



Economics
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Melvista Residential Aged Care: Economic Impacts

DEPARTMENT OF PLANNING, LANDS AND HERITAGE	
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MELVISTA RESIDENTIAL AGED CARE: SUMMARY ECONOMIC IMPACTS

- ❖ 80 exceptional aged care beds with on-site allied health services.
- ❖ Operating in 2024 with a long life of aged care delivery.
- ❖ Situated in an area with a quickly ageing population.
- ❖ On land appropriately zoned for Residential Aged Care with the existing Lisle Village Retirement Village on one boundary.
- ❖ Replaces the Melvista Nursing Home that closed in 2012.
- ❖ Consistent with the City of Nedlands Strategic Community Plan which recognises the need for an additional 4,400 dwellings by 2031 and a diverse community where people can live through the different ages and stages of their lives.
- ❖ Located in an attractive residential setting close to shopping and recreation areas and in a region with sophisticated health services.
- ❖ A \$57 million investment with an estimated \$13 million spent in the local area and \$47 million in the project region. The multiplier effect creates an increase in economic turnover of \$16 million in the local area and \$63 million in the region.
- ❖ Construction provides 140 person years of work over a 16-month development and build time and then 103 full time equivalent jobs while operating. The flow-on effect creates a total of 11 jobs in the local area and 144 in the region.
- ❖ An annual operating cost of \$7.8 million of which \$0.7 million will be spent in the local area and \$6 million in the region. Personal income generated by this expenditure is estimated at \$0.65 million in the local area and \$4.6 million in the region. The flow-on effect creates \$0.8 million and \$5.7 million in the respective areas.

The State Government has called for more aged care beds in the metropolitan area to cater for the growing and ageing population. The western suburbs of Perth have a growing demand for quality care facilities and services. The Melvista Aged Care Centre will assist in meeting this demand with high standard facilities in an attractive location.

1. Introduction

1.1 Overview

This report has been prepared by Economics Consulting Services for Oryx Communities. It describes the economic impacts of a residential aged care facility in the City of Nedlands.

The development involves construction of a new building with 80 fully serviced aged care rooms.

Oryx Communities is a privately owned Western Australian company focused on aged and health care. The company operates The Richardson facility in West Perth and is developing the Queenslea in Claremont. The Melvista in Nedlands will be the company's third facility.

1.2 Western Australian context

Residential aged care facilities provide a range of care options and accommodation for older people who are unable to live independently in their own homes. The provision of personal and/or nursing care distinguishes these centres from other types of accommodation such as retirement villages.

The Western Australian Planning Commission has noted that our population is ageing at a faster rate than ever before with the number of older Australians forecast to more than double in the next 40 years¹. WA Tomorrow forecasts an 86% increase in people aged over 85 by 2031.

The Commission noted a community wish for choice and flexibility with high expectations in relation to lifestyle, entertainment options and affordability.

Planning policies in Western Australia encourage provision of housing for aged or dependent people.

The WAPC Draft Position Paper concluded that:

A strategically led planning system that incorporates appropriate incentives to encourage investment in the provision of aged persons' housing and residential aged care, is considered the key to facilitating a streamlined approval process and consistent decision-making.

Proposed policy measures include consideration of aged care needs in local planning strategies with targets for bed provision that reflect future demand and incentives to facilitate increased supply. Planning Schemes should identify suitable sites and development standards. Planning Schemes should define a Residential aged care facility as including staffing to meet the nursing and personal care needs of residents, meals, and cleaning services. Such facilities are to be encouraged within residential zones.

