

PERMIT APPLICATION

2-10 Clarke Street, Abbotsford

Report on 'Reasonable or Economic Use'

Prepared for Mercy Health

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Prepared by Rodger Gibbins

Urban Economist and Planner

This report has been prepared for:

Mercy Health
Level 2, 12 Shelley St
Richmond 3121

It has been prepared by:

Rodger Gibbins,
Urban Economist and Planner
ABN 12 921 272 489

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Executive Summary

Rodger Gibbins, Urban Economist and Planner, has been commissioned by Mercy Health to prepare a report to Heritage Victoria on issues relating to 'reasonable or economic use' arising from Section 101 of the Heritage Act 2017 (see text box below). This report deals with matters arising from Part 5, Division 2 of the Heritage Act pertaining to 'reasonable or economic use' and addresses the Heritage Victoria Policy on Reasonable or Economic Use (June 2021).

The subject site is located at 2-10 Clarke Street Abbotsford. Mercy Health acquired the Nursing Home on the site in 2015 as part of its national network of aged care homes. Mercy Place Abbotsford as it was subsequently known, was licensed for 92 beds. It closed in April 2023.

The subject site is part of the listed Abbotsford Convent (it contains no heritage elements). It is occupied by a single double-storey brown brick and concrete former aged care facility constructed in 1977.

A planning scheme amendment application has been lodged to introduce a Special Use Zone – Schedule 7 (SUZ7) to permit use of the site for a retirement village. 2-10 Clarke Street is included within a Heritage Overlay Precinct (HO9) in the Yarra Planning Scheme.

The proposal is to construct a retirement village comprising sixty independent living units. This will complement a portfolio of similar development in Victoria and interstate.

Retirement Villages are associated with delivery of the following benefits to older persons

- Affordable opportunity to downsize.
- Opportunities to be part of a community and to socialise and to engage in activities.
- Access to communal facilities and services.
- Freedom from maintenance chores.
- Safety and security.

The proposal will deliver 60 units over four floors with a basement carpark and communal facilities on the ground floor and level 1.

The works include removal of the existing linkway between the subject site and the adjacent Chapel. The proposal also seeks to subdivide the existing title into two lots where the proposed development is located on Lot 1.

A financial analysis is provided based on modelling the fixed costs associated with the development (e.g. land, fees and communal spaces) and the variable cost that are linked to the number of units. The model shows there are 'economies of scale' when there are fixed and variable costs. The more units there are relative to fixed non-revenue producing elements the more profitable the development. The model shows that at 60 units the development breaks even. An alternative financial model provided by Mercy Health confirms this result.

There are other aspects of economies of scale in a retirement village including efficiencies in staffing, cost to residents and social benefits to residents through meaningful connections. There is a body of literature that supports this argument.

Conclusion of Reasonable Use

It is an eminently reasonable proposition that the site be used for a retirement village as this is compatible with its setting in the convent and is complementary to the site's historic use. A very important consideration is the fact that the existing building has no heritage value. In fact, it detracts from the heritage values of the adjacent heritage assets. Removing the existing building and replacing it with the proposed building would be a positive contribution to the heritage values of the place.

A retirement village run by a not-for-profit organisation is consistent with the ethos of the Abbotsford Convent. There are considerable social benefits to be gained, to the residents of the units and to the wider society.

The historic use (nursing home) is obsolete by virtue of the fact that the building is in poor condition and refurbishment is infeasible. The building does not comply with current standards.

Conclusion on Economic Use

Mercy Health being a not-for-profit organisation can deliver significant benefits for residents of the facility in terms of affordability and the quality of the service offered and the wider community benefits that will flow.

The use of the place for a retirement village is economically sustainable (on a break-even basis) provided 60 units are approved. The financial modelling undertaken for this report provides evidence that when fixed cost and variable costs are considered there is a point where a financial break-even point is reached. This is 60 units.

This conclusion is supported by the literature on the topic and the fact that the average number of units in retirement villages in Australia is 119 units.

Removal of the link to the chapel and 'making good' has been included in the cost estimate in the feasibility study. The Good Shepherd's income from the proceeds of the subdivision and the land sale to Mercy Health will enable Good Shepherd to fund all ongoing conservation works to the Chapel.

If the proposal doesn't proceed there is a derelict building generating no income. A threat to the development proceeding would be reducing the number of units to be included.

1. Introduction

1.1 The Brief

Rodger Gibbins, Urban Economist and Planner, has been commissioned by Mercy Health to prepare a report to Heritage Victoria on issues relating to 'reasonable or economic use' arising from Section 101 of the Heritage Act 2017 (see text box below). The report relates to the proposed Permit Application.

The qualifications and experience of the author are summarised in Attachment 2.

This report principally deals with matters arising from Part 5, Division 2 of the Heritage Act pertaining to 'reasonable or economic use'.

This report also addresses the Heritage Victoria Policy on Reasonable or Economic Use (June 2021).

Heritage Act 2017 No 7 of 2017

101 determination of permit applications

- (2) In determining whether to approve an application for permit, the Executive Director must consider the following:
- (a) the extent to which the application, if approved, would affect the cultural heritage significance of the registered place or registered object.
 - (b) the extent to which the application, if refused, would affect the **reasonable or economic use** of the registered place or registered object.

2. The Site

2.1 Location

The subject site is located at 2-10 Clarke Street Abbotsford. It comprises an irregularly shaped portion of land occupying the south-east corner of the intersection of St Heliers Street to the north and Clarke Street to the west along its longer dimension. The site (Figure 1) is part of a larger area of title that includes the Good Shepherd Chapel to the east).

