

Peer Review of Economic Reports Penrith Panthers Planning Proposal



Mulgoa Road, Penrith

On Behalf of Department of Planning & Infrastructure

May 2013 ■ 13230

Reproduction of this document or any part thereof is not permitted without prior written permission of JBA Urban Planning Consultants Pty Ltd.

JBA Urban Planning Consultants Pty Ltd operates under a Quality Management System. This report has been prepared and reviewed in accordance with that system. If the report is not signed below, it is a preliminary draft.

This report has been prepared by: Lindsey Noble (JBA) and
Lee Cikuts (Location IQ)

Signature:



Date 24/5/13

This report has been reviewed by: Gordon Kirkby (JBA),
Clare Swan (JBA) and
Gavin Duane (Location IQ)

Signature:



Date 24/5/13



Contents

Executive Summary	i
1.0 Introduction	1
1.1 Project Scope	1
1.2 Literature Review	2
1.3 Consultation	2
2.0 Cost Benefit Analysis	3
2.1 Preparing a Cost Benefit Analysis	3
2.2 Impacts on Trade in Penrith CBD	4
2.3 Quantifiable Assessment	4
2.4 Non-Quantifiable Assessment	5
2.5 Impact on Areas outside Penrith LGA	7
2.6 Impact of Other Out-of-Centre Projects	8
2.7 Other Issues	8
2.8 Conclusion	9
3.0 Retail Impact Assessment	10
3.1 Methodology	10
3.2 Retail Impact Assessment Conclusions	10
3.3 Issues	11
3.4 Conclusion	12
4.0 SGS Peer Review of Retail Analysis	13
4.1 SGS Peer Review Conclusions	13
4.2 Issues	14
4.3 Conclusion	14
5.0 Net Community Benefit Test (NCBT)	15
5.1 NCBT Conclusions	16
5.2 NCBT Issues	16
5.3 Conclusion	17
6.0 General Retail Impact	18
6.1 Cost Benefit Analysis	18
6.2 Retail Impact Assessment	18
6.3 Conclusion	20
7.0 Consistency with Planning Strategies	21
7.1 Draft Metropolitan Strategy for Sydney 2031	21
7.2 Draft North West Subregional Strategy	22
7.3 Penrith City Centre Vision	22
7.4 Riverlink Precinct Plan 2008	23
8.0 Conclusion	25

Contents

Tables

1	Table 1 – Non-Quantifiable Criteria Weighting	7
2	Table 2 – Scoring using Table 10 weighting	7
3	Table 3 – Consistency with Draft Metropolitan Strategy	21
4	Table 4 – Consistency with Penrith City Centre Vision	23

Executive Summary

JBA (with Location IQ) have been engaged to prepare a Peer Review of an economic and retail analysis associated with a Planning Proposal for the Penrith Panthers site, Mulgoa Road, Penrith. In particular, the Peer Review aims to determine the adequacy of the documentation supporting the provision of a 25,000m² Brand Outlet Centre and 12,500m² of general retail floor space on the site and impacts on the Penrith CBD.

A number of issues with the methodology and conclusions are identified. In responding to these issues, the conclusions of the report/s may evolve and therefore affect the decisions made regarding the Planning Proposal. These issues need to be considered in the assessment of the Planning Proposal.

The Planning Proposal generally demonstrates consistency (or justifies inconsistency) with the relevant planning strategies.

Cost Benefit Analysis (Hill PDA)

- The costs and benefits associated with the scenario including the Brand Outlet Centre are affected by the assumed high trading level for the proposed Brand Outlet Centre and by limiting costs to Penrith LGA only.
- The CBA does not include a robust sensitivity or risk analysis of the quantifiable costs and benefits
- There are a number of issues with the methodology and assessment of the non-quantifiable analysis, particularly relating to the criteria, weighting and scoring of each scenario.
- The non-quantifiable analysis influences the conclusion of the CBA and is subject to a high degree of sensitivity depending on how the non-quantifiable criteria are weighted. The non-quantifiable analysis should only support the quantifiable analysis.
- The above issues therefore influenced the conclusions of the CBA.

As there are a number of costs and benefits that cannot be quantified, the CBA may not be the best tool (or not be the primary decision making tool) but be used as part of a suite of documents that assess the Planning Proposal.

Retail Impact Assessment (Hill PDA)

- The Retail Impact Assessment population projections and retail trading levels per square metre for the Brand Outlet Centre may not be accurate. Therefore, the stated impact of the Brand Outlet Centre and retail component of the Planning Proposal on the Penrith CBD may be subject to change if the above figures are adjusted.
- If the impact of the Planning Proposal (including both the Brand Outlet Centre and general retail component) on retail centres is accurate (i.e. 12.4% in the Penrith CBD), the Retail Impact Assessment understated the impact of the preferred scenario. An average impact of 12.4% across all retailers is considered high and the stated recovery timeframe is not considered within the standard range of an acceptable recovery.

Peer Review (SGS)

The Peer Review is generally sound with no key issues likely to affect the conclusions.

Net Community Benefit Test (BBC)

The Retail Impact Assessment influenced the conclusions of the NCBT. The issues identified with the Retail Impact Assessment may also affect the conclusions in the NCBT regarding the compatibility of the Planning Proposal with the Penrith CBD and whether the Planning Proposal is in the public interest.

General Retail Component

The Retail Impact Assessment is the key document that specifically assesses the impact of the general retail floor space component of the Planning Proposal. Although there are issues with the report relating to the distribution of retail trading impacts and population projections, it is unlikely the retail trade impact on High Street, Nepean Centro or Westfield Penrith will exceed 10% or require recovery time periods longer than 5 years.

1.0 Introduction

The Department of Planning & Infrastructure (DP&I) are currently assessing a Planning Proposal from Penrith Panthers for the rezoning of the Penrith Panthers site (Mulgoa Road, Penrith). The Planning Proposal aims to permit the following additional land uses on the site:

- Brand Outlet Centre (25,000m²);
- General retail (12,500m²);
- Commercial premises (25,000m²);
- Serviced apartments (380 hotel rooms, 60 serviced apartments); and
- High density residential.

A number of technical studies have been prepared to support the Planning Proposal. A critical issue to be addressed is the potential impact of the proposed Brand Outlet Centre and the general retail component on the retail trade area and surrounding existing retail centres. The reports addressing this issue are:

- Cost Benefit Analysis prepared by Hill PDA, dated October 2011.
- Peer Review of Retail Analysis prepared by SGS Economics and Planning, dated December 2010.
- Net Community benefit Test prepared by BBC Consulting Planners, dated April 2010.
- Retail Impact Assessment of development proposals on Penrith Panthers site and The Parkview site prepared by Hill PDA, dated January 2010.

DP&I have identified the need for an independent review of the technical studies to ensure accuracy and adequacy of the supportive documentation. In particular, DP&I is seeking an independent review of the Cost Benefit Analysis (Hill PDA) and the Peer Review of Retail Analysis (SGS Economics and Planning).

This report forms the peer review to satisfy the requirements of DP&I. This report was jointly prepared by JBA and Location IQ.