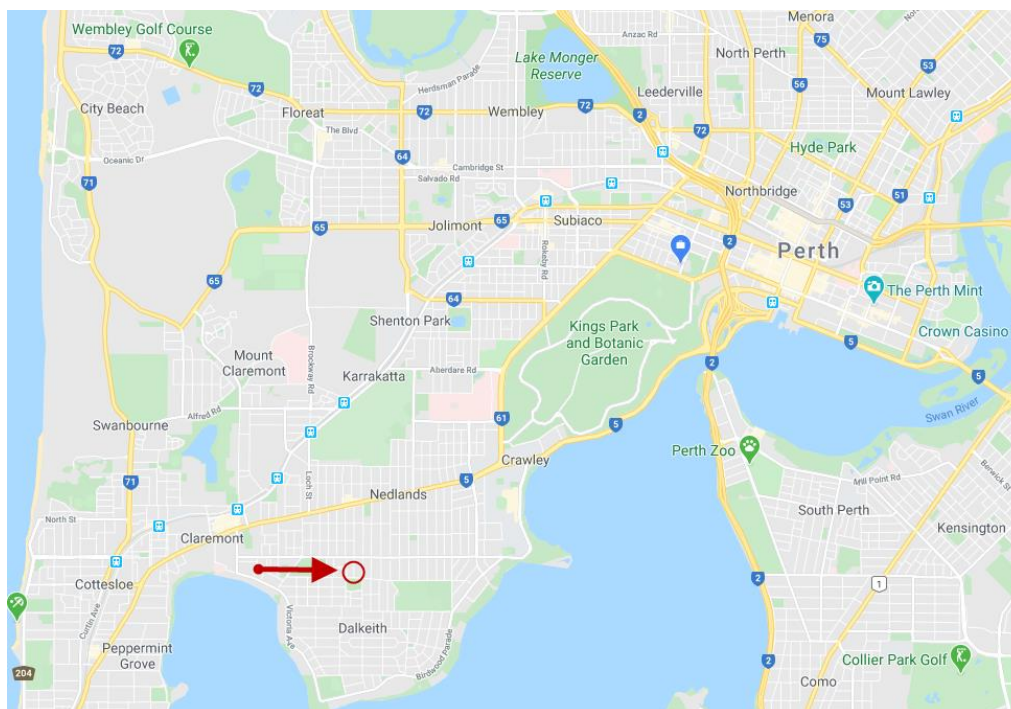
¹ WAPC: October 2019: Draft Position Paper: Residential Aged Care

2. Project setting

2.1 Location

The project is in Nedlands approximately 9 kilometres (km) southwest of the Perth Central Business District.

Figure 1: Regional location



Source: Google Maps

2.2 Built environment setting

The development site is in a residential area with the existing Lisle Village Retirement Village on one boundary (Figure 2). The proposal replaces the old Melvista Nursing Home that operated from the 1970's until it closed in 2010. The land is appropriately zoned for Residential Aged Care.

In commercial and health terms, the site is very well located with:

- An urban park less than 100 metres
- Local shopping 1km south with Claremont Quarter and Broadway Fair shopping areas both 2km
- Dalkeith Medical Centre <1km: <https://www.dalkeithmedicalcentre.com.au>
- Dalkeith Pharmacy <1km: <https://greenleafpharmacies.com.au/dalkeith-pharmacy/>
- Bethesda hospital 2.4km: <https://www.bethesda.org.au>
- Lisle Villages Retirement Village
- Nedlands Kidz Galore Childcare within 100m
<https://kidzgalore.com.au/centres/nedlands/>
 - This will enable Oryx to run its intergenerational programme on site as at The Richardson and proposed at The Queenslea:

