

Review of planning proposal 17-19 Smith Street East Chatswood

Final report

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Executive Summary

SGS Economics and Planning (SGS) has been commissioned by Willoughby City Council (Council) to review a planning proposal and supporting documentation for a proposed full-line Woolworths supermarket at 17-19 Smith Street East Chatswood. The proposal seeks an enabling clause to the local environmental plan (LEP) to allow supermarkets as a permissible land use on the site. Council has asked SGS to independently review the planning proposal submitted by City Plan Services (CPS) and supporting documentation prepared by Duane Location IQ and Jones Lang Lasalle (JLL).

The subject site of the proposed supermarket is within the East Chatswood employment lands. The current zoning in the employment lands promotes light industrial and business park uses as well as support services, and prohibits the development of supermarkets and other non-bulky goods retail. The CPS planning proposal and supporting documentation advocate that the East Chatswood employment lands should accommodate a greater diversity of land uses and that the relevant planning controls no longer reflect the land use demand for floor space in the area. Further, the planning proposal argues that there is sufficient retail expenditure in the suggested catchment area to support a supermarket with only a minor impact on the existing retail vitality of Chatswood as well as smaller local centres.

SGS's review of the planning proposal and the accompanying reports highlight that while a prima facie case has been made for the supermarket, there is still insufficient evidence on which to form a view in favour of the proposal. In particular:

Reference to only partially relevant documents

The supporting documentation contains reference to a range of documents which it draws upon to support the proposal. These include a draft Centres Policy (described on its cover as being 'not government policy'), discussion papers or non government reports. None of these have official policy status. In simple terms the relevant thrust of the documents is:

- Competition is facilitated by ensuring a supply of appropriately zoned land which more than meets future demand for retail premises
- Retail premises are best located in or on the edge of existing centres
- The typology of retail and commercial centres should not be so rigid as to deny opportunities for large format premises, such as supermarkets, locating in them
- Proposals for retail premises in out of centre locations that can not be accommodated in-centre or edge-of-centre should be subject to a net community benefit test (where net impacts not transfer impacts are the critical consideration).

If this framework was adopted policy the only relevant test for the project, given that it is clearly 'out of centre' would be:

- whether or not the project can be accommodated in-centre or edge-of-centre and if not,
- then does it meet a net community benefit test.

Neither of these is addressed in any detail in the CPS report or in other documents supporting the proposal. Our analysis finds that there appear to be suitable sites in existing centres (see below).

Key relevant tests of the Centres Policy elements and employment lands strategic assessment criteria in the Metropolitan Plan not addressed

In the absence of the above mentioned framework being adopted policy (or any other alternative coming from the current NSW Government) the key and ultimate policy tests are the Centres Policy elements and employment lands strategic assessment tests in the Metropolitan Plan for Sydney 2036 (p. 60 and p. 141 respectively) and the Section 117 Directions (1.1 Business and Industrial Zones). The documentation contains no reference to the former document. A detailed letter addresses the latter (see comments below).

Given the proposal would be an 'out of centre' development, overall it rates poorly against the Centres Policy elements in the Metropolitan Plan for Sydney 2036.

A 'quick' and qualitative assessment against the employment lands strategic assessment criteria generates a mixed outcome for the proposal but more work is required by the proponent to test the proposal fully against these criteria. In particular a more comprehensive report is required which addresses the '*stocks of local employment lands and the ability of remaining stocks to meet future local industrial needs*'. The CPS and other documentation supporting the proposal includes information on the industrial land market and vacancies, but the medium to longer term supply-demand perspective is not addressed (in a quantitative way).

Difficult for proposal to satisfy key relevant tests in the Section 117 Direction: 1.1 Business and Industrial Zones – in particular whether it maintains the economic viability of centres and whether it will likely reduce the potential floor space for industrial uses in the existing industrial zone.

The key tests which the proposal needs to satisfy from the Section 117 Directions – 1.1 Business and Industrial Zones are whether it is consistent with clause 4 or, if not consistent, whether it can meet the clause 5 tests.

In Clause 4 the key tests are:

1. whether it can give effect to the objectives of this Section 117 Direction, and
2. whether it will likely reduce the potential floor space for industrial uses in the existing industrial zone.

In relation to the first key test:

- It is arguable whether the proposal meets objective (a) (*encourage employment growth in a suitable location*), given that it will be retail employment which the centres policy would usually dictate should be in a centre (as a 'suitable location').
- Probably, the critical objective that the proposal (and supporting studies) needs to meet is (c) "*support the viability of identified strategic centres*". Ultimately a reduction in

expenditure – even as little as 1.3 percent as suggested in the Duane Location IQ report - is **not consistent** with the test of **supporting the viability** of the strategic centre of Chatswood. The CPS report and letter state that it will "**not threaten the viability**" of centres, which is not actually the test the proposal needs to meet.

In relation to the second key test:

- It is very difficult to argue that introducing a general retail use to the zone (even if just to one site) preserves the floorspace available to industrial uses within that zone.
- However, it might be possible to satisfy this item if it was demonstrated that **all** potential demand was able to be accommodated by the reduced supply. The supporting studies note the change in type of employment uses and the current high vacancy rate but, though implied, do not address this ultimate test.

If inconsistent with Clause 4 the relevant elements of Clause 5 that apply are that the provisions of the planning proposal need to be:

- justified by a study which gives consideration to the objective of this direction (5(b)) (see discussion above), or
- in accordance with the relevant Regional Strategy or Sub-regional Strategy....(5(c)).

For 5(c) the relevant Regional Strategy is the Metropolitan Plan and a broad and qualitative consideration of the extent to which the proposal addresses or satisfies the centres policy elements and employment lands strategic assessment criteria suggests the proposal falls short. Though in relation to the latter (employment lands strategic assessment test) a more comprehensive demand-supply assessment for the precinct would enable these criteria to be better addressed.

The proposal is not consistent with the Inner North Draft Subregional Strategy which seeks to protect the East Chatswood area as (category 1) land to be retained for industrial purposes.

Council's relevant strategic planning directions not addressed

Council has a set of strategic planning directions (principally outlined in the Community Strategic Plan but also in other Council reports and documents) which are not addressed by the planning proposal. A summary of the key relevant directions and elements is as follows.

- provide a diversity of housing, in particular located and provided with adequate infrastructure and services
- manage car parking to promote public transport use instead of private vehicle use
- maintain local commercial and retail centres
- locate employment in areas that can be well serviced by public transport
- limit commercial and retail activity in industrial areas
- support the CBDs of Chatswood and St Leonards.

These strategic settings established by a number of Council documents and consultant reports do not support development of the site for the proposed Woolworths supermarket. There is only a limited reference to these local strategic directions in the CPS and other documentation.

Retail and economic analysis consistent with practice but assumptions unclear

While the retail and economic impact analysis adopts conventional benchmarks and thereby makes a strong case in favour of the proposal, many assumptions used are not transparent. Sensitivity testing of assumptions, or using primary, locally relevant data on expenditure patterns and potential changes as a result of this proposal, generated using a survey of residents, would provide for a richer and more robust assessment of the prospects for the supermarket and the impact on surrounding centres.

It should be noted that the test of whether the planning proposal meets the objective of maintaining the viability of centres (and the strategic centre of Chatswood in particular) is a key one (in the Section 117 guidelines). The Duane Location IQ report acknowledges there will be a negative impact on other centres (e.g. -1.3 percent in Chatswood centre, -5.4 percent in Willoughby High Street and -4.0 percent in Castlecrag). We think these figures – without the benefit of a detailed quantitative assessment – are probably understated. Nevertheless, any proposal that has a negative impact on the expenditure potential of another centre (even if modest) will find it difficult to meet a strict reading of the objective of contributing to **maintaining** the viability of existing centres.

Demand for industrial land in the East Chatswood precinct still strong for smaller industrial units for mixed office/warehousing but vacancies high and concentrated in larger format buildings and sites

The site is in the East Chatswood industrial area. The supporting documentation seeks to show that there is a high vacancy rate in the area and that demand for employment activities is changing such that the area does not support 'traditional' industrial activity anymore and a wider complex of employment uses is emerging and should be allowed. SGS agree with this proposition but it does not necessarily justify allowing general or supermarket retailing which would be better located in centres.

Furthermore, the vacancies are concentrated in larger format buildings and sites for which there is limited current demand. Sites with smaller industrial units are in demand. Overtime it could be expected that many of these will redevelop in line with market preferences.

Planning controls (and appropriate transport investment) should facilitate development for more intense, diverse uses including some larger format or ancillary retail, offices and a hybrid mix of business requiring both office and warehouse space, though without necessarily allowing general retail (including supermarkets), which should be the subject of appropriate associated planning given its catalyst role in centres

A longer term evaluation of supply-demand prospects in the precinct is required to support a case for losing industrial land in the precinct to supermarket and other retail.

Two other sites would be suitable to accommodate a supermarket in existing centres

SGS has evaluated a number of alternative sites in the LGA, from a list provided by Council, for a supermarket development.

The site assessment was based on six criteria that assessed the sites based on their practicality, location, their position within council policy and the metropolitan planning framework and what their constraints were. The assessment indicates that Sites 1 (173-197 Victoria Avenue, Chatswood) and Site 11 (243 – 245 Penshurst Street, Chatswood) are probably the most viable alternative options to the subject site at East Chatswood. They are located in close proximity to each other as well as the subject site and the assumed trade catchment boundaries, and would support the viability and development of existing centres.

A supermarket – if supported on this site – should not be allowed to develop without complementary and integrated planning of the immediate precinct including for additional retail and possibly residential uses (forming in effect a new centre)

The proposed Woolworths development in East Chatswood is in line with recent activity by the company as a site developer. A similar development has occurred in the Balgowlah or Manly Vale industrial precinct and this has precipitated a wider evaluation of and up-zoning of part of the precinct. Land values in this area do not appear to have shifted upward as a result of the Woolworths development yet, but it is not yet operating and such higher land values would be expected to occur over time once traffic and shoppers arrive.

If the proponent is able to build a stronger case to support the proposal and Council is inclined to support it, in SGS's opinion it would be wrong to allow the supermarket as an isolated retail development. In our view the supermarket development would catalyse further retail development such that a centre by default would be created. In this case not only would the industrial area be affected by encroaching and higher land value development, with unmanaged consequences, the opportunity to obtain more desirable planning outcomes would be lost.

If the development was to go ahead there is a strong case for analysis and the development of a structure plan and associated planning controls for basically a new centre in this location, building on the supermarket anchor, with a small complex of supporting retail activities and potentially residential development. The demarcation with the existing industrial area can be strongly drawn to protect it for the future and traffic impacts can be managed in a more integrated way.

Conclusion

Ultimately, the key tests for this proposal are relevant policy elements and tests in the **Metropolitan Plan for Sydney 2036** and the **Section 117 Direction: 1.1 Business and Industrial Zones**.

1. The proposal fares poorly against the Centres Policy elements in the Metropolitan Plan for Sydney 2036. It also 'falls short' against the Employment Lands Strategic Assessment. In particular a more comprehensive report is required which addresses the criterion of impacting on '*stocks of local employment lands and the ability of remaining stocks to meet*

future local industrial needs’.

From our analysis future projections of demand are modest but market anecdotes and activity suggest that sites with smaller industrial units are in demand. Overtime it could be expected that larger sites and buildings, where the vacancies are concentrated, will redevelop in line with market preferences. Whether this will be sufficient to absorb spare capacity needs to be the subject of further analysis.

2. In relation to the Section 117 Direction: 1.1 Business and Industrial Zones needs to satisfy two of three objectives in particular.
 - Firstly, it is arguable if the proposal meets the objective of *"encouraging employment growth in a suitable location"*, given that it will be retail employment which the centres policy would usually dictate should be in a centre (as a 'suitable location').
 - More critically, the proposal does not satisfy a strict reading of the objective of *"supporting the viability of identified strategic centres"*. Ultimately a reduction in expenditure – even as little as 1.3 percent as suggested in the Duane Location IQ report - is **not consistent** with the test of **supporting the viability** of the strategic centre of Chatswood.

In addition, the planning proposal could seek to satisfy a net community benefit test, as per the Department of Planning's *Guide to Preparing Planning Proposals*.

If the Council saw fit to support the development based on it being able to meet these various tests, in SGS's opinion a further study on the potential of the location as a centre would need to be conducted. The precedent effect of the supermarket development would be significant and it would be difficult to resist additional retail and related development such that a centre 'by default' is likely. Council's planning needs to anticipate this prospect.

1 Introduction

1.1 Background

SGS Economics and Planning (SGS) has been commissioned by Willoughby City Council (Council) to review a planning proposal for 17-19 Smith Street Chatswood. The planning proposal was lodged with Council by CityPlan Services (CPS) on behalf of Woolworths Group (the property owner). The brief also asks for supporting information submitted as part of the planning proposal to be reviewed. This documentation includes a Response to Council prepared by Duane Location IQ in relation to issues raised by Council about the proposal as well as a land use study for 17-19 Smith Street and the wider employment lands study area that has been prepared by Jones Lang Lasalle (JLL) for Woolworths Group.

The planning proposal seeks to amend the *Willoughby Local Environmental Plan 1995* (the relevant planning instrument) to allow for supermarket retail on the site. At present the subject site is zoned 4(b) Light Industrial, in which supermarkets (not separately defined but covered by the definitions of 'shops') are not a permissible land use. Further, Willoughby Council is currently in the advanced stages of finalising their comprehensive LEP, based on draft Willoughby Local Environmental Plan 2009. In the draft LEP the site is proposed to be zoned IN2-Light Industrial which also prohibits supermarkets. The planning proposal seeks an enabling clause in the 4(B) zone as part of the current LEP to allow supermarkets as a permissible land use. The proposal also requests that this should also apply to any zoning changes to be carried over into the draft WLEP 2009.

The planning proposal and supporting documentation provide a case to justify allowing supermarkets as a permissible land use within the zoned industrial area. The justification can be summarised as:

- The existing and proposed land use controls in the industrial area do not reflect the local and regional land use trends and market demand for floor space
- There is insufficient demand for traditional light industrial uses which indicates a need for more flexible zoning and land use options in the area
- There is additional expenditure capacity in the Chatswood retail catchment area combined with limited room to develop a full line supermarket in Chatswood centre
- The development of a new supermarket on the subject site would not have a major impact on existing retail development in Chatswood centre, nor the other smaller retail centres through the LGA and surrounding area.
- A new supermarket on the subject site would create a cumulative net community benefit.
- There is a growing trend and policy shift of allowing neighbourhood shops in business development zones, business parks and certain light industrial zones
- The proposed rezoning would create a higher density of employment per square metre than existing uses.

1.2 Site context

The subject site is located at 17-19 Smith Street East Chatswood. The site is located within a light industrial precinct. The precinct is identified as the East Chatswood Employment Lands in the draft Inner North Subregional Strategy. The subject site was formerly a Sundell Holden Service Centre. After Holden ceased operations at the site, it was purchased by Woolworths Group. Figure 1 below shows an aerial view of the subject site, and the wider employment lands precinct.

Figure 1. Subject site in the East Chatswood Employment Lands



Source: Google Maps (2012)

The East Chatswood Employment Lands are a 26 hectare industrial precinct that accommodates a diversity of land uses and industries. It was formerly home to traditional heavy industries, but now contains a mix of light industrial uses, warehouses, business parks and a growing presence of bulky goods retail and recreational facilities. The employment lands are one of only two precincts in Willoughby Council and form part of the very small remainder of employment precincts left on the North Shore of Sydney.

1.3 Scope of works

In completing a review of the planning proposal, SGS has focussed on the justification, and in particular the method and assumptions adopted in the supporting documentation. The following tasks were carried out:

- An assessment of the proposed development against the planning policy and strategic planning framework at a state and local government level.
- An examination of the methods and assumptions used by CPS, JLL and Location IQ in the retail and economic impact analysis.
- Testing the assumptions made and conclusions drawn in relation to the industrial land market.
- A sense check of data and methods through desktop review, consultation with commercial property market agents and in-house experience.
- A review of potential alternative sites.
- An analysis of current supermarket retail strategy in purchasing land in industrial areas and assessing the overall land use demand, impacts and land value changes from allowing supermarket retail in employment lands.

Ultimately the work does not constitute a full peer review as it has not included any parallel modelling or major quantitative analysis. It mainly focuses on the supporting documentation and the case for the proposal.

2 Assessment of project justification against state policy and planning framework

2.1 Introduction: Metropolitan planning framework

The metropolitan planning framework has been developed by the NSW Government through long term strategic plans prepared by the NSW Department of Planning and Infrastructure (DOPI) to guide Sydney's development for the next 25 years. The long term strategic plans include the Metropolitan Plan for Sydney 2036 (2010) and its predecessor the Metropolitan Strategy: A City of Cities (2005). Draft subregional strategies including the Inner North Draft Subregional Strategy (INDSS) were released after the 2005 Metropolitan Strategy to provide a higher level of local detail and translating the vision of the metropolitan framework. The subregional strategies have remained in draft form, though are key reference documents for Council planning. The overall framework for metropolitan Sydney is based on the concept of a city of cities with a defined typology of centres, each having specific roles. Global Sydney is supported by a network of regional cities, major centres, specialised centres, town centres, villages and neighbourhood centres.

Chatswood is identified in the Metropolitan Plan for Sydney 2036 and the Inner North draft Subregional Strategy (INDSS, 2007) as a Major Centre, with a major shopping, business and regional employment role and focus for the North Shore. The Chatswood Major Centre falls within the Global Economic Corridor (running from Macquarie Park through the Sydney City Centre to the Airport) which is a major economic and business concentration and driver of Australia's economy. Chatswood is located between the specialised centres of St Leonards and Macquarie Park, forming a vital link in the hi-tech and IT industrial cluster between the two specialised centres.

The INDSS emphasises the importance of existing employment lands in the subregion. One of the four key directions in the Economy and Employment Chapter is to "Protect Strategic Employment Lands" (p20). East Chatswood is identified as one of the strategic employment lands. The strategy characterises the precinct as a 26 hectare (local industry) former heavy industrial area, containing a mix of manufacturing and ancillary office development, with a hi-tech focus.

