

Appendix G

Northwood Centre Analysis by MacroPlan Dimasi

November 2012

Northwood Centre Analysis

Final Report

10 September 2012

Prepared for EG Property Group

Quality Assurance

Report Stage	Author	Date	Review	Date
Draft Report	Jason Anderson	20 th June 2012	Wayne Gersbach	22 nd June 2012
Final Report	Jason Anderson	27 th June 2012	Wayne Gersbach	29 th August 2012

Project Manager

Wayne Gersbach, General Manager NSW

Project Number: P84738

10 September 2012

This document is for discussion purposes only unless signed and dated by the persons identified.

Authors

Role	Name
Project Manager	Wayne Gersbach
Project Contact	Jason Anderson
Project Consultant	Nick Hunter

© MacroPlan Australia Pty Ltd All Rights Reserved. No part of this document may be reproduced, transmitted, stored in a retrieval system, or translated into any language in any form by any means without the written permission of MacroPlan Australia Pty Ltd. All Rights Reserved. All methods, processes, commercial proposals and other contents described in this document are the confidential intellectual property of MacroPlan Australia Pty Ltd and may not be used or disclosed to any party without the written permission of MacroPlan Australia Pty Ltd.

Contents

1	Site and Planning Context.....	2
2	Development Feasibility	6
3	Site Development Potential.....	14
4	Interrogation of Development Scenarios.....	17
5	Planning and Retail Implications	23

List of Figures

Figure 1.	Lane Cove LEP 2009 - Extract.....	2
Figure 2.	Northwood Neighbourhood Centre	4
Figure 3.	View along Northwood Road approaching Centre.....	4
Figure 4.	Feasibility scenarios based on FSR limits.....	7
Figure 5.	Examples of comparable Mixed Use Projects and their FSRs	9
Figure 6.	View looking east at Northwood Rd. / Kenneth St. Junction	15
Figure 7.	View looking North along Kenneth St. toward Northwood Road	16
Figure 8.	Nearby Shopping Facilities in proximity to the Northwood Centre (Subject Site).....	18

1 Site and Planning Context

The subject site, located at 4-16 Northwood Road, 274 and 274a Longueville Road, Lane Cove, comprises 11 lots with a combined area of 4,436m².

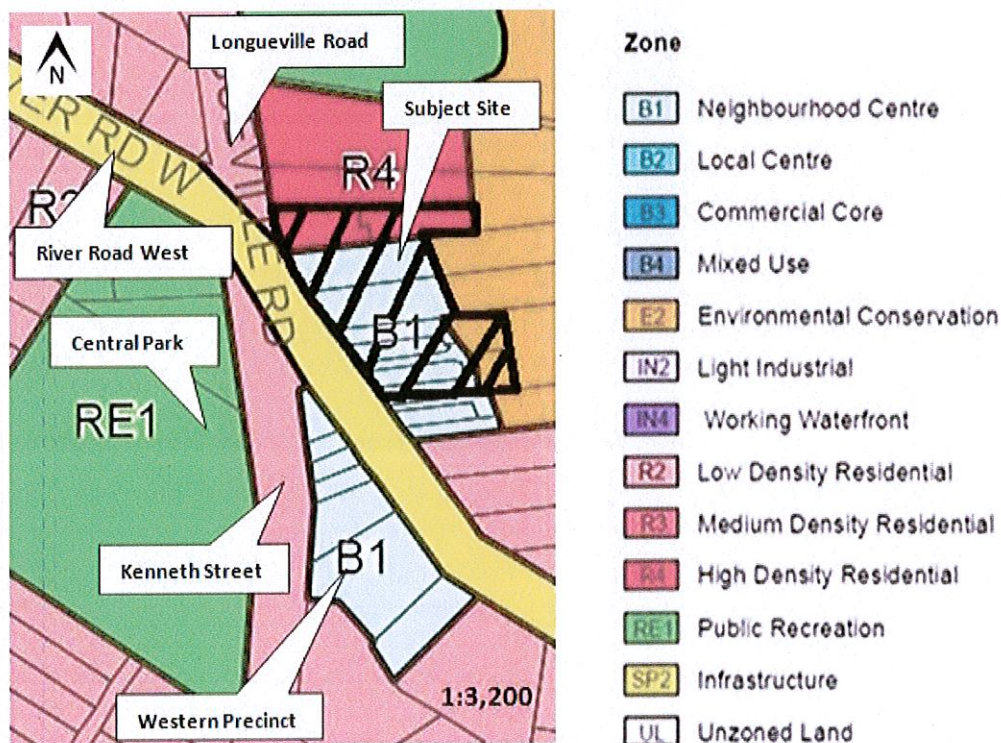
The Lane Cove Local Environmental Plan (LEP) 2009 identifies the following zones, maximum FSR and height limits (refer Figure 1) within the subject site:

- B1 Neighbourhood Centre: FSR of 1:1 and building height of 9.5m (effectively 3 storeys);
- R4 High Density Residential: FSR of 0.8:1 and building height of 12m (4 storeys); and
- E2 Environmental Conservation.