FIGURE 1 – LOCATION OF THE SUBJECT SITE



Source: Reproduced from Bryce Raworth (May 2025) Heritage Impact Statement

2.2 Background

What is now 2-10 Clarke Street was originally part of a larger portion of land that was historically part of the Abbotsford Convent. This land was sold early in the colony's history and initially contained several residences that were the focal point of small farmlets.

The Chapel dates from 1870-72 and the St Joseph's School was constructed on the subject site in 1875. The convent was completed in 1903. In 1977-78 the St Joseph's School was demolished and the existing Good Shepherd Nursing Home was constructed.

Mercy Health acquired the Nursing Home in 2015 as part of its national network of aged care homes. Mercy Place Abbotsford as it was subsequently known, was licensed for 92 beds. It closed in April 2023.

FIGURE 2 – CLARKE STREET ELEVATION



Source: HIS

2.3 Site Description

(Source: HIS)

The subject site contains no heritage elements. It is occupied by a single double-storey brown brick and concrete former aged care facility constructed in 1977. The building presents a continuous double-storey façade to Clarke and St Heliers Streets and has a flat roof form. It is set back from the street boundaries behind gardens. A narrow curtilage along the south side contains a driveway and is enclosed from the adjacent convent gardens further south and to the south-east by a high bluestone fence which also dates from the 1970s. A narrow setback is maintained between the east side of the building and the adjacent convent and chapel, except for an enclosed walkway linking the former aged care building with the chapel.

FIGURE 3 – LINKWAY BETWEEN THE SUBJECT SITE AND THE CHAPEL



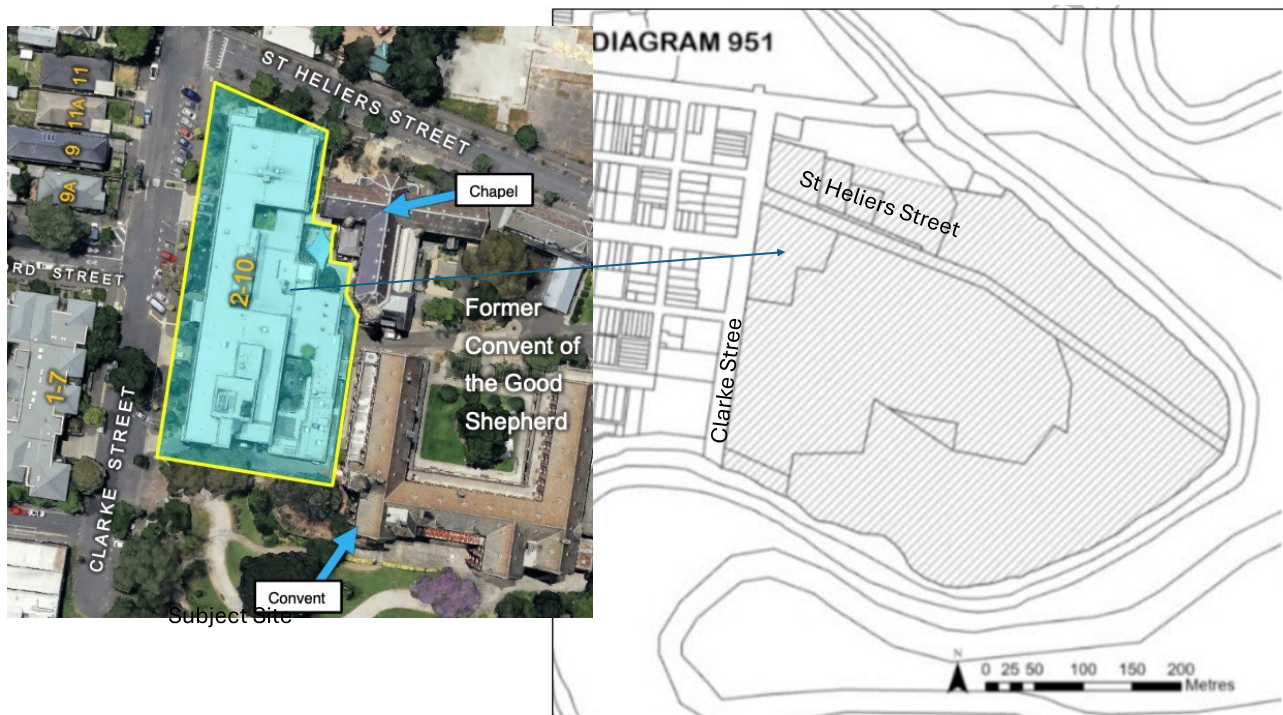
Source: HIS

The key heritage interface of the site is with the Abbotsford Convent complex to the east, where there are two large adjacent significant heritage buildings. On the north side is the bluestone Good Shepherd Chapel, a double-storey scale bluestone Gothic inspired church with a primary entry from St Heliers Street. On the south side is an adjacent wing of the former Convent, a rendered masonry Gothic inspired rendered masonry building comprising three generously proportioned storeys, with a steeply pitched roof. These structures are higher in scale than the existing building on the subject site. Both buildings include spires, the top portions of which are visible from adjacent streets to varying degrees.

2.4 Heritage Significance

The extent of registration of the Abbotsford Convent [H951] has recently been revised (6/2/25) to include 2-10 Clarke Street and the Good Shepherd Chapel.

FIGURE 4 – EXTENT OF REGISTRATION (H0951)



Source: HIS

The Statement of Significance states (in part):

Abbotsford Convent is historically significant as the only extant former monastic or convent farm surviving in a substantial manner within a city in Australia. It is the site of the largest self-sufficient convent and monastic building and farm complex in the state, with extensive vegetable gardens, orchards and grazing land. The large-scale agricultural operations were remarkable for a city location. The farm and the massive laundry buildings were major symbols of the convent and reflected the objectives of the Good Shepherd Order.