The INDSS sets a clear agenda to retain the existing employment lands within the subregion. It suggests that given the continued demand for employment lands and scarcity of available land, conversion of existing employment lands within the subregion should be restricted and existing precincts, including East Chatswood, should be retained. The strategy does note that in order to accommodate potential future demand, there may be a need for some intensification of employment lands, however this must not undermine the integrity of the employment lands in servicing local needs or threaten the strategic position of the established centres.

The CPS report assesses the metropolitan planning framework and critiques or adopts elements of it in support of the project proposal. The CPS report also draws on a range of draft policy documents and reviews (some from outside the state government) to make a case for the East Chatswood supermarket proposal.

The following section examines in more detail the policy arguments used to support the project, and provides a critique of these arguments where warranted.

2.2 Policy justification for assessment

Draft Inner North Sub Regional Strategy

The initial discussion under this heading (CPS, p.33) accurately identifies how the site is identified in the INDSS.

- **Draft Inner North Sub-Regional Strategy**

The subject site is located within the East Chatswood employment lands. The Draft Inner North Sub-Regional Strategy identifies East Chatswood as Category 1 employment lands or “land to be retained for industrial purposes”.

The paragraphs that follow quote from the subregional strategic framework selectively and not always accurately.

The Draft sub regional Strategy defines Employment lands as:-

“Traditional industrial areas and business and technology parks for higher order employment. They are vital to supporting the economy and ability to service the city and incorporate light industries, heavy industry manufacturing, urban services, warehousing and logistics and high-tech based activities”.

The INDSS actually defines employment lands slightly differently (p.25).

Employment Lands

The Metropolitan Strategy defined Employment Lands as including traditional industrial areas and business and technology parks for higher order employment. They incorporate light industries, heavy manufacturing, urban services such as concrete batching plants and waste management, warehousing and logistics, and higher order technology-based activities.

The CPS report then goes on to provide a commentary on the subject site’s suitability for redevelopment given this subregional strategic context.

The size of the subject site, in single ownership, its relationship to adjoining low density residential and light industrial activities and its location close to the “Major Centre” of Chatswood renders it desirable for redevelopment. However, it is unlikely that the key functions identified within Category 1, such as heavy industry and manufacturing would occur on the site due to its contextual constraints. The site is removed from high quality infrastructure including (Freeways such as M2; M5 and M7) access to freight (rail road and sea) as well as being in close proximity to low residential density housing.

This is introducing irrelevant considerations. The definition of employment lands to be retained for industrial purposes is actually more elaborate in the Inner West Draft Subregional Strategy (p.28), as follows:

CATEGORY 1

Land to be retained for industrial purposes

Due to anticipated continued strong demand for Employment Lands across the metropolitan region, the majority of sites are currently considered to be most appropriately placed in category one (i.e. to retain for industrial purposes). These are sites which presently function as industrial areas and provide a regional/national economic role (including heavy and light manufacturing or major freight facilities) or subregional role (such as manufacturing and distribution links in supply chains or utilities such as bus depots and water supply infrastructure) or even a local role (such as auto repairs, local business services and trade supplies including building and plumbing). They vary significantly in size (from less than 0.5 hectares to over 500 hectares) and, whilst they may not all be significant employers, collectively these areas are vital to the health of local and regional economies and should be retained to accommodate the future range of economic services to sustain those economies. Some of the smaller sites and operations which host depots, utilities and service trades are vital in sustaining vibrant subregional economies.

Classification of Category 1 lands does not mean that the sites cannot be intensified or redeveloped to meet modern industrial requirements and create additional employment and economic benefits, but that they continue to primarily accommodate industrial and related uses, within the range generally allowed under current zonings.

And in the INDSS (p.26) the East Chatswood area is explicitly described as follows:

1) East Chatswood (Local Industry) provides 26 hectares of industrial land containing local services and a mix of manufacturing and ancillary office development, with a high tech focus. It evolved around Scotts Creek close to the intersection of Eastern Valley Way and Boundary Street. The area was previously home to tanneries and other heavy industrial activities.

There is no suggestion in these extracts from the INDSS that the site or the East Chatswood area is designated or even desirable for "heavy industry and manufacturing" as the CPS text implies. The category 1 designation suggests that these lands "will continue to primarily accommodate industrial and related uses, within the range generally allowed under current zonings". In East Chatswood's case the current uses are defined as "local services and a mix of manufacturing and ancillary office development, with a high tech focus".

A supermarket development is clearly at odds with the intention of these draft policy extracts.

Choice Free Zone Report

CPS summarise this report which was commissioned by the Urban Taskforce, including the following (p.34):

- **Choice Free Zone Report - May 2008**

In 2008, the Urban Taskforce commissioned former ACCC Chairman, Professor Allan Fels, to examine the regulation of retail development under the current planning system. His report, Choice Free Zone, was released in May 2008. Professor Fels, argues that retail developments should be encouraged outside established shopping centres, easing the transport burden and encouraging more "pedestrian friendly" communities.

The Choice Free Zone report concluded that shoppers are paying far too much for their groceries because of restrictive out-of-date planning legislation. Professor Fels found that an overhaul of the state government's centres' policy would allow greater competition, leading to consumers paying less for basic food items and other household products.

This document is an interesting contribution to the debate but has no policy status. It is also an incomplete analysis that does not take a community wide perspective of benefits and costs. For example it does not provide quantitative backing to its assertion that restricting supermarkets to established centres results in congestion and nor does it look at the cost of additional travel time that could result from a more dispersed pattern of retail development, or from more remote locations for industrial land, which is what the report advocates.

The more laissez faire pattern of retail development in the US that is effectively promoted by the Choice Free Zone report is critiqued in a letter to the Sydney Morning Herald¹ (see Figure 2).

Figure 2. Letter to Sydney Morning Herald response to Choice Free Zone report

16 Friday, August 8, 2008 smh.com.au The Sydney Morning Herald

Opinion & Letters

It's a trolley folly to blame planners for rising grocery prices

FIRST WORD

Zoning and planning are again being targeted for their role in supposedly limiting grocery shopping competition ("Planning laws give top stores fighting edge", August 6).

These arguments are drawn from a recent report by Allan Fels and others for the Urban Taskforce. The Fels report and the Urban Taskforce misrepresent planning policy in Sydney, while aspiring to dubious American examples for alternatives.

The State Government's Metropolitan Strategy does not expressly limit supermarket developments. It does favour concentrating development in and around Sydney's centres – of which there are more than 500. This concentration creates a catalyst for retail and associated development, minimises travelling and maximises public transport investment.

Directing new housing, retail and business development to centres also minimises the erosion of well-positioned industrial land, and reduces

the potential for conflict with traffic-generating activities (such as supermarkets) in residential areas.

The approach in parts of the United States of allowing unfettered out-of-centre retail development has, in some cases, led to lower prices for retail goods. But at what cost? Many US cities have downtown areas which are unsafe and unfriendly to pedestrians, vast areas of car parking and vacant shops.

Americans are reaping false economies from their cheaper retail goods. Data from the US Department of Transportation shows that the length of

shopping trips grew by about 50 per cent between 1991 and 2001. In Sydney, between 1999 and 2006, they grew by about 6 per cent, roughly the same as population growth. Americans travel more than 10 kilometres on average to shop, compared with about six kilometres in Sydney.

Some commentators say that because retail floor space per person in the US is roughly twice that of Australia, there is room for substantial retail expansion here. The American figures are higher because retailing is dominated by large-format,

characterless stores – and because so many shops in downtown areas, also counted in the figures, are under-trading or vacant. Australian cities are world-class by any measure, and our generally well-planned retail centres are a key to this. Planning is not the reason for increasing retail prices. Those suggesting otherwise misunderstand or misrepresent planning's role in managing the competing interests in our cities.

Patrick Fensham director, SGS Economics and Planning; co-author, Sydney Metropolitan Strategy

¹ Fensham, P. (2008) 'It's a trolley folly to blame planners for rising grocery prices', *Sydney Morning Herald*, letter 8/8/08

Productivity Commission Report on the Economic Structure and Performance of the Australian Retail Industry

Again, this Productivity Commission report² has no official policy status. It is hard to argue with the quote included (CPS, p.34).

"While recognising the merits of planning and zoning controls in preserving public amenity, States and Territories should examine the potential to relax those controls that limit competition and restrict retail space and its utilisation".

Again any such change in controls needs to weigh up the complex of community costs and benefits with a long term perspective.

State Plan

Not directly relevant.

Draft Centres Policy

This is explicitly described on its cover as being 'not government policy'. Nevertheless, it provides little if any obvious immediate justification or basis for the rezoning being proposed. The CPS report quotes the 'sequential test' from the policy as follows (p.36):

- *"it must first be demonstrated that there are no **suitably zoned sites within the existing centre**. Where the zoning is flexible – such as a mixed use zone – there will be more options available to proponents. It is recognised that acquiring appropriately zoned sites within existing centres may not always be practical or feasible particularly if large format sites are required.*
- *if there are no suitably zones sites in the existing centre, it must then be demonstrated that there are **no suitable sites in an edge of-centre location**. Where available, edge of-centre sites will generally be supported particularly if good connections can be established with the existing centre.*
- *out-of-centre stand-alone sites will generally not be supported unless it has been demonstrated that there are **no suitable within-centre or edge of-centre sites** and there is a demonstrated net community benefit".*

Emphasis added

The accompanying discussion argues as follows:

Further, it is considered that the subject site, being edge-of-centre has good connections with the established "Major Centre" of Chatswood with good access to existing infrastructure such as public transport. The rezoning of the subject site to allow a supermarket use would be compatible and/or complementary with the surrounding land uses; would increase choice and competition within the area, and would facilitate a permanent employment-generating activity. The above demonstrates the rezonings ability to produce a net community benefit.

² Productivity Commission Report on the Economic Structure and Performance of the Australian Retail Industry, No. 56, 4 November 2011

No definitions of 'edge of centre' are provided in the Draft Centres Policy, but it is hard to see how the site could claim this status. The sequential test concept emanates from British planning policy in relation to town centres. The most recent relevant definitions of these concepts are contained in the UK Department for Communities and Local Government, December 2009 document, *Planning for Town Centres: Practice guidance on need, impact and the sequential approach* (p.33-34).³ The relevant definitions are included below.

DEFINITIONS

- 6.3 Definitions are included in Annex B of PPS4. The key definitions are 'in centre', 'edge of centre' and 'out of centre'. For the purposes of:
- i) In centre*
- 6.4 The 'centre' for retail development is defined by PPS4 as the primary shopping area (PSA). Key considerations will be the extent of existing primary frontages, as defined by prime rental levels, and/or pedestrian flows. The presence of key anchor stores and other main town centre uses (e.g. cinemas) may also help to identify the extent of the PSA. Where specific proposals are identified, for example extensions to existing town centre shopping schemes, it may be appropriate to define these areas as planned extensions to the PSA.
- ii) Edge of centre*
- 6.5 For retail purposes, this is a location that is well connected to, and within easy walking distance (i.e. up to 300 metres) of the PSA. For all other main town centre uses, this is likely to be within 300 metres of a town centre boundary.
- 6.6 In determining whether a site falls within the definition of edge of centre, account should be taken of local circumstances. For example, local topography will affect pedestrians' perceptions of easy walking distances from the centre. Other considerations include barriers, such as crossing major roads and car parks, the attractiveness and perceived safety of the route and the strength of attraction and size of the town centre. A site will not be well connected to a centre where it is physically separated from it by a barrier such as a major road, railway line or river and there is no existing or proposed pedestrian route which provides safe and convenient access to the centre.
- 6.7 As well as existing and proposed physical links between the site/proposals and the PSA, the degree of functional linkage between the two will have a major effect on the level of linked trips. People may be more willing to walk between an edge of centre site and the PSA if they each have strong, complementary attractions.
- iii) Out of centre*
- 6.8 'Out of centre' locations are not in or on the edge of the centre but not necessarily outside the urban area. They are not within easy walking distance of the centre and are therefore unlikely to contribute to linked trips or to share the level of public transport accessibility as the town centre. Where locations in existing centres or edge of centre locations are not available, preference should be given to out of centre sites well served by a choice of means of transport, which are close to a centre and have a higher likelihood of forming links with a centre

On this and any other reasonable test this site - well over 2 kilometres from Chatswood station and separated by residential areas and a significant main road (Penshurst Street) - is 'out of centre'. If this policy had status the proposal would therefore need to firstly show that no in-centre or edge-

³ <http://www.communities.gov.uk/publications/planningandbuilding/towncentresguide>, viewed 29 March 2012

of-centre sites are suitable (see section 8 of the draft policy) and secondly pass the 'net community test' to begin to be entertained.

The two items referred to in the above extract from the CPS report ('increase choice and competition within the area' and 'facilitate a permanent employment generating activity') are a selective reading of the list of criteria mentioned in relation to the net community benefit test in the Draft Centres Policy. The text that precedes the list of criteria is a clearer reading of what might be included in a net community benefit test. This states (p. 24-5):

In NSW a variety of evaluation practices have developed over time to assess the net community impact of development. For example, some proponents will evaluate their development and include 'transfer' effects (i.e. transfers of benefits and costs between individuals and business with no net impact on welfare), while others will evaluate proposals using only 'welfare' effects (i.e. transfers of benefits and costs between individuals and businesses that do have a net impact on welfare). A good example relates to employment

– proponents who evaluate their developments and include transfer effects would argue that the creation of, for example, 400 jobs would be a key benefit of a new development, whereas proponents using only welfare effects would argue that the benefit is only the net number of new jobs created (once movements within the labour market have been factored in).

And goes on to say (p.25)

The assessment should only evaluate the external costs and benefits of the proposal (i.e. the externalities). The assessment should generally assume that any private costs will be cancelled out by any private benefits.¹⁰ However, consideration must be given to changes that reflect a higher community benefit that results from changes in private costs such as a resultant change in rents caused by a proposal that has created a change in the value the community places on a land use.

The assessment should only include costs and benefits that have a net impact on community welfare (i.e. welfare effects). Impacts that simply transfer benefits and costs between individuals and businesses in the community (i.e. transfer effects) should not be included, since they result in no net change in community benefits.

and

The assessment should quantify costs and benefits where possible, although this may not always be achievable or practical. For larger and more complex proposals, the proponent should consider the use of more formal cost benefit analysis techniques.¹¹ Such analysis should be carried out objectively taking into consideration matters such as the number and type of jobs generated, the local or regional economy multiplier effects and any infrastructure and likely travel cost implications.

On this reading 'transfers' should be excluded from the assessment. The competition merits and employment effects of the development are therefore not relevant (unless it can be shown this produces additional wealth or net new employment for the otherwise underemployed). The economic impact analysis acknowledges that the turnover of the supermarket will be almost exclusively based on a shift from other facilities and trend based growth in spending.

More relevant tests drawn from the above extracts would relate to net changes in rents and travel cost implications within the retail system. There is no assessment of the development against these tests in the CPS documentation.

Though the Draft Centres Policy is not adopted policy, the Department of Planning's *Guidelines for Planning Proposals*⁴ notes that planning proposals could be supported by a net community benefit test evaluation.

The assessment should be prepared by the proponent in conjunction with the relevant planning authority to be submitted to council for endorsement prior to submitting to the Department of Planning as part of the Gateway test. (p.5)

One other statement of interest in the Draft Centres policy relates to planning for supermarkets (p.20):

PLANNING FOR SUPERMARKETS

Supermarkets are utilised by the majority of community on a regular basis and therefore form an important retail anchor for local and major centres. Shopping trends in supermarkets range from:

- 'top up' shopping undertaken on a frequent, sometimes daily basis, often by public transport or walking with the supermarket taking over the role of the corner shop, to
- major shopping trips on a weekly, bi-weekly, or monthly basis, often by car.

This highlights the critical anchor role that supermarkets perform. A supermarket at East Chatswood will generate a 'gravitational' pull and create a precedent for other retailers such that a centre by default is likely to emerge, with all the associated travel and shifted expenditure consequences.

Standing Committee on State Development dated December 2009

The CPS (p.37) quotes from a report from this group which makes the obvious point that

⁴ Department of Planning (2009) A guide for preparing planning proposals, http://www.planning.nsw.gov.au/lep/pdf/guide_preparing_preparing_planning_proposals.pdf viewed at 1 May 2012

"The principal means of supporting competition in the planning system is through ensuring that there is sufficient suitably zoned land to accommodate market demand, thereby allowing new entrances into the market".

Promoting economic growth and competition through the planning system dated April 2010

The CPS report highlights one particular recommendation from this April 2010 report, namely:

- 4. The final Activity Centres Policy should consider ways to increase opportunities for competition by allowing more types of shops into centres that currently only permit 'neighbourhood shops'.*

This recommendation is not relevant to the current case. The intent of this recommendation is that a rigid hierarchy of retail and commercial centres which excludes larger format premises from lower order or smaller centres, should be discouraged. The theory is that there may be scope to rapidly expand small neighbourhood centres by allowing supermarkets and larger format stores, thereby increasing competition and building on the existing more modest retail dynamics.

The East Chatswood industrial area is not a centre. Totally different considerations apply where there is no existing cluster of convenience retail shops, and the proposal is for effectively the nucleus of a new centre.

CPS conclusions on the draft policies and reviews

The CPS report (p.39) goes on to say (in reference to the various position papers and draft policies that have followed the Metropolitan Strategy and Inner North Draft Subregional Strategy:

Consistent with the above mentioned various submissions, reviews and recommendations since the release of the Draft Sub-Regional Strategies, it is submitted that "retail premises" and "business premises" should not be excluded from zones intended for employment purposes, such as the business development zone; business parks; enterprise corridor zones and certain light industrial zones.

It is hard to agree with this reading of the various documents. In simple terms the relevant thrust of the documents is:

- Competition is facilitated by ensuring a supply of appropriately zoned land which more than meets future demand for retail premises
- Retail premises are best located in or on the edge of existing centres to achieve accessibility, agglomeration and productivity benefits
- The typology of retail and commercial centres should not be so rigid as to deny opportunities for larger format premises, such as supermarkets, locating in them
- Proposals for retail premises in out of centre locations that can not be accommodated in-centre or edge-of-centre should be subject to a net community benefit test (where net impacts not transfer impacts are the critical consideration).