The B1 zone accounts for the majority of the subject site, with a total area of 2,840 m². Under the LEP 2009, individual shops within the B1 zone are restricted to 400m² or less.

The subject site comprises the majority of lands identified as the Northwood Neighbourhood Centre in Part D Commercial Development and Mixed Use Localities of the Lane Cove Development Control Plan (DCP) 2009 (refer Figure 2). The other portion of land zoned B1 is a physically distinct separate wedge located to the south-west of the subject site, between Kenneth Street and Northwood Road. This portion of land, comprising a total area of 3,260m², is fragmented in ownership. The remaining lands of the Northwood Neighbourhood Centre, located to the west of the subject site, comprise Central Park and other recreational facilities including Longueville Sporting Club and Lane Cove Tennis Club.

Figure 1. Lane Cove LEP 2009 - Extract



Source: www.legislation.nsw.gov.au

Development Setting

The subject site's B1 zoned lots are physically separated from the other set of business and commercial properties of the Northwood Neighbourhood Centre. The Centre's B1 zones are separated from each other by Northwood Road, and approached by Longueville Road and River Road West to the north and from Kenneth Street to the south.

These intersecting roads, in addition to surrounding residential and recreational land, result in disconnected and fragmented land parcels and businesses under separate ownership. The prospects for redevelopment are limited by the ability to amalgamate existing B1-zoned lots so as to generate scale.

This Planning Proposal reflects the necessity of amalgamating adjacent lots as the foundation for the rejuvenation and revitalisation of the Northwood Neighbourhood Centre. The benefits to be achieved within the Centre from the redevelopment of the amalgamated subject site are identified as follows:

1. Consolidate the Centre and design buildings and spaces to create a new and improved sense of place.
2. Achieve significant streetscape and urban design improvements at a prominent intersection that would achieve the objectives and desired future character of the Northwood Neighbourhood Centre.
3. Reduce vehicle conflict points along Northwood Road and generally improve conditions for other modes of transport such as bikes and pedestrians.
4. Create more public realm areas at ground level across the site.
5. Improve and foster neighbourhood convenience shopping in a genuine, local and convenient retail offering.
6. Promote living, working, leisure and shopping experiences within one precinct.
7. Provide enhanced natural views and physical and visual connectivity to the adjacent bushland reserve.
8. Increase passive surveillance of the Centre, the street and adjacent public-reserve areas.
9. Increase the availability and choice of housing, and provide a range of accommodation, affordability and demographics.
10. Encourage employment generation.
11. Improve local services including better integration with existing recreational and sporting facilities such as the Lane Cove Country Club and the Longueville Sporting Club.

The subject site forms an attractive location for mixed-use premises because it enjoys frontage to a significant volume of passing traffic along Northwood Road.

Figure 2. Northwood Neighbourhood Centre



Source: Microsoft Bing

Current ease of access is influenced by surrounding traffic movements. There are traffic lights at the intersections of Northwood Road, Kenneth Street and Longueville Road, which create the need for an unimpeded thoroughfare; particularly as parking spaces are in limited supply.

The relevance of car parking provisions and vehicular movement is underpinned by the current businesses operations in this Centre. A large proportion of the Centre is dedicated to petrol stations – to the south of the Longueville Road intersection, there are three petrol stations located just 150 metres along Northwood Road. In total, more than 50% of the B1-zoned land within the Centre is currently utilised by petrol stations.

These land uses provide on-site car parking and their viability influences the high volume of vehicular movements in this region.

Figure 3. View along Northwood Road approaching Centre



Source: Google Images

There is a lack of business and community connectivity, as well as no-commonly accessible public-parking facility among the B1 zoned lots of the Northwood Neighbourhood Centre. The current set of operations has no single focal business and lacks a sense of place for residents to work, shop, recreate, relax and socialise. The existing uses of the Northwood Neighbourhood Centre do not adequately meet the desired future character objectives set out in Council's DCP. The dominant use within the Centre is service stations, reflecting the high volume of passing traffic along Northwood Road.

The B1 zoned land, located to the south-west of the subject site, is primarily occupied by two service stations, which both provide dual access to Kenneth Street and Northwood Road. The other major business is a liquor store, which benefits from high turnover through short-term parking options at the service stations.

With limited street parking in the surrounding region, the current uses for the B1 lots in the Northwood Neighbourhood Centre, are largely under-utilised and provide a clear indication that vehicular movement and **on-site parking** are critical for business viability in this location and a much needed improvement is required for the pedestrian streetscape.