Figure 2: Local situation



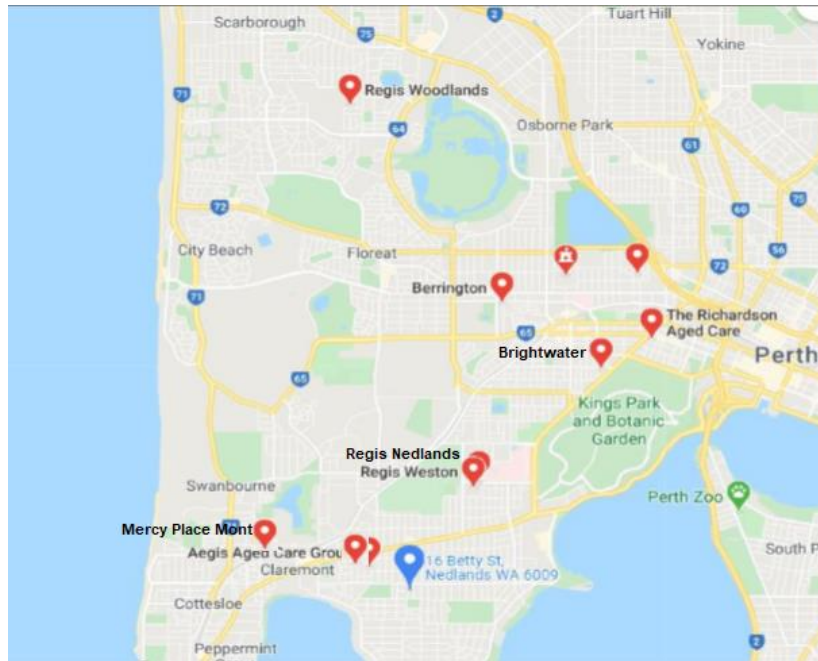
Source: Google Maps

2.3 Competition

There are two aged care centres in Nedlands and seven others within a 10km distance (Table 1, Figure 3). They have a total of 900 beds and range from traditional older style buildings to new hotel standard facilities.

Table 1: Aged care centres in region

Name	Suburb	Beds
Mercy Place Mont	Claremont	73
Aegis Alfred Carson	Claremont	90
Regis Weston	Nedlands	133
Regis Nedlands	Nedlands	141
Aegis Montgomery	Mt. Claremont	80
Berrington Subiaco	Jolimont	112
The Richardson	West Perth	90
Regis Woodlands	Woodlands	123
Brightwater Onslow	Subiaco	58
Total		900

Figure 3: Aged care facilities in region

Source: Google maps

2.3 The Melvista

The site of 2,980 square metres fronts Betty Street and Doonan Road and all services including electricity, water, gas, sewerage, and telecommunications are connected. The land is appropriately zoned for residential aged care and adjoins land that has a historical use for retirement and aged care.

The proposal is consistent with the City of Nedlands Strategic Community Plan²:

- The City's vision is a diverse community where people can live through the different ages and stages of their lives. The City seeks to be an active, safe, inclusive community enjoying a high standard of local services and facilities.
- More than 18% of the population is over 65 years of age - greater than the Perth average of 13.9%
- The Community Plan recognises the need for an extra 4,400 dwellings by 2031 due to a 7,000 – 10,000 population increase
- There are changing demands in the areas of transport, parking, aged care, health, and housing

The aged care sector is governed by the Australian Government Department of Health. This Department has allocated bed licences to Oryx Communities for the specific and dedicated purpose of developing and operating the proposed facility.

The development will be a brick and concrete four-storey building with basement car parking. Services will include air conditioning and heating, fire and emergency, nurse call and security. The floor area will be close to 5,500 square metres.

² <https://www.nedlands.wa.gov.au/document/nedlands-2023-2013-2023-strategic-community-plan>

Preliminary studies have provided an indicative cost of \$57 million (m) to develop the site and the facility (Table 2).

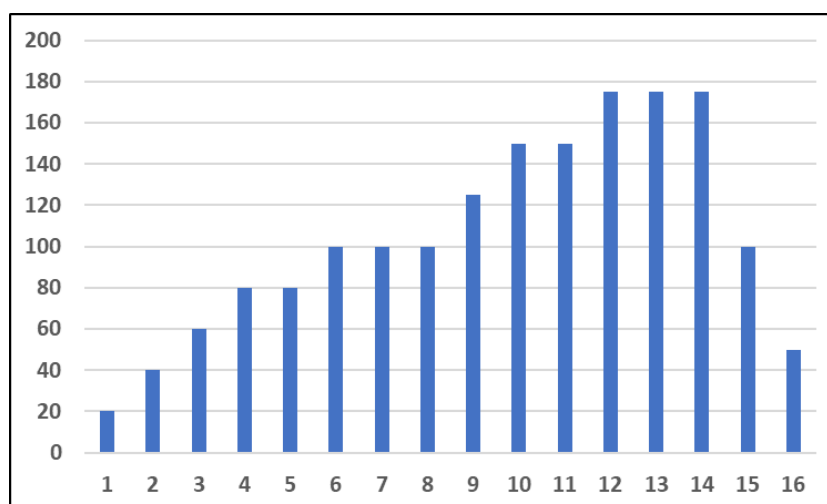
This expenditure can be segregated by area based on the expected distribution of the workforce and nature of the spend for the industry sector. The next chapter defines the local area and the region for this study. Inclusion of the Perth CBD in the defined region means that a lot of the expenditure will go into the region while only a small proportion will be in the defined small local area. The main expenditure outside the region will be on wages and salaries paid to people living outside this region.