2-10 Clarke Street does not have an individual citation in the Victorian Heritage Database and no citations or datasheets have been prepared for it in any previous heritage studies.

2.5 Planning Framework

Zoning

A planning scheme amendment application has been lodged to introduce a Special Use Zone – Schedule 7 (SUZ7) to permit use for a retirement village.

2-10 Clarke Street is included within a Heritage Overlay Precinct (HO9) in the Yarra Planning Scheme. The Schedule to the Heritage Overlay indicates that the land mapped as located within HO9 is included on the Victorian Heritage Register [H951] as part of the Abbotsford Convent complex, with Heritage Victoria the permit authority.

3. The Proposal

3.1 Intent

The proposal is to construct a retirement village comprising sixty independent living units. Mercy Health Seniors Living fosters independence and caters to evolving lifestyle needs. There are 11 Seniors Living Villages, in Victoria, Western Australia and Queensland, with a total of 430 units. There is a focus on both community and independent living with the assurance that high-quality aged care is within easy reach if needed.

The text box explains some of the aspects of retirement villages.

Retirement Villages

Not everything that looks like a retirement village is one. A development that is a 'retirement village' covered by the Retirement Villages Act 1986 is a community where:

- most residents are 55 years or older or are retired from full-time employment (or are spouses/partners of such people)
- residents receive accommodation and services, other than services provided in a residential care or aged care facility, and
- at least one of the residents, as a contractual condition of entering the retirement village, paid an ingoing contribution that was not rent. It does not matter who made that payment, or whether it was a lump sum or by instalments.

If a community meets this legal definition of a retirement village, every resident is protected by the Retirement Villages Act 1986, whether they paid an ingoing contribution, or own or lease their unit. The owner of land to be used as a retirement village must lodge a 'retirement village notice' with the Land Titles Office. This notice is recorded on the land title, which can be checked on the Victorian Government's Landata website.

It is illegal for anyone to offer contracts that claim to entitle a person to become a retirement village resident without lodging this notice.

A retirement village provides people with independent accommodation and may include shared facilities. It might also provide lifestyle services and social activities. Although staff in some villages have healthcare backgrounds, services in retirement villages generally do not include health care.

Retirement villages are usually run by commercial operators for profit, or by community organisations such as religious or ethnic associations.

Source: <https://www.consumer.vic.gov.au/housing/retirement-villages/choosing-a-retirement-village/what-is-a-retirement-village>

3.2 Mercy Health

Three examples of Mercy Health retirement villages are:

(Source: <https://retirement-living.mercyhealth.com.au/villages/>)

Mercy Place Rice Village

Provides 72 independent living units in Geelong within a village where a residential aged care home is also available. Homecare services are available with a hairdresser, a library and hydrotherapy pool. Daily lunches are offered at a subsidised cost

Mercy Place Rice Village



Coral Sea Gardens Retirement Village

Provides 139 apartments and units in Cairns (QLD) There is a range of healthcare supports and subsidised care packages available on site. A residential aged care facility is co-located. A community centre offers several social programs.

Coral Sea Apartments



Mercy Place Apartments

Provides 52 apartments Parkville, Melbourne. There is a range of healthcare supports and subsidised care packages available on site. A residential aged care facility is co-located. An on-site café offers meals and snacks.

Mercy Place Apartments



Thes facilities all offer independent living with options for support services and social interaction if desired.

3.3 Economic Use and Consideration of Benefits

The Heritage Act requires the Director to consider 'economic use' (and other matters) and this begs the question – what is economic use?

In economics, 'economic use' refers to the allocation and utilization of resources, goods, or services to maximize efficiency and benefit within an economy. This involves considering factors like production, consumption, and distribution to achieve desired outcomes, often involving profit or utility.

In a broader sense, economic use can also involve maximizing utility or satisfaction for individuals or society as a whole. This goes beyond simply generating profit and considers factors like well-being and social welfare.

These considerations are evident in government policies such as the 'Measuring What Matters Statement' (<https://treasury.gov.au/publication/p2023-mwm>) where societal welfare is an integral part of economics. Economic Use is not therefore just about financial sustainability of a project, it must consider the societal benefits associated with the project.

Retirement Villages are associated with delivery of the following benefits to older persons (<https://baptistcare.org.au/blog/how-do-retirement-villages-work-and-what-are-the-benefits/>):

- Affordable opportunity to downsize.
- Opportunities to be part of a community and to socialise and to engage in activities.
- Access to communal facilities and services.
- Freedom from maintenance chores.
- Safety and security.

In addition to benefits to individuals there are societal benefits from reduced demand on health and related services and benefits to extended families when older relatives can live independently.

According to the PwC / Property Council Retirement Census (2023) Independent Living Units cost 57% of the median house cost and have shown strong capital growth. Surveys of residents indicate a high level of 'happiness'.

Statistics of relevance include:

- **Average village size 119 units.**
- Average age of villages 29 years.
- Good environmental credentials.
- 89% residents aged 75 to 84.
- Average tenure of residents 8.7 years.
- Average price of a 2BR unit \$559,000.
- Regulated home care provided to 61% of units.
- 54% of villages have provisions for medical support.
- Average service fees \$597 per month.
- 56% of villages offering deferred payment structure with no capital gains share.