If this framework was adopted policy the only relevant test for the project would be whether or not the project can be accommodated in-centre or edge-of-centre and then the net community benefit test – neither of which is addressed in any detail in the CPS report or in other documents supporting the proposal.

In the absence of this framework being adopted policy (or any other alternative coming from the current NSW Government), the relevant and latest published final positions for both industrial land (and centres) are contained in:

- the 2010 Metropolitan Plan for Sydney 2036, and
- S117 Directions.

The first of these is not discussed in the CPS report, and the second gets a passing mention in the CPS report but more detailed consideration in a letter to Council dated 24/2/12. The following section considers the proposal in light of relevant extracts and tests from these two documents.

2.3 The ultimate policy tests

Metropolitan Plan for Sydney 2036 (2010)

This document is not referred to in the CPS report. The most relevant sections are *Strategic Direction B Growing and Renewing Centres* and *Strategic Direction E Growing Sydney's Economy*. The relevant extracts and comments from each section are discussed below.

Strategic Direction B Growing and Renewing Centres

The Centres policy is described as follows (p.60):

CENTRES POLICY

The Metropolitan Plan reaffirms the multi-centred geography of Sydney identified and promoted in the 2005 *Metropolitan Strategy*. A centres approach has been and continues to be a defining characteristic of Sydney's urban planning. Since the *County of Cumberland Plan* in 1948, metropolitan planning has identified Major Centres and focused commercial and retail activities in these centres, typically on transport routes. The key elements of our centres approach continue to be:

- concentrating activity in accessible centres
- managing out-of-centre development to maximise the economic and social advantages of clustered activity
- making provision for the growth and urban renewal of existing centres
- planning for new centres to emerge in appropriate locations
- focusing State interest and involvement in the success of Global Sydney, the Regional Cities, Major and Specialised Centres
- influencing the distribution and scale of land uses to improve transport choice and boost active transport and public transport use
- locating 80 per cent of new housing within walking catchments of centres
- providing a diversity of settings for a wider range and density of housing, and
- concentrating commercial activity and job destinations in centres to achieve agglomeration, productivity benefits and improve workforce access

Table 1 shows one view of how the development does or does not contribute to each of these centres policy elements. Overall, given the proposal would be an 'out of centre' development it is not surprising it rates poorly.

Table 1. Contribution of the proposal to centres policy elements

Centres policy elements	Contribution of this proposal
Concentrating activity in accessible centres	Does not contribute. Not in a centre.
Managing out-of-centre development to maximise the economic and social advantages of clustered activity	This out of centre proposal would marginally dilute the clustering of industrial activities in East Chatswood (by displacing them) and of retail activities in other centres (by reducing their turnover)
Making provision for the growth and urban renewal of existing centres	Does not contribute
Planning for new centres to emerge in appropriate locations	Not part of active planning for a new centre (though likely to attract additional retailing and anchor a centre 'by default')
Focusing State interest and involvement in the success of Global Sydney, the Regional Cities, Major and Specialised Centres	Not particularly relevant
Influencing the distribution and scale of land uses to improve transport choice and boost active transport and public transport use	Does not contribute. This is a stand alone retail proposal where car based visits will predominate.
Locating 80 per cent of new housing within walking catchments of centres	Will undermine this element by creating a centre by default away from locations of planned new housing
Providing a diversity of settings for a wider range and density of housing, and	Does not contribute. Though would provide this if part of a planned new centre justified by policy
Concentrating commercial activity and job destinations in centres to achieve agglomeration, productivity benefits and improve workforce	Does not contribute. Not in a designated centre.

Further on in the section, under the Objective B1 (*To focus activity in accessible centres*) the 2010 Metropolitan Plan for Sydney 2036 states:

The pressure for retailing to occur in industrial areas continues to exist. Ideally, retailing in areas with an industrial zoning should continue to be limited to retailing that is ancillary to an industrial use, and the retailing of products such as building supplies—where the retailing generates impacts akin to industrial uses.

This is a clear adopted strategic statement limiting the sort of development represented by the proposal.

Strategic Direction E: Sydney's Growing Economy

Objective E3 (*To provide employment lands to support the economy's freight and industry needs*) and Action E3.2 (*Identify and retain strategically important employment lands*) provide the strategic context for the rezoning of employment lands.

Under these headings the document notes (p.141) that in many older employment areas there "is a declining level of activity due to factors such as obsolete building stock and subdivision patterns" and that in these areas options for renewal need to be considered. This issue is considered in more detail in section 5 of this report.

This proposes the replacement of the subregional strategy categorisation of industrial lands with a 'strategic assessment checklist'. The idea being that this will be more fully developed in the next round of subregional strategies, whose future is now unclear since the change in government. Nevertheless the 'summary' checklist remains adopted policy, as follows (p.141).

SUMMARY OF THE STRATEGIC ASSESSMENT CHECKLIST

- Consistency with *Subregional Strategies*
- Current use of the area, and existing transport and infrastructure
- Impacts on the long-term viability of the employment land precinct and any industry clusters in the precinct or surrounding area
- Whether the employment lands support national or state significant infrastructure
- Trends in local land use activity
- Suitability and extent of measures implemented to improve an area's employment lands viability
- Potential to redevelop for industrial uses and/or new industrial uses (e.g., creative industries)
- Impacts on stocks of local employment lands and the ability of remaining stocks to meet future local industrial needs

The document notes (p.141)

The NSW Government continues to support the retention of existing strategically important employment lands across the Sydney region. Only areas that are not strategically important will be considered for rezoning.

For each of these criteria the role or impact of the current proposal is considered in broad terms below.

Table 2. Consistency of the proposal against Metropolitan Plan for Sydney 2036 (p.141) strategic assessment checklist

Strategic assessment checklist	East Chatswood supermarket proposal
Consistency with Subregional Strategies	No new subregional strategies but not consistent with Inner North Draft Subregional Strategy
Current use of the area, and existing transport and infrastructure	Not consistent with the current use of the area (which is industrial or 'high tech' with some bulky goods retail)
Impacts on the long-term viability of the employment land precinct and any industry clusters in the precinct or surrounding area	Will reduce area for industrial and may increase land values in surrounds and thereby threaten longer term viability for some industrial activities in immediate area (see sections 3 and 4)
Whether the employment lands support national or state significant infrastructure	Not applicable
Trends in local land use activity	CPS proposal notes some trends including an influx of highway retail and bulky goods, and extent of vacancies, but recent significant investment in smaller industrial units and longer run demand-supply trends not quantified
Suitability and extent of measures implemented to improve an area's employment lands viability	Proposal would claim that it is enhancing the area's 'employment lands viability' but this is on a broad definition of employment lands not necessarily intended by the checklist. As mentioned above the proposal may undermine the viability of this area for some industrial activities (this would be subject to further research)
Potential to redevelop for industrial uses and/or new industrial uses (e.g. creative industries)	Re-investment in the area would allow for this. A change in the industrial use of the area could be facilitated by a development such as that proposed though possible increase in land values may also reduce this prospect in the immediate site vicinity, alienating land for industrial purposes.
Impacts on stocks of local employment lands and the ability of remaining stocks to meet future local industrial needs	This longer term supply-demand perspective is the main issue and needs greater coverage. There is a discussion of this in section 5 below.

This 'quick' and qualitative assessment generates a mixed outcome for the proposal but more work than is included in this report would be required to test the proposal fully against the criteria. These criteria should have been covered by arguments in the CPS proposal.

Section 117 Directions – 1.1 Business and Industrial Zones

These are the other relevant official and adopted government positions on the rezoning of industrial lands. The most recent s.117(2) Directions related to business and industrial zones⁵ contain the following objectives.

Objectives

- (1) The objectives of this direction are to:
- (a) encourage employment growth in suitable locations,
 - (b) protect employment land in business and industrial zones, and
 - (c) support the viability of identified strategic centres.

What a relevant planning authority must do if this direction applies

- (4) A planning proposal must:
- (a) give effect to the objectives of this direction,
 - (b) retain the areas and locations of existing business and industrial zones,
 - (c) not reduce the total potential floor space area for employment uses and related public services in business zones,
 - (d) not reduce the total potential floor space area for industrial uses in industrial zones, and
 - (e) ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning.

Consistency

- (5) A planning proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Director-General of the Department of Planning (or an officer of the Department nominated by the Director-General) that the provisions of the planning proposal that are inconsistent are:
- (a) justified by a strategy which:
 - (i) gives consideration to the objective of this direction, and
 - (ii) identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and
 - (iii) is approved by the Director-General of the Department of Planning, or
 - (b) justified by a study (prepared in support of the planning proposal) which gives consideration to the objective of this direction, or
 - (c) in accordance with the relevant Regional Strategy or Sub-Regional Strategy prepared by the Department of Planning which gives consideration to the objective of this direction, or
 - (d) of minor significance.

Note: In this direction, "identified strategic centre" means a centre that has been identified as a strategic centre in a regional strategy, sub-regional strategy, or another strategy approved by the Director General.

Consistency with Clause 4

The current proposal needs to satisfy (a), (b), (c) and (d) of clause 4 if it is arguing 'consistency'.

It is arguable whether the proposal meets objective (a) (*encourage employment growth in a suitable location*), given that it will be retail employment. In terms of the centres policy in the Metropolitan Plan for Sydney 2036 a 'suitable location' for retail employment would be in an

⁵

<http://www.planning.nsw.gov.au/LinkClick.aspx?fileticket=dOkLhSFp9eo%3D&tabid=248&language=en-AU>

'accessible' centre, to improve transport choice and boost active transport and public transport use and also to manage out-of-centre development to maximise the economic and social advantages of clustered activity, for example locating a range of uses (such as civic, cultural, commercial and other retail) in close proximity to facilitate multi-purpose trips and thereby minimise aggregate trip making.

The proposal can safely claim that it would meet objective (b) (*protect employment land in business and industrial zones*) – given that it replaces one type of employment for another.

Probably, the critical objective that the proposal (and supporting studies) needs to meet is therefore (c) "*support the viability of identified strategic centres*".

The 24/2/12 letter tries to argue the site is 'edge-of' the Chatswood centre, and in this way somehow is compatible with or complements the surrounding land use and centre and can therefore be seen to be supporting the viability of the centre. This argument can be wholly discounted. As discussed above the site is more than 2 kilometres away from Chatswood and is separated by residential areas and major streets. By any definition the proposal is 'out-of-centre'.

It is hard for any proposal of this kind, which will involve a redirection of expenditure away from existing centres to the proposed supermarket, to meet a strict reading of objective (c). Ultimately a reduction in expenditure – even as little as 1.3 percent as suggested in the Duane Location IQ report - is **not consistent** with the test of supporting the viability of the strategic centre of Chatswood. The CPS report and letter state that it will "**not threaten the viability**" of centres, which is not actually the test the proposal needs to meet.

The impact analysis is discussed in more detail in section 4.

The proposal can claim to satisfy 4(b) and (c).

It is difficult for the proposal to satisfy 4(d) because it will likely **reduce the potential floor space for industrial uses in the existing industrial zone**. The CPS 24/2/12 letter argues otherwise, with a claim that:

"...the PP does not seek a rezoning but rather only seeks to introduce an additional permissible use for the subject site so as to retain the floor space area within the industrial zone." (p.1)

Notwithstanding the significant precedent that this approach (a site specific change to the allowable uses in the zone) would unleash, it is difficult to argue that introducing a general retail use to the zone (even if just to one site) preserves the floorspace available to industrial uses within that zone.

It might be possible to satisfy clause 4(d) if the supporting studies showed that the ultimate (long term) development potential of the zone would not be compromised by the proposal. This would only be the case where all potential demand was able to be accommodated by the reduced supply. The supporting studies note the change in type of employment uses and the current high vacancy rate but, though implied, do not address this ultimate test of whether longer term potential can be accommodated.

If inconsistent with Clause 4 the proposal needs to satisfy Clause 5

If the proposal is inconsistent with this direction it needs to satisfy the relevant elements of clause 5 to be entertained (by the authority or the DG or his/her officers). The CPS 24/2/12 letter and accompanying reports aim to show the proposal can achieve satisfy these elements.

Though the letter devotes a few paragraphs to addressing 5(a) none of the material is directly relevant because 5(a) is about justifying an inconsistent proposal by a strategy "approved by the Director-General of the Department of Planning" (5(a)(iii)). The letter does not make reference to such a strategy. The only strategy which could qualify is the 2010 Metropolitan Plan for Sydney 2036, or perhaps the INDSS, but this is explicitly covered by 5(c), and is discussed below. There is no other Director General endorsed strategy explicitly relating to this site.

For 5(b) the letter and documentation for the proposal needs to address or 'give consideration to' the objective(s) of the direction (see discussion above).

For 5(c) the relevant Regional Strategy is the Metropolitan Plan and a broad and qualitative consideration of the extent to which the proposal addresses or satisfies the centres policy elements and employment lands strategic assessment criteria (see Table 1 and Table 2) suggests the proposal 'falls short'.

The letter invokes the Inner North Draft Subregional Strategy in relation to this clause 5(c). The merits of CPS's arguments in favour of the proposal against the contents of this document are discussed earlier, and it was found that a supermarket development on the site is clearly at odds with the intention of relevant extracts from this draft policy.

The CPS 24/2/12 contains the following commentary (p.4):

- Draft Inner North Subregional Strategy;
- Choice Free Zone by Professor Fels;
- Productivity Commission report;
- State Plan;
- Draft Centres Policy;
- Standing Committee on State Development; and
- Promoting economic growth and competition through the planning system dated April 2010

Based on the review of these policies as listed above a clear policy shift is apparent. There is a shift from the traditional principle that only industrial land should be retained for employment purposes to acknowledging that a mixed of uses including retail premises and business premises can more appropriately contribute to employment generation. This is consistent with *objective (b)* in that it allows appropriate uses which would protect employment land.

This is a tenuous reading of the documents quoted. For a start only the State Plan has the status of policy (and it doesn't have any substantive discussion on relevant issues). The Inner North Draft Subregional Strategy comes closest to representing an official position and it makes no assertion that "retail premises and business premises can more appropriately contribute to employment generation".

The letter's last page also includes the following three paragraphs (p.6).

Consistent with the various submissions, reviews and recommendations since the release of the Draft Sub-Regional Strategies, it is submitted that "retail premises" and "business premises" should not be excluded from zones intended for employment purposes, such as the business development zone; business parks; enterprise corridor zones and certain light industrial zones.

Typically, when the Department of Planning refers to "employment land" it is predominantly referring to "industrial land". Largely excluded from the concept of "employment lands" is the retail sector, considered to be Australia's largest single source of employment.

It is our submission that all lands capable of supporting employment should be recognised as employment lands; and not only industrial land. That the subject site, and East Chatswood Industrial area as a whole should have a zoning which allows a greater mix of uses - employment uses. As such, the PP would not be contrary to the intent of the S117 Directions.

Some of the documents referred to make the claims in the first paragraph though within the category of retail premises, supermarkets are unique in the share of total expenditure they attract. For this reason they are not simply another 'retail premise'. There would be very strong and legitimate opposition to allowing supermarkets, which have such a catalysing and anchor role for centres, to proliferate in the zones suggested.

The second paragraph is a more or less correct reading of the Department of Planning's position but is hardly relevant.

The third paragraph and the opening sentence in particular is a stronger philosophical position than that put in the first paragraph. Where the first paragraph identified a limited range of zones where retail and business premises ought to be allowed, this paragraph argues that "all lands capable of supporting employment should be recognised as employment lands; and not only industrial land". Presumably the logical extension to this statement is that there would just be four or five zones (employment, residential, recreation, rural etc).

This line is typically advocated in relatively extreme planning literature and would not seem to be consistent with the more fine grain approach to planning that is included in documents like the Metropolitan Plan for Sydney 2036. This includes a centres approach which seeks to concentrate particular uses – retail in particular - for net economic and community development benefits, a land use conflict minimisation approach that recognises that some employment generating uses may not be compatible with each other and an agglomeration approach which seeks to cluster broadly similar employment uses for operational and productivity benefits.

3 Local policy framework

3.1 Introduction

Willoughby City Council has established a strategic planning direction for the LGA through preparation of a number of documents and planning studies, and through its Community Strategic Plan⁶. These documents and their key relevant elements are summarised below.

3.2 Willoughby Council policy documents

Willoughby Industrial Areas Study

The Willoughby Industrial Areas study was prepared by SGS Economics and Planning in 2005. The Industrial Areas Study was commissioned to assess the current dynamics and function of industrial precincts in East Chatswood and Artarmon as well as provide recommendations for their future development. The study focussed especially on emerging land uses in the precincts and the changing demand for land in older industrial areas in inner city/inner suburban locations. The changing demand for floor space in the industrial areas has come especially from office uses and bulky goods retailing. The study however makes clear the need to balance the demand for a greater office component and reduced 'traditional industrial' activity, whilst protecting the very small remaining pockets of industrial land on the North Shore.

The report supports the notion that older heavy manufacturing activities and transport and logistics industries will continue to relocate, as companies look to consolidate industrial activity on fewer sites as well as move to areas with cheaper land, larger floor plates and better transport connectivity, especially around the Sydney Motorway Network. Importantly, the report also notes that higher-order activities, including high end manufacturing, business services, research and development and other health and education facilities are likely to expand and require smaller units of work.

The report supports wider evidence that demand for alternative land uses in the industrial areas in Willoughby LGA, including East Chatswood, is being generated by businesses support services and local support services, research and training facilities and high tech and niche manufacturing. The report outlines the need to provide land for employment uses which would not be appropriate in

⁶ These are:

SGS Economics & Planning, Hansen Partnership, Parsons Brinckerhoff (2004) *Willoughby industrial areas study*, Willoughby City Council,

Hill PDA (2010) *Chatswood office precinct economic analysis*, Willoughby City Council,

SGS Economics & Planning, Andrews Neill (2005) *Victoria Avenue/Chatswood Mall scoping study*, Willoughby City Council,

Willoughby City Council (2010) *Exhibition of new planning controls*.