Table 2: Development costs by nature of expenditure (\$) *rounded

Component	\$m	Local share	Region share	Local spend	Region spend
Land acquisition	\$13.06	85%	100%	\$11.10	\$13.06
External services	\$1.05	10%	100%	\$0.10	\$1.05
Building wages and salaries	\$15.00	5%	60%	\$0.70	\$8.40
Building supplies	\$15.00	5%	80%	\$0.80	\$12.80
Furniture & equipment	\$1.42	5%	75%	\$0.07	\$1.07
Professional fees	\$2.92	5%	100%	\$0.15	\$2.92
Administration services to achieve	\$2.15	5%	100%	\$0.11	\$2.15
Finance costs	\$6.72		100%		\$6.72
Total	\$57*			\$13*	\$48*

Construction will commence with around 20 people on site to undertake civil works and install services with the workforce then growing to 175 at the end of the first year and tapering back to finish in month 16. A generalised profile prepared by Economics Consulting Services suggests a total of 140 person years of work.

Figure 4: Construction workforce by month



2.4 Facility Operations

Preliminary budgets indicate an annual operating cost of \$7.84m including an on-site allied health services provider. Wages and salaries are by far the greatest expense contributing 81% (Table 3). Expenditure can be segregated by area based on the predicted residential location of employees (see next chapter) and purchasing patterns for this type of facility suggests a spend in the local area of \$0.7m a year with \$6m in

the region (the region includes the local spend). The remaining annual expenditure is on wages and salaries paid to people living outside the defined region.

Table 3: Operating costs by nature of expenditure (\$ rounded)

Component	\$m	Share	Local \$m	Region \$m
Wages and salaries	\$6.35	81%	\$0.64	\$4.45
Food	\$0.34	4%		\$0.34
Administration	\$0.28	4%	\$0.03	\$0.28
Domestic supplies	\$0.26	4%	\$0.01	\$0.26
Medical/therapy supplies	\$0.18	3%		\$0.18
Electricity	\$0.15	2%		\$0.15
Repairs and maintenance	\$0.14	2%	\$0.01	\$0.14
Rates and taxes	\$0.10	1%	\$0.03	\$0.10
Insurance	\$0.04	1%		\$0.04
Total	\$7.84		\$0.7*	\$6*

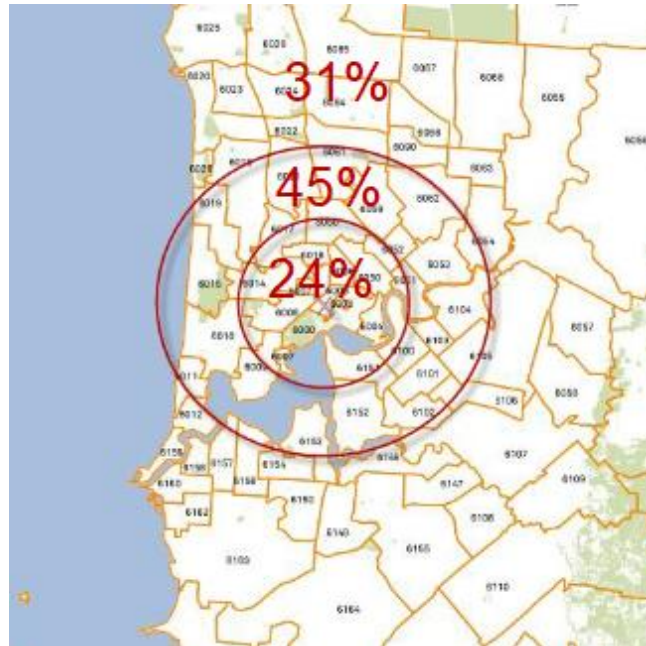
* rounded

The project is expected to employ 103 (full time equivalent) people when operating. Local wages and salaries (household income) are estimated at \$0.6m with \$4.4m in the region (Table 3).

