

PLANNING PROPOSAL

***17-19 SMITH ST, EAST CHATSWOOD
(LOT 101 DP 714477)***

***WOOLWORTHS SUPERMARKET
AND LIQUOR STORE***

***WILLOUGHBY CITY COUNCIL ' S SUBMISSION
TO JOINT REGIONAL PLANNING PANEL***

1 MARCH 2013

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COUNCIL OFFICER’S REPORT TO CULTURAL AND
ENVIRONMENTAL COMMITTEE 21 MAY 2012
(See separate attachment)**

**APPENDIX 2
RESPONSE TO ECONOMIC PEER REVIEW OF PROPOSED
EAST CHATSWOOD SUPERMARKET-
Prepared by SGS ECONOMICS AND PLANNING
February 2013
(See separate attachment)**

**APPENDIX 3
REVIEW OF PLANNING PROPOSAL 17-19 SMITH ST, EAST CHATSWOOD
Prepared by SGS ECONOMICS AND PLANNING
April 2012
(See separate attachment)**

EXECUTIVE SUMMARY

Willoughby Council supports a flexible approach to industrial and employment land to facilitate growth and prosperity, but does not support the adhoc replacement of important employment land in the East Chatswood industrial area by general retail premises like a supermarket and liquor store as requested in the Planning Proposal.

Council has considered the merits of a supermarket and liquor store in the industrial area and concludes that on balance there is insufficient justification to allow a major change to the East Chatswood industrial area, the reduction of Category 1 Employment Land and the possible creation of a new retail centre outside the existing centres hierarchy of the City.

The request to allow a full scale supermarket and liquor store in the East Chatswood industrial area is contrary to state and regional strategic directions, in particular the Sydney Metropolitan Plan for Sydney 2036, draft Inner North Sub Regional Strategy and Employment Lands Development Program.

A supermarket and liquor store at 17-19 Smith St would generate significant traffic issues for local streets as well as the intersections at Smith St, Eastern Valley Way and Castle Cove Drive which have not been satisfactorily resolved.

The site is close to a low density residential area and development at the scale proposed by Woolworths in the Planning Proposal would significantly transform the area from the perspective of those residential properties. It would be likely to generate greater activity (seven days a week and extended hours) than light industrial use.

It is Council's view that the nature of the existing uses in the East Chatswood industrial precinct is consistent with other North Shore industrial areas and typical of modern trends in employment lands. A large scale supermarket would undermine the role of the precinct as Employment Lands by increasing the industrial zone property values and costs for industrial businesses wishing to locate in East Chatswood.

Willoughby Council is willing to consider an alternative location for a supermarket that is compatible with its vision for the City. Council has resolved to undertake a review of all its commercial and industrial areas which will consider the supply and role of retailing, office, industry and business activities to ensure that its planning controls and strategies encourage the growth and sustainability of the centres into the future.

The Planning Proposal

The Planning Proposal was lodged by Renew Constructions on behalf of Fabcot (Woolworths Pty Ltd) on 14 November 2011 and was considered at the Council meeting of 21 May 2012 where it was resolved:

That:

1. Council resolve to reject the Planning Proposal submitted for a supermarket and liquor shop- (shops) to be an additional permissible use in the IN2 zone under draft WLEP 2012 and in the 4(b) zone under WLEP 1995 at 17-19 Smith St, East Chatswood.
2. Council not resolve to rezone the IN2 – Light Industrial zone to B5- Business Development.
3. The Proponent and the Department of Planning and infrastructure be notified of Council's decision.

A copy of the report to Council is included in Appendix 1.

The Planning Proposal as submitted to Council requested either:

- 1) the entire East Chatswood industrial area be rezoned to B5 Business Development with provisions to allow a supermarket as a permissible use for 17-19 Smith St under a local clause and Schedule 1 of draft WLEP 2009 (later known as draft WLEP 2012) and with light industry included as a permissible use in the B5 zone; or
- 2) Site specific amendments to Schedule 1 (Additional Permitted Uses) in Draft WLEP 2012 for 17-19 Smith St and inclusion of a local provision which would allow a supermarket to be a permissible use within the IN2 zone or inclusion of an enabling clause in the existing WLEP 1995 (for the subject land only) in a similar way to the bulky goods provisions applying to the East Chatswood light industrial area.

Since Council considered the Planning Proposal, WLEP 2012 has been made and the site is zoned Light Industrial IN2. The submission from The Planning Group (TPG) dated 29 November 2012 confirms that the Planning Proposal seeks to allow a "supermarket " to be a permissible use within the Light Industrial zone.