1.1 Project Scope

The project scope for this report is:

- Review relevant documentation (identified in Section 1.2).
- Identify the accuracy of the potential impacts of the Brand Outlet Centre identified in the technical studies on retail trade in the Penrith City Centre.
- Identify the adequacy and accuracy of the supporting technical studies, including the following specific components of the Cost Benefit Analysis (Hill PDA):
 - the non-quantifiable analysis;
 - likely impacts on trade;
 - financial implications on the broader region (i.e. outside Penrith LGA); and
 - potential for other potential out-of-centre retail developments.
- Identify the most appropriate measure of cost benefit analysis, including weighting; and
- Identify whether the Planning Proposal has demonstrated consistency with relevant planning strategies.

1.2 Literature Review

The following documents were reviewed in preparing this report:

- Planning Proposal for Panthers Penrith site (March 2012);
- Cost Benefit Analysis prepared by Hill PDA (October 2011);
- Peer Review of Retail Analysis prepared by SGS Economics and Planning, (December 2010);
- Net Community Benefit Test prepared by BBC Consulting Planners (April 2010);
- Retail Impact Assessment of development proposals on Penrith Panthers site and The Parkview site prepared by Hill PDA (January 2010);
- DP&I Gateway determination (13 August 2010);
- Riverlink Precinct Economic Impact and Land Use Analysis prepared by Hill PDA (February 2010);
- Economic Impact Assessment – Proposed Developments in Penrith prepared by Urbis (October 2010);
- DP&I Regional Team Report – Panthers Penrith (December 2012);
- DP&I Regional Team Planning Report (4 June 2010);
- DP&I LEP Panel Report & Recommendation (25 June 2010);
- Penrith Council Ordinary Meeting Report (Panthers) (26 March 2012);
- Draft Metropolitan Strategy for Sydney 2031;
- Draft North West Subregional Strategy;
- Penrith City Centre Vision;
- Riverlink Precinct Plan 2008;
- Draft Activity Centres Policy (May 2010); and
- Department of Finance and Administration Handbook of Cost-Benefit Analysis (2006).

1.3 Consultation

In preparing the report, JBA and Location IQ met with DP&I on 3 May 2013. Penrith City Council, Penrith Panthers, other land owners or community members were not consulted in preparing this report.

2.0 Cost Benefit Analysis

Penrith City Council engaged Hill PDA (October 2011) to prepare a Cost Benefit Analysis (CBA) to identify and assess the costs and benefits of the Planning Proposal from the perspective of the Penrith LGA.

The CBA assesses the costs and benefits of three scenarios:

- **Scenario 1: Base Case – The No Rezone Option** – *this scenario assumes that the Subject Site is not rezoned but developed to its highest and best commercial use in accordance with the current planning controls.*
- **Scenario 2: The Planning Proposal** – *this scenario assumes that the Subject Site is rezoned and developed in stages, over a 20 year period, in line with the current Planning Proposal to facilitate the Panthers Partnership planning; and*
- **Scenario 3: The Planning Proposal with the Exception of the Brand Outlet Centre** – *this scenario applies the same assumptions as Scenario 2 but does not include the development of an Outlet Centre.*

The CBA focuses on the costs and benefits of the Brand Outlet Centre (as the only variable between Scenario 2 and Scenario 3). The inclusion of Scenario 1 is predominantly for the purposes of base case for comparative purposes. The CBA does not test a redevelopment scenario without the general retail component and therefore does not specifically consider the costs and benefits associated with only the general retail component of the Planning Proposal (refer to Section 6.1 for further discussion).

The CBA compares both the quantifiable costs and benefits (i.e. those which can be allocated a monetary value) and the non-quantifiable costs and benefits (i.e. those which cannot be allocated a monetary value). The majority of costs and benefits were found to be non-quantifiable.

2.1 Preparing a Cost Benefit Analysis

The Federal Department of Finance and Administration's Handbook for Cost-Benefit Analysis (January 2006) provides guidance regarding the use of CBA in decision making. The Handbook identifies a number of key factors to be considered and incorporated into a CBA, including:

- A CBA is used to provide quantitative comparisons of options with supporting information regarding costs and benefits that cannot be quantified.
- A key constraint in CBA is allocating accurate monetary equivalent values to costs and benefits. Where a number of costs and benefits cannot be identified, cost effectiveness analysis (i.e. analysing the costs and benefits in terms other than monetary) is to be undertaken.
- CBA is to take into account the cost of capital over time and ensure all costs and benefits are translated into today's dollars (i.e. net present value). Therefore a discount factor needs to be established to apply to future value (often the rate of return required by private lenders for this type of project).
- The CBA needs to evaluate risk and uncertainty in the CBA assumptions. This is to incorporate a sensitivity analysis to identify outcomes if the values attributed to costs and benefits are uncertain.
- The CBA needs to identify the different groups gaining or losing from a project (and the nature and size of these gains and losses). This will allow the decision maker to understand who is being affected and how.
- The CBA needs to acknowledge the limitations of a CBA including:

- The design of the scenarios may affect the outcomes of the analysis;
- Intangibles may be overlooked;
- There is a potential bias for those who cannot afford to pay;
- The focus on the bottom line may appear obscure.

The following assessment will focus on the key issues to be covered by the peer review and whether the CBA sufficiently took into account the above factors.

2.2 Impacts on Trade in Penrith CBD

The CBA calculates the Planning Proposal will result in a loss of retail expenditure of \$143M in other centres in the Penrith LGA and \$61M in lost expenditure in other centres outside the Penrith LGA. This issue is not specifically addressed in the CBA as it focuses on the cumulative costs and benefits rather than the specific costs. Essentially, the impact of the Planning Proposal is accepted because the projected benefits outweigh the costs.

This is the purpose of the CBA (i.e. to understand the cumulative costs and benefits), however, no analysis is undertaken to determine whether the lost retail trade in other centres is sustainable. If the lost retail is unsustainable, there are other flow-on costs associated with the lack of vitality and attractiveness of the other centres for consumers. The CBA could have acknowledged this risk and provided some discussion regarding the limitations of the approach taken.

2.3 Quantifiable Assessment

The objective of a CBA is to allocate a monetary value to the costs and benefits of a project to give a consistent measure for assessment. The assessment of non-quantifiable costs and benefits is to support the quantifiable analysis.

There are a number of methods that can be used to analyse the quantifiable results of a CBA. According to the Department of Finance and Administration 2006 Handbook of Cost Benefit Analysis, there are typically four decision rules that can be applied. These include:

- Net present value rule;
- Internal rate of return;
- Benefit-cost ratio; and
- Payback period.

Each decision rule includes its own limitations. However, it is commonly accepted that the net present value rule should be applied in a CBA, even if it is not the rule used to make the decision. This is because the internal rate of return rule does not generally include any additional information excluded from the net present value method, while the benefit-cost ratio can be biased towards smaller developments and the payback period rule often excludes discounting.

The CBA finds that Scenario 3 is the preferred outcome based on the benefit-cost ratio. The CBA, however, finds that Scenario 2 (the preferred scenario) has the strongest positive impacts but also the strongest negative impacts, and therefore the highest net present value. The CBA also favours Scenario 2 over Scenario 3 on the basis of the results from the non-quantifiable analysis and as the applicant has indicated that the Brand Outlet Centre is required to underwrite the financial success of the overall development.