2.5 Workforce Distribution

An aged care facility employs a wide range of skills including cleaners, elder assistants, allied and health care professionals, catering and hospitality, recreation, financial, and administration. This skill range with broad wage and salary levels means staff will come from a range of socio-economic areas. By way of illustration, the Oryx Richardson facility in West Perth has 94 staff residing in 52 different Perth postcodes. To simplify the analysis, these were segregated into three categories based on the aerial distance from the facility. Only a quarter of employees came from within 5km of West Perth with nearly half the employees living between 5km and 10km distance and 31% residing more than 10km away.

Figure 5: Richardson employee residential location



Based on this location pattern, this study assumes that 5% of the construction workforce and 10% of the operations staff will come from the small local area with 70% in both phases living in the defined region (Table 4).

Construction phase income includes wages and salaries, payments for land, professional fees, and the services to upgrade to full capacity. Operations phase income includes wages and salaries, and half the administration cost.

Table 4: Jobs and household income

Component	Construction phase		Operations phase	
	Local	Region	Local	Region
Income (\$m)	\$12m	\$27m	\$0.65m	\$4.60m
Jobs (number)	7	84	10	72

2.6 Project timeline

Oryx plan to submit their documentation to the WA Planning Commission in Q3, 2020. Negotiations and contract finalisation will occur in 2021 with most construction in 2022 and fit out in 2023. The current plan is to have the facility ready in Q2 of 2024.

Figure 6: Project timeline

	2020				2021				2022				2023				2024				2025			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Lodge with WAPC																								
WAPC approval process																								
Planning contingency																								
Builder negotiations and plans																								
Construction																								
Fit out																								
Allied health fit out																								
Defect period																								

4. Assessment of Economic impact

4.1 Local and regional context

The economic impact of a project depends on the scale of the project and the size of the economy in which it operates. It is common to examine the impacts at a local level, region, and State level depending on the aims of the study. There are no strict definitions of the terms local and region.

Local is defined by Economics Consulting Services to mean a physical impact from the project in terms of activities such as lighting, noise and smells, traffic activity and any significant impact on local businesses.

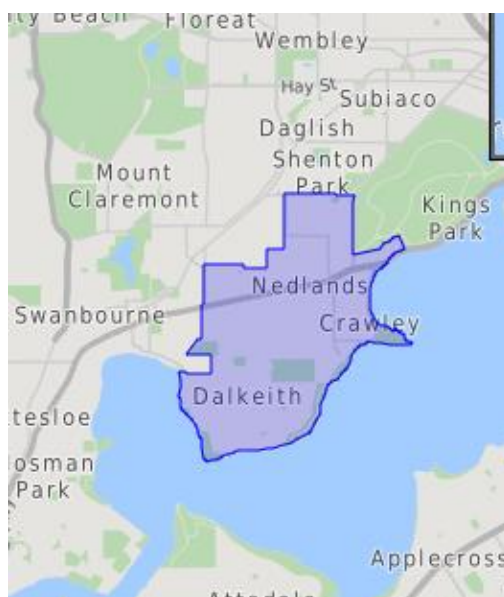
Given the residential setting, this study assumes that physical impacts will only be noticeable in the streets that adjoin the property. The project has a relatively small labour force and worker movements to the facility will be marginal within the context of vehicle movements in the area as a whole albeit noticeable in the two streets.

The **region** is defined more broadly to include any area that might see a measurable economic impact. This includes areas from which employees might be drawn as well as the purchase of goods and services. This study proposes that the region be defined in terms of the likely catchment from which residents might be drawn. While this could be anywhere in Western Australia, most residents are expected to come from a catchment area broadly described as Perth's Western Suburbs given that a key factor in the selection of an aged care facility is the travel time for family and friends visiting residents.

Demographic and economic analysis is most readily undertaken using Local Government Areas as the geographical basis for statistical analysis.

Given the property location and setting, geography, Local Government Area boundaries, service business locations and patterns of travel in Perth, this study defines the level 2 statistical area of Nedlands-Dalkeith-Crawley as the **local** area.

Figure 7: Study local area



Source: ABS 2016 Census Community Profiles

The region is defined more broadly to include the likely catchment area for residentials – it includes nine local government areas.

Figure 8: Study region



4.2 Demographic context

The defined local area of Nedlands/Dalkeith/Crawley covers 9.7 square kilometres and the defined region 87 (Table 5). The estimated resident population of the local area at the 2016 census was 18,530 people representing 1% of the State population. The region had 150,800 people - 5.8% of the State population.