The site is identified as Lot 101 DP 714477 and has an area of 4,377sqm and is known as 17-19 Smith St.

Response by SGS Economics and Planning to Additional Information

It is noted that the Proponent has provided additional information to the Department of Planning and Infrastructure in support of the Proposal. An additional report from SGS Economics and Planning dated February 2013 titled "*Response to Economic Peer Review of Proposed East Chatswood supermarket*" is included as Appendix 2 of this submission. It addresses the issues raised by the Proponent and AEC group in their request for a review of Council's decision to refuse the Planning Proposal. The conclusions of the SGS report are quoted below:

- *The first point is that while the industrial market in East Chatswood appears soft, with hurdle rates of return apparently difficult to currently achieve for new investors in industrial development, there is still no compelling research which justifies a significant shift away from a non-retail business or industrial zoning. AEC's case on this point rests on the assertion that industrial areas are transitioning (consistent with what SGS has argued) and that a typical industrial development is currently not feasible and may not be for some time*

(SGS notes this analysis is useful but not likely to account for a wide range of motivations and parameters that developers adopt). As previously stated by SGS, a longer term evaluation of supply-demand prospects in the East Chatswood precinct is required to support a case for losing industrial land to supermarket and other retail.

- *The second point is that, notwithstanding AEC's commentary on 'Economic and Community Benefits', a clear case in relation to the proposed development's net beneficial impact has not yet been made. For example in SGS's opinion there is unlikely to be quantifiable net additional jobs generated, other than those occurring in any case with a growing population and related expenditure, and though a survey has shown community support for the development, the questions did not seek to 'weigh up' the costs and benefits (i.e. participants in the survey weren't asked to consider the 'downsides' of the supermarket development at the same time as commenting on the potential benefits). AEC do make a valid assertion that the proposal might lead to reduced traffic to the Chatswood CBD, though modelling to build a stronger case in favour of the supermarket from this perspective has not been undertaken. Though the opening of another Woolworths at face value appears to enhance 'consumer choice', the issue is made more complex by such things as firm structure and concentration, attitudes to suppliers and the increasing proliferation of supermarket house brands at the expense of brand and product diversity.*
- *The third point is that to allow a supermarket in East Chatswood is likely to catalyse additional development (as also argued by AEC). It is not appropriate to grant a site specific re-zoning (that would be anti-competitive and reward rent seeking behaviour) so with a wider rezoning it is inevitable that the development would create a precedent such that additional retail and business uses would be attracted to the area. The emergence of a 'centre by default' is not justified by any policy and strategy context. As previously stated by SGS,*

"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."

Character of the East Chatswood Industrial Area

Council disagrees with the Proponent's argument that the "mixed use" character of the industrial area is a sign that the area is in decline and that the development of a supermarket would reinvigorate it. Photos included in this submission illustrate the types of uses in the industrial area which are typical of light industrial precincts on the North Shore. As highlighted in the attached report to Council dated 21 May 2012 Council also questions the accuracy of the land use study by Jones Lang LaSalle submitted with the Planning Proposal and its categorisation of existing businesses operating in the East Chatswood Industrial area. It also disputes the conclusions drawn by the Proponent from the land use study in relation to the viability of the industrial area.

In particular, the statistic that 14% of the businesses operating in the East Chatswood industrial area are "office" is not supported by a review by Council Officers which noted that the majority of office uses are ancillary to legitimate uses that are permitted in the Light Industrial zone.

The Proponent's land use study states that 48% of businesses in the industrial area are offices and warehouses. Again, Council Officer's review indicates that this is inaccurate as a number of businesses are actually involved in manufacturing or industrial processes as outlined in the attached report to Council.

Council also disagrees with the suggestion that a high incidence of office/warehouse businesses is indicative of a decline of the industrial area. They are uses that service the local residents and are more appropriately located in industrial areas rather than the existing commercial centres. A supermarket, on the other hand is general retail and better suited to a commercial centre.

The submission from the Proponent argues that Council needs to take a more flexible approach to uses permitted in the East Chatswood area and recommends a B5 Business Development zone rather than an IN2 Light Industrial zone in order to “reinvigorate the employment potential of the area.”