Indeed, and not only because of the lack of public parking, under current operating conditions the grouped B1 allotments fronting Northwood Road and Kenneth Street are the very antithesis of a neighbourhood centre; retail activity is motor-vehicle oriented; there are no communal areas to gather or dine; and there is a lack of direct connection to adjacent local open space and Council sporting facilities.

So, the existing Northwood Neighbourhood Centre does not adequately meet the characteristics of an effective and functional centre. The characteristics of the existing Centre are inconsistent with the objectives set out in the NSW Department of Planning's Strategic Direction for Growing and Renewing Centres (Metropolitan Plan for Sydney 2036, December 2010). The current Centre does not provide a concentrated mix of uses that adequately create a lively, functional place for local residents to live, work, socialise and invest. The Centre currently provides a limited opportunity in diverse dwelling options and lacks community vibrancy, active pedestrian streetscape and connectivity to the adjacent local open space and nearby recreational facilities. The existing public bus transport facilities located on Northwood Road are underutilised, due to the local community's high dependency on motoring and the limited availability of public parking facilities.

2 Development Feasibility

The Planning Proposal seeks to amend the LEP to standardise zoning across the subject site and increase density to initiate a process of redevelopment and revitalisation in the Northwood Neighbourhood Centre. The Planning Proposal seeks to:

...create one homogenous B1 zone across the site, thereby rezoning the R4 and E2 zoned land that falls within the site's boundaries to B1 and amending the FSR to 2.5:1 and height to 25m for the site. The proposal also seeks to amend the neighbourhood shop control to permit retail shops to exceed 400m² up to 1,000m².

FSR & Height Underpin Viable Development

Our analysis indicates that changes to the planning controls are required for a significant and financially-viable improvement in the offering at the Northwood Neighbourhood Centre.

To improve the ease of access and integrate the retail, residential and community facilities at the Centre, it is necessary for basement carparking to be provided at the subject site. Our analysis indicates that a high order of scale is vital for the feasibility of the proposed redevelopment and to support a significant level of below ground carparking for the surrounding precinct.

There are several elements of the Planning Proposal which can be considered individually:

1. Increase the FSR to 2.5:1

We have calculated some high-level development feasibilities, examining different building configurations that would be achievable under various floorspace ratios. Summary outputs from these calculations are shown in Figure 4.

Generally, we would expect a viable development to be one where the projected profit margin on total development costs is a minimum of 20%. Project finance is not usually made available at margins of less than 20%.

The key features of the proposed development feasibility are that:

- Base costs of land acquisition, financing and GST are very substantial, being equivalent to 86% to 125% of construction costs.
- The proposed retail car parking provision (77 places) is substantial, contributing between 21% and 30% of total construction costs.
- The ability to generate margin from the proposed project is determined by the magnitude of residential space.

Under the current FSR (1:1), a new retail offering of 1,500m², for example, would limit residential development to 42 units. There would be a total of 116 basement carparking spaces, to service the retail and residential offerings. However, this scale of development would not be financially feasible, as a significant development loss would be incurred.

We have also undertaken a high-level examination of the financial feasibility of higher FSR options.

Northwood Centre Analysis
Prepared for EG Property Group

At an FSR of 1.5:1 and 2:1, the proposed redevelopment would generate a minor development profit; however, with the rate of profit margin (on total cost) calculated to be 11.6% and 14.0%, respectively. These project margins would not meet the financial feasibility criteria required to even commence such projects.

At an FSR of 2.25:1, the proposed redevelopment would generate a development profit where the rate of profit margin (on total costs) is calculated to be 17.4%. This project would be a borderline proposition in terms of financial feasibility criteria. An FSR of 2.5:1 would deliver more acceptable margins of 21.4%, but this rate is only modestly above the notional 20% threshold that we feel the market would dictate for consideration of such projects.