Table 5: Resident population*

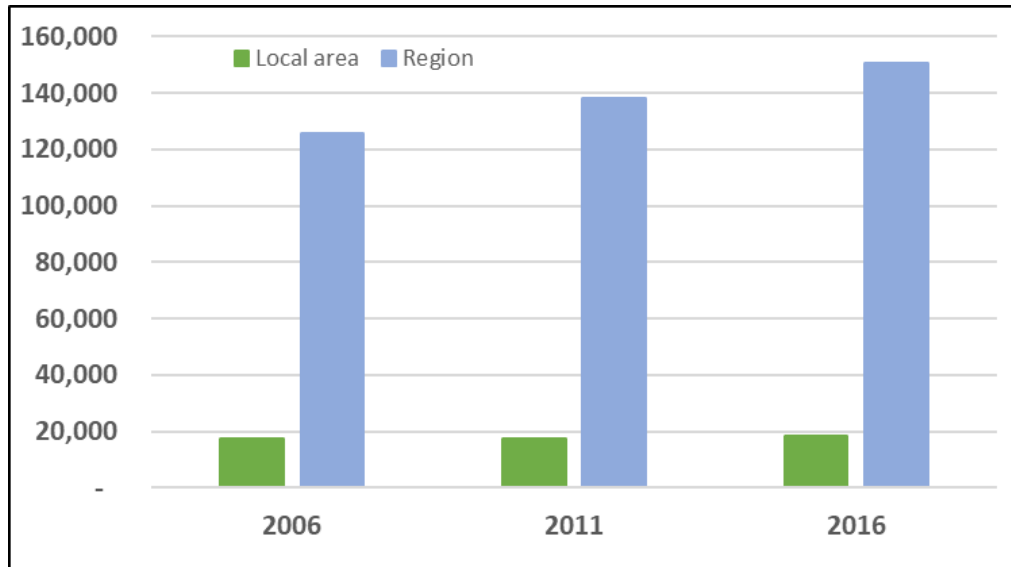
Indicator	Local Area	Region	WA
Area (sq. km)	9.7	87	2,526,650
Resident population	18,530	150,800	2,474,410
Population (share of WA)	1%	5.8%	100%
0-14	16%	15%	19%
15-64 years	67%	70%	67%
65+ years	16%	15%	14%
Median age	34	37	36

Source: ABS census 2016 General Community Profile *numbers rounded

The local area had a slightly higher population share aged over 65 than the region and the State and a counterbalancing smaller share of children.

The population of the local area grew by 7% over the decade from 2006 to 2016 (Figure 9). This was an average annual increase of 0.75%. The region saw significantly faster growth averaging 1.85% a year for a total increase of 17%.

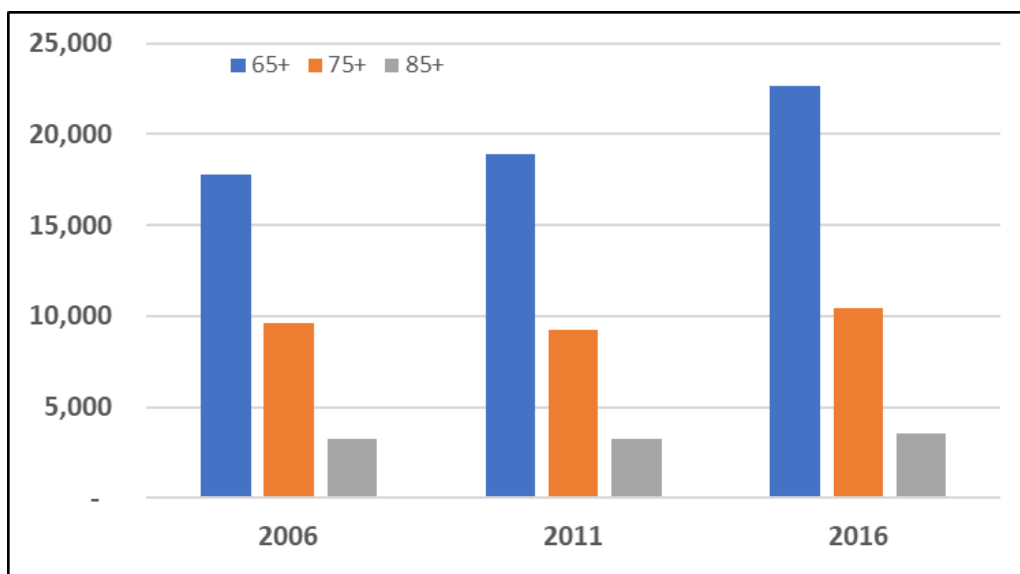
Figure 9: Population growth, 2006 to 2016