Willoughby City Council (2009) *Willoughby City Strategy together towards tomorrow, Community Strategic Plan 2010 – 2025*, December 2009

another location, such as research and development facilities that have an office component but still include a warehouse or 'lab' function. The report emphasises that sound planning policy and principles dictate that key uses not appropriate in the industrial areas include:

- residential uses, which are generally incompatible with industrial uses and could impact on their operations;
- retail uses and associated retail sale activities, which should be located in designated activity centres; and
- offices, which should be located within designated activity centres and close to public transport.

Based on these findings, retail (particularly food retail that could be located in a designated centre) is not supported by the report as an appropriate land use in the study area.

Chatswood Office Precinct Economic Analysis

Hill PDA was commissioned by Willoughby City Council in 2010 to complete an Economic Analysis for the Chatswood Office Precinct. The findings of the paper were to be considered by Council for the preparation of a new planning framework for Chatswood centre. The paper aimed to ascertain the current demand and supply factors affecting the commercial office market in Chatswood centre and also to analyse the impacts of a policy change to office development in Chatswood centre.

The report affirms the role of Chatswood as a regional commercial centre and strategic employment centre as identified in the draft Inner North Subregional Strategy. The paper notes that the commercial office market in the Chatswood centre is part of a wider demand supply chain for commercial space in Northern Sydney. Macquarie Park and St Leonards are competitors in the same market, with a majority of prospective tenants in Chatswood, coming from within the region looking to relocate or upgrade. This has had quite an impact on Chatswood as there is limited availability of new commercial space. The report notes that Macquarie Park has become a major competitor, as it is able to offer cheaper campus style accommodation, with a lack of available premium office stock in Chatswood.

The paper supports the concentration of commercial space in the commercial core on the western side of the railway line between Chatswood railway station and the Pacific Highway. Additionally the analysis also advocates for an increase in residential density for the remainder of the centre on the eastern side of the railway line, with provision for other mixed uses. This includes the existing retail functions

The paper also emphasises the need to maintain current FSRs in the commercial core, rather than increase the FSR ratio. The rationale is that increasing the FSRs has the prospect of driving land value expectations higher, subsequently hindering possible development. This impact is exacerbated by the relatively high vacancy rates (~10-12%).

Victoria Avenue/Chatswood Mall Scoping Study

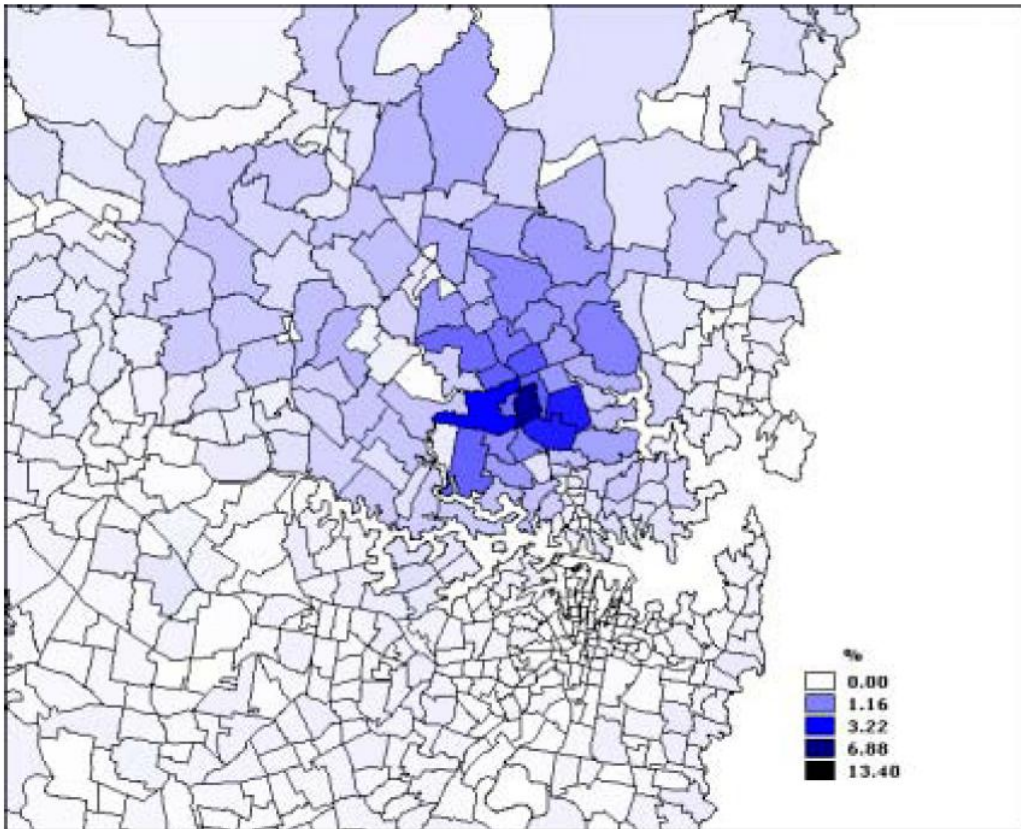
SGS Economics and Planning and Andrews Neill were commissioned by Willoughby City Council in 2005 to provide a scoping study for Victoria Avenue/Chatswood Mall in the centre of Chatswood. The study was to analyse the current retail context of the Chatswood centre and to put forward a

set of recommendations to revitalise and improve the vitality of the retail strip along Victoria Avenue and Chatswood Mall.

The paper looks at the current retail dynamics of Chatswood, which indicate that the Westfield and Chatswood Chase shopping centre’s dominate the local trade, with Victoria Avenue and Chatswood Mall seen as more transit shopping destinations, with lower end retail and convenience and food stores. The report also confirms the regional importance of Chatswood as a dominant retail destination on the lower North Shore and large proportion of the upper North Shore.

The retail demand analysis in the study informs that there is forecast to be large scale increase in national expenditure for supermarkets. The supermarket retail turnover density and other retail turnover density are shown in Figure 3 below. The retail catchment map shows a strong catchment area in the east of Chatswood centre, in the area surrounding the employment lands and subject site.

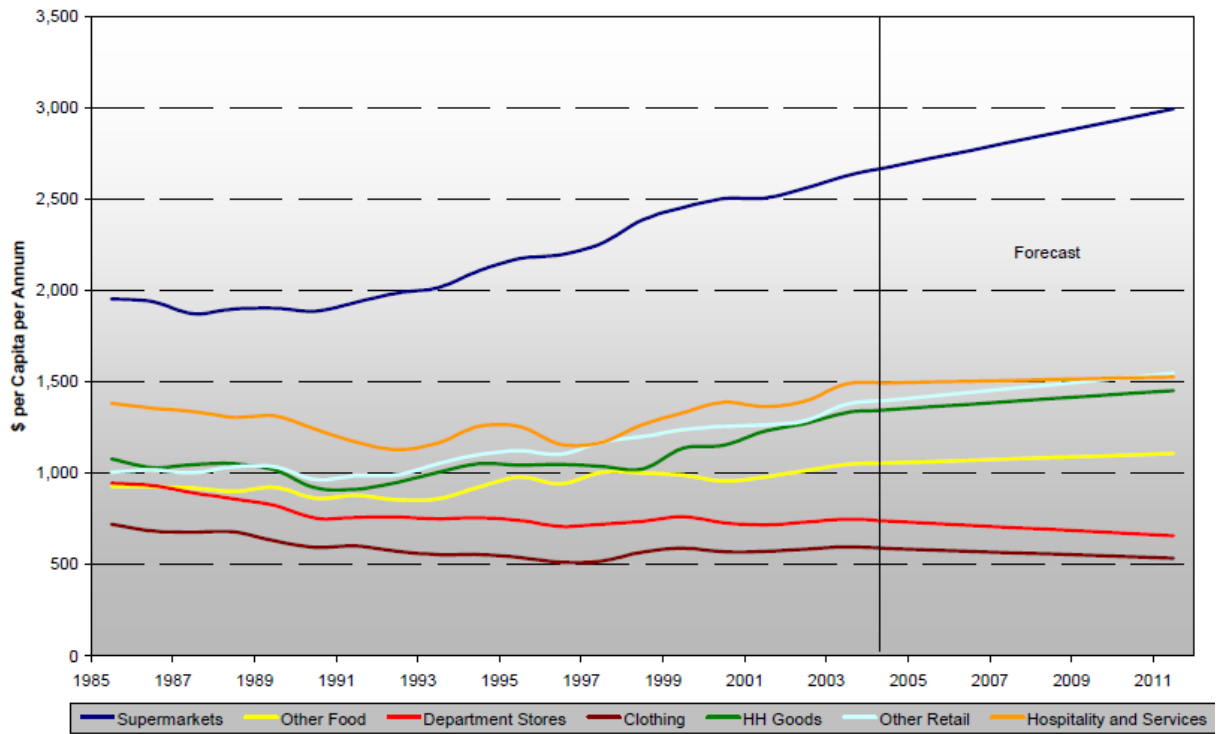
Figure 3. Sources of turnover for Chatswood Supermarkets



Source: SGS (2005)

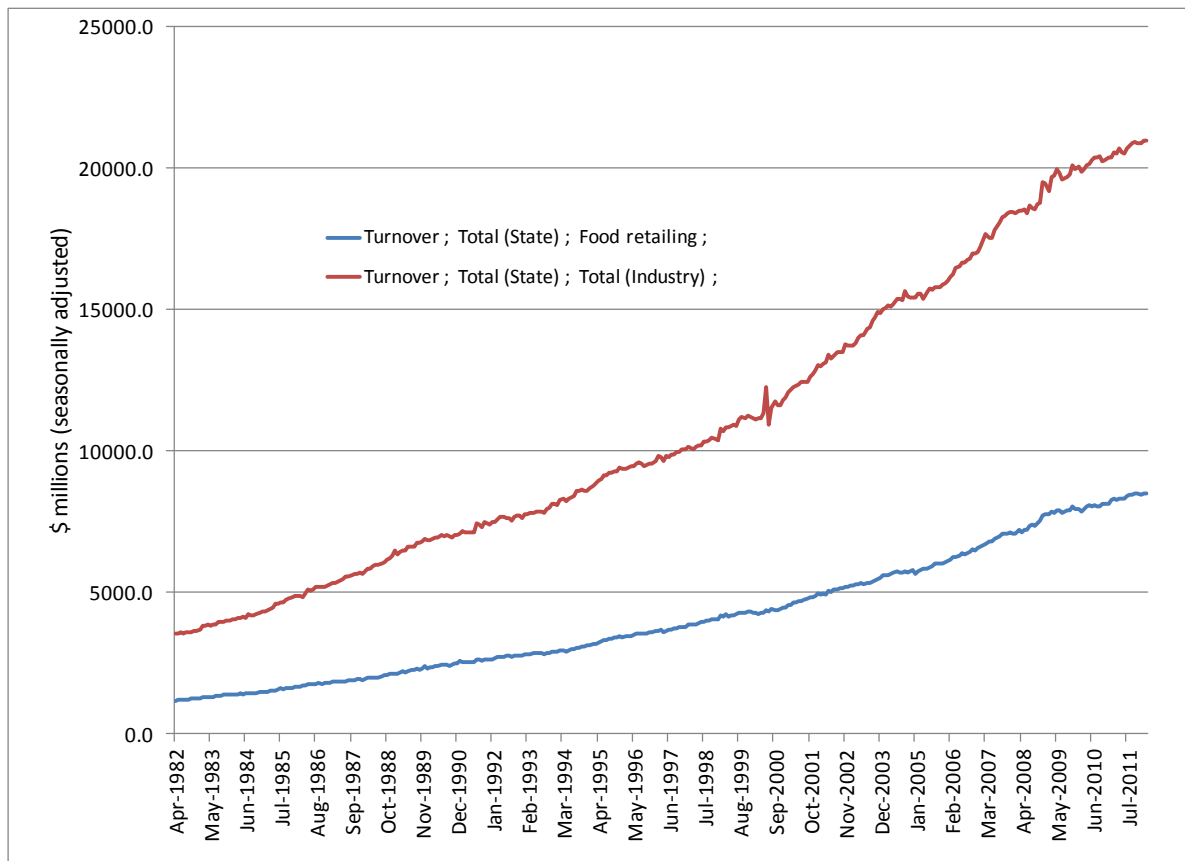
Based on the turnover density in the primary, secondary and greater catchment regions in the report, it is fairly clear that Chatswood dominates the local retail market in a centralised manner. It does need to be taken into account however that supermarkets are forecast to have the highest increase and total spend per capita in Australia, with this trend increasing over the next 25 years. Figure 4 below shows the increase as shown in the report.

Figure 4. National retail spending per capita (2001 constant \$)



Source: ABS and SGS Projection (2005)

It should be noted that overall retail and food spending has 'flattened' off in the years since this Victoria Avenue/ Chatswood Mall Scoping Study was completed (see Figure 5). The year on year increases in spending that we have seen may not continue as households pay down debt with a more cautious economic outlook. Future projections are likely to be less robust (though the share of total expenditure captured by supermarkets may hold up or continue to increase).

Figure 5. Australian total and food retail spending

Source: ABS, 8501.0 - Retail Trade, Australia, Feb 2012

Willoughby City Council Exhibition of New Planning Controls

In March 2010 Willoughby City Council issued 'Willoughby Local Environment Plan News' to property owners and residents. This is a brochure about proposed new residential planning controls that were to be exhibited as part of the Draft Willoughby Local Environmental Plan. The bulletin indicated the proposed revised planning controls for residential areas were to firstly be consistent with the requirements of the comprehensive LEP template and secondly to allow Council to accommodate an additional number of dwellings in centres and suitable locations which could support and benefit from residential intensification.

The proposed controls would allow certain parts of Chatswood centre and St Leonards centre to be zoned R3 (medium density residential), R4 (high density residential) and B4 (mixed use zone). Further the proposed controls allow for other selected residential areas to be rezoned, allowing for increased residential density in the smaller activity centres of Willoughby, Naremburn and areas along Penshurst Street and the Pacific Highway.

The purpose of the proposed rezonings is to concentrate new residential, business and community development into existing centres of commercial and community activity and residential density.

This firstly allows for the existing centres to benefit from increased density and secondly means that accommodating new dwellings and non residential land uses can be done in areas where there is existing access to retail and community services as well as access to public transport and where infrastructure costs can be reduced. To this extent, the proposed site for the Woolworths Supermarket in East Chatswood is not complementary to the policy of supporting existing activity centres.

Willoughby City Strategy together towards tomorrow, Community Strategic Plan 2010 – 2025, December 2009

The Community Strategy includes goals and objectives across a range of areas. While relatively high level these provide clear strategic directions for development.

In relation to housing there is a clear aim to provide a diversity of housing, in particular located and provided with adequate infrastructure and services (see Figure 6).

Figure 6. Housing Objectives from Community Strategic Plan

3.1.1 A range of housing choices for all household types and age groups

- a. Identify and plan for housing needs, particularly opportunities for promoting mixed use housing developments, new affordable housing and other special needs housing.
- b. Investigate changing demographics of the Willoughby area and review planning controls to encourage new housing types to meet community needs.

3.1.2 Ensure adequate provision of housing for older people and people with individual needs.

- a. Support for people who need social and public housing.
- b. Facilitate and advocate for the provision of affordable housing.
- c. Integrate universally accessible measures into all new housing design.
- d. Investigate the future housing needs of older people and people with individual needs including aged and respite services.

3.1.3 New housing is located in areas where housing densities are appropriate to the infrastructure and services and where quality living amenity for residents is ensured.

- a. Ensure future development can be provided with adequate infrastructure and services.
- b. Assess development for its quality and amenity for living.

In relation to transport one objective amongst many is to 'manage car parking to promote public transport use instead of private vehicle use'.

Figure 7. Selected Transport Objectives from Community Strategic Plan

4.1.3 Transport management balances our necessary private vehicle trips with alternative, more sustainable transport.

- a. Plan and develop higher density land uses within and around existing centres, where infrastructure and services are located.
- b. Manage car parking in developments in order to promote public transport use instead of private vehicle use.
- c. Control parking in areas served by public transport through pricing and parking time.
- d. Involve the business community in transport initiatives.
- e. Identify and implement traffic mitigation strategies and alternative transport options for industrial areas.

In relation to the economy and employment the objectives include maintaining local commercial and retail centres, locating employment in areas that can be well serviced by public transport,

limiting commercial and retail activity in industrial areas, and supporting the CBDs of Chatswood and St Leonards (see Figure 8).

Figure 8. Selected Economic Objectives from Community Strategic Plan

5.1 Local Business and Industry

Goal: To promote the City's position as a preferred location for a range of business and industry that is responsible and responsive to the local community and the environment.

5.1.1 Prosperous business and industry precincts that attract customers and support jobs.

- a. Provide or advocate for relevant infrastructure to support local centres and industrial areas.
- b. Provide information and assistance to support the needs of local business and industry.
- c. Maintain the role of neighbourhood shopping centres.
- d. Provide priority service for development assessment and construction.

5.1.2 Diverse retail and business activities are maintained.

- a. Plan for a range of different employment and services centres catering for local, commercial and community needs.
- b. Support start up and home businesses.
- c. Provide and encourage a range of business/retail spaces and business incubators.
- d. Provide land use planning controls to support viability and local service focus of local centres.
- e. Encourage innovation, research or knowledge-based businesses to locate or remain in Willoughby.
- f. Investigate strategies to promote the establishment of small businesses.

5.1.6 Local business and industry implement sustainability practices.

- a. Undertake sustainability education, assistance and awareness campaigns for local business and industry.
- b. Locate employment in areas that can be well serviced by public transport and encourage home based occupations.

5.1.7 Integrity of local industrial areas is maintained.

- a. Provide policies to limit commercial and retail activity in industrial areas and ensure versatility of sites for alternative industrial uses.

5.2 Central Business Districts (CBDs)

Goal: To have accessible, prosperous, safe, convenient and attractive Central Business Districts providing a desirable range and quality of services.