While there are a number of methods that can be used to analyse the results of a cost benefit analysis, the use of the net present value method (compared to the

benefit-cost ratio) in the CBA is sound. It is, however, a concern for the CBA to take into account the applicant's stated viability of the various development schemes. It is also potentially inappropriate for the non-quantifiable analysis to have a greater influence on the outcomes of the CBA (as discussed below).

2.4 Non-Quantifiable Assessment

The CBA gives significant weight to the non-quantifiable analysis. A number of the issues addressed in the non-quantifiable analysis are important. However, if the non-quantifiable analysis is critical to understand the implications of the project, a cost benefit analysis may not be the most optimum method of assessment, and therefore a broader consideration of merits of all documents associated with the Planning Proposal is warranted.

Scenario 2 is considered the highest performing scenario by a very small margin (based on the non-quantifiable analysis). Minor changes to the non-quantifiable analysis could have resulted in Scenario 3 being determined the highest performing scenario.

A number of potential issues are raised with the methodology used to assess the non-quantifiable analysis, as discussed below. These issues may affect the outcomes and conclusions of the non-quantifiable analysis.

Evaluation Criteria

The evaluation criteria were determined using the objectives, principles and actions of the relevant strategic documents. Although the intention is sound, the objectives, principles and actions are not intended to be used for this purpose and therefore the resulting criteria are not necessarily meaningful or comprehensive for the assessment.

The following specific issues are raised with the criteria:

- The criteria are limited to Penrith City Centre, Penrith LGA and the site itself. It does not consider the implications on the broader community.
- The criteria are somewhat complex and could be simplified.
- The intention behind some of the criteria is unclear (eg. Strengthen partnerships) which affects the ability to score the scenarios and understand the conclusions.

Weighting of Criteria

The CBA gives a weighting to each of the ten criteria. The weighting of all ten criteria add up to 100. The CBA gives the highest rating (15) to criteria 1, 2, 3 and 4. The lowest weighting (5) is given to criteria 5, 8 and 9. The CBA states the weighting has been determined according to the origin and frequency of the objective.

The following issues are raised with the weighting of the relevant criteria:

- The weighting provided in Table 10 of the CBA differs to that in Table 12. The implications of this inconsistency are discussed below.
- It is difficult to understand the accuracy or appropriateness of the allocated weighting, as there is no supporting evidence for the allocated weighting.
- The rationale behind the weighting is unclear, with the highest weighting given to the provision of 'an exciting core of entertainment, leisure and lifestyle uses' but the lowest score given to the provision of a 'sustainable, safe and attractive centre'. It could be argued that a sustainable centre could be

considered more important and all-encompassing than the provision of entertainment facilities.

- The weighting does not consider individual stakeholders or communities affected by each of the criteria. For example, the weighting could be smaller if the criteria are only relevant to a small group of stakeholders, as discussed below.

Distributional Issues

The CBA does not identify or weigh the different costs and benefits for each relevant stakeholder group (eg. Penrith Panthers, CBD retailers, adjoining land owners, the broader local community or the local council).

An approach that adopts distributional weighting according to the relevance and relative impact on each stakeholder group may have produced different outcomes for the non-quantifiable assessment. The CBA does not identify whether the groups affected can bear the costs and whether there are any other flow on effects if the costs cannot be accommodated.

Scoring Non-Quantifiable Impacts

The following issues are raised with the calculation of the non-quantifiable impacts:

- Table 10 and Table 12 of the CBA refer to different weightings for criteria 4, 5 and 6 (shown at **Table 1**). It is unclear which of the scores is intended to be correct.
- **Table 2** identifies the scoring of each scenario based on the weighting provided in Table 10 of the CBA. **Table 2** assumes the unweighting score provided in the CBA for each criterion is accurate. If the weighting provided in Table 10 of the CBA was used to calculate the non-quantifiable impacts, Scenario 2 and 3 would achieve the same score.
- The score allocated to each criterion is generally acceptable. However it is unclear why Scenario 2 scores better than Scenario 3 for 'Reinforce Public Transport and Pedestrian Connections'. The only variable between the two scenarios is the Brand Outlet Centre, not the proposed transport network. If Scenario 2 and 3 achieved the same scores for this criterion, Scenario 3 would be the highest scoring scenario.
- Scenario 2 and 3 are very similar, with the only variable being the Brand Outlet Centre. The non-quantifiable assessment of each scenario will therefore be similar, and subject to sensitivity in small changes to the weighting and scoring of each criteria. This reiterates the limitations of the non-quantifiable analysis for this project.
- The use of slightly different weighting demonstrates the sensitivity of the approach taken and therefore the limitations of the methodology adopted to score the non-quantifiable criteria.

Table 1 – Non-Quantifiable Criteria Weighting

Criteria	Table 10 Weighting	Table 12 Weighting
1. Knowledge Assets, Business and Jobs	15	15
2. Health and Housing	15	15
3. Core of Entertainment, Leisure and Lifestyle	15	15
4. Mixed Uses that Complement Penrith CBD	15	10
5. Sustainable, Safe and Attractive Centre	5	7.5
6. Special Character of Penrith	7.5	10
7. Environment and Connect to City	7.5	7.5
8. Visual Approach to Penrith CBD	5	5
9. Strengthen Partnerships	5	5
10. Reinforce Public Transport and Pedestrian Connections	10	10
Total	100	100

Table 2 – Scoring using Table 10 weighting

Criteria	Weighting	Scenario 1	Scenario 2	Scenario 3
1. Knowledge Assets, Business and Jobs	15	15	75	60
2. Health and Housing	15	30	75	75
3. Core of Entertainment, Leisure and Lifestyle	15	15	75	60
4. Mixed Uses that Complement Penrith CBD	15	30	45	75
5. Sustainable, Safe and Attractive Centre	5	10	5	15
6. Special Character of Penrith	7.5	15	37.5	37.5
7. Environment and Connect to City	7.5	22.5	30	30
8. Visual Approach to Penrith CBD	5	15	20	20
9. Strengthen Partnerships	5	10	15	15
10. Reinforce Public Transport and Pedestrian Connections	10	20	50	40
Total	100	182.5	427.5	427.5

2.5 Impact on Areas outside Penrith LGA

The CBA limits the ‘standing’ or perspective of assessment to the Penrith LGA. It is understood this was determined as part of the scope agreed with Penrith City Council.

Limiting the standing to the Penrith LGA may have affected the potential impact of each scenario. Particularly as the Retail Impact Assessment (refer to Section 3.0) states that the trade area of the Brand Outlet Centre is likely to incorporate the Penrith, Hawkesbury and Blue Mountains LGAs. It also states that some trade is anticipated from Great Lithgow, Wollondilly and small proportions from Liverpool and Blacktown.

The CBA also acknowledges that 27% of increased expenditure will originate from outside the Penrith LGA. According to the CBA, this equates to \$61M which represents expenditure loss in other retail centres outside the Penrith LGA. Therefore the impact (positive and negative) of the Planning Proposal will extend beyond the Penrith LGA.

The impact (or cost) on facilities beyond the Penrith LGA will be as a result of lost business from retailers or centres situated within the broader region. However,

this impact is likely to spread across a range of centres and is likely to be within the normal competitive range.