Source: ABS census 2016 Time Series Profiles

The age profile reflects the general ageing of the Australian population. The number of people in the region aged 65 or more increased by 4,834 people while the number aged 75 or more grew by 830 (Figure 10). The largest increase in people aged 75 or more was in Subiaco (450) followed by the City of Perth (292) and Claremont (266). The number of people aged 85 or more increased from 3,250 to 3,575 (9%).

Figure 10: Population increase by age, 2006 to 2016



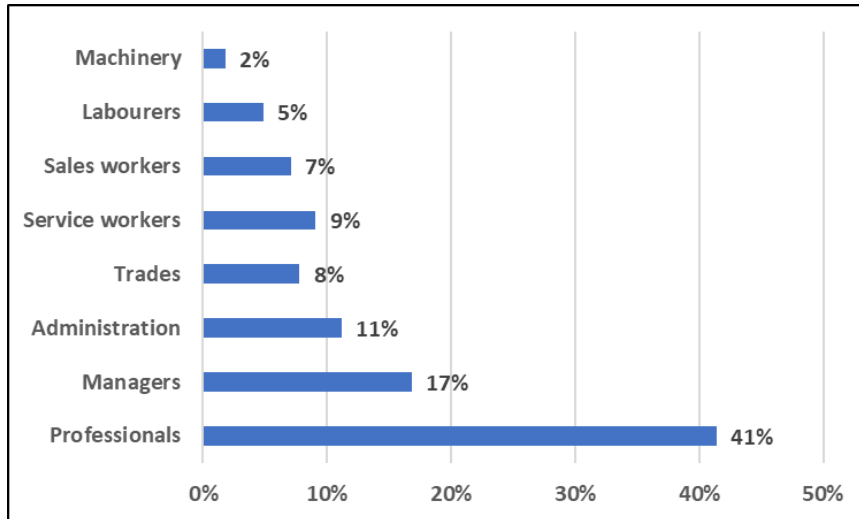
Source: ABS census 2016 Time Series Profiles

The number of people living in the defined catchment for this study aged 75 or more increased to 10,440 in 2016. The number of aged care beds (900) represents less than 10% of the potential client list.

4.3 Economic context

Nearly 70% of the workforce in the local area and the region are engaged in “white collar” occupations as professionals, managers, or in administration. This reflects the wealth of the defined region.

Figure 11: Occupation, 2016



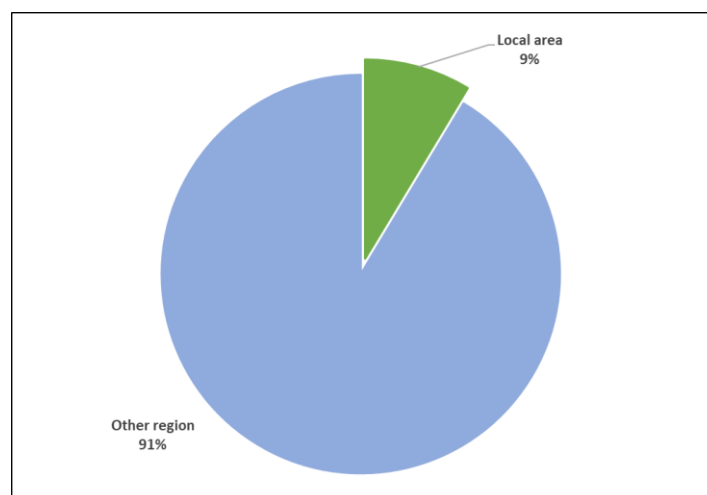
Source: ABS census 2016 Community Profiles

One measure of the size of an economy is to look at the income of people in the area. The census question seeks all sources of income and is gross without any deductions for taxation or superannuation. There can be negative incomes due to losses in small business or investments but these are a small proportion and are treated as zero.