5.2.1 Chatswood is a major corporate and retail destination.

- a. Develop a strategy for the long term development of Chatswood CBD.
- b. Provide incentives for redevelopment that will upgrade building stock and streetscapes.
- c. Promote the Chatswood CBD for corporate and retail investment.
- d. Provide a community heart for Chatswood.
- e. Strengthen marketing around Chatswood retail.

5.2.2 St Leonard's is a specialised employment centre for health and education.

- a. Coordinate planning for the centre with Lane Cove and North Sydney Councils.
- b. Support Royal North Shore Hospital redevelopment for state of the art health and medical services for the local community and Northern Region.
- c. Plan for new development that supports St Leonards employment objectives.

5.2.3 Our CBDs are attractive and safe with a high standard of sustainable urban design.

- a. Provide planning controls for sustainable urban design within the CBDs and operation of buildings and spaces.
- b. Work in partnership with local business to maintain safe, attractive, healthy CBDs.
- c. Provide easily accessible and walkable CBDs.
- d. Increase public art and the quality of the public domain in the CBDs.

5.2.4 Our CBDs are supported by provision of utilities, public transport, road upgrades, open space infrastructure and pedestrian linkages.

- a. Develop plans and policies to effectively manage our assets.
- b. Develop transport and commuter parking strategies.
- c. Develop a civic improvements program for Chatswood and St Leonards.
- d. Lobby state and federal governments for funding to support ongoing and future infrastructure demand in and around Chatswood and St Leonards.
- e. Require development contributions for the provision of infrastructure and facilities.
- f. Develop open space and pedestrian linkages.

3.3 Local strategic settings

Generally these strategy and policy documents take their cue from state government metropolitan planning directions. A summary of the key relevant directions and elements is as follows.

- Provide a diversity of housing, in particular located and provided with adequate infrastructure and services
- Manage car parking to promote public transport use instead of private vehicle use
- Maintain local commercial and retail centres
 - Council policy supports further dwelling construction to activate smaller town and village centres, including Northbridge, Naremburn and Willoughby.
 - In the local centres, although the actual amount of land identified as commercial has not increased in the draft LEP it does include some increases in density and heights, for example in the Victoria Ave/Penshurst St centre (North Chatswood) and Northbridge the height has increased from 3-4 storeys
- Locate employment in areas that can be well serviced by public transport
- Limit commercial and retail activity in industrial areas
 - Industrial activity is changing in Willoughby, with a higher technical and office component. The industrial areas are evolving to accommodate these rather than traditional industrial activities such as pure warehousing and manufacturing. These uses often include a warehousing or have operational characteristics which means they still need to locate in industrial areas.
 - Retail (particularly food retail that could be located in a designated centre) is not supported as an appropriate land use in the industrial areas.
- Support the CBDs of Chatswood and St Leonards
 - Chatswood is confirmed as the major centre in the LGA, and as a regional commercial, retail and services hub. Additionally, the specialised centre of St Leonards is recognised along with Chatswood as having the most capacity to house additional residents and employment growth.
 - In Chatswood, additional sites on the edge of the City have been rezoned for commercial purposes in the draft LEP.
 - Similarly, St Leonards has been identified as an area of additional growth with increases in height, FSR and permissible land uses.

These strategic settings established by a number of Council documents and consultant reports do not support development of the site for the proposed Woolworths supermarket. There is only a limited reference to these local strategic directions in the CPS and other documentation.

4 'Desktop' review of economic impact analysis

4.1 Introduction

In support of the proposal for a full line supermarket on a site currently zoned for industrial uses, the proponent (Woolworths) has submitted an economic analysis prepared by Duane Location IQ in May 2011 to the Willoughby Council.

The main purpose of this Location IQ analysis was to assess the demand for a proposed Woolworths supermarket at East Chatswood and the likely economic impacts that would result from the proposed development, which include both the likely trading impacts on other retailers and employment generation of the proposed supermarket.

4.2 Location IQ Response to Council Request (February 2011)

The Duane Location IQ paper addresses issues raised by Willoughby Council in relation to the proposed development of a full-line supermarket with underground parking on the subject site in the East Chatswood Industrial area. Council's stated concerns include:

- the need to maintain a supply of industrial land in the area
- the availability of existing zoned areas in established centres allowing supermarket retail, and
- the impact on surrounding areas from the development of a supermarket.

In response, Location IQ identify a number of factors that they argue support the proposal.

The biggest consideration in Location IQ's view is the increase to employment in the area. They argue that as the area is no longer a core industrial precinct there are many vacant allotments and a low ratio of employment to square metre of industrial zoned space. They suggest that seventy-six tenancies are vacant, which equates to just over eighteen percent of the area. These figures are compared to nearby Artarmon industrial area. Artarmon is almost two and a half times the size of Chatswood East and has a lower rate of vacancy. These comparative figures, along with its location, higher employment rates and proximity to major arterial roads, are used to suggest that Artarmon is a more viable industrial area to focus on as it provides greater scope for growth.

They argue that because only twelve percent of workers in East Chatswood live locally, and there is small scope for growth in industrial jobs in the precinct in the future, the area is in need of rejuvenation. Seventy-one percent of the working population in East Chatswood fill managerial, administrative, professional, associate professional, clerical and service roles. This is indicative of the change of uses away from traditional industrial facilities to offices, showrooms, retail and mixed businesses. Location IQ notes that Woolworths is projecting the creation of 176 direct jobs, and

167 broader jobs, in addition to jobs generated in construction. This number is greater than the amount projected for the area by 2036 under current zoning. The report also suggests that further employment can be attracted through business leveraged off Woolworths' role as an anchor retail tenant.

In relation to Council's concern regarding the impact on nearby centres Location IQ suggests that:

- these centres (currently without a full line supermarket) will end up playing a complementary role to the supermarket
- trade will only be affected by five percent which it is argued is minimal
- the creation of a full-line supermarket at East Chatswood would also serve to reduce traffic congestion at Chatswood and Northbridge.

Other areas were also analysed by Location IQ for their capacity and viability of supermarket creation. These sites in Northbridge, Willoughby, Chatswood, Artarmon, St Leonards and Castlecrag were all found to be inadequate. Reasons provided were that:

- most do not have capacity for a full-line supermarket without the need to consolidate blocks and demolish buildings, which could be potentially financially unviable and made difficult due to multiple site ownership,
- residential land values, and
- small block sizes.

Council suggested that there was capacity at other sites, but Location IQ has deemed the alternative sites as impractical or that they could not be treated as 'alternate' as they were either a considerable distance away or had substantially different constraints to the site at East Chatswood.

Additional benefits suggested by Location IQ to support the proposal are:

- additional choice and price competition
- the reduction in travel times and fuel costs

Comments on these Location IQ arguments are included in Table 3.

Table 3. Comments on Location IQ arguments

Summary of Location IQ arguments in support of proposal	SGS comments
Employment benefits	There may be some modest local employment benefits compared to what would otherwise locate on this site. However, employment in a new supermarket development typically 'transfers' employment that would occur elsewhere in the retail 'system'. In a 'pure' net community benefit analysis employment is actually a function of costs unless it is utilising labour that would otherwise be underutilised (in which case there are savings on welfare costs).

Summary of Location IQ arguments in support of proposal	SGS comments
Leveraging further employment nearby	This acknowledges the potential for the development to generate a retail precedent for the area without addressing what other implications stem from this outcome within the industrial area
A complementary and 'modest' impact on nearby centres	The retail and economic impact analysis is discussed below. While SGS has not tested the IQ assumptions in detail it is likely that the impacts on these other centres are understated (particularly if additional retail is attracted to the East Chatswood location).
Lack of alternative, affordable sites in other centres	Prospects in other centres are considered below. The relative cost of land is not a relevant consideration (as differentials in land value is what the allocation of land through a zoning process is intended to create).
Additional choice and price competition	This will be generated with an expansion of retail floorspace potential (though it is not clear how this particular proposal for a Woolworths supermarket, with another at Northbridge less than 2 kilometres away will provide any material retail choice or alternatives).
Reduction in travel times and fuel costs	There is no quantification of travel benefits and costs included in the analysis. It is hard to see how this claim could stand up compared to an alternative and possible scenario of additional supermarket floorspace in an existing centre.

4.3 Review of the Economic Impact Assessment

A summary of the key steps and assumptions of the Location IQ retail impact analysis are provided in the table below, together with SGS's comments.

Table 4. Review of the Economic Impact Assessment prepared by Location IQ

Key steps of IQ analysis	Key assumptions and methods of IQ analysis	SGS comments
1. Trade area definition	The trade area is defined by considering the followings: <ul style="list-style-type: none"> • The scale and composition of the proposed Chatswood Woolworths development. • The provision of retail facilities throughout the region. • Regional and local accessibility. • The pattern of urban development. 	<ul style="list-style-type: none"> • Lack of clarity on how these key considerations have been applied in the process of determining the primary and secondary catchments of proposed supermarket. • No source indicated for the typical extent of the main trade area of a supermarket in a metropolitan area referred to.

Key steps of IQ analysis	Key assumptions and methods of IQ analysis	SGS comments
	<ul style="list-style-type: none"> Significant physical barriers <p>The main trade area being within 1-3 km radius of a supermarket is typical in a metropolitan area</p>	<ul style="list-style-type: none"> Definition for primary and secondary trade area is not clear (i.e. for those in the primary or secondary trade area, what proportion of their supermarket expenditure would be captured by the proposed Woolworths supermarket)
<p>2. Main trade area population</p>	<p>Current and projected population is based on</p> <ul style="list-style-type: none"> 2006 Census data Dwelling approval data from ABS ID projection by small area DoP population projection at the SLA level 	<ul style="list-style-type: none"> Lack of clarity on how these different inputs have been used to derive the population forecast for the main trade area The constant annual change in population of main trade area from 2006 to 2021 seems to be unrealistic given the declining rate of dwelling approval from 2006 to 2009
<p>3. Resident retail spending in the main trade area</p>	<p>The retail expenditure within the main trade area by key commodity type is estimated based on the MDA Market Data System, which takes into account:</p> <ul style="list-style-type: none"> ABS Household Expenditure Survey National Accounts Data Census Data DoP population projection at the SLA level <p>The total retail expenditure of the main trade area has been projected to increase at a real rate of 1.6% to 2021</p>	<ul style="list-style-type: none"> Although the overall growth rate of retail expenditure in the main trade area is roughly in line with the recent growth in retail expenditure in NSW, it is not clear why the growth rate in the northern part of secondary trade area is higher than the rest of the main trade area (presumably driven by the higher rate of population growth). There is some evidence that the year on year retail expenditure increases may be at an end (as credit tightens and consumers pay off debt). This may be a structural and permanent post GFC shift, and also evidence of a more spendthrift era as baby boomers reach retirement. It would be useful to break the food expenditure into supermarket and other food categories.
<p>3. Worker's catchment</p>	<p>The worker trade area has been defined by drawing a 1 km radius from the site.</p>	<ul style="list-style-type: none"> The catchment definition can be refined by incorporating the journey to work data and travel time between the travel zones instead of the distance. It appears that no consideration has been given to the competitive offers in the adjacent areas when defining the worker's catchment.

Key steps of IQ analysis	Key assumptions and methods of IQ analysis	SGS comments
		<ul style="list-style-type: none"> Notwithstanding, worker associated expenditure has not been estimated.
<p>4. Competitive environment</p>	<p>The existing and proposed competitive developments in the surrounding areas to the Woolworths site have been discussed in terms of their scale, composition and their likelihood to compete with the proposed supermarket in East Chatswood.</p>	
<p>5. Turnover estimates for the Woolworths supermarket</p>	<p>The turnover of the proposed supermarket has been estimated in following steps:</p> <ul style="list-style-type: none"> Assess the share of the food & grocery expenditure that can be generally directed to supermarket; Estimate the likely proportion of supermarket expenditure retained by the existing and proposed retailers within the trade area; Estimate the supermarket sales beyond the main catchment; Estimate the supermarket sales of general merchandise and non-food items; Estimate the sales potential of other supermarkets within the trade area Derive the turnover for the proposed supermarket by subtracting the turnovers of other two supermarkets from the total supermarket sales within the main trade area. <p>A number of key assumptions used in these steps above include:</p> <ul style="list-style-type: none"> The proportion of the food & grocery spending to supermarket is 65% currently and it is expected to increase to 70% with the addition of the proposed Woolworths supermarket; 13.8% of the food and grocery spending directed to supermarkets is retained by the existing supermarkets. The rest is escaped to 	<ul style="list-style-type: none"> A variety of BIG assumptions have been used to project the turnover/performance of proposed Woolworths supermarket, albeit little evidence has been shown in IQ's report to convince the reader of their credibility. It would be more persuasive if an independent survey were undertaken to cross check these assumptions. For example, it is projected that the share of supermarket expenditure retained within the main trade area would at least triple with the addition of the Woolworths supermarket. Although this may be a reasonable assumption, there is little evidence in the report to support this. A survey can be easily carried out to help understand the likely change of resident's tendencies when choosing their supermarket shopping destinations with the addition of the proposed Woolworths supermarket. It is also not clear how the turnover of the proposed Woolworths supermarket has been derived from the total supermarket sales potential in the main trade area, i.e. whether it is based on a pre-determined average turnover rate (\$/sqm) or an estimated share of the total sales within the main trade area.

Key steps of IQ analysis	Key assumptions and methods of IQ analysis	SGS comments
	<p>other supermarket facilities beyond the immediate main trade area;</p> <ul style="list-style-type: none"> • After the addition of the proposed Chatswood Woolworths supermarket, <ul style="list-style-type: none"> ◦ the level of retained supermarket spending within the main trade area is projected to increase from 13.8% to 46.4%; ◦ the share of total supermarket sales that are likely to be attracted from beyond the defined main trade area is expected to increase from 10% to 15%; • Non-food items typically generate around 6% of total store sales for a typical modern supermarket; • The turnover density of two existing small supermarkets in the main trade area are estimated to be around \$8,863 per sqm; • The turnover of proposed Woolworths supermarket is projected to achieve \$38.3 million in 2013 and increase to \$43.3 million by 2021 • The proposed supermarket is projected to trade at \$9,821 per sqm in 2012/13, while the average turnover of two existing supermarkets is projected to be still viable (\$7,754 per sq.m). 	
<p>5. Impact on other centres outside the main trade area</p>	<p>Sales impacts on competitive centres are projected in following steps:</p> <ul style="list-style-type: none"> • Estimate sales levels for existing centres in the 2009 financial year; • Project sales for existing and proposed centres in the 2013 financial year, the first full year of trading for the proposed Chatswood Woolworths; 	<ul style="list-style-type: none"> • There are a number of references in this section of the IQ report to the viable trading level of a supermarket and whether a particular centre would remain viable after the addition of the proposed supermarket. However, this viable level is not clearly defined in the report. It should be noted that the viable trade level may differ in different

Key steps of IQ analysis	Key assumptions and methods of IQ analysis	SGS comments
	<ul style="list-style-type: none"> Outline the change in sales at each centre in 2013 as a result of the development of Chatswood Woolworths; Show the impact on sales in 2013, both in dollar terms and percentage of sales. 	<ul style="list-style-type: none"> centres, given the variation in rent. Lack of clarity on how the current and projected sales levels of different competitive centres without the development have been derived There is also little justification for the projected decline in the sales of surrounding centres with the proposed supermarket.

Overall, we find that the method employed by Location IQ to assess the demand for a proposed Woolworths supermarket and its likely impact on competitive centres is consistent with that used by retail analysts. However (and as is typically the case with work in this area), there is a lack of clarity on how some of the key assumptions have been developed.

In particular, a number of important assumptions used in the Location IQ analysis to estimate the likely sales of (or demand for) the proposed supermarket and potential declines in the turnovers of competitive centres outside the defined main trade area are stated without detailed associated evidence. There are a number of opaque assumptions which could inflate the prospects of the supermarket and minimise the loss of trade in surrounding centres.

In our opinion being much clearer about the source and detail behind assumptions and, in addition, running some sensitivity testing to see the impact of varying assumptions on the overall results would produce a more robust analysis.

The preferred approach would be to undertake a resident survey to generate primary, locally relevant data on expenditure patterns and the likely shift in these were the supermarket to develop (this has a data and expenditure focus as distinct from the focus on behaviours and preferences included in the Woolcott research survey that accompanies the proposal⁷). This would help to improve the credibility of the analysis.

While there is scope for significant improvements in the analysis in line with these comments we find that assumptions are generally reasonable and in line with industry benchmarks. Our sense is that the Location IQ retail and economic impact analysis findings are plausible, though the impact on surrounding centres may be understated. However, we have not undertaken our own quantitative testing to confirm these assertions.

⁷ Woolcott Research (May 2011) *Research Findings: Woolworths Chatswood*

5 Review of industrial market

5.1 Introduction

Jones Lang LaSalle (JLL) has analysed the industrial market in its report accompanying the planning proposal. This section summarises the findings of this report, and then makes some further observations of the industrial market based on SGS's own experience, research and consultation.

5.2 Jones Lang Lasalle Report findings

Jones Lang LaSalle (JLL) has prepared a report to assess the land use trends impacting on industrial property markets nationally and more specifically in and around Chatswood. The main sections of this report include:

- **Chatswood Industrial Market** – providing a summary of the land use characteristics of the Zone B (4) Light Industrial zone, including discussion of supply, demand, rents and land values;
- **Northern Sydney Industrial Market** – providing a broader overview of the northern Sydney industrial market in the context of metropolitan Sydney;
- **Industrial Property Trends** – providing an overview of the structural changes that have impacted on industrial markets nationally, and in particular on inner suburban industrial markets;
- **Chatswood CBD: Land Use Characteristics** – providing an overview of the land use mix, recent development activity and future opportunities for supermarket retail development;
- **Employment Trends and Industrial Demand** – providing an overview of trends in employment by land use in the Willoughby LGA;
- **Employment Generation by Land Use** – illustrating the different levels of employment that can be expected from different land uses;
- **Market Impact of Proposed Development** – summarising the main findings of this report.