2.6 Impact of Other Out-of-Centre Projects

The scenarios assessed in the CBA focus on development within the Penrith Panthers site and do not consider the cumulative costs and benefits associated with other potential retail developments in Penrith. Unlike the Retail Impact Assessment (Section 3.0), the CBA does not consider the cumulative impacts of the Planning Proposal on 164 Station Street, Penrith (otherwise known as the Parkview site).

It is appropriate that the CBA does not consider the implications of a potential retail development on the Parkview site (or any other site) for the following reasons:

- The Parkview site is currently zoned R4 High Density Residential and major retail uses are not permitted on the site.
- The Parkview site is currently subject to a Park 3A Concept Plan and Stage 1 Project Application which does not include a significant retail development. The Part 3A application seeks approval for the following:
 - 13,600m² of bulky goods, hardware and building supplies (Masters hardware store);
 - 1,800m² for a tavern;
 - 1,000m² for neighbourhood shops;
 - 570 apartments; and
 - public domain works.
- The Parkview site is subject to a separate Economic Impact Assessment as prepared by the proponent for 164 Station Street.
- There are no other known major retail developments in the Penrith region. As new projects are identified and proposed, they will need to be subject to their own economic impact assessments (potentially including cost benefit analysis).
- The different scenarios tested in the CBA focus on the key variable of concern (i.e. the Brand Outlet Centre).
- The cumulative impact of a larger retail development on the Parkview site is assessed in greater detail in the Retail Impact Assessment.

2.7 Other Issues

Other issues with the content and methodology of the CBA include:

- **Limited sensitivity analysis** – The CBA only tests the sensitivity of the discount factor. Greater sensitivity analysis may have been required to fully understand the risks and to appreciate that all costs and benefits are only estimates and likely to vary. The sensitivity analysis would also provide an understanding of which changes are most likely to affect Scenarios 2 or 3 (and which are most likely to occur) and therefore allow for greater understanding in the decision making process.
- **Clarity of costs and benefits** – Table 4 of the CBA identifies the costs and benefits for Scenarios 1 to 3 and Appendices 2 and 3 include the discounted cash flow. The CBA lacks clarity regarding how the costs and benefits in Table 4 were formulated and how they were allocated in the discounted cash flow. Therefore, it is difficult to identify whether they are accurate.
- **Brand Outlet Centre trading levels** – The CBA estimates the Brand Outlet Centre will trade at \$4,500/m². This differs to the estimated trading levels

included in the Retail Impact Assessment (of approximately \$5,600/m²). The differing figures could affect conclusions regarding the potential costs and benefits associated with retail trade. For example, if the retail trade of the Brand Outlet Centre is overestimated the impact on the Penrith CBD is likely to be less than stated, while if the Brand Outlet Centre trading levels are underestimated the impact on the Penrith CBD is likely to be greater than stated.

The above issues therefore influenced the conclusions of the CBA.

2.8 Conclusion

Whilst the general CBA modelling methodology appears sound, there are a number of issues with the content and methodology of the CBA. These issues potentially affect the conclusions within the CBA and therefore potentially the subsequent decision-making based on the conclusions of the CBA.

The key issues are:

- The quantifiable costs and benefits may not be accurate as:
 - the trading level of the proposed Brand Outlet Centre assumes it will be high performing which may not be the case;
 - the trading levels assumed in the CBA are inconsistent with those in the Retail Impact Assessment; and
 - the costs are limited to Penrith LGA only.
- The CBA does not include sufficient sensitivity or risk analysis. In particular, the assumed high trading level of the Brand Outlet Centre.
- There are a number of issues with the non-quantifiable analysis including:
 - the evaluation and weighting of the criteria;
 - the lack of acknowledgement of costs and benefits impacts on different community groups; and
 - the accuracy of scoring of non-quantifiable impacts and that the weighting is sensitive to change.

The non-quantifiable analysis influences the conclusions of the CBA. The purpose of the CBA is to quantify as many costs and benefits as possible. If there are a number of costs and benefits that cannot be quantified, the CBA should not be used as the primary decision making tool for the assessment of the Planning Proposal.

The above issues should be taken into account when assessing the Planning Proposal.

3.0 Retail Impact Assessment

Penrith City Council engaged Hill PDA to prepare an Independent Economic Assessment of the retail proposals on the Penrith Panthers site and Parkview site (January 2011), predating the CBA.

3.1 Methodology

The assessment analysed eight possible development scenarios:

- Scenario 1: No Parkview and minimal 12,000m² of general retail on Panthers.
- Scenario 2: No Parkview and 23,000m² of general retail on Panthers.
- Scenario 3: No Parkview and minimal 12,000m² of general retail on Panthers and 25,000m² Brand Outlet Centre.
- Scenario 4: No Parkview and 23,000m² of general retail on Panthers and 25,000m² Brand Outlet Centre.
- Scenario 5: Parkview and minimal 12,000m² of general retail on Panthers.
- Scenario 6: Parkview and 23,000m² of general retail on Panthers.
- Scenario 7: Parkview and minimal 12,000m² of general retail on Panthers and 25,000m² Brand Outlet Centre.
- Scenario 8: Parkview and 23,000m² of general retail on Panthers and 25,000m² Brand Outlet Centre.

Parkview refers to a potential development site at 164 Station Street, Penrith. At the time of preparation, Parkview were proposing a mixed use development including ground floor retail (including Woolworths and Thomas Dux supermarkets, Big W and 2,000m² of general retail). This development is no longer being considered, with the details of the existing zoning and Part 3A application described at Section 2.6. Therefore, Scenarios 5-8 are no longer relevant.

3.2 Retail Impact Assessment Conclusions

The Retail Impact Assessment states that Scenario 3 is the preferred development based on the following:

1. *The type of retail (in particular the brand outlet centre) is different for Penrith and is a new type of retail offer;*
2. *The immediate impacts on the CBD components averaging 12.4% are considered to be moderate (or moderate to high) but not high (being below 15%);*
3. *The loss in turnover from 2009 and 2014 on the CBD components (resulting from Scenario 3) will be less than 5% which is considered minor;*
4. *High Street precinct, Westfield and Centro would take 5, 7 and 8 years respectively to absorb the impacts from their 2014 turnover levels – which is considered to be a moderate but not significant level of time;*
5. *The most significant impacts are on apparel stores, which on average would take around 11 years to recover – however it's likely that some apparel stores would be relet to alternative store types;*
6. *The impacts on the majors (department stores and supermarkets) is less severe – these store types take around 4 to 5 years to absorb the impacts which is not considered threatening;*

7. *The type of retail on Panthers has potential to enlarge the Penrith trade area and arrest some escape expenditure; and*
8. *If a brand outlet centre did not proceed in Penrith there is the possible scenario that it could locate outside Penrith still with some impacts on Penrith CBD.*

3.3 Issues

The Retail Impact Assessment has been prepared in accordance with the process typical of an Economic Impact Assessment. However, an area of concern with the report is the justification of 'Scenario 3' which includes the Brand Outlet Centre and general retail floor space (generally consistent with the Planning Proposal) over smaller development scenario (i.e. Scenarios 1 and 2). This issue is discussed below.

Level of Retail Impact

The Planning Proposal (including both the Brand Outlet Centre and general retail component) would have an impact of 12.4% on the retail trade in Penrith CBD. The Retail Impact Assessment states that this level of impact is supportable and that a number of existing centres (including Westfield Penrith and Centro Nepean) are overtrading and therefore, can easily absorb this impact.

