subscribe to an economic data service/software that delivers economic and or social data relating to the Fremantle LGA and associated statistical boundaries.
- b. Deliver a series of four (4) economic studies with the objective of defining in detail the current economic context of Fremantle.
- c. Collect, collate and procure other sources of economic data to support the development of the four aforementioned economic studies.

The key outcomes or measures for this action area will include:

- Improved access to verified primary and secondary economic data.
- Development of an internal knowledge base to drive informed decision making around strategic planning, strategy development and business case development for advocacy priorities.

Action Area 2 – Investment Attraction and Marketing

A strong program of investment marketing is required in order to raise the profile of renewal underway in Fremantle and to promote Fremantle's key comparative advantages to potential investors (businesses, residents and developers). The following will be delivered as part of this action area:

- a. Develop a range of investment collateral and content that leverages the 'This is Fremantle' brand for distribution to potential investors. This should include repositioning of the narrative and language relating to the Kings Square project in order to communicate a stronger identity and benefit for potential investors post construction.
- b. Deliver a series of investment based marketing campaigns that educate potential investors and business/government leaders on the significant renewal that has been achieved within Fremantle over the past 5 years as well as projects that present opportunities for investment by the private sector.
- c. Identify businesses and organisations that stand to benefit from maintaining close proximity to the 'Trade Coast' region and educate them on Fremantle's key comparative advantages as a place to live, work and invest.
- d. Communicate with relevant State Government departments to ensure they are across positive outcomes and investment opportunities associated with the renewal underway in Fremantle.

The key outcomes or measures for this action area will include:

- A clear and coherent suite of investment marketing collateral that reflects the new destination brand and investment opportunities available in Fremantle.

- Website traffic to the City of Fremantle's 'invest' page.
- Phone and email enquiries regarding investment opportunities.
- Collection of primary data that reflects the current sentiment of both existing and potential investors as well as State Government with regard to investing in Fremantle.

Action Area 3 – Place Activation and Experience

To leverage the next wave of economic growth and maximise opportunities surrounding the impending completion of Kings Square project, the development and delivery of a strong program of activation across the City's public realm will be important in attracting visitors, workers and residents back to the City Centre after an extensive period of construction. The following actions will be delivered as part of this action area:

- a. Develop a program of events and activations to be delivered in the new Kings Square precinct and consider the implementation of place making initiatives that add to the vibrancy and amenity of the public realm. This should include collaboration with Sirona Capital as part of the FOMO activation program.
- b. Work in partnership with external community stakeholders to enable and encourage the delivery of community led activations in the public realm throughout the CBD.
- c. Work with the Arts & Culture and Community Development teams to leverage existing cultural and community based initiatives in order to achieve activation outcomes in public spaces.
- d. Consider sponsorship of initiatives that will deliver activation outcomes in the public realm and dispersal of associated foot traffic throughout the CBD.
- e. Investigate and develop a place management based governance model that will assist the City in maintaining vibrant and active public spaces throughout Fremantle, with the intent that the appropriate budget and resources required to implement the preferred model are considered as part of the 2020 budget.
- f. Identify key public realm improvements and infrastructure required to enhance the experience for workers, visitors and residents in the city centre, with improvements identified to be considered as part of any future city led urban design and master planning.

The key outcomes or measures for this action area will include:

- Number of community led events and activations (i.e. not solely delivered by the City) held in the Kings Square precinct and other areas throughout the City.
- Number of City led events held and place making initiatives delivered in the Kings Square precinct and other areas throughout the City.
- Number of events or activations delivered or supported in partnership with Sirona Capital, Department of Communities and Department of Transport.
- Pedestrian foot traffic in the Kings Square precinct via pedestrian monitors.
- Definition and agreement on a suitable place governance model for beyond 2022.

Action Area 4 – Business Support and Engagement

Given challenges associated with current economic conditions and the renewal underway in the City Centre, provision of support to new and existing businesses is important to ensure they have the opportunity to adequately leverage and add value to the outcomes associated with the completion of Kings Square and the City's increased investment into destination marketing. The following will be delivered as part of this action area:

- a. Develop and deliver a program of consistent communication and engagement with the business community through both digital and face to face communications to ensure businesses are adequately informed regarding city initiatives, available support and larger projects being carried out throughout Fremantle.
- b. Continue to deliver the City's business capacity building program, with a particular focus on tailoring support specific to the differing needs across retail, hospitality and tourism sectors, in order to support businesses in leveraging growth opportunities associated with the Kings Square project and the City's destination marketing activities.
- c. Develop and deliver an orientation program for new workers coming to Fremantle as part of the Kings Square development in order to encourage dispersal throughout the CBD. This should be delivered in partnership with other key partners including the Department of Communities and Department of Transport.

The key outcomes or measures for this action area will include:

- Business sentiment and knowledge of city initiatives/projects via delivery of business surveys.
- Level of engagement or participation in city led initiatives like the business capacity building program or destination marketing campaigns.
- Weekday pedestrian foot traffic in areas throughout the CBD other than Kings Square.
- Collection of feedback from the Fremantle Chamber of Commerce.