The key findings from JLL's report are the following:

- Broader industrial property trends in the last few years show that most of the demand for traditional industrial uses has been in outer suburban markets, while inner suburban markets have been either experiencing decreasing industrial employment or changing focus to a more mixed use/mixed business format.
- The resultant vacant floorspace in the inner areas due to the relocation of large format industrial uses will eventually be redeveloped over time for more intensive uses, including retail, offices and a hybrid mix of business requiring both office and warehouse space.
- Key trends identified in the Chatswood East Industrial precinct include:
 - A relatively high level of recent development activity, including multi-level strata units, self-storage and a Bunnings Warehouse currently under construction

- Strong demand from bulky goods / showroom uses
- A very high level of vacancy that is expected to take considerable time to be absorbed
- High land prices are pushing out many industrial occupiers that require large floor space areas
- A shift towards smaller multi-level strata units, with the larger occupiers re-locating to outer metropolitan locations or large integrated business parks.
- Employment growth is more likely to come from promoting a broader mix of employment generating uses in inner urban industrial zones, while policies that encourage the retention of industrial employment lands for industrial only uses are more likely to lead to under-utilisation of valuable “employment generating” land.
- Redevelopment of the Smith Street site will provide retail facilities that are undersupplied in Chatswood and nearby suburbs.

In broad terms SGS agree with most of the findings from the JLL report. However, because it is agreed that the ‘industrial’ character of the area is changing, with a different complex of employment, it does not automatically follow that a retail use such as a supermarket should be supported on the subject site. A thorough analysis would build the case more systematically, with a focus on the supply-demand dynamics at work. An overview of such an analysis is included below.

5.3 Supply-demand dynamics

Macro trends: Sydney’s changing industrial activity and employment

The University of Western Sydney⁸ has noted that a new economy is taking shape in the employment lands across inner city areas of Sydney. Since the 1970’s there has been a continual shift of heavy manufacturing activity moving to outer areas which offer cheaper land, larger lots, accessibility to the orbital road and motorway network and location close to compatible labour force. Inner urban employment lands have seen a transformation to higher value added firms in media, computer graphics, software design, fashion, advertising, furniture and design, film production and postproduction and specialised foods and beverages such as organics and health products.

One of the concerns of state and local planning authorities in inner urban areas of Sydney has been the conversion of employment lands to non employment generating purposes and residential development. The legitimate issue is that losses of land that support employment objectives may undermine key planning objectives, including providing jobs close to where people live, supporting higher order centres such as Chatswood and maintaining space for activity which would be confined to these areas.

However, there is a need to carefully distinguish between the use itself and the nature of the use. The high tech distinction is not related to the actual end user, more to the nature of the operation

⁸ UWS Urban Research Centre (2008) *North-West and West-Central Sydney employment strategies, University of Western Sydney.*

and use of the site or building. The difficulty in inner urban employment areas in Sydney has been to distinguish between those needing an industrial zoned location and those which could be accommodated in an office. Many firms labelling themselves 'high-tech' – with essentially 100 per cent office characteristics - could be located in a more typical office environment and will be seeking a price advantage in an industrial area.

Where demand for uses having special operating characteristics and therefore needing an industrial area persists it is important to protect this area from pure office use, as such activity has the potential to force out genuine industrial users, raise local land prices and create problems due to the incompatibility of office activity in an industrial area. This same principle applies to retail trade and is directly relevant to the issue of developing a full line Woolworths in an employment zone. Firms who could not operate in another area should be a priority for employment zones.

Employment land supply in East Chatswood

The *Willoughby Industrial Areas Study* prepared by SGS in 2004 provided an estimate of total industrial land supply in East Chatswood. Table 5 shows a total of 27 hectares of industrial land and the distribution of lot sizes in East Chatswood. It found that there was greater diversity in the lot sizes than in Artarmon, with fewer concentrated in the under 1,500 sqm category. There was also a good spread of larger sites, though it was expected that these would be used more intensively in the future and units within them would be strata titled.

Table 5. Distribution of Lot Sizes in East Chatswood, in 2004

Land area (sqm)	Land parcels		Land area	
	Number	%	Total	%
0 to 500	29	23%	6,757	3%
500 to 1000	35	28%	25,930	10%
1000 to 1500	16	13%	19,275	7%
1500 to 2000	5	4%	8,106	3%
2000 to 2500	4	3%	8,598	3%
2500 to 5000	23	18%	83,573	31%
5000 and above	14	11%	116,933	43%
Total	126	100%	269,172	100%

Source: SGS (2004)

The 2004 study also found that vacancy rates were high in East Chatswood at around 22 percent of the land area and 15 percent of the premises (indicating a concentration of vacancies in the larger lots). Though many sites were in transition (for example those in Barcoo Street) and were in the process of evolving, such high vacancy rates were not considered desirable.

Compared to Artarmon industrial area, higher order finance and business services were found more prevalent in East Chatswood, which was consistent with the 'high-tech' flavour of many of the businesses in the area.

The *17 Smith Street, Chatswood, Land Use Study (2010)* by JLL suggested that the current vacancy level in East Chatswood was in the order of 25 percent of total tenancies (or 100 vacant tenancies) and 20 tenancies were advertising at least 1,000 square metres of space for lease. While it didn't allocate the vacancies by lot size it is clear from visiting the site that generally the vacancies are concentrated in the larger sites with single buildings (not strata subdivided).

Employment land demand in East Chatswood

We have compared the future job growth envisaged by the Bureau of Transport Statistics (BTS) for the East Chatswood Industrial Precinct, Willoughby LGA and Inner North Subregion, by both ANZSIC industry and Broad Land Use Category (BLC).

The BTS employment forecasts provide an indication of the nature and distribution of future employment, though they are heavily based on recent trends.

Note that the projections are based on the employment forecasts for travel zones 2380 and 2384, as shown in Figure 9.

Figure 9. Travel zones covering East Chatswood industrial area



Table 6 shows total employment in the East Chatswood Industrial Precinct is forecast to experience a moderate net increase of 63 jobs from 2011 to 2036, compared to an additional 9217 and 34,526 jobs in the LGA and Subregion respectively.

Within the East Chatswood Industrial Precinct, Retail Trade is forecast to experience the greatest growth with 120 additional jobs in the period from 2011 to 2036. This is followed by Construction with an additional 47 jobs and Health and Community Services with an additional 30 jobs. The greatest decline is forecast for Manufacturing and Wholesale Trade with a loss of around 64 and 53 jobs respectively.

Similar patterns have been forecast for the LGA and Subregion, where more than 50 percent of the job growth from 2011 to 2036 is expected to occur in population-servicing industries, such as Retail Trade, Health and Community Services and Education.

Although little job growth (if not negative) has been envisaged for the manufacturing, transport and storage and wholesale trade industries in the East Chatswood Precinct, it should be noted that the projected expansions in the construction and property and business services industries are likely to occupy warehouse / storage, showroom and office floorspace in the East Chatswood Industrial Precinct. Furthermore, growth in retail trade employment reflects recent trends (and is partly policy dependent).

Table 6. Projected employment growth by ANZSIC, 2011-2036 (jobs)

93 ANZSIC Industry	Employment growth, 2011-36		
	East Chatswood Industrial Areas	Willoughby LGA	Inner North SR
Agriculture, Forestry and Fishing	2	22	250
Mining	1	32	75
Manufacturing	-64	-136	-790
Electricity, Gas and Water Supply	-4	-9	-393
Construction	47	173	-529
Wholesale Trade	-53	-318	-647
Retail Trade	119	2,490	5,594
Accommodation, Cafes and Restaurants	-2	813	3,549
Transport and Storage	-7	123	-522
Communication Services	-11	-556	1,096
Finance and Insurance	-3	230	-83
Property and Business Services	21	561	10,976
Government Administration and Defence	-30	-406	-814
Education	9	1,170	5,831
Health and Community Services	30	4,225	9,285
Cultural and Recreational Services	-3	-62	-145
Personal and Other Services	12	867	1,794
Total	63	9,217	34,526

Source: BTS 2009, SGS 2012

In the *17 Smith Street, Chatswood, Land Use Study* (2010), JLL suggested that at least 5000 square metres of new floorspace had been provided in East Chatswood since 2005, as detailed in the table below.

Table 7. Recent developments in the East Chatswood industrial area (since 2005)

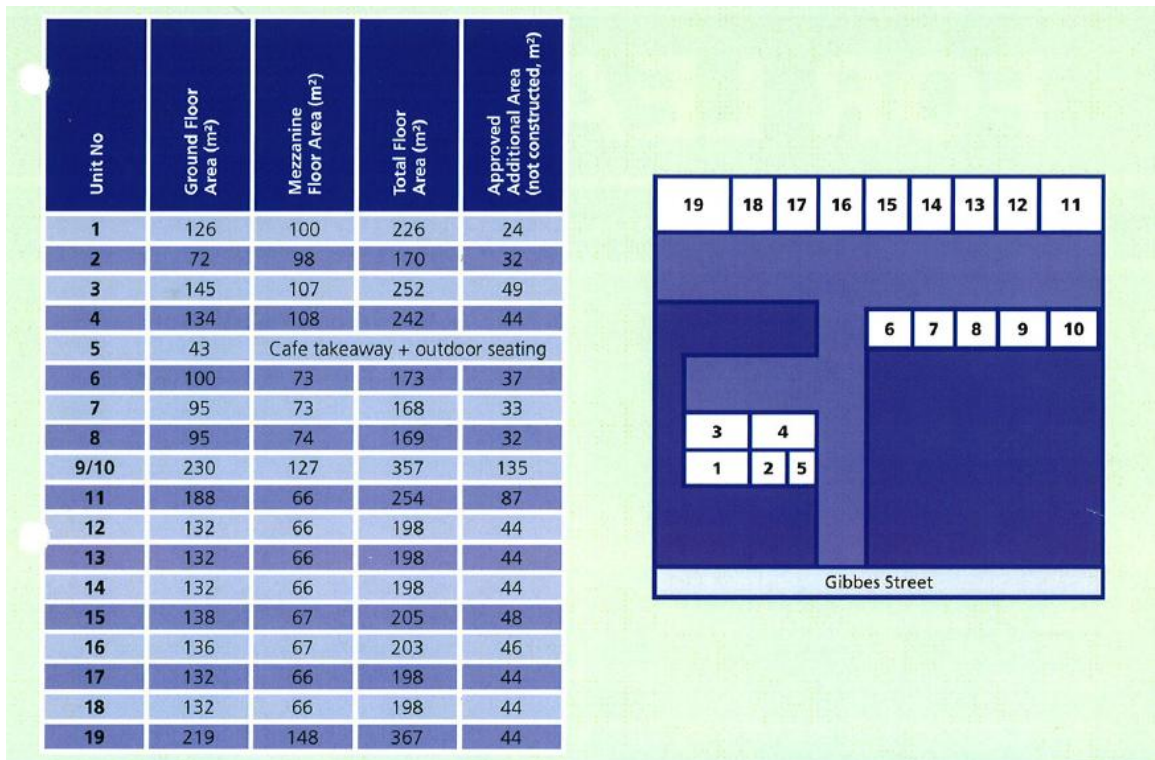
Building Name	Address	Suburb	Comp. Date	Total GLA (m ²)
Northlight Corporate Park	28 Barcoo Street	Roseville	2005	14,192
Northlight Corporate Park	28 Barcoo Street	Roseville	2006	5,582
Niche	354 Eastern Valley Way	Chatswood	2007	6,075
Roseville Business Precinct	30-32 Barcoo Street	Roseville	2007	5,034
Gibbes St Depot and Industrial Units	25-27 Gibbes Street	Chatswood	2009	15,000
Kennards Self Storage	Gibbes Street/ Mann Street	Chatswood	2009	9,360
Kennards Self Storage	39-49 Alleyne Street	Chatswood	2009	8,599
Bunnings	25 Smith Street	Chatswood	2010	11,000

Source: JLL (2010) *17 Smith Street, Chatswood, Land Use Study*

The table shows that the Barcoo Street precinct has seen a high level of development, with two large corporate parks developed since 2005, both comprising strata title units, and a smaller development also completing in the past five years. These developments are consistent with the shift in controls implemented following the earlier industrial areas study.

Council itself has redeveloped its depot site with small industrial units using the 'air space'. Eighteen units of around 200 sqm each have been fully occupied in the five years since the development was completed (except Unit 3 which has been set aside for the local government elections later in the year by NSW Electoral Office). Rents are in the \$170 to \$200 per square metre range (including outgoings).

Figure 10. Industrial units development at Council depot site in East Chatswood



5.4 Consultation Findings

To provide some additional market ‘ground truthing’ of demand-supply conditions consultation was conducted with local property market agents. In depth phone interviews with agents who have considerable sales and leasing experience in the area were contacted as follows:

- Sutton Anderson Property Consultants – Crows Nest
- DTZ Australia
- Kennedy Learmont Real Estate

The main topics of discussion were:

- Current vacancy and industrial land absorption in the area
- Type of land uses that are in demand and land uses with long term vacancies
- Business demand for more flexible zoning
- Parking, traffic and infrastructure issues
- Impact and benefit of allowing further retail in East Chatswood
- Leasing and Sales activity in the area and land values for different uses and building typologies.

There was a consensus in the consultation that demand for industrial space in the area had improved considerably over the past 12-18 months with particularly strong demand for small industrial units. The agents were generally supportive of more flexible zoning however there was some

differentiation in opinion over the benefits/impacts of allowing further retail development. The main findings from the consultation are summarised below:

- Demand for industrial units has increased over the last 12-18 months. Smaller units <200 square metres are particularly sought after, while industrial/mixed commercial spaces with larger floor plates are still having difficulty selling.
- A slow turnover of sales activity in East Chatswood can be partly attributed to difficulty of industrial property investors to attain finance. The upside of this has been increased demand for leasing space with fast absorption of available small industrial and commercial suites for lease.
- The continual rationalisation of manufacturing has meant that the majority of remaining operations in the in the area have moved out to areas on Sydney's fringe, but this has left a considerable amount of large sites vacant. New industries have been sought to locate in these larger floor plate premises, but there is considered to be a lack of amenity in Chatswood, with Artarmon a more favourable location. Artarmon has absorbed a greater share of market demand than East Chatswood, though the higher rents and lack of parking have led to increased demand in Chatswood for media and IT industries.
- There was a consensus that the perceived high level of vacancy in the area may be a misrepresentation.
 - The vacancy figure can be recorded as the vacant floor space against the total floor space in the employment lands area. Due to some of the larger floor plate properties remaining vacant, this can skew the overall vacancy figure when measured by number of premises.
 - Most vacant properties are represented by more than one agent. This often shows a vacant property multiple times, increasing the total recorded number of vacant properties.
- Leasing rates for the properties vary between \$165/sqm per annum to over \$200/sqm per annum.
- Flexible zoning is generally encouraged to increase the vitality of the area and lead to flow-on benefits including an increase in demand for floor space in the remainder of the precinct. The agents were mixed about the benefits of a potential supermarket. There was some support for the supermarket as the entry of retail into the employment retail is inevitable and is linked to the demand. There was also a differing opinion that allowing supermarket retail compromises the function of the employment lands.
- Mixed use zone (including retail) could be supported for part of the site, especially closer to Eastern Valley Way where there is existing bulky goods retail, whilst retaining some protected zoning for employment lands.
- There was support for further Council ownership of industrial spaces and leasing them out to tenants. The absorption of small industrial units at 25 Gibb Street was initially slow, but has now been fully leased.

The consultation outcomes are that the market for small industrial spaces is strong, yet there is considerable vacancy for larger floor plate buildings and some vacant sites. The overall merits of more flexible zoning are clear, but there is a consensus that any changes must not hamper the ability of the area to attract tenants which require operations in employment lands areas. A potential mixed zone with more flexible land uses could be located around Eastern Valley Way and Smith Street where there is already a small cluster of (mainly bulky goods) retail activities.

5.5 Conclusion

The key deficiency in the JLL market analysis is the lack of a quantitative and long term perspective. Land use planning by its nature is about planning for longer term perspectives and needs based on a demand-supply picture into the future.

Though we have not conducted a complete longer term demand-supply analysis we note that the BTS projections have employment increasing in the Travel Zones covering the East Chatswood site, though with a changing profile with more business and retail jobs. Traditional manufacturing type employment is projected to decline. There is a high vacancy rate in the industrial area so it is anticipated that it will be able to accommodate the future growth.

It should be noted that the BTS projections are based on recent trends which have seen retail jobs increase in the precinct (particularly along Eastern Valley Way). Furthermore, this increase in bulky goods type retail is consistent with the allowable uses in the area and does not necessarily mean general retailing should be encouraged in the controls. This is a matter for policy. The projections are sensitive to these assumptions regarding recent trends and policy and could be challenged.

The other trend in these projections is the increasing business services profile of employment which is consistent with the observed shift to 'higher tech' and office-warehouse activities in the precinct. Projections for declining traditional industrial employment (such as manufacturing) do not mean the employment potential of the precinct is necessarily reduced.

Our observations of the precinct, the quantitative analysis and consultation all indicate a strong demand for smaller industrial units. The vacancies are concentrated in larger format industrial buildings (see Figure 11).

Figure 11. Vacant large format office - industrial property in East Chatswood



As pointed out by JLL, these vacant floor spaces will eventually be redeveloped into multi-level strata units or a mix of office and warehouse space, if retained for industrial uses.

Our assessment of the industrial market analysis conducted by JLL is as follows.

Table 8. Assessment of JLL findings regarding industrial land market

Key JLL findings	SGS comments
Trends show traditional industrial activity is focussed in outer suburban markets, while inner suburban markets have seen decreasing industrial employment or more mixed use/mixed business formats	Agreed
Vacant floorspace in the inner areas will be redeveloped over time for more intensive uses, including retail, offices and a hybrid mix of business requiring both office and warehouse space	Agreed, though not necessarily general retail which should be the subject of appropriate associated planning given its catalyst role in centres.
Employment growth is more likely to come from promoting a broader mix of employment generating uses, while policies that encourage industrial only uses are more likely to lead to under-utilisation of valuable “employment generating” land.	Agreed, though again planning controls (and appropriate transport investment) should facilitate this increasing diversity without necessarily allowing general retail (including supermarkets)
Redevelopment of the Smith Street site will provide retail facilities that are undersupplied in Chatswood and nearby suburbs	On a prima facie assessment of the Location IQ retail analysis this is a supportable proposition – though the retail analysis would be strengthened by more transparent assumptions and preferably by using primary data generated through a survey (see section 4). Furthermore the East Chatswood precinct may not be the best location for general retail.