However, it is generally accepted in Planning Courts and Tribunals in Australia that economic impacts are classified in the following manner:

- **Less than 10%** - medium to low and generally within the competitive range;
- **10 – 15%** - high impacts but would generally be considered sustainable depending on the trading levels of existing stores; and
- **Above 15%** - considered very high and further detailed investigation would need to be undertaken to see if this level is sustainable. This level of impact could be sustainable in areas where there are existing very high productivity levels, or areas of very high population growth.

By not acknowledging the high impact of the Planning Proposal, the Retail Impact Assessment may have understated the effect of the Planning Proposal on retail trade in the Penrith CBD. This may have influenced the conclusions of the Retail Impact Assessment.

Impact on Apparel Stores

The Retail Impact Assessment also understates the impact of the Brand Outlet Centre on apparel stores in the Penrith CBD.

Impacts on individual tenants are not typically a planning consideration. However, in the case of the proposed Brand Outlet Centre at 25,000m², typically around two-thirds to three-quarters of the tenants will be apparel tenants. Consequently, the largest impacts from the proposed development would be on apparel traders throughout the Penrith CBD including High Street.

Consequently, with an average impact of 12.4% considered in the high category, an impact on apparel traders may be significantly above 15%, more likely, closer to 20%. This is a very high impact on apparel traders throughout the Penrith CBD. At this level, there is the possibility of some closures of tenants.

The Retail Impact Assessment states that it would take 11 years for apparel stores to recover from the impact of Scenario 3 (i.e. the Planning Proposal). This is considered to be a significant timeframe, with Planning Courts and Tribunals throughout Australia typically accepting a period of up to five years, on average, as beyond acceptable normal impact times.

Estimated Population Growth

The recovery of sales is typically as a result of population growth within an area driving market growth. In the case of Penrith LGA, the Retail Impact Assessment assumes a higher level of population growth than is actually occurring, with an average growth rate of over 2,500 persons per year projected between 2007 and 2021.

The ABS Estimated Resident Population indicates that the Penrith LGA has grown closer to 1,650 persons between 2007 and 2012. Consequently, a longer recovery period may result than that indicated in the Retail Impact Assessment.

Estimated Expenditure

The Retail Impact Assessment assumes the Brand Outlet Centre will achieve a trading level of \$140.5M in 2014 which equates to approximately \$5,600/m². This differs to the estimated trading level in the CBA of \$4,500/m² and represents a very successful and visible Brand Outlet Centre trading level, with the average successful Brand Outlet Centre in Australia trading at \$5,000 - \$5,500/m².

If the retail trading level of the Brand Outlet Centre is overestimated, the estimated impact of the Planning Proposal on the Penrith CBD may also be overestimated.

3.4 Conclusion

Based on the information included in the Retail Impact Assessment, the report has potentially understated the impact of the Planning Proposal, particularly on apparel stores. An average impact of 12.4% across all retailers is considered high and the stated recovery timeframe is not within the industry standard timeframe for recovery.

However, the Retail Impact Assessment has used outdated assumptions regarding the population projections and retail trading levels. As these factors highly influence the likely impact of the Planning Proposal on the Penrith CBD, it is difficult to predict the exact impact of the Planning Proposal on the Penrith CBD is unknown.

4.0 SGS Peer Review of Retail Analysis

Penrith City Council engaged SGS Economics and Planning (SGS December 2010) to prepare a peer review of the following documents:

- Economic Impact and Land Use Analysis (Hill PDA February 2010, refer to Section 6.4);
- Retail Impact Assessment (Hill PDA January 2010, refer to Section 3.0);
- Submission on behalf of Centro Properties Group (Urbis October 2010);
- Submission on behalf of Penrith City Centre Association (PHG Environmental Planning October 2010);
- Submission by Gordon Henwood (October 2010);
- Submission on behalf of Westfield (October 2010);
- Panthers Penrith Economic Impact Assessment (Final Draft September 2008); and
- Riverlink & Penrith CBD Catchment & Entertainment Retail Demand Analysis Draft (Draft Paper prepared July 2009).

The objective of the Peer Review was to assess the accuracy of the Economic Impact and Land Use Analysis (Hill PDA) and the Retail Impact Assessment (Hill PDA) and the claims made in the submissions objecting to the Planning Proposal. The SGS Peer Review predates the Hill PDA CBA with the SGS report recommending a CBA to be undertaken.

4.1 SGS Peer Review Conclusions

The Peer Review concludes the following:

- Retail Impacts:
 - There are discrepancies over what constitutes a tolerable impact on retailers.
 - The full societal costs and benefits of any magnitude of impact must be explored through a cost benefit analysis.
 - The cost benefit analysis should address the cumulative impacts resulting in a retail development on the Parkview site.
- Brand Outlet Centre:
 - It will be difficult to monitor compliance within the Brand Outlet Centre (i.e. will not be standard retail shops).
 - The land use is inconsistent with the SP3 zoning.
 - The proposed definition is inconsistent with the Draft Activity Centres Policy.
- Strategic Planning:
 - Further justification is required to support retail, including the Brand Outlet Centre, and how it complements the entertainment/leisure facilities.
 - Further justification is required to identify how the retail component is in accordance with the Riverlink Precinct Plan.
- Commercial Viability:
 - The lack of commercial viability is not a valid ground of objection to the Planning Proposal.

This report focuses on the conclusions regarding the retail impact and commercial viability of the Planning Proposal.

4.2 Issues

The methodology used by SGS is sound. Although some updated data is now available, it is unlikely to dramatically affect the conclusions of the peer review.

Cost Benefit Analysis

The Peer Review states that a Cost Benefit Analysis would be required to determine if the impacts outlined in the previous reports would be sustainable. SGS note that the impact on High Street retailers could be a key concern. SGS state that *“...these types of shops are very sensitive to loss of turnover and closures may trigger a downturn in the whole centre’s attractiveness.”* The cost benefit analysis would identify the impacts of the Planning Proposal, particularly those affecting the High Street retailers.

As discussed at Section 2.0, there are a number of issues with the CBA undertaken for Penrith Panthers. In particular, a number of costs and benefits associated with the project are not quantifiable and subject to a high degree of sensitivity which could affect the conclusions. Therefore, the CBA should not be used as the primary decision making tool for the assessment of the Planning Proposal but form part of a suite of assessment documents.

Commercial Viability

SGS state that the commercial viability of a Brand Outlet Centre at the Panthers site does not form a valid ground of objection. This may be the case if there is certainty that no other retail use may be developed under the proposed planning framework. The Planning Proposal provides a framework that aims to limit general retail development to 12,500m². Any changes to the planning framework that would increase the general retail component would need to be subject to further analysis to identify and assess the impact on other retail centres.

4.3 Conclusion

The Peer Review findings are appropriate. The Peer Review recommends a cost benefit analysis be undertaken to understand the broader positive and negative impacts of the Planning Proposal. This exercise was undertaken (refer to Section 2.0). However, due to the stated limitations of the CBA it should not be used as the primary decision making tool for the assessment of the Planning Proposal and is but one document in a suite of assessment documents.