Under the Retirement Villages Act 1999, there are several types of contracts, including:

- Leasehold arrangement (registered/non-registered interest holder)
- Loan or Licence arrangement (non-registered interest holder)
- Strata or community schemes (registered interest holder)
- Company title schemes (registered interest holder)
- Rentals (renting)

Contracts vary widely and can be complex. The Victorian Government Consumer Affairs Department recommends obtaining legal advice before entering a contract.

3.4 Layout and Built From

The layout of the proposed building (2nd Floor Plan) is shown in Figure 5 where the boundary of the proposed Lot 1 is shown and setbacks from boundaries and the Chapel are shown.

FIGURE 5 – LAYOUT OF PROPOSED BUILDING



Source: CHT Architects

The proposed built form is illustrated in Figure 6.

FIGURE 6 – PROPOSED BUILT FORM



LIFE ARCHITECTURE
URBAN DESIGN

FORMERLY
SNT ARCHITECTS

CLARKE ST, ABBOTSFORD - 02



Source: Life Architecture and Urban Design

3.5 The Works

The proposal is to demolish all existing buildings on the site and construct a four-storey building with recessed third and fourth levels and one basement level. The proposed built form is described in detail in the Planning Report and architectural plans. Uses within the building are configured as follows:

- Basement (1 Level):
 - Residential car parking – 28 spaces.
 - Bicycle parking – 28 spaces.
 - Waste / bins and services.
- Ground Floor
 - Residential lobby, office and meeting room.
 - 17 independent living units.
 - Flexible communal indoor space.
 - Function area.
 - Library and reading room.
 - Bookable Activity room.
 - Private dining.
 - Communal outdoor space – seating and landscaping, shared BBQ's.
- Level 1
 - 17 independent living areas.
 - Further internal communal space 2 x large dining tables.
 - Show Kitchen.
 - Flexible activity Areas.
- Level 2
 - 15 independent living units.
- Level 3
 - 11 Independent living units.

The works include removal of the existing linkway between the subject site and the Chapel (Figure 3). A Scope of Works has been prepared describing the demolition and building rectification process (conservation works) in some detail. These works will be undertaken and funded by Mercy Health.

On the issue of conservation works to the Chapel, the Good Shepherd's income from the proceeds of the subdivision and the land sale to Mercy Health will enable Good Shepherd to fund all ongoing conservation works to the Chapel.

3.6 The Subdivision

The proposal seeks to subdivide the existing title into two lots where the proposed development is located on Lot1.

FIGURE 7 – PROPOSED SUBDIVISION

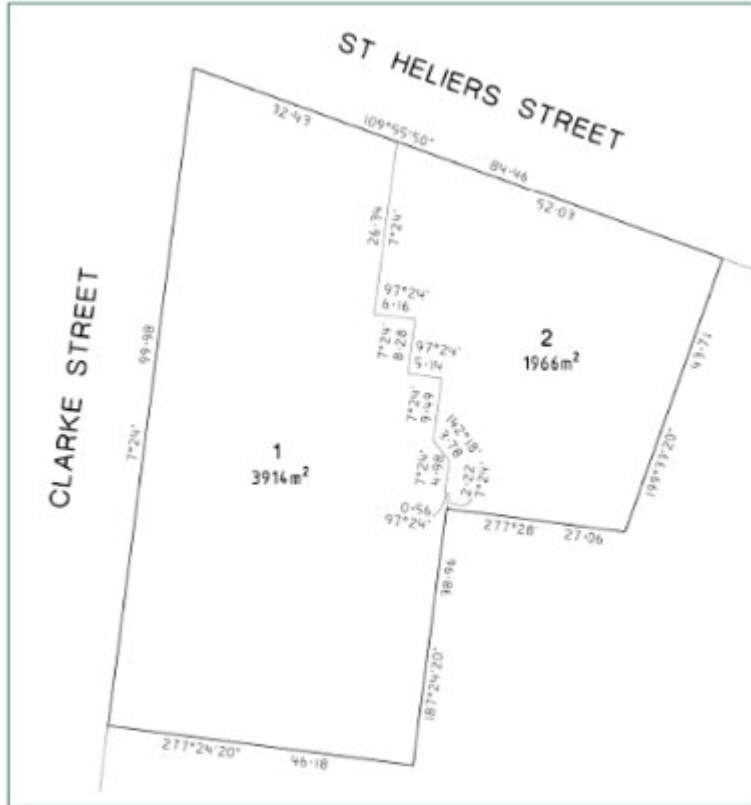


Figure 5 – Proposed Plan of Subdivision, prepared by JCA Land Consultants

Source: Planning Report

4. Financial Analysis

4.1 Approach to Financial Analysis

The approach to the financial analysis is to examine the fixed costs and variable costs associated with the proposed development.

The fixed costs are those incurred irrespective of the number of units in the development. These include:

- Land cost based on current value. While the land was purchased some time ago the cost today is the 'opportunity cost' associated with devoting the site to the development.
- Architect, Quantity Surveyor, Technical Consultants, Legals and Permit Fees.
- Communal Spaces – these include the lobby, reception and administration areas, meeting room and indoor and outdoor spaces on the ground floor. On Level 1 there is a communal dining area and kitchen bar and a communal terrace.
- Commissioning Costs - Includes marketing collateral, open days, contracts, sales staff, etc.

It is assumed that monthly maintenance fees (rent) cover recurrent costs (building maintenance, capital renewal, insurance, security, etc.)

On the revenue side there are Ingoing Contributions part of which are refunded on vacation (average stay is 8.7 years) net of deferred management fees (DMF). The net value of these arrangements to Mercy Health can be expressed in Present value Terms. The estimate of this value is [REDACTED] per unit.