As demonstrated in the attached report dated 21 May 2012 and repeated by the SGS reports at appendix 2 and 3, Council has already acknowledged the changing nature of industry and has amended its planning controls previously to facilitate the location of non-traditional industrial uses such as bulky goods, high technology industries, warehouse/ and ancillary office. In fact there is a wider range of uses permitted in the Light Industrial IN2 zone under WLEP 2012 than under those permitted in the B5 Business Development zone of the Standard Instrument Local Environmental Plan.

In its report dated February 2013 SGS Economics and Planning has acknowledged the transitioning nature of traditional industrial uses and argues that there is no good planning logic which would allow traditional retailing such as supermarkets to proliferate in industrial areas in an adhoc way.

Employment

The assertion made by the Proponent that Council was not fully informed of/or was misled as to the economic and employment issues relating to the site and the area, and therefore to the consequences of maintaining a Light Industrial zone of the site and area generally is also refuted.

The report from SGS Economics and Planning (page 8) dated February 2013 disputes the Proponent’s claims that a supermarket would have strong net employment generation for the area and would not be merely transferring jobs from other areas within the City. Rather, SGS highlights how if a supermarket wasn’t developed the growth in expenditure would be captured by existing retailers, or other new entrants, who would need to increase employment to meet additional demand. SGS also argues that full line supermarkets are more productive than smaller format grocers (or even the previous generation of supermarkets) that they may replace or whose income they may erode. SGS argues that full line supermarkets typically can drive down the need for labour while maintaining or increasing revenues. They conclude that “...it is our contention that the East Chatswood supermarket proposal is unlikely to lead to quantifiable net additional jobs (in the wider subregion) other than those that would have been generated in any case with a growing population and related expenditure.”

Summary of Issues

The Council officer’s report dated 21 May 2012 details Council’s consideration of the proposal according to the Guidelines issued by the Department of Planning and Infrastructure and the reasons for Council’s decision to refuse the Planning Proposal which are summarised below:

- ***The Planning Proposal is inconsistent with the strategic goals embedded in the Metro Strategy, and the Draft Inner North Subregional Strategy particularly in terms of retaining industrial uses to maximise economic and light industrial employment***

potential. The successful regeneration of the site for industrial purposes is strategically important in meeting these goals.

The subject site is part of the Global Economic Corridor proposed in the Metropolitan Plan 2036 which extends north and south from the Sydney CBD. The corridor to the north of the CBD extends through North Sydney, St Leonards and Chatswood to Macquarie Park.

The draft Inner North Subregional strategy identifies the East Chatswood industrial area as strategic employment land. It notes that employment land has been under pressure for conversion to higher order employment or residential uses, with significant rezoning over the last two decades and land constraints and high values are likely to limit future provision of employment land in the Inner North.

It states *“The Artarmon, East Chatswood and Lane Cove West Employment lands play an especially significant and contributory role to the Global Economic Corridor and have been identified as being of sub regional importance.”*

The Planning Proposal does not provide sufficient justification to support a major shift in the nature and integrity of the East Chatswood industrial area (an identified category 1 Employment Lands Area in the Draft Inner North Sub Regional Strategy) and the potential creation of a new local centre in a location that is not supported by growth in housing density and public transport infrastructure. A large scale supermarket would be likely to increase land values and rents in the precinct reducing its viability as an industrial area and creating a new retail centre.

Furthermore, Council's report dated 21 May 2012 (attached) clearly outlines the Planning Proposal's inconsistencies with the current strategic planning framework for the area. This includes the Willoughby City Strategy, previous industrial studies of East Chatswood, in particular, by GEOPLAN in 1995 and SGS Economics in 2004, the Metropolitan Plan 2036, Draft Inner North Sub Regional Strategy and the Environmental Planning and Assessment Act 1979 Section 117 Direction –1.1 Business and Industrial Zones, the Draft Planning Principles for Sydney's Industrial Lands (August 2011) and Draft Centres Policy.

The Planning Proposal, if it proceeded to an LEP, would result in the loss of a large site in single ownership with the opportunity to develop for a use consistent with the objectives of the existing zone.

The draft Inner North Sub Regional strategy sets employment targets of 16,000 additional jobs by 2031 primarily provided in St Leonards (8,200) and Chatswood (7,300). This leaves 500 extra jobs to be provided in areas outside those strategic centres such as Artarmon, East Chatswood industrial areas and other local centres. In terms of achieving employment targets the Planning Proposal would be merely transferring location of jobs, not necessarily creating new ones. Further, Chatswood has a higher jobs target to reach than East Chatswood so it would make sense to support it being an already established retail centre.