An estimate of income is possible from the ABS 2016 census using the income profile for each local government area and the mid-point of the income ranges. These are median and not average incomes and hence this is an indication of relative levels rather than an accurate estimate based on averages.

Total income is then a function of the workforce size and the median income. The local area had estimated income of \$558m while the region total was \$6,490m.

Figure 12: Occupation, 2016



Source: ABS census 2016 Community Profiles

5. The project and economic impact

5.1 Evaluating the economic impact of projects

The economic impact that a new development has on an area will be determined by the scale of project and the size of the economy to which it is compared.

Impact can be assessed in terms of the changes in financial output for the economy, changes in job numbers and household income. The impact will include the actual project expenditure and employment and the ripple effect through the economy of this increase in activity.

There are several methods by which economic impacts can be assessed. The most comprehensive is to analyse the financial aspects using a computable general equilibrium model. This model is based on the flows between industry sectors and the adjustments that take place with the new project. The models require many assumptions about consumer and labour market behaviour and can be challenging to interpret. This complexity is desirable for large projects that have the potential to change labour markets, impact on prices or affect interest and exchange rates. The models are expensive to construct and run and the complexity means that they can be a “black box” with output sometimes difficult to interpret.

A simpler approach for smaller projects is to assess the flow-on effect using multiplier analysis. This uses the same input output table of economy transactions but does not allow for any adjustments in the economy – it is a static analysis.

A multiplier effect operates because the company purchases labour, goods and other services and these purchases generate further flow-on expenditure by the recipient. At each round of investment and expenditure the effect diminishes until a final total increase in the economy can be calculated. It is the ratio of the initial expenditure to the resultant final increase across the economy that is termed the multiplier.

Multiplier analysis is criticized because of the static analysis. The criticism is less justified for projects that have a small impact in the economy. This study adopts a conservative approach to estimation of the multipliers and the impacts to ensure the numbers used are defensible. It is considered that the study provides reasonable benchmarks for a discussion of economic impacts.

Table 6: Multipliers (Type 2A)

Measure	Multiplier			
	Local construction	Region construction	Local operations	Region operations
Jobs (annual)	1.635	1.716	1.223	1.246
Household income (annual)	1.635	1.716	1.223	1.246
Economic turnover (annual)	1.258	1.319	1.412	1.506

5.1.1 Employment and household income

The flow-on through the economy creates a total of 11 jobs in the local area during the construction phase and 144 jobs through the operating years of the facility. Income is increased to \$20m in the equivalent of one year of construction in the local area and \$46m in the region while the value of economic output is increased to \$16m in the area and \$63m in the region.

Table 7: Construction phase impacts

Project	Direct local	Direct region	Multiplied	
			Area	Region
Employment (number)	7 jobs	84 jobs	11 jobs	144 jobs
Income (\$m)	\$12m	\$27	\$20m	\$46m
Annual output (\$m)	\$13m	\$48m	\$16m	\$63m

The operating phase is estimated to involve 95 people including management, health services, social services, and hospitality. An allied health care company will have staff and facilities on site with an estimated 8 jobs (Table 8). Based on the distribution of employees at The Richardson, the local area is assumed to be the residential location of 10% of the staff (within 5km) with the region at 70%. A similar breakdown is assumed for household income while all turnover is assigned to the local area.

The flow-on through the economy creates a total of 12 jobs in the local area during the construction phase and 90 jobs through the operating years of the facility. Income is increased to \$0.8m in all operating years in the local area and \$5.7m in the region while the value of economic output is increased to \$1m in the area and \$9m in the region.

Table 8: Operations phase impacts

Project	Direct local	Direct region	Multiplied	
			Area	Region
Employment (number)	10 jobs	72 jobs	12 jobs	90 jobs
Income (\$m)	\$0.65m	\$4.60m	\$0.8m	\$5.7m
Annual output (\$m)	\$0.7m	\$6m	\$1m	\$9m

The relatively small addition to the workforce is unlikely to have any impact on wages in the area although the jobs will be sought after as create a diversity of employment opportunities in an area with a strong health and allied care community.

The project will complement the existing job market.