Deferred management fees (DMF), also known as departure or exit fees, are payments made by residents of retirement villages when they leave. These fees are typically calculated as a percentage of the ingoing contribution or the sale price of the unit. They help cover costs associated with developing and maintaining the village, which aren't fully covered by resident maintenance fees.

4.2 The Model

The financial model is based on estimating the total of fixed costs and variable costs and DMF receipts for a number of units between zero and ninety. A 'margin' (for profit and risk) is calculated based on 'DMF Receipts – Total CAPEX / Total CAPEX'. Generally, a margin of 10% is considered to be a minimum.

The results of the model are shown in Table 1.

With no units the margin is – 100% (as there is no revenue). With 80 units the margin is 10%, indicating that a private developer would be looking to achieve at 80 units. At 60 units the development breaks even. This may be acceptable to a not-for-profit organisation.

However, at fewer than 60 units the development is loss a making proposition. Even for a not-for-profit organisation this is unacceptable and financially unsustainable.

The model shows there are 'economies of scale' when there are fixed and variable costs. The more units there are relative to fixed non-revenue producing elements the more profitable the development.

TABLE 1 – FINANCIAL MODEL

	\$11,000,000	60	\$22,800,000	\$33,800,000	\$34,200,000	1%
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Source: Mercy Health and Consultant.

4.3 Mercy Health Financial Modelling

Mercy Health have provided their detailed financial modelling for the project (Extracts in Attachment 1). The proposed arrangement for entry to the retirement village are:

- The resident leases their apartment after paying an initial 'Ingoing Contribution' and then ongoing maintenance fees.
- The lease term is until moving into supported facilities or death.
- At the end of the lease the ingoing contribution is refunded minus the Deferred Maintenance Fee, calculated as a percentage of the Ingoing Contribution per annum (say 3%). Mercy Health retains any capital gain.
- Residents receive services such as cooking, cleaning and laundry for a fixed fee (on a cost recovery basis).

The assumptions used in the modelling are:

Entry Costs are:

1 bed =

2 bed =

3 bed =

The average per unit cost is [REDACTED] which is below the unit cost of [REDACTED]. This to keep the entry cost as low as possible for residents.

The base DMF is [REDACTED] pa which enables Mercy Health to recover recurrent costs and cover the initial deficit on entry costs.

The modelling is quite complex and necessarily is based on estimates of unit turnover rates and future capital gains.

Importantly, the modelling shows that over the period to 2065 the annual surpluses are modest, and **the Net Present Value of the whole project is only [REDACTED]. This is essentially a 'break even' proposition.**

This supports the result of the financial model in Table 1. With 60 units the project is only breaking even. Any fewer units will see it become a loss-making proposition.

Qualification

It is recognised that this conclusion is based on rejecting options which could include fewer units with the entry costs and service payments set at a higher level to achieve a break-even financial position. Mercy Health rejects these options on the basis that affordability for clients would be significantly affected. There is also the issue of other benefits from economies of scale that are dealt with below. These benefits would be severely compromised.

4.4 Other Aspects of Economies of Scale.

Staffing

The more units there are the lower the staff to unit ratio. This reduces ongoing costs which is of benefit to the residents as they must pay this cost through monthly maintenance fees.

Cost to Residents

Given the substantial cost of communal facilities and other fixed items the more units there are the wider this cost can be spread. Entry Costs and Deferred Maintenance Fees can be moderated. With too few units, costs to residents become unaffordable.

Connections Between Residents

Retirement Villages need to be of sufficient scale to provide meaningful connections between residents. Having smaller developments could lead to increased isolation. Sufficient scale is required to be able to offer clubs, events and other social benefits.

There are very good reasons associated with economies of scale why the average retirement village size in Australia is 119 units.

4.5 Unit Numbers and Viability

(Sourced from Google AI referencing articles including Edmiston Jones 'Senior Housing in Regional Australia').

A retirement village generally needs a minimum of 90 units to be considered viable, although the exact number can vary depending on factors like location, amenities, and the specific type of care offered. For a purely residential care (aged care) facility, 90 units is the typical minimum, while a retirement village with a mix of independent living units and assisted living may require fewer units overall for financial viability.

Factors influencing the number of units for viability:

Location:

Retirement villages in high-demand or desirable locations may be able to achieve viability with fewer units due to higher occupancy rates and rental income.

Amenities and facilities:

Villages with more extensive amenities (e.g., swimming pools, community centres, health and wellness services) might require more units to support the costs of these amenities.

Type of care offered:

Retirement villages offering a range of care levels, from independent living to assisted living and residential care, may need a mix of units to cater to diverse needs and occupancy rates.

Operational efficiency:

Efficient management practices, including effective marketing and sales strategies, can also impact the number of units needed for viability

In consideration of these factors the Abbotsford proposal can justify fewer than 90 units due to its location, limited amenities provided, limited services offered and efficiency of operation due to experience in the field. However, fewer than 60 units is unlikely to meet these criteria.

(Sourced From: <https://www.hellodata.ai/help-articles/typical-unit-count-for-senior-housing-properties>)

The typical unit count for a senior housing property often ranges between 50 and 150 units. This range is influenced by a combination of factors that impact both operational efficiency and resident experience:

Operational Efficiency: Properties with at least 50 units benefit from economies of scale, where fixed costs like staff, maintenance, and utilities are more efficiently distributed across a larger number of residents. This scale allows operators to offer more services and amenities, which are critical in senior housing, without significantly increasing per-unit costs.

Resident Experience: Smaller properties can provide a more personalized environment, fostering a close-knit community feel, which is essential for seniors who often prioritize community interaction. However, fewer than 50 units can make it challenging to offer diverse services (e.g., wellness programs, social events) and may limit access to comprehensive on-site healthcare options, making it less sustainable long-term.