5.0 Net Community Benefit Test (NCBT)

Penrith City Council engaged BBC Consulting Planners (April 2010) to prepare a report to demonstrate whether the Planning Proposal delivers a net community benefit (as required by the D&PI publication '*A guide to preparing local environmental plans*'). The Net Community Benefit Test (NCBT) assesses the Planning Proposal based on its current form.

The key considerations of the NCBT are (as described in DP&I's Draft Activity Centres Policy (May 2010)):

- *Will the LEP be compatible with agreed State and regional strategic direction for development in the area (eg land release, strategic corridors, development within 800 metres of a transit node)?*
- *Is the LEP located in a global/regional city, strategic centre or corridor nominated within the Metropolitan Strategy or other regional/subregional strategy?*
- *Is the LEP likely to create a precedent or create or change the expectations of the landowner or other landholders?*
- *Have the cumulative effects of other spot rezoning proposals in the locality been considered? What was the outcome of these considerations?*
- *Will the LEP facilitate a permanent employment generating activity or result in a loss of employment lands?*
- *Will the LEP impact upon the supply of residential land and therefore housing supply and affordability?*
- *Is the existing public infrastructure (roads, rail, utilities) capable of servicing the proposed site? Is there good pedestrian and cycling access? Is public transport currently available or is there infrastructure capacity to support future public transport?*
- *Will the proposal result in changes to the car distances travelled by customers, employees and suppliers? If so, what are the likely impacts in terms of greenhouse gas emissions, operating costs and road safety?*
- *Are there significant Government investments in infrastructure or services in the area whose patronage will be affected by the proposal? If so, what is the expected impact?*
- *Will the proposal impact on land that the Government has identified a need to protect (e.g. land with high biodiversity values) or have other environmental impacts? Is the land constrained by environmental factors such as flooding?*
- *Will the LEP be compatible/complementary with surrounding land uses? What is the impact on amenity in the location and wider community? Will the public domain improve?*
- *Will the proposal increase choice and competition by increasing the number of retail and commercial premises operating in the area?*
- *If a stand-alone proposal and not a centre, does the proposal have the potential to develop into a centre in the future?*
- *What are the public interest reasons for preparing the draft plan? What are the implications of not proceeding at that time?*

5.1 NCBT Conclusions

The key conclusions of the NCBT include:

- The Planning Proposal will increase the number and variety of retail establishments and provide a wider range of choice for consumers.
- The Planning Proposal will provide an activity precinct separate to and compatible with the city centre.
- The Planning Proposal is in the public interest as it will deliver a successful agglomeration of uses which would not function as well separately. In particular, the retail uses underpin the delivery of the entertainment and leisure uses which are of specific benefit to the public.
- The Planning Proposal is unlikely to create a precedent or raise expectations of other landowners.
- The Planning Proposal will generate positive employment generation across the Penrith Regional City.
- The Planning Proposal will have a positive impact on housing supply and affordability.
- Upgrades are required to the movement systems (eg. public transport) to support the Planning Proposal.
- The Planning Proposal acknowledges and responds to the flooding constraints of the site.
- A cost benefit analysis could not be undertaken due to the lack of a specific project outcome, the unknown timing of the development, key issues are addressed in the NCBT and there are more practical ways of identifying the costs and benefits of the project.

The NCBT reiterates the conclusions of the Retail Impact Assessment regarding the potential impacts of the Planning Proposal on the retail trade in Penrith CBD. These issues are addressed further at Section 3.3.

5.2 NCBT Issues

The majority of the conclusions made in the NCBT are sound. Some minor comments regarding the conclusions are provided below.

Compatibility with the City Centre

The NCBT states the compatibility of the Planning Proposal with the Penrith CBD relies on the conclusion that the project will not have a significant impact on the retail services within the CBD. The NCBT relies on the research and conclusions undertaken as part of the Retail Impact Assessment. As discussed at Section 3.3, the Retail Impact Assessment may not accurately determine the impact of the Planning Proposal on Penrith CBD.

If the Retail Impact Assessment concluded that the impact on retail in the Penrith CBD was high, the NCBT may also have concluded differently.

Public Interest

It is unclear whether the NCBT would have determined the Planning Proposal to be in the public interest if the Retail Impact Assessment had concluded differently about the retail trade impact.

Employment Generation

The Planning Proposal will affect expenditure in Penrith CBD and therefore will reduce the number of retail jobs in High Street, Centro Nepean and Westfield Penrith while they recover (albeit result in a net increase across the Penrith Regional City due to the job increase on the Penrith Panthers site). It is incorrect for the NCBT to state that *“employment generation will be positive and additional expenditure will be drawn to the area from other locations to the benefit of the local economy.”* Although this is likely to be true once the Penrith CBD has fully recovered in the meantime there is likely to be a loss of jobs in Penrith CBD.

However, this clarification is unlikely to affect the conclusions of the NCBT.

Net Community Benefit Test vs Sequential Test

DP&I raise concerns regarding the suitability of the NCBT over the Sequential Test (as outlined in the Centres Policy). The two tests are used for different purposes and achieve different outcomes.

The Net Community Benefit Test assesses the Planning Proposal against a number of criteria to understand the implications of the project and how it is, or is not, consistent with relevant guiding principles. The Sequential Test is a spatial exercise to understand whether there are any other sites in the Penrith CBD that could better accommodate the Brand Outlet Centre.

The use of the NCBT was suitable for the Planning Proposal, as one method of assessment amongst a suite of assessment documents. A Sequential Test would provide further assessment but should not replace the NCBT.

5.3 Conclusion

The majority of the conclusions made in the NCBT are sound. However, the outcomes of the Retail Impact Assessment influenced the conclusions of the NCBT. The Retail Impact Assessment may therefore have affected the conclusions regarding the compatibility of the Planning Proposal with the Penrith CBD and whether the Planning Proposal is in the public interest.

The NCBT did not specifically assess the public interest of the Brand Outlet Centre as a component of the overall Planning Proposal. The public interest of the Brand Outlet Centre is tied to the public interest of the entertainment and leisure facilities (i.e. without the Brand Outlet Centre there is no entertainment and leisure facilities).

6.0 General Retail Impact

The Peer Review of the Planning Proposal focuses on the identified impact of the Brand Outlet Centre. This section assesses the adequacy and accuracy of the relevant reports' assessment of the general retail component (maximum of 12,500m²).

6.1 Cost Benefit Analysis

The CBA assesses the costs and benefits of three potential development scenarios (outlined in Section 2.0). The CBA does not include a scenario that specifically assesses the variable of the general retail component as it is included in both Scenarios 2 and 3. Of the three scenarios tested in the CBA, Scenario 3 is of most relevance.

In relation to the accuracy and reliability of the general retail component within the CBA, retail sales are forecast at \$6,250/m² for general retail and \$4,500/m² for restaurants. These sales levels appear to be relatively consistent with the \$87.5 million outlined in the Retail Impact Assessment.

6.2 Retail Impact Assessment

The Retail Impact Assessment assesses the impacts of eight development scenarios (outlined in Section 3.1). The proposed general retail component of the Planning Proposal is most similar to Scenario 1 which assessed up to 12,000m² of general retail floor space.

According to the Retail Impact Assessment, the turnover levels assumed for the retail floor space include:

- \$10,000/m² for the supermarkets;
- \$4,000/m² for the discount department store;
- \$7,500/m² for food specialities;
- \$6,000/m² for non-food specialities; and
- \$5,500/m² for general retail stores.