- ***A supermarket would create further pressure for general retail uses to be located in the industrial area which would impact on the integrity of the industrial area.***

The proponent's Economic Analysis prepared by Location IQ argues that the proposal is only for a supermarket and liquor shop with no other supporting retail specialty floor space to be provided. On that basis, it will serve a different market to the convenience and specialised shopping focus of traders such as within High St, Penshurst St and Victoria Ave.

The proponent's submission notes that a supermarket would act as a catalyst to reinvigorate the industrial area. Council contends that it would result in the creation of another commercial centre which is likely to occur given that supermarkets tend to act as “anchors” attracting complementary

retail uses nearby and given the fact that an LEP cannot restrict the zone only to a “supermarket and liquor shop” and given that a spot rezoning just for the subject site would be inappropriate and anti-competitive as highlighted by SGS Economics and Planning. Under the standard instrument the Planning Proposal would have to permit “shops” generally. This means that if the supermarket did not proceed (or commenced and ceased trading in the future), the zoning would allow any type of retail premises under the definition of shop to seek approval on the site.

The SGS report dated February 2013 supports Council’s assertion and states inter alia ” *While some of the new development will be higher order employment consistent with the changing nature of activities in industrial areas, a share is likely to be retail development seeking to benefit from expenditure linked to that on food, grocery and liquor spending taking place in the proposed supermarket and liquor store. It will be very hard for Council to resist this additional retail development given the precedent created by a supermarket.*”

- ***The shortage of land, particularly large allotments is a generic situation for all developments on the lower north shore, and is not specific to the proposal.***

One of the proponent’s primary justification for the proposal deals with the availability of land that is of suitable size and zone for the proposal.

A supermarket in the industrial area would not support the objective of locating retail and commercial jobs in highly accessible Strategic Centres.

It would be better located in Chatswood (an identified major centre), St Leonards (a Specialist Centre within a high density residential area) or one of the local centres identified in the draft Inner North Sub Regional Strategy such as in Penshurst St.

Council has identified that there are alternative sites within or close by to existing local centres that could be developed for a supermarket. The majority of these sites would require site amalgamation or a reduction in the size envisaged by the Proponent for the supermarket which can be expected in an inner city local government area such as Willoughby.

SGS states that “*Sydney has had great success with its centres policy in concentrating retail and higher density residential development principally in strategically designated centres*”. Whilst the proponent’s consultant, AEC group cites examples of industrial areas transitioning to include retail developments in both Brisbane and Melbourne, SGS notes downsides including that indicators for shopping trips and car usage for shopping trips are greater in Melbourne than Sydney.

SGS has noted that while the Smith St site would be easier to develop as a ‘stand alone’ format with surface level parking it is not in itself a reason to support it. SGS gives examples of how “*supermarkets have been able to adapt and locate on more challenging sites*” using more non-traditional formats.”

It is also noted that the Proponent has not indicated any consideration of alternative sites within the trade area but which are located outside the Willoughby Local Government area such as in the Warringah or Ku-ring- gai local government areas.

As stated previously Council has also resolved to undertake a review of all its commercial and industrial areas in the next financial year which will consider changes in the role of retailing, office, industry and business development practices.

- ***Significant local and regional traffic issues would be generated from a supermarket on the subject site especially at the scale outlined in the Planning Proposal. There would be major implications to the Smith St, Eastern Valley Way and Deepwater Road intersections which have not been resolved.***

According to the proponent some traffic may be drawn away from Northbridge Plaza or Chatswood CBD as a result of a supermarket development. While this may be true a corresponding increase in traffic volumes on local roads in the vicinity of the proposed development will also take place. Roads which are likely to come under increased pressure include Alleyne Street, Mann St, Smith Street, High Street (in particular the intersection with Victoria Avenue and Victoria Avenue) and the intersection of Victoria Ave and Penshurst St.

The Proponent states that the Roads and Maritime Services (RMS) have modelled the intersection of Eastern Valley Way and Smith St and conclude that it can cope with the amount of traffic generated by a supermarket if Eastern Valley Way is widened to allow the creation of two extended right turn bays for entering Smith St and Castle Cove Drive.

Council has not had any formal response from the RMS to confirm the information provided by the Proponent regarding the capacity of the intersection despite Council Officers requesting an updated response to traffic concerns in December 2011. It is also understood that the RMS have not considered the proposal in the context of the precedent that a supermarket would set for the overall industrial area and future developments when the IN2 zoned area develops to capacity. A supermarket generates more traffic movements than the uses currently permitted in the IN2 zone.