Action Area 5 – Destination Development

Tourism remains an important driver for Fremantle's economy. The City released a Destination Marketing Strategic Plan in 2018 which aims to attract more visitors to Fremantle and improve the on ground visitor experience. The following will be delivered as part of this action area:

- a. Continue to deliver destination marketing activities in line with the City of Fremantle Destination Marketing Strategic Plan 2018 – 2022 and annual implementation plans, with a focus on delivering targeted approaches to marketing in line with the differing needs across retail, hospitality and tourism sectors.

The key outcomes or measures for this action area will include:

- Measures and KPIs as specified in the Destination Marketing Strategic Plan 2018 – 2022.

Action Area 6 – Industry Development

Fremantle maintains a number of key comparative advantages with regard to industry growth and development. Rather than competing with the broader metropolitan area across industries that may already be oversubscribed, industry development activity should be prioritised based on opportunities linked to our genuine comparative advantages. The following will be delivered as part of this action area:

- a. Pursue current opportunities linked to the growth potential associated with the Trade Coast region (Henderson, Kwinana and Rockingham) and the logistics, marine and manufacturing sectors based there. Focus should also be given to emerging opportunities surrounding 'Blue-Tech' and ocean based industries across the Indian Ocean Rim.
- b. Pursue opportunities linked to the growth and support of creative start-ups, the film sector and other similar creative industries given Fremantle's existing association with the creative sector. This will include but may not be limited to:
 - i. As part of an economic study under action area 1, deliver an audit of the creative sector to determine economic value of the sector for Fremantle, availability of spaces for creative industries, current/potential funding sources and any challenges/opportunities for growing the sector.
 - ii. Based on the findings of the study consider opportunities that may add value to the development of a creative sector plan and/or inclusion of initiatives in the next economic development strategy.
 - iii. Extend the scope of the current business capacity building program to enable support for certain Fremantle businesses operating within the creative sector.
- c. Continue to pursue tourism industry development opportunities in line with the Destination Marketing Strategic Plan.
- d. Leverage activities and research being carried out by tertiary and vocational education institutions in Fremantle in order to define, develop and deliver knowledge and innovation based outcomes that encourage economic growth and investment.

- e. As part of an economic study under action area 1, identify key challenges and impediments to investment in high density residential development in strategic centres such as Fremantle, and opportunities to support greater investment into this sector.

The key outcomes or measures for this action area will include:

- Collection of primary data that reflects the sentiment of current or future ‘trade coast’ businesses and their likelihood of considering Fremantle as a place to base themselves while doing business in the South West Metropolitan Region.
- Definition of an investment/shovel ready business case for a creative sector outcome.
- Innovation related program/s delivered as part of a partnership with a tertiary and/or vocational institution.
- Measures and KPIs as specified in the Destination Marketing Strategic Plan 2018 – 2022.

Action Area 7 – Advocacy and Partnerships

An opportunity exists to develop a strong program of advocacy in the lead up to the next State election (2021) in order to attract State Government support for existing strategic projects and new initiatives that will form part of the City’s next strategy for economic development beyond 2022. The following will be delivered as part of this action area:

- a. Develop a prospectus of key ‘investment ready’ economic development based projects and associated business cases to support the delivery of the City’s advocacy program and ongoing investment attraction initiatives.
- b. Develop an external stakeholder engagement plan to ensure structured and effective communication with relevant stakeholders and decision makers.
- c. Actively participate in sub-regional economic development and investment attraction initiatives in collaboration with other LGAs in order to leverage opportunities associated with economic growth in our immediate region.

The key outcomes or measures for this action area will include:

- A clear and coherent suite of communication materials that reflects economic development advocacy priorities and their respective benefits to both Fremantle and the State.
- Consistent and regular meetings secured with key decision makers/influencers identified in the stakeholder engagement plan, in order to distribute communication materials and key priorities.
- City of Fremantle participation in key regional economic development initiatives and realisation of benefits associated with those initiatives.

Action Area 8 – Develop an Economic Development Strategy

In considering the City's integrated planning framework, the development of the next economic development strategy should be delivered in line with the next major review of the City's community strategic plan. An opportunity also exists to align economic development priorities with the State election and commencement of the next term of State Government. The following will be delivered as part of this action area:

- a. Align the development of an economic development strategy (for beyond 2022) with the next major review and update of the community strategic plan.
- b. Seek feedback from the community with regard to our economic development priorities as part of the community engagement process linked to the development of the community strategic plan.
- c. Leverage data and business cases developed as part of the research and analysis action area in order to inform the development of the economic development strategy.
- d. Incorporate key advocacy outcomes achieved as part of the State election in to the development and delivery of the economic development strategy.
- e. Collate the strategy in an appropriate form (i.e. document, digital, web).

The key outcomes or measures for this action area will include:

- Extent of alignment with reviewed strategic community plan.
- Level of participation in community engagement activities.
- Definition of realistic, achievable and measurable strategies.
- Delivery of a council endorsed economic development strategy prior to the end of the 2021/22 financial year.