While this article suggest villages may be viable at 50 units this is on the margin between 50 and 150 units. In the Mercy Health proposal, the aspects of operational efficiency and resident experience have been considered and 60 units is deemed to be a minimum. This is reinforced by the fact that there are additional costs to be borne by the development associated with the link removal and making good the chapel, and the architectural treatments that have been included to respect the heritage values of the place.

4.6 Commonwealth Rent Assistance

(Source: <https://www.servicesaustralia.gov.au/rent-assistance>)

Residents of retirement villages may be eligible for Commonwealth Rent Assistance. To be eligible, the retirement village contract needs to be a leasehold or licence, not a fee-simple purchase of the property. If a resident owns the unit but not the land, the resident still considered a homeowner for some purposes but may still be eligible for Rent Assistance on the site fees. Residents must be receiving the Age Pension to be eligible for Rent Assistance.

Rent Assistance is calculated based on the ongoing maintenance fees (or service/site fees) paid in the retirement village. The maximum Rent Assistance payments for a single person are around \$200 per fortnight, and \$199.80 per fortnight for a couple.

This makes the retirement village option more attractive to downsizing homeowners. An additional advantage accrues to residents who benefit from the fact that stamp duty is not payable, as opposed to downsizing via purchasing a smaller dwelling.

5. Reasonable Use

5.1 Meaning of 'Reasonable Use'

Heritage Victoria has published a policy on the relevant matters for the consideration of section 101(2)(b) of the *Heritage Act 2017* relating to reasonable or economic use. Regarding **reasonable use** the policy (in summary) contends:

- Reasonable use is not affected by refusal if a place can be used without the proposed changes.
- The Executive Director may consider:
 - the historic, recent and current uses of the registered place or object,
 - other compatible uses of the registered place or object,
 - the context and setting within which the place or object is located, and
 - other relevant matters.
- Refusal to enable a change of use may affect reasonable use if the historic use is obsolete.
- Refusal to upgrade facilities to meet standards may affect reasonable use.

5.2 Can the Place be Used Without the Proposed Changes?

Conceivably, the existing building could be refurbished for a nursing home or similar use, although there would be considerable expense involved in modifying the layout to meet modern demands and standards. Critically, the current owner has no requirement or interest in such a development. A very important consideration is the fact that the existing building has no heritage value. In fact, it detracts from the heritage values of the adjacent heritage assets. This is not a situation where there is a highly valued heritage building where the question of re-use is salient.

Removing the existing building and replacing it with the proposed building would be a positive contribution to the heritage values of the place.

5.3 Matters for Consideration

The historic, recent and current uses of the registered place or object.

The Chapel dates from 1870-72 and the St Joseph's School was constructed on the subject site in 1875. Mercy Place Abbotsford as it was subsequently known replaced the school and was licensed for 92 beds. It closed in April 2023. Use for a retirement village is consistent with the historic use of the site.

Other compatible uses of the registered place or object.

The vision for the Abbotsford Convent (<https://abbotsfordconvent.com.au/about/abbotsford-convent-foundation/our-vision/>) is to be renowned for stimulating arts, cultural and community engagement and exchange through the wonderful and unexpected curiosities of our people and place. The purpose is to transform people's lives through diverse arts and cultural experiences and the striking landscape of the place.

On this basis a commercial use is ruled out. A retirement village run by a not-for-profit organisation is not a commercial use. It is a use that enables a cohort within the community with special needs to participate in the ethos of the convent.

The context and setting within which the place or object is located.

It is relevant that the built form that will accommodate the proposed use will replace an obsolete and ugly building with the new building being respectful of the heritage values of the place (see Heritage Impact Statement).

Other relevant matters.

The social benefits of the proposal cannot be ignored. Benefits to residents include:

- Affordable opportunity to downsize (including access to Commonwealth Rent Assistance for pensioners).
- Opportunities to be part of a community and to socialise and to engage in activities.
- Access to communal facilities and services.
- Freedom from maintenance chores.
- Safety and security.

In addition to benefits to individuals, there are societal benefits from reduced demand on health and related services and benefits to extended families when older relatives can live independently.

5.4 Is the Historic Use Obsolete?

The historic use (nursing home) is obsolete by virtue of the fact that the building is in poor condition and refurbishment is infeasible. It is noted that the historic use nor the built form have any heritage significance.

5.5 Are Standards an Issue?

The current building does not meet modern standards for a nursing home.

5.6 Conclusion on Reasonable Use

It is an eminently reasonable proposition that the site be used for a retirement village as this is compatible with its setting in the convent and is complementary to the site's historic use. A very important consideration is the fact that the existing building has no heritage value. In fact, it detracts from the heritage values of the adjacent heritage assets. Removing the existing building and replacing it with the proposed building would be a positive contribution to the heritage values of the place.

A retirement village run by a not-for-profit organisation is consistent with the ethos of the Abbotsford Convent. There are considerable social benefits to be gained, to the residents of the units and to the wider society.

The historic use (nursing home) is obsolete by virtue of the fact that the building is in poor condition and refurbishment is infeasible. The building does not comply with current standards.

6. Economic Use

6.1 Meaning of 'Economic Use'

Heritage Victoria has published a policy on the relevant matters for the consideration of section 101(2)(b) of the *Heritage Act 2017* relating to reasonable or economic use. Regarding **economic use** the policy (in summary) contends:

- The financial circumstances of the applicant or owner are irrelevant, but the feasibility of the proposed development may be relevant insofar as it relates to the viability of an ongoing use.
- The question of whether works will facilitate an economically sustainable use is relevant.
- Economic use may be affected if refusal would limit capacity to cover outgoings on a property.