6 Assessment of alternative sites

6.1 Introduction

Willoughby City Council have nominated 14 possible alternative sites to the subject site in Smith Street. An alternative site assessment has been carried out in order to determine if there are other sites within the LGA that would be more appropriate for a full line supermarket. The alternative site assessment was based on six criteria that assessed the sites based on their practicality, location, their position within council policy and the metropolitan planning framework and what their constraints were. Each site is then assessed for cumulative potential for a full line supermarket and compared to the subject site.

The assessment is included in Appendix 1.

6.2 Site assessment summary

The site assessment indicates that taking into account all factors, Sites 1 and Site 11 are probably the most viable alternative options to the subject site at East Chatswood. These sites do however offer a genuine alternative and have many beneficial attributes, not present in the subject site at East Chatswood. Both alternate sites are located in close proximity to each other as well as the subject site and the assumed trade catchment boundaries.

Site 1 is located in the vicinity of an existing commercial zone and would have major potential to activate the existing retail precinct around the intersection of Penshurst Street and Victoria Avenue. The site was used formally as a Bunnings Warehouse, which has since moved to East Chatswood. The site has offers similar attributes to the subject site, but would be able to advance the small centre and existing retail function around the intersection.

Site 11 is another viable alternative site and similarly to Site 1 is located close to an existing retail precinct and would have the power to enhance the retail area along Penshurst Street and near to the intersection with Victoria Avenue. The site is large, has potential for rezoning and has dual road access.

From a strategic planning perspective taking into account the metropolitan planning framework and Council planning policy, the sites are able deliver better outcomes in terms of activating existing retail areas and smaller centres. The alternative sites are also located within corridors of further residential development as noted in section 3 and crucially they would not be impacting on the ability of the employment zoned lands to accommodate industries which would not be able to operate in other locations.

7 Woolworths' property strategy and impacts

7.1 Woolworths' property strategy

Woolworths store growth has been strong over the last decade with 1,302 outlets (supermarkets and others) under their remit at the end of 2011. Figure 12 shows the continued rollout of new stores across all Woolworths' brands with 112 new stores completed in the first half of the 2012 financial year compared to 84 in the second half of the 2011 financial year (a 33 percent increase)⁹. Woolworths continues to strengthen its new store pipeline and plans to deliver 172 new stores in 5 years¹⁰.

Figure 12. Woolworths capital expenditure – Half Year 2011 and 2012

Store numbers	New Stores ¹		Refurbs	
	2012	2011	2012	2011
Australian Supermarkets ²	25	12	49	41
Liquor	46	41	12	31
PEL - NZ Supermarkets	4	8	4	13
Petrol	10	9	1	-
BIG W	4	3	3	9
Hotels	14	2	13	28
Danks	2	9	-	-
Masters	7	-	-	-
Group	112	84	82	122

1. Gross store openings
2. Includes attached liquor

Source: Woolworths Annual Report, 2011

Fabcot Pty Ltd is Woolworths' own in-house Retail Property Development division. Fabcot owns and manages a large portfolio of over \$1 billion in retail properties across Australia.

The growth in the property development arm appears to be in response to a narrowing of site options provided by more traditional developer pipelines of supply. Smaller developers who often provided Woolworths with site options have been squeezed in recent years (with finance harder to obtain), so Woolworths itself – with greater capital depth – has been active as a developer of sites for use by its stores. Coles has pursued a similar approach. As a Coles spokesman noted, the

⁹ Woolworths Annual Report (2011) *Company Results HY Ended 1 January 2012*

¹⁰ Woolworths Limited Investor Briefing Presentation (2011) *Woolworths Strategic Priorities*

company's primary aim was to secure space for new stores, "not to become directly involved in residential property development"¹¹.

As it secures and develops the sites for its use Woolworths will then divest "as appropriate market opportunities arise"¹². The company's position is that Woolworths is not a long term holder of property assets (except for strategic assets) and will continue to sell down property development¹³. For example, in September 2010, Woolworths announced their plans to offload \$900 million of retail sites from the company's property portfolio, selling more than 30 neighbourhood and sub-regional shopping centres with a plan to lease these sites back on a long-term basis. In words of Woolworths Director of Property, Ralph Kemmler:

We are continually reviewing opportunities for the disposal of property assets and amid improving market conditions in the retail sector, we now see an opportunity to place a portfolio of quality completed retail sites for tender, on the basis of sale and long term leaseback transaction¹⁴.

Clearly, if the East Chatswood site is rezoned it would be expected to lift the land value. If subsequently, Woolworths dispose of the site (and lease it back) the company would be expected to capture a capital gain. The proposal therefore satisfies both retail turnover capture and property development objectives for the company. A site in an existing centre would be a more expensive proposition to purchase and develop, with reduced capital gain potential.

7.2 Case study: Woolworths at 17 – 31 Roseberry Street Balgowlah

The site at 17-31 Roseberry Street Balgowlah consists of five separate lots with an overall area of 7,333 square metres. It used to accommodate an industrial factory and warehouse and prior to this was used by the Blackmores pharmaceutical company for manufacturing and warehousing. The site was bought and developed by Woolworths and a Woolworths supermarket is planned to be trading by mid-2012.

The site in Roseberry Street at Balgowlah is located in the Manly Vale/ Balgowlah Industrial Precinct, the only industrial lands in Manly LGA. Prior to 2009, the site was zoned Light Industrial

¹¹ Dowling, Jason (2011) 'Supermarkets home in on real estate market', *The Age*, 22 October, viewed 15th April 2012 at <http://www.theage.com.au/victoria/supermarkets-home-in-on-real-estate-market-20111021-1mca5.html#ixzz1s4wUCc1x>

¹² Woolworths sells eight shopping centres – *May 17, 2011*
<http://www.news.com.au/business/woolworths-sells-eight-shopping-centres/story-e6frfm1i-1226057651825#ixzz1qHawnQT0>

¹³ Woolworths Limited Investor Briefing Presentation (2011) *Woolworths Strategic Priorities*

¹⁴ Sydney Morning Herald 'Woolworths to sell \$900m of property' *September 6, 2010*.

under the Manly LEP 1988. The objectives of the zone were to protect industrial areas and restrict retail/commercial activities.

Manly Council approved the rezoning of the Blackmores site in Roseberry Street in 2009 (Amendment 79) to permit a supermarket. The consent for the Woolworths supermarket development was issued by Manly Council on the 9 November 2011, after the approval of the demolition of the existing buildings and construction of a single storey supermarket by the Joint Regional Planning Panel (JRPP) on 28 October 2011.

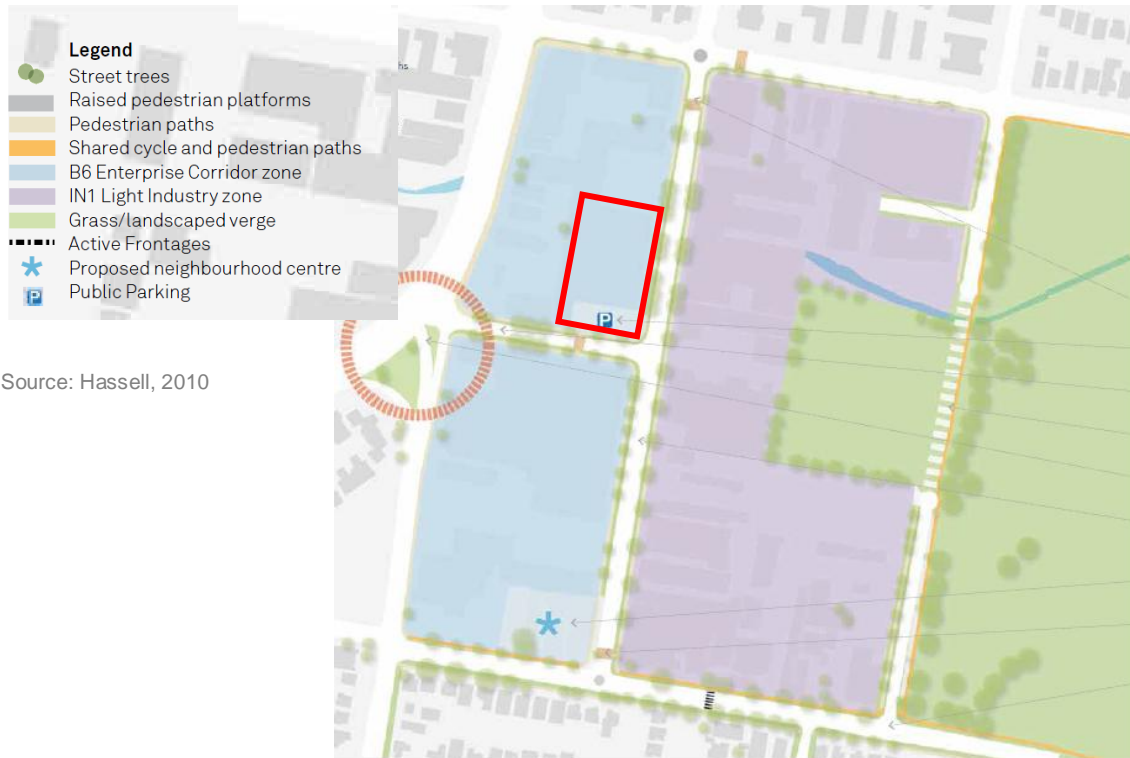
In 2010, Manly Council commissioned a consultant, Hassell, to undertake a study on the industrial area of Manly Vale leading to a master plan and a traffic review and analysis. The draft Master Plan for the Manly Industrial Zone was prepared in December 2010. This study recommended changes to Council's policies for development in the area.

The draft master plan is informed by five key principles that would assist Council in establishing the vision for the precinct over the next 5 - 10 years and underpin the development of the final master plan vision. Principle 2 *Improved Land Use Structure* aims to ensure consistency with the Industrial Land Strategic Review completed in 2009, and meet the targets set out by the Sydney Metropolitan Strategy. This would result in a B6 Enterprise Corridor zone to the western portion of the precinct and an IN1 Light Industry zone to the eastern portion (see Figure 13). This zoning was recommended and would be achieved through the preparation of the new Manly Local Environmental Plan.

SGS consulted a commercial property agent, CBRE, who have a record of sales in the Manly Vale/Balgowlah Industrial Precinct. According to the real estate agent thus far there has been no evidence that values of the properties in the precinct had changed more dramatically than properties in Manly LGA overall.

However, the supermarket is not yet trading and any impacts are likely to occur in the future. The changed zoning – developed in part to accommodate the Woolworths development - is likely to lead to land value increases over time.

Figure 13. Proposed B6 Enterprise Corridor and IN1 Light Industry zones in Manly Vale – showing Woolworths site



Source: Hassell, 2010

8 Conclusion

The review of the planning proposal and the accompanying reports in this report highlight that while a prima facie case has been made for the supermarket, there is still insufficient evidence on which to form a view in favour of the proposal.

- The supporting documentation contains reference to a range of documents which it draws upon to support the proposal. These are mostly only draft or non government documents which have no policy status. One of the principal tests in these documents is the net community benefit test which is not addressed in accordance with the guidelines for such a test (contained in the Guidelines for Planning Proposals).
- The key and ultimate tests are not sufficiently addressed in the documentation.
 - The first of these are the Centres Policy elements and Employment Lands Strategic Assessment tests in the Metropolitan Plan for Sydney 2036 (p. 60). There is no reference at all in the documentation for the planning proposal to the Metropolitan Plan and these tests.
 - The second set of tests are those contained in the Section 117 Directions (1.1 Business and Industrial Zones). CPS addresses these tests in a letter, but is not persuasive. It remains arguable whether the proposal meets the objectives in the Guidelines, in particular (a) "*encourage employment growth in a suitable location*", given that it will be retail employment which the centres policy would usually dictate should be in a centre (as a 'suitable location'), and (c) "*support the viability of identified strategic centres* given that a reduction in expenditure – even as little as 1.3 percent as suggested in the Duane Location IQ report - is **not consistent** with the test of **supporting the viability** of the strategic centre of Chatswood.
- Similarly, Council has a set of strategic planning directions (principally outlined in the Community Strategic Plan but also in other Council reports and documents) which are not addressed.
- While the retail and economic impact analysis adopts conventional benchmarks and thereby makes a strong case in favour of the proposal, many assumptions used are not transparent. Sensitivity testing of assumptions, or using primary, locally relevant data on expenditure patterns generated using a survey of residents would provide for a richer and more robust assessment of the prospects for the supermarket and the impact on surrounding centres (which we think – without the benefit of a detailed quantitative assessment – are probably understated).
- The site is in the East Chatswood industrial area. The supporting documentation seeks to show that there is a high vacancy rate in the area and that demand for employment activities is changing such that the area does not support 'traditional' industrial activity anymore and a wider complex of employment uses is emerging and should be allowed.

SGS agree with this proposition but it does not necessarily justify allowing general or supermarket retailing which would be better located in centres. Furthermore, the vacancies are concentrated in larger format buildings and sites for which there is limited current demand. Sites with smaller industrial units are in demand. Overtime it could be expected that many of these will redevelop in line with market preferences. A longer term evaluation of supply-demand prospects in the precinct is required.

- SGS has evaluated a number of alternative sites in the LGA, from a list provided by Council, for a supermarket development. The site assessment was based on six criteria that assessed the sites based on their practicality, location, their position within council policy and the metropolitan planning framework and what their constraints were. The assessment indicates that Sites 1 (173-197 Victoria Avenue, Chatswood) and Site 11 (243 – 245 Penshurst Street, Chatswood) are probably the most viable alternative options to the subject site at East Chatswood. They are located in close proximity to each other as well as the subject site and the assumed trade catchment boundaries, and would support the viability and development of existing centres.
- The proposed Woolworths development in East Chatswood is in line with recent activity by the company as a site developer. A similar development has occurred in the Balgowlah or Manly Vale industrial precinct and this has precipitated a wider evaluation of and upzoning of part of the precinct. Land values in this area do not appear to have shifted upward as a result of the Woolworths development yet, but it is not yet operating and such higher land values would be expected to occur over time once traffic and shoppers arrive.

If the proponent is able to build a stronger case to support the proposal and Council is inclined to support it, in SGS's opinion it would be wrong to allow the supermarket as an isolated retail development. In our view the supermarket development would catalyse further retail development such that a centre by default would be created. In this case not only would the industrial area be affected by encroaching and higher land value development, with unmanaged consequences, the opportunity to obtain more desirable planning outcomes would be lost.

If the development was to go ahead there is a strong case for the development of a structure plan and associated planning controls for basically a new centre in this location, building on the supermarket anchor, with a small complex of supporting retail activities and potentially residential development. The demarcation with the existing industrial area can be strongly drawn to protect it for the future and traffic impacts can be managed in a more integrated way.

Of course such a structure or precinct plan would need to be supported by a study justifying this as an appropriate location for a new centre with the elements described. This would require consideration of a range of matters including impacts on the local area, potential for enhancing access to public transport and the level of supportable residential development.

Appendix 1 Assessment of alternative sites

Site	Criteria	Assessment of site potential
Subject site 17-19 Smith Street Chatswood	Location: Residential growth and centres development: Zoning: Amalgamation: Transport: Site constraints:	Assessment of potential: Assessment against the subject site:
Site 1 173, 197 Victoria Avenue Chatswood	<p>Location: The site is located on Victoria Avenue near to the intersection with Penshurst Street. The area is a mixture of residential uses and small strip retail, with a small activity strip at the intersection of the two major streets. The subject site contains a three storey residential flat building, whilst the western part of the site is a former Bunnings Warehouse which moved premises to East Chatswood.</p> <p>Total site area: 4384.4 sqm</p> <p>Residential growth and centres development: The site is located in an area where there is potential for residential growth centred around the commercial and retail activity at corner of Victoria Avenue and Penshurst Street. Most of the residential area along Victoria Avenue is three storey apartment blocks, including some newer three storey developments closer to Penshurst Street. The area where the two streets meet is identified as a 'Commercial Zone' in the draft Inner North Subregional Strategy. Based on the capacity for expanded retail expenditure, it is unlikely the site is likely to have a significant detrimental effect on existing retail in Chatswood centre.</p> <p>Zoning: The site has multiple zonings. The eastern part of the site is zoned as General Business A, whilst the western part of the site adjoining Crick Street is zoned Residential C. The proposed future zoning under the draft WLEP 2009 is Local Centre B2 and medium density R3.</p> <p>Amalgamation: Amalgamation of the site is complicated as it there are several sites of which some are further split into multiple ownership.</p>	<p>Assessment of potential: If amalgamated, the site has considerable potential as a supermarket site. The majority of the site was formerly used for a Bunnings Warehouse. The area has good public transport access and connectivity and is within an already identified commercial zone.</p> <p>Assessment against the subject site: In terms of location, transport and current zoning, the site is in a more desirable location than the site at East Chatswood. Disadvantages of the site are the potential traffic impacts and the complex site ownership issues.</p>