The widening of Eastern Valley Way would require a dedication of a 3.5m strip of land on the north eastern side of Eastern Valley Way by Council to allow the work to take place. Council has not been approached about this change. The land owned by Council is currently zoned Open Space and is subject to a Foreshore Building Line.

As noted in the original RMS letter submitted with the Planning Proposal at Attachment 7 of the attached Council report, it is noted that "in principle" support only has been obtained by the RMS for the proposed works with details of financial contributions for the work having not been finalised and no RMS commitment to construct the work or a timeframe for its construction given i.e it is unclear at this stage if the RMS would commit to completing the work in conjunction with the Woolworths Development (if it were to proceed).

- ***The proposal will promote a car dependent use in an area that is not well located in terms of bus transport or proximity to a high density residential population that could access the use by walking or cycling.***

A site that is within an existing local centre that is directly served by public transport and has existing or planned higher density residential population will reduce the potential for traffic compared to the subject site in Smith St.

- ***The standalone proposal will not foster fair competition by favouring a particular supermarket chain due to the lower land value of the site compared to existing centres (including the need to amalgamate sites) and will not significantly increase customer choice.***

A "stand alone" Woolworths would provide an alternative for shoppers who don't want to go to the Chatswood CBD however, it would also provide an unfair advantage to Woolworths over other supermarket companies who have to pay higher rents and property prices to locate in the retail areas of the City.

The Proponent argues that the Planning Proposal will increase choice. Council notes that there may be some increased choice for where consumers can shop for convenience goods however it is arguable that the range offered by Woolworths is comparable to that offered by the Coles supermarket in Chatswood and would be similar to the range offered by Woolworths at Northbridge or the future Woolworths Metro at the Chatswood Interchange. The new IGA store at

Castlecrag has some difference in products and price range but it is still not a full line supermarket. Furthermore, there is a decreasing range of products (choice) with the growth of “home brands” in the well known supermarkets.

Conclusion

The East Chatswood industrial area is strategically important for the City of Willoughby and the Inner North subregion providing land for local services and industry as well as uses such as bulky goods and recreational activities that because of their nature are best located outside local centres.

The proposal for a large format general retail premise will permanently remove a large site in single ownership and reduce the opportunity to develop and provide the types of jobs planned by the Industrial Lands Taskforce.

The supply and demand of land and opportunity for redevelopment will fluctuate over time, and the availability of a development site at a particular point in time should not be a determinative factor in considering a proposal which will have profound implications for strategic land use over time. This is particularly important for the Inner North subregion where there will be no further supply of land, and is reliant on redevelopment for employment and economic growth.

Council continues to encourage and support retail in the local centres and the proponent is welcome to discuss other opportunities in the City of Willoughby with Council.

Recommendation

Council submits that the Joint Regional Planning Panel should not endorse the Planning Proposal for the reasons outlined in this submission and summarised below:

- 1. There are major contradictions between the proposal and strategic planning objectives of the metropolitan, subregional and local strategic planning framework.**
- 2. The proposal fails to recognise the strategic importance of the Smith St site in the growth and development of the East Chatswood industrial area.**
- 3. There is no Net Community Benefit for residents of Willoughby LGA or the Inner North subregion. The proposal is unlikely to result in improved employment capacity of the East Chatswood Industrial Area and no additional services and goods will be provided to businesses or residents.**
- 4. The proposal is a car-orientated development that will substantially increase car dependency in an area that is not well located in terms of bus transport or proximity to a high density residential population that could access the use by walking or cycling.**
- 5. The proposal will result in the potential creation of a new local centre (outside the strategic centres hierarchy for the LGA) in a location that is not supported by growth in housing density and public transport.**

Examples of Light Industrial uses in East Chatswood



Light Industrial Use- incorrectly identified as office/warehouse in Proponent's land use study but where high power industrial laser cutting is carried out.



Typical light industrial unit in East Chatswood



Self storage Facility- well suited to a light industrial area such as East Chatswood



Auto repair business appropriately located in the East Chatswood industrial area and servicing North Shore residents.



Council owned industrial complex- all leased except for one unit. Proponent's land use study incorrectly lists 11 out of 20 units as vacant.



Electrical service centre incorrectly identified as office/warehouse in Proponent's land use study



Flame Stop- Storage of fire fighting equipment in warehouse appropriately located in East Chatswood