According to the Retail Impact Assessment, assuming Scenario 1 (12,000m² general retail floor space and no Brand Outlet Centre) the Panthers development is projected to achieve sales of \$87.5 million. This trading level appears appropriate when analysing the retail floor space in isolation from the Brand Outlet Centre.

Distribution of Impact

The Retail Impact Assessment outlines that the impact of Scenario 1 on the Penrith CBD is:

- High Street: \$9.5 million;
- Westfield: \$25.1 million; and
- Centro Nepean: \$12.0 million.

Impacts outside the Penrith CBD are distributed accordingly:

- Mulgoa Road: \$3.2 million;
- St Marys: \$1.8 million; and
- Other localities: \$35.9 million.

The key point of consideration regarding the above stated impacts is the \$35.9 million in sales attributed to 'other localities'. The Retail Impact Assessment outlines that this proportion would be due to tourists and redirected sales from 'other localities.' It is noted the centres included within the term 'other localities' are not described within the Retail Impact Assessment.

While business from tourists and other centre impacts are likely to account for a proportion of sales, \$35.9 million (or 41% of total centre sales) could be considered a high proportion given that the main anchor tenant/s (eg. supermarket) would predominantly serve the local population within 2-3km of the site. The projected impact of \$35.9 million in 'other localities' indicate sales coming from centres well beyond the 2-3km catchment.

It is likely the estimated impact on 'other localities' is overstated in the Retail Impact Assessment. If so, the trading impact from 'other localities' would be distributed to the named centres (eg. High Street) and therefore the impact could be higher than stated in the report.

Shift in Turnover

The Retail Impact Assessment identifies that Scenario 1 will cause a 4.4% 'Shift in Turnover' in 2014 on High Street. This impact is likely to be spread across a range of retailers in High Street, however, would impact tenants which compete more directly with those at the proposed Panthers site such as food catering facilities and convenience based retailers (eg. newsagent, pharmacy, etc).

The Retail Impact Assessment outlines that the Scenario 1 impacts on High Street are likely to be distributed as follows:

- Supermarkets: -5.7%
- Other food and eat out: -12.0%
- Apparel: -2.6%;
- Other retail: -2.6%; and
- Total: -4.4%.

The Retail Impact Assessment outlines that *"High Street is more sensitive to shifts in turnover due to its higher vacancy rate and lower performance. Any of the above scenarios that show more than a 5% loss in trade on High Street from 2009 needs to be given careful consideration."*

Impacts on Centro Nepean and Westfield Penrith under Scenario 1 are 6.5% and 3.9%, respectively. It is agreed that Centro Nepean and Westfield Penrith are achieving solid trading levels. Even if impacts are redistributed from 'other localities' to the Penrith CBD centres, it is likely the impact on High Street, Centro Nepean and Westfield Penrith will remain under 10% and is therefore considered in the medium to low impact and within a competitive range.

Recovery Time Period

The Retail Impact Assessment outlines that the Penrith CBD impacts would be absorbed within 3 years under Scenario 1. This timeframe is considered reasonable.

As stated in Section 3.3, the Retail Impact Assessment assumes an outdated population growth rate for Penrith LGA. Consequently, a longer period may be required to recover sales within the Penrith CBD but this is not expected to be dramatic. The key concerns relate to the impact on food catering stores on High Street.

6.3 Conclusion

The Retail Impact Assessment is the key document that specifically assesses the impact of the general retail floor space component of the Planning Proposal. Although there are issues with the report relating to the distribution of retail trading impacts and population projections, it is unlikely the retail trade impact on High Street, Nepean Centro or Westfield Penrith will exceed 10% or require recovery time periods longer than 5 years.

7.0 Consistency with Planning Strategies

This section assesses whether the Planning Proposal documentation demonstrates consistency with the relevant planning strategies.

7.1 Draft Metropolitan Strategy for Sydney 2031

The draft Metropolitan Strategy for Sydney 2031 (Draft Metropolitan Strategy) was released for public exhibition in March 2013. The Planning Proposal (and supportive documentation) were prepared prior to this date and therefore do not specifically consider the priorities and actions within the Draft Metropolitan Strategy. Notwithstanding this, the directions and policies for Penrith are similar in the two documents.

Table 3 identifies the key relevant actions and policies in the Draft Metropolitan Strategy (to the Planning Proposal) and whether the Planning Proposal has generally demonstrated consistency with the relevant policy or action. **Table 3** also identifies whether any further work is required to determine or demonstrate consistency with the Draft Metropolitan Strategy.

The Planning Proposal is generally consistent with the policies and actions of the Draft Metropolitan Strategy. The level of market demand for the general retail and Brand Outlet Centre is unclear, due to the potential overestimation of population growth (discussed at Section 3.3). However, demand will increase for retail facilities as the population grows within the retail trade area and therefore the Planning Proposal meets the objectives of Policy 2(i) and Action 15.2.

Table 3 – Consistency with Draft Metropolitan Strategy

Relevant Policy/Action	Planning Proposal Response	Meets Objective?
Objective 2: Strengthen and grow Sydney's centres		
Policy (i) Plan new centres to meet growth and market demand and provide investment opportunities	The supportive documents prepared for the Planning Proposal demonstrate that the Brand Outlet Centre will deliver investment opportunities in Penrith. However, the Planning Proposal may overestimate market demand for the Brand Outlet Centre and general retail component.	Y
Objective 7: Deliver well-designed and active centres that attract investment and growth		
Policy (a) Existing centres will grow and change and new centres will be supported	The Planning Proposal generally implements the Riverlink Precinct Plan which identifies how Penrith CBD should expand to the west to the Nepean River through the development of a wide range of land uses.	Y
Policy (b) Retail, employment, cultural and social infrastructure will be included in centres undergoing growth and renewal	The Planning Proposal aims to permit a wide range of employment, retail and cultural uses on the Penrith Panthers site. These uses will expand the Penrith CBD to the west and attract more shoppers, workers and visitors to the area.	Y
Action 7.1 Work with the community and local government to plan for centres growth and identify new centres	The Planning Proposal implements the Riverlink Precinct Plan which identifies opportunities for Penrith CBD to grow to the west within the Penrith Panthers site (and the adjoining Council owned land).	Y
Objective 10: Provide capacity for jobs growth and diversity across Sydney		
Policy (c) We will plan for Strategic Centre and Specialised Precinct employment growth in line with minimum employment targets (i.e. 4,000 additional jobs by 2021 and 8,000 additional jobs by 2031).	The total Planning Proposal is projected to create approximately 2,400 jobs by 2031. This contributes to the overall growth in Penrith CBD.	Y

Objective 15: Provide for a good supply of retail space		
Policy (a) Centres of all sizes will be the primary location of retail, at a scale reflecting the level of public transport accessibility	The supportive documentation identifies the Penrith Panthers site as suitable for retail and Brand Outlet Centre facilities. The renewal of the Penrith Panthers site (as part of the Riverlink Precinct) will allow for the site to integrate and expand the Penrith CBD.	Y
Action 15.2 Plan for additional capacity for retail in all centres where retail assessments demonstrate a need	The Planning Proposal demonstrates the additional capacity for retail to be provided in the Penrith Regional City. However, the Planning Proposal may overestimate market demand for the Brand Outlet Centre and general retail component.	Y
West Subregion (Penrith Regional City)		
– Strengthen as the regional hub for office, retail, administration recreation and culture	The Planning Proposal demonstrates how the Penrith Panthers site (as part of the Riverlink Precinct) will become a recreational, leisure and entertainment facility. The Brand Outlet Centre will support this regional attraction role.	Y
– Strengthen Penrith CBD and protect the commercial core	The supportive documentation includes an in-depth analysis of the impact of the Planning Proposal on the retail services within the Penrith CBD.	Y

7.2 Draft North West Subregional Strategy

The Planning Proposal provides a detailed assessment of the proposal against the objectives and actions of the Draft North West Subregional Strategy (dNWSRS), included at Appendix C of the Planning Proposal March 2012. The documentation states the Planning Proposal is consistent with all relevant actions in the dNWSRS.