6.2 Financial Circumstances of the Owner

The fact that Mercy Health is a not-for-profit organisation is a relevant consideration on the basis that significant benefits can be generated for residents of the facility in terms of affordability (lower entry price compared to titled housing, no stamp duty and Commonwealth Rent Assistance for pensioners) and the quality of the service offered and the wider community benefits that will flow.

The project is assessed to be a financially 'break-even' proposition. The fact that the proponent is a not-for-profit organisation means that the scale of the development can be limited to 60 units. If the owner was a private entity a higher number of units (and hence greater building mass) would be necessary for financial viability.

6.3 Will the Proposal Facilitate an Economically Sustainable Use Going Forward?

The use of the place for a retirement village is economically sustainable (on a break-even basis) provided 60 units are approved. The financial modelling undertaken for this report provides evidence that when fixed cost and variable costs are considered there a point where a financial break-even point is reached. This is 60 units.

Removal of the link to the chapel and 'making good' has been included in the cost estimate in the feasibility study. These works will be undertaken and funded by Mercy Health. On the issue of conservation works to the Chapel, the Good Shepherd's income from the proceeds of the subdivision and the land sale to Mercy Health will enable Good Shepherd to fund all ongoing conservation works to the Chapel.

One article has been reviewed suggesting that 90 units is a minimum for a viable retirement village. While there is another article that suggests villages may be viable at 50 units, this is on the margin between 50 and 150 units. In the Mercy Health proposal, the aspects of operational efficiency and resident experience have been considered, and 60 units is deemed to be a minimum. This is reinforced by the fact that there are additional costs to be borne by the development associated with the link removal and making good the chapel, and the architectural treatments that have been included to respect the heritage values of the place.

6.4 Would Refusal Limit Capacity to Cover Outgoings on a Property?

If the proposal doesn't proceed there is a derelict building generating no income and is generating significant costs associated with maintenance and security. A threat to the development proceeding would be reducing the number of units to be included. If a reduction in the number of units is imposed, the only option is to increase the entry costs and rents for residents which runs counter to the objective to provide affordable retirement opportunities. There would be implications for the social benefits that would otherwise ensue.

As for covering outgoings going forward, achieving this will only occur by increasing rents for residents. With higher entry costs and higher rents, the facility would be compromised in terms of competitiveness in the market. This may result in increased vacancies and threaten viability.

6.5 Conclusion on Economic Use

Mercy Health being a not-for-profit organisation can deliver significant benefits for residents of the facility in terms of affordability and the quality of the service offered and the wider community benefits that will flow.

The use of the place for a retirement village is economically sustainable (on a break-even basis) provided 60 units are approved. The financial modelling undertaken for this report provides evidence that when fixed cost and variable costs are considered there a point where a financial break-even point is reached. This is 60 units.

This conclusion is supported by the literature on the topic and the fact that the average number of units in retirement villages in Australia is 119 units.

Removal of the link to the chapel and 'making good' has been included in the cost estimate in the feasibility study. The Good Shepherd's income from the proceeds of the subdivision and the land sale to Mercy Health will enable Good Shepherd to fund all ongoing conservation works to the Chapel.

If the proposal doesn't proceed there is a derelict building generating no income A threat to the development proceeding would be reducing the number of units to be included.

References

- *PwC / Property Council (2023) Retirement Census.*
- *Heritage Act 2017 No 7 of 2017Gap A*
- *Hello Data, Typical Unit Count for Senior Housing Properties.*
- *Edmiston Jones 'Senior Housing in Regional Australia*
- *Heritage Victoria Policy on Reasonable or Economic Use (June 2021).*
- *Bryce Raworth (May 2025) Heritage Impact Statement.*
- *proUrban (August 2025) 2-10 Clarke Street, Abbotsford Planning Report.*
- *Life Architecture and Urban Design (2025) 2-10 Clarke Street Abbotsford 3D Renderings.*
- *CHT Architects (2025) 2-10 Clarke Street Abbotsford Architectural Drawings.*

Attachment 1 – Mercy Health Financial Modelling

Attachment 2 - Summary CV

Rodger Gibbins, Urban Economist and Planner

Qualifications

- Graduate Diploma Economics (La Trobe University)
- Master of Urban Planning (University of Melbourne)
- Diploma of Applied Science (Town Planning) (R.M.I.T.)

Expertise

- Cost-Benefit Analysis
- Business Case Preparation
- Economic and Social Impact Analysis
- Economic Development Strategies
- Investment Attraction Strategies
- Tourism Strategies
- Land Administration Policy
- Housing Policy and Program Evaluation
- Urban Systems Modelling
- Retail Needs Analysis
- Industrial Land Use Strategies
- Employment Forecasting
- Workforce Planning Strategies
- Public Policy Advisory

Selected Relevant Project Experience on 'Reasonable or Economic Use'