	<p>Transport: The site is well located in terms of transport access, with transport routes to Chatswood, Willoughby, Crows Nest, North Sydney and the CBD. There are direct bus links along Victoria Avenue to Chatswood and Willoughby. There are also bus links to Crows Nest, North Sydney and the CBD along Penshurst Street.</p> <p>Site constraints: Constraints are the amalgamation issue, impact on parking in local residential areas and traffic along Penshurst Street, which is already congested.</p>	
<p>Site 2 345 Victoria Avenue, Chatswood (Chatswood Chase)</p>	<p>Location: The site is part of Chatswood Chase shopping Centre. There is an existing Coles full line supermarket in the centre, in addition to a smaller Coles supermarket a few hundred metres away in Westfield Chatswood.</p> <p>Total site area: 35,330 sqm</p> <p>Residential growth and centres development: Chatswood Chase is located in the centre of Chatswood amongst an area of medium density residential properties and a major retail core. The commercial centre of Chatswood is located further West of the site though still within easy walking distance.</p> <p>Zoning: The site is currently zoned 3(C1) Business Retail in the existing LEP and is planned to be zoned B3 Commercial Core in the WLEP 2009. The zoning is supportive of supermarket development.</p> <p>Amalgamation: The site is owned by two land owners under one title and management structure.</p> <p>Transport: The site is located less than a kilometre east of Chatswood railway station and transport interchange. There are approximately 2,540 car spaces at Chatswood Chase.</p> <p>Site constraints: The major constraints are the existence of two Coles Supermarkets in Chatswood centre, including one in Chatswood Chase. Further, the development would place additional strain on the car parking in the shopping centre.</p>	<p>Assessment of potential: The site is an existing retail precinct with easy transport access and proficient transport and parking provision. The development would consolidate the role of Chatswood centre as a local and regional retail hub as well as further enhance existing retail trade in Chatswood Chase and the remainder of the retail area..</p> <p>Assessment against the subject site: The site at Chatswood Chase is beneficial in that it is consolidating an existing retail precinct and strengthening the centre of Chatswood. The subject site is an out of centre site with little surrounding retail activity or residential mass, much poorer access to public transport and comparable traffic issues.</p>

<p>Site 3: 28 – 36 Anderson Street, Chatswood 2A McIntosh Street, Chatswood, 1,3,5 Help Street Chatswood</p>	<p>Location: The Anderson Street site is located in the centre of Chatswood, adjacent to the railway line between the commercial core and the retail and civic precinct. The site is currently mainly occupied by multiple walk-up residential flats and a retail store. The site is fairly low-rise in comparison to the surrounding blocks. The site does however mark the beginning of the residential area from the commercial/retail land. Heading north along Anderson Street, the built form becomes increasingly medium - low density residential.</p> <p>Total site area: 5,640.07 sqm</p> <p>Residential growth and centres development: The site is advantageous in terms of its location in the centre of Chatswood, thus helping to consolidate the retail function of the major centre.</p> <p>Zoning: The site is zoned Residential C under the existing LEP, with a proposed rezoning to B4 Mixed Use in the draft Willoughby LEP 2009.</p> <p>Amalgamation: Amalgamation of the site is likely to be a considerable issue. The site is divided into seven land holdings, all with different owners. Further, four of the lots are strata titled and therefore owned party by multiple property owners.</p> <p>Transport: The site is very well connected in terms of public transport access. It is located less than 500m from Chatswood Transport Interchange.</p> <p>Site constraints: The site has several constraints which would make it very challenging for a supermarket. The site has a multitude of owners on separate blocks of land. Road access is very limited with Cambridge Lane being a one way shared car and pedestrian land and McIntosh Street being very narrow. Despite the proximity to the commercial core, primarily the surrounding land is dominated by residential apartments and a supermarket would be located away from the main contiguous retail core in Chatswood centre.</p>	<p>Assessment of potential: The potential for the site is limited. Although the site has a central location and is partly underutilised, it is not appropriate for a Woolworths supermarket. The existing Road access, land ownership structure and need to maintain strong residential component near Chatswood centre does not support the proposed Woolworths on the site.</p> <p>Assessment against the subject site: Against the subject site, the Anderson street site is not appropriate as an alternate site. There are a number of constraints which would make the proposition of a supermarket very difficult in comparison to the subject site in East Chatswood.</p>
<p>Site 4: Albert and Victor Street</p>	<p>Location: The Victor/Albert Street site is located just to the south of the retail and commercial core of Chatswood Centre and almost immediately adjacent to the transport interchange. Accessibility to transport and other commercial and retail activity is very good and it is located close to major road connections through the Pacific Highway and Mowbray Road. The site is within walking</p>	<p>Assessment of potential: The site overall is very well located, would be relatively easier to amalgamate and</p>

<p>Chatswood</p>	<p>distance of the existing Coles supermarkets in Chatswood Chase and Westfield.</p> <p>Total site area: 7,764.75 sqm</p> <p>Residential growth and centres development: The site is in an area of special uses activity. These uses include a Baptist Church, education centre, community centre, youth centre, some scattered residential uses and a pre-school amongst other uses. Surrounding the site is a number of high rise residential apartment buildings as well as considerable medium density development and some nearby streets of single detached homes. Being just on the edge of the commercial/retail core it is well positioned in terms of promoting the consolidation of Chatswood centre as a retail hub. That being said, it should not aim to detract retail from smaller centres as Chatswood is already an existing regional destination for retail, regardless if a development of a third supermarket was to go ahead.</p> <p>Zoning: The site is zoned 'A – Special Uses' under the current LEP with a proposal to expand the zoning so it is more flexible under the draft WLEP 2009 where it is proposed to be zoned B4 Mixed Uses.</p> <p>Amalgamation: Amalgamation of the site is plausible, given that the site has only two land owners which are Council and the Baptist Church.</p> <p>Transport: The site has very good access to transport connections and is located approximately 100 metres south of Chatswood transport interchange. Short term parking around the site is plentiful, with two Westfield car parks adjacent and a number of smaller council car parks and timed on-street parking spots available.</p> <p>Site constraints: The major site constraints include heavy traffic flow along Albert Street and Orchard Road as well as multiple mixed ownership of the site.</p>	<p>could utilise the existing parking supply on adjacent sites.</p> <p>Assessment against the subject site: The site fairs reasonably against the subject site. It is located within an existing centre, has strong public transport connections and is exposed to the existing high retail trade in the centre. The weakness would be the whether it would be taking away opportunities to consolidate retail in smaller activity centres (or future potential activity centres) in the LGA.</p>
<p>Site 5 or 6: Westfield Shopping Centre - Chatswood</p>	<p>Location: The Westfield Shopping Centre site is split into two sections (site 5 & 6). The sites are located in the centre of Chatswood with easy accessibility to all other parts of the centre including the commercial core, transport interchange, Chatswood mall and Chatswood Chase Shopping Centre.</p> <p>Total site area: 12,889 & 10,800 sqm</p>	<p>Assessment of potential: The site has major potential, in that it is an existing retail centre, with only mid line Coles and Aldi supermarkets</p>

	<p>Residential growth and centres development: Similarly to locating the proposed Woolworths in Chatswood Chase, the new Woolworths would consolidate the function of Chatswood as a major centre and a regional retail destination for the North Shore.</p> <p>Zoning: Both sites are zoned C1 Business Retail under the current zoning provisions in the WLEP 1995. Under the draft WLEP 2009, the sites are proposed to be zoned B3 Commercial Core. Both these zones permit supermarket retail.</p> <p>Amalgamation: The sites are owned by a single landowner, and there is already appropriate development in place to locate a potential supermarket.</p> <p>Transport: Accessibility to the site is very good. The site is within 500metres of Chatswood transport interchange and has a large supply of car spaces with approximately 2,820 in the shopping centre car park and an additional supply of other parking options around.</p> <p>Site constraints: The major constraints are a lack of existing capacity within the Westfield centre. This may change if one of the major department stores downsizes or relocates.</p>	<p>Assessment against the subject site: As with other sites in Chatswood centre, it is likely that a Woolworths would in the centre may be taking away opportunities to consolidate retail in smaller activity centres (or future potential activity centres) in the LGA.</p>
<p>Site 7 & 8: Neridah Street and Albert Avenue</p>	<p>Location: The location of site's 7 and 8 along Neridah Street and Albert Street is immediately south of Chatswood Chase, however they are separated by a small office precinct that means the site does not have access or frontage to Chatswood Chase or Victoria Avenue and is located on the edge of a residential area at Albert Avenue. The site presently consists of a mixture of older style three story walk up flats and older C and D grade office space.</p> <p>Total site area: 6,442 & 4,800 sqm.</p> <p>Residential growth and centres development: The sites are located in the centre of Chatswood. It is at the Eastern edge of Chatswood Centre, but still within easy reach of the rest of the centre, the Chatswood transport interchange and the commercial core.</p> <p>Zoning: The two sites are zoned 3(c3) Business General.</p> <p>Amalgamation: There are 10 separate land holdings on site 7 making potential amalgamation and consolidation difficult. This</p>	<p>Assessment of potential: The site's potential is limited based on the existing land use on the site. Purchase and amalgamation of the site would be a considerable financial burden and it is unlikely a supermarket development would be viable based on the costs. The site has an advantageous location, near to Chatswood Chase, however the lack of access to Victoria Avenue, discounts some of the exposure benefits.</p> <p>Assessment against the subject site: In terms of policy context and location,</p>

	<p>includes a number of strata titled residential properties. Site 8 is less complicated with only two land owners, although one is a strata title unit block.</p> <p>Transport: Site 7 and 8 are located within walking distance of the transport interchange, and there are bus routes along Victoria Avenue and Archer Street in immediate proximity of the site.</p> <p>Site constraints: The multiple ownership of site 7 could be a potential constraint to developing the site for a supermarket. Based on the relatively low FSR of a supermarket, recovering the costs would require additional floor space uses on top of the supermarket .</p>	<p>Site 7 is a potential alternate location. The major drawbacks, including a lack of easily developable land and high development costs indicate the subject site is a more appropriate and viable location.</p>
<p>Site 9 & 10 Hercules Street, Chatswood Albert Avenue, Chatswood</p>	<p>Location: Site 9 and 10 are located to the east of sites 7 and 8. The sites are on the very eastern edge of Chatswood centre and the present land uses are mainly health services. The sites incorporate a number of low density residential cottages used for health services by Northern Sydney Central Coast Area Health Service (NSCCAHS).</p> <p>Total site area:4,636.4 & 4,636.8 sqm</p> <p>Residential growth and centres development: The site would be supporting the consolidation of Chatswood’s retail focus. It would slightly expand the land area of Chatswood’s commercial/retail core.</p> <p>Zoning: The sites are currently zoned A-Special Uses. This reflects their use as buildings providing health services. In order to allow a supermarket, a change in zoning would be required. Rezoning of the sites would be a reasonable demand as they are fairly underutilised in terms of the low current FSR. As a result the sites are proposed to be rezoned B4 Mixed Uses in the draft 2009 WLEP.</p> <p>Amalgamation: The sites are all owned by the NSCCAHS except for one separate land holding. Amalgamation of the sites would be fairly straightforward, though would require a change in zoning, which would presumably raise the unimproved capital land value.</p> <p>Transport: The sites are located on the eastern edge of Chatswood. They are still within easy walking distance of the transport interchange, approximately 700-800m walk along Victoria Avenue. There are additional bus services along Victoria Avenue between Chatswood Centre. Willoughby and Crows Nest.</p>	<p>Assessment of potential: Sites 9 and 10 have considerable potential for redevelopment. They are currently fairly underutilised. A rezoning under the draft WLEP would allow potential supermarket development on the site. The sites are on the edge of the existing centre and would be able to benefit from the existing transport and accessibility benefit in the centre.</p> <p>Assessment against the subject site: Sites 9 and 10 have an advantage over the subject site in terms of their location on the edge of the Centre, proposed rezoning draft WLEP and simplified site amalgamation and consolidation dynamics for a site in the centre. As with other sites, there is a question of necessity of a third supermarket in the centre or whether supermarket retail</p>

	<p>Site constraints: The sites are currently used for health services which would require a rezoning on the site. There may also be some heritage controls on the site.</p>	<p>should be more dispersed across the LGA.</p>
<p>Site 11: 243 – 245 Penshurst Street Chatswood</p>	<p>Location: Site 11 is a large flat site located on Penshurst Street. The site is currently used by the Australian Legion of Ex-Servicemen and Women. The site consists of recreational space used for bowling greens, a large car park and the buildings associated with the club. The site is located close to the intersection of Penshurst Street and Victoria Avenue.</p> <p>Total site area: 13,209.18 sqm</p> <p>Residential growth and centres development: The site is located between two commercial zones identified in the INDSS, the commercial zone between Penshurst Street and Victoria Avenue and the commercial zone around Penshurst Street and Mowbray Road. The site is in a corridor where there is potential to increase residential density and activate the area along Penshurst street between the two commercial zones.</p> <p>Zoning: The site is zoned D Open Space (Private Recreation) in the WLEP 1995 and is proposed to be zoned RE2 Private Recreation in the Draft WLEP 2009. This infers that a rezoning would be required.</p> <p>Amalgamation: The Legion own the entire site. Although the site has street frontage to Penshurst Street and Horsley Avenue, if it were to be used as a supermarket, it may be beneficial to amalgamate and consolidate the sites on the corner of two streets.</p> <p>Transport: The site is located along a bus route from Chatswood to Crows Nest, North Sydney and the Sydney CBD.</p> <p>Site constraints: The site is relatively unconstrained for potential development as a supermarket. It is a large, flat site with dual road access. Traffic congestion along Penshurst Street at peak times and weekends is a minor constraint as is the zoning, but the site overall is relatively unconstrained.</p>	<p>Assessment of potential: Site 11 has strong potential to accommodate a supermarket. The site is presently underutilised and has considerable space on a flat parcel of land with dual road access. Of all the alternative site 11 has</p> <p>Assessment against the subject site: Site 11 compares very well against the subject site. Its attributes make it a genuine alternative site and in terms of location and centres policy it is more appropriate for a supermarket than the site in Smith Street East Chatswood.</p>
<p>Site 12 Herbert Street St Leonards</p>	<p>Location: The Herbert Street site is located in the Royal North Shore health precinct. The site is currently used by NSCCHS. The site currently consists of health buildings associated with the Royal North Shore Hospital.</p> <p>Total site area:N/A</p>	<p>Assessment of potential: The site is not practical for a full line Woolworths supermarket. The current uses are connected to the health precinct, the site is not part of any existing retail structure</p>

	<p>Residential growth and centres development: The site is in the specialised centre of St Leonards directly across the road from St Leonards railway station. The site is surrounded by high density residential dwellings, health precinct uses and on the edge of the Artarmon Industrial Area.</p> <p>Zoning: The site is currently zoned A Special Uses under the WLEP 1995 and is proposed to be zoned Infrastructure under the draft WLEP 2009.</p> <p>Amalgamation: The site is entirely owned by NSCCAHS</p> <p>Transport: The site is located in the immediate proximity to St Leonards railway station and transport interchange and the Pacific Highway.</p> <p>Site constraints: The site is part of the health precinct. There are a wide number of site constraints.</p>	<p>and would disperse retail from the Forum and Pacific Highway.</p> <p>Assessment against the subject site: Site 12 is not considered an appropriate alternative site to the subject site in East Chatswood.</p>
<p>Site 13: 2-10 Chandos Street, St Leonards</p>	<p>Location: Site 13 is located adjacent to St Leonards railway station and The Forum on the eastern side of the railway line. The site is currently a mixture of car park as well as a former car servicing building. The site is a long rectangular shape with a wider area at the northern end of the site.</p> <p>Total site area: 5,741 sqm</p> <p>Residential growth and centres development: The site is in the specialised centre of St Leonards directly adjacent to St Leonards railway station. The site is surrounded by lower grade commercial space mainly used for creative industries and a mixture of medium and low density residential, with the Forum and towers at the far southern end of the site. The area has potential for consolidation to compliment the St Leonards Centre.</p> <p>Zoning: The site is zoned A General Business under the WLEP 1995 and is planned to be zoned B3 Commercial Core in the draft WLEP 2009.</p> <p>Amalgamation: The site is currently owned by a private consortium under a single lot..</p> <p>Transport: The site has abundant transport connections; however road access is extremely limited. St Leonards transport</p>	<p>Assessment of potential: While site 13 has positive attributes including its location in the St Leonards Specialised Centre and public transport connections, it has several major constraints that would make it an inappropriate site for a full line supermarket. Further, the site is located a considerable distance from the subject site and is unlikely to draw a similar catchment.</p> <p>Assessment against the subject site: Site 13 compares well against the subject site in terms of transport connectivity, and fulfilling the objectives of the centres policy. It does however fall in a different catchment area and it is</p>

	<p>interchange means the site is well served by public transport. The site is very restricted by road access and this would be a major constraint for potential to develop a supermarket, given the need for heavy vehicle access.</p> <p>Site constraints: Road access is marked as one of the key constraints. Further, given the surrounding immediate land uses and very close residential area, the development of the supermarket would likely be an inappropriate use and underutilisation of the site.</p>	<p>somewhat inaccurate to label it as an alternative site. Further the road access constraints of the site and the ability of the site to hold a full line supermarket are limited and therefore it is not considered an appropriate alternative site.</p>
<p>Site 14: Frenchs Road Willoughby</p>	<p>Location: The site is currently a mix of two and three storey walk-up units and free standing detached homes. The site is located just off the existing retail strip along Willoughby Road.</p> <p>Total site area: 5,241.95 sqm</p> <p>Residential growth and centres development: The site is in an area of mixed residential development, and there would be potential growth for increasing the surrounding density along Willoughby Road. The site could increase the retail presence of Willoughby Rd and create a platform for increasing the activation of the area through increased residential density. To go on the metropolitan planning framework of a centres policy, the site is not able to be identified as a centre, but rather an extension of a retail strip.</p> <p>Zoning: The current zoning across the sites covers several residential zonings. Under the draft WLEP 2009 the sites are proposed to be zoned R3 Medium density residential. This would require a change in proposed zoning if the site was to accommodate a supermarket as a permissible land use.</p> <p>Amalgamation: Amalgamation of the site is very complex as there are six different private land holdings on the site. Three of the sites are also strata titled apartment blocks with multiple ownership. Given the existing residential density on the site, it would seem an underutilisation of the value of the site to replace it with a supermarket.</p> <p>Transport: The transport connections to the area are reasonable. Buses along Willoughby Road travel between Chatswood and Crows Nest, North Sydney and the City. Road congestion along Willoughby Road during peak hour is heavy.</p> <p>Site constraints: The major constraints of the site are the difficulty in consolidating the lots into one site, the inability to recover costs based on the high land value of the residential properties and the inadequate road access.</p>	<p>Assessment of potential: The site is not suitable for redevelopment into a supermarket. The area is serving as a medium density residential block and it makes little sense to convert it into a supermarket, given the surrounding area.</p> <p>Assessment against the subject site: The site is not a viable comparative site to the subject site.</p>