In our view the proposal is within the overall catchment centre for Penrith CBD and is a typical location with regional road access which befits the Brand Outlet Centre typology.

7.3 Penrith City Centre Vision

The Penrith City Centre Vision document was prepared by the DP&I in 2007 as part of a suite of documents to deliver renewal and revitalisation in the Penrith city centre. The Vision includes an action plan and strategic framework for the Penrith city centre, which includes the Penrith Panthers site. The Planning Proposal does not specifically respond to the action plan or strategic framework of the Vision.

Table 4 identifies the key relevant strategies in the Vision. The Planning Proposal is consistent with the relevant strategies in the Vision and no further analysis is required.

Table 4 – Consistency with Penrith City Centre Vision

Relevant Strategy	Planning Proposal Response	Compliance with Objectives
Developing a vibrant regional business and commercial centre	The total Planning Proposal is projected to create approximately 2,400 additional jobs by 2031. This contributes to the overall growth in Penrith CBD.	Y
Achieving a sustainable centre	The Planning Proposal will deliver a range of uses to encourage economic activity on the site. The range of uses will also facilitate social diversity and the Planning Proposal considers and responds to the key environmental constraint (flooding).	Y
Creating a safe and attractive centre	The mix of proposed uses will facilitate active streets within the site.	Y
Facilitating access and mobility around the city centre	The Planning Proposal will encourage greater movement to the western end of the Penrith city centre.	Y
Creating a liveable city	The Planning Proposal will provide greater activity to the western end of the Penrith city centre and provide greater variety of attractions. These facilities will make the centre more attractive for residents and visitors to the city centre.	Y
Re-connecting the city to the river	The Planning Proposal will draw more activity to the western end of the city centre, activating the river as part of the Riverlink Precinct Plan.	Y
Developing the 'knowledge' assets in and around the centre	The Planning Proposal states the business park uses will facility the development of knowledge based industries to the city centre.	Y

7.4 Riverlink Precinct Plan 2008

Precinct Plan

The Planning Proposal states that the Riverlink Precinct Plan 2008 is a key strategic plan for the site. The Planning Proposal is generally consistent with the Riverlink Precinct Plan, which identifies the site for a mix of 'entertainment, tourism, leisure and lifestyle', mixed use and residential purposes. The Riverlink Precinct Plan is supported by a number of studies, including the Economic Impact and Land Use Analysis and the Retail Impact Assessment (both prepared by Hill PDA) which inform and assess the land uses.

Economic Impact and Land Use Analysis

The Riverlink Precinct Plan is supported by the Riverlink Precinct Economic Impact and Land Use Analysis prepared by Hill PDA (February 2010). The Economic Impact and Land Use Analysis aims to examine the range of land uses that would be desirable for the Riverlink Precinct (including the Penrith Panthers site).

The Economic Impact and Land Use Analysis report recommends a land use scenario for the Penrith Panthers site. The recommended retail uses are limited to 12,500m² of general retail uses and suggests the Penrith CBD would be a better for a Brand Outlet Centre.

The Planning Proposal acknowledges inconsistency with the Economic Impact and Land Use Analysis (by proposing a Brand Outlet Centre on the Penrith Panthers site). The Planning Proposal justifies this inconsistency by stating that the Economic Impact and Land Use Analysis does not preclude the Brand Outlet Centre on the site and if it were to be provided a full assessment should be carried out (as was undertaken in the Retail Impact Assessment).

The methodology adopted in the Economic Impact and Land Use Analysis is sound. Although there is updated data now available (eg. 2011 Census) this information is unlikely that to significantly impact on the overall findings of the report.

Although it suggests that Brand Outlet Centre would be best located in the Penrith CBD, a Brand Outlet Centre is not proposed elsewhere in the CBD and it is unlikely a site is available that could accommodate 25,000m² of suitable floor space.

The Economic Impact and Land Use Analysis confirms the other potential sites are smaller and therefore less attractive for the Brand Outlet Centre format. Therefore the Planning Proposal should be assessed on its merits and ability to accommodate the proposed land uses, and that the size of the Panthers site (on spatial size) is appropriate for such a facility.

Retail Impact Assessment

The Planning Proposal states the Retail Impact Assessment of Development Proposals of Penrith Panthers Site and Parkview Site prepared by Hill PDA (February 2010) underpins the Riverlink Precinct Plan. The Planning Proposal is consistent with the conclusions of the Retail Impact Assessment.

Section 2.0 discusses the accuracy and adequacy of the Retail Impact Assessment conclusions.

8.0 Conclusion

A number of reports have been prepared that identify and assess the potential costs and benefits of the proposed Brand Outlet Centre on the surrounding retail centres, particularly Penrith CBD. In most cases, the overall methodology and conclusions in these reports are sound. However, there are a number of issues associated with the methodology and conclusions (outlined below), which need to be considered in the assessment of the Planning Proposal.

Cost Benefit Analysis

Although the CBA generally follows an appropriate broad methodology, there are a number of issues with the CBA. These include:

- the way the costs and benefits were calculated
- the assessment and weighting given to the non-quantifiable criteria; and
- the limited sensitivity analysis.

These issues may have influenced the conclusions of the CBA and need to be considered in assessing the Planning Proposal.

Retail Impact Assessment

The Retail Impact Assessment follows the appropriate Economic Impact Assessment methodology. According to the data referenced in the Retail Impact Assessment, the Planning Proposal would result in a high impact on the Penrith CBD. However, the Retail Impact Assessment may not accurately identify the impact of the Planning Proposal on the retail trade in Penrith CBD. The actual impact of the Planning Proposal (including the Brand Outlet Centre and general retail component) could be higher or lower than stated in the Retail Impact Assessment.

SGS Peer Review

The Peer Review is generally sound with no key issues likely to affect the outcomes of the report.

Net Community Benefit Test

The Retail Impact Assessment influenced the conclusions of the NCBT. Issues with the Retail Impact Assessment could affect the conclusions regarding the compatibility of the Planning Proposal with the Penrith CBD and whether the Planning Proposal is in the public interest.

General Retail Component

The Retail Impact Assessment is the key document that specifically assesses the impact of the general retail floor space component of the Planning Proposal. Although there are issues with the report relating to the distribution of retail trading impacts and population projections, it is unlikely the retail trade impact on High Street, Nepean Centro or Westfield Penrith will exceed 10% or require recovery time periods longer than 5 years.