- **Australiawide <Melbourne Pty Ltd:** A report the Heritage Victoria on a proposal to refurbish an historic former Rechabite Hall in Little Chapel Street Prahran. The proposal involved removing extensive 1980's additions and replacing with new office floor space compliant with modern standards.
- **Mecca (2024):** Commissioned to prepare an independent report to Heritage Victoria as a follow-up to the 2022 report. The report relates to a proposed 'MECAversity' (a beauty and wellness education facility) on Level 1 within the heritage listed former David Jones store located at 299-307 Bourke Street, Melbourne. The space was allocated to 'back of house' in a previous HV permit.
- **Rodd & Gunn (2023):** Commissioned by Rodd & Gunn Australia Pty Ltd to prepare a report to Heritage Victoria on issues relating to 'reasonable or economic use' arising from Section 101 of the Heritage Act 2017. The report relates to a proposed integrated high-end retail and hospitality tenancy concept within the heritage listed former David Jones store located at 299-307 Bourke Street, Melbourne.
- **Shatter Pty Ltd (2023):** A report to HV on a proposal is for the Athenaeum Theatre in Sorrento to be adaptively reused as retail premises. The proposed works are mostly confined to the interior with the greatest extent of change occurring in the already altered foyer.
- **Castlemaine State Festival Ltd (2023 – on hold due to funding withdrawal):** A report to HV on a redevelopment proposal for the Castlemaine Goods Shed. The vision is "to be a leading cultural festival and arts centre in

regional Australia, engaging people in vibrant experiences, in new and unexpected ways.” The vision for the Castlemaine Goods Shed is to create a vibrant creative precinct that is home to the festival, supports and inspires creative practice and partnerships, engages the community and

- **Mecca (2022):** An independent report to Heritage Victoria on issues relating to ‘reasonable or economic use’ arising from Section 101 of the Heritage Act 2017. The report relates to a proposed retail tenancy concept within the heritage listed former David Jones store located at 299-307 Bourke Street, Melbourne.
- **Burnham Beeches Investments Pty Ltd:** The report to HV relates to the proposed Burnham Beeches redevelopment project. Located 35 km east of Melbourne’ CBD the subject site sits in a bushland setting featuring the iconic three-storey mansion built by the Nicholas family in 1930-33 designed in the Art Deco Streamline Moderne style. The land was initially a mountain retreat and working farm but only for a few years until WW2 when it became a children’s hospital.
- **Melbourne Racing Club (2022):** SC Lennon & Associates was commissioned to prepare an independent report to the Heritage Council of Victoria on the ‘reasonable and economic use’ of a development proposal for the Caulfield Racecourse. The report dealt in part with the implications of listing the site on the VHR after development had commenced in compliance with a planning permit.
- **Richmond Football Club (2021):** SC Lennon & Associates was commissioned to prepare an independent report to the Heritage Council of Victoria on the ‘reasonable and economic use’ of a development proposal for the Punt Road Oval. The proposal is to continue the use as an AFL venue with substantial modifications to bring the venue up to standard and to cater for the needs of the primary user - the Richmond Football Club. The work involved supporting a case that the project was a continuation of the process of adaption to accommodate the evolution of the game.
- **Community Venues (2021):** Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal to refurbish the heritage listed Festival Hall Building. The proposal is to continue the use as an entertainment venue with substantial modifications to bring the building up to standard and to cater for the needs of the primary user - the Hillsong Church. The work involved financial modelling of options depicting various levels of development intensity.
- **ISPT Pty Ltd (2020):** Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal to refurbish the heritage listed former Land Titles Office building to accommodate the world class Benaki Museum. The proposal was to build a 30 level tower over the strong rooms to bring the development onto a commercial basis, given the costs involved in the heritage works. This assignment involved a cost benefit analysis of the museum component where the main benefits are derived from the cultural and educational benefits of the museum and conservation of the heritage asset. An economic impact analysis was also provided including the employment uplift associated with increased tourism numbers.
- **Saint Columbans Mission (2019):** Rodger Gibbins was commissioned to prepare a report to Heritage Victoria on issues relating to ‘reasonable or economic use’ arising from Section 101 of the Heritage Act relating to a proposal to redevelop a site located at 45 to 69 Woodland Street Essendon. This report also addresses the 2012 ‘Heritage Guidelines’ issued by Heritage Victoria and the Heritage Council of Victoria (still relevant to the current Act).
- **PDG Corporation (2018):** Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal for the Toyota Dealership site in Elizabeth Street Melbourne. The proposal was to demolish part of a registered building to accommodate multi-level commercial floorspace. The report addressed

issues relating to the 'reasonable or economic use of the registered place' and is based on financial modelling of development scenarios.

- **RJ International (2017):** Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal ('Tea House' located in Clarendon Street South Melbourne) involving construction of a hotel adjacent to a registered building. The report addressed issues relating to the 'reasonable or economic use of the registered place' and is based on financial modelling of development scenarios.
- **Caydon Property Group (2016):** Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal (Malt Precinct in Cremorne – Silos and Nylex Sign) involving the potential demolition of registered buildings (pursuant to Section 73(1)(b) of the Heritage Act 1995). The report addressed issues relating to the 'reasonable or economic use of the registered place' and is based on financial modelling of development scenarios.
- **Victoria University (2015):** Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal (Maidstone former migrant hostel and munitions plant) involving the potential demolition of registered buildings (pursuant to Section 73(1)(b) of the Heritage Act 1995). The report addressed issues relating to the 'reasonable or economic use of the registered place' and is based on financial modelling of development scenarios.
- **Private Client (2015):** In the capacity of Consultant Director at Urbis: Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal (Wesley Church Site in Lonsdale Street) involving the partial demolition of a registered building – the Princess Mary Club (pursuant to Section 73(1)(b) of the Heritage Act 1995). The report addressed issues relating to the 'reasonable or economic use of the registered place' and is based on financial modelling of development scenarios.
- **Lend Lease (2014):** Preparation of an independent report to the Heritage Council of Victoria on the economics of a development proposal (East Melbourne Synagogue site) involving the partial demolition of a registered building (pursuant to Section 73(1)(b) of the Heritage Act 1995). The report addressed issues relating to the 'reasonable or economic use of the registered place' and is based on financial modelling of development scenarios.