Figure 4. Feasibility scenarios based on FSR limits

	4,436 1:1	4,436 1.5:1	4,436 2:1	4,436 2.25:1	4,436 2.5:1
Site area (m ²)					
Floorspace ratio					
Residential (m ²)	2,935.6	5,153.4	7,371.2	8,480.1	9,589.0
Retail/commercial (m ²)	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Total floorspace (m²)	4,435.6	6,653.4	8,871.2	9,980.1	11,089.0
Units (No.)	42	63	84	95	105
Resl. revenue (\$m)	34.6	52.0	69.3	77.9	86.1
Retail revenue (\$m)	10.5	10.5	10.5	10.5	10.5
Total Revenue (\$m)	45.1	62.5	79.8	88.4	96.6
Car Park Provision - Residential (No.)	39	59	78	88	98
Car Park Provision - Retail (No.)	77	77	77	77	77
Total Car Park (No.)	116	136	155	165	175
Total Car Park Cost	5.8	6.8	7.7	8.2	8.9
Construction Costs - Residential	6.8	11.9	17.0	19.5	22.1
Construction Costs - Retail	3.2	3.2	3.2	3.2	3.2
Demolition Costs	0.3	0.3	0.3	0.3	0.3
Prof. Fees	2.0	2.0	2.0	2.0	2.0
Contributions	1.1	1.6	2.1	2.4	2.7
Contingency*	1.0	1.3	1.6	1.8	2.0
Total development costs (\$m)	20.2	27.1	33.9	37.4	41.2
Cost of land, finance and GST	24.9	28.9	36.1	37.9	38.4
Development profit (\$m)	0.0	6.5	9.8	13.1	17.0
Margin on total costs (%)	0.0%	11.6%	14.0%	17.4%	21.4%

* Note: variance due to difference in Dev Costs

Comparable Centre Analysis

An additional perspective on the probable configuration of a mixed-use development is provided by development approvals achieved for other comparable mixed-use centres in other Local Government Areas (LGAs) in Sydney.

Our feasibility analysis is consistent with the metrics identified for analogous mixed-use projects. We show below that for mixed-use projects that have achieved development approvals in comparable locations outside the Lane Cove LGA, the average FSR was 2.45:1.

We undertook an in-depth analysis of development approvals that comprised mixed-use buildings, where the site area was more than 1,000m². We identified projects that were integrated with or adjacent to a commercial centre. These selected comparable projects are listed in Figure 5 below.

Figure 5. Examples of comparable mixed-use projects and their FSRs.

Example	Project Title	LGA	Site area				Res. m ²	Total m ²	FSR	Storeys
			m ²	Units	Commercial m ²					
1	Eastwood Centre	Ryde	12,329	210	17,600		16,302	33,902	2.7	10
2	Monash & Victoria Rds Mixed Development	Ryde	4,458	70	2,520		8,620	11,140	2.5	6
3	TJ Andrews Site Mixed Development	Marickville	1,372	36	210		2,533	2,743	2.0	4
4	Castellorizan Club Site	Randwick	2,227	74	1,948		4,753	6,701	3.0	8
5	Kensington Pde Mixed Use Development	Randwick	1,255	40	496		4,583	5,079	4.0	7
6	Tennyson Rd Mixed Development	Canada Bay	1,670	26	432		2,490	2,922	1.7	4
7	Stockland Cammeray - Cammeray Square	North Sydney	6,815	39	4,700		5,125	9,825	1.4	4
8	Stockland Balgowlah	Manly	21,034	240	14,300		31,449	45,749	2.2	8
9	5-9 Wiga Street Burwood	Burwood	1,581	67	126		5,706	5,832	3.1	9
10	2 Porter Street, Ryde	Ryde	2,663	61	647		4,879	5,526	1.9	6
Average									2.45	6.5

Our key observations are as follows:

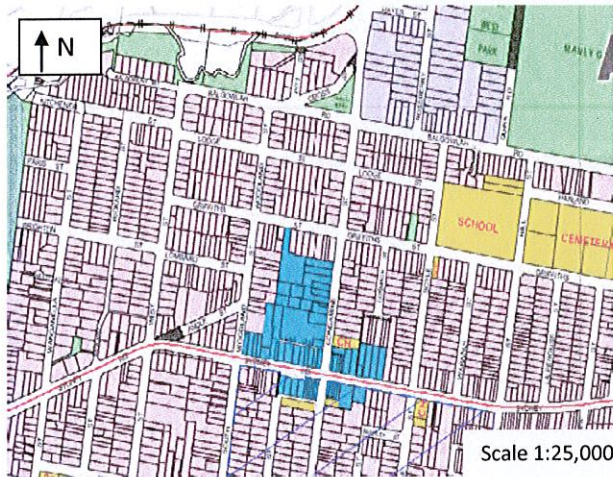
- The average FSR for other approved mixed-use centres is 2.45:1.
- The most comparable centre to the subject site is the "Monash & Victoria Roads Mixed Use Development" in Ryde which has a similar site area of 4,456 m² and achieves an FSR of 2.5:1.
- It is clear from the ten examples used, that the FSRs for mixed-use centres in comparable locations are all above 1.4:1 and achieve FSRs as high as 4.0:1.
- Many of the comparable projects are highly regarded from a commercial operability and urban form perspectives. They are good examples of attractive and effective mixed-use developments.
- The mix of uses in the ten examples gives a wide range of the many permutations of commercial-to-residential splits for successful mixed-use centres. The Northwood proposal is totally in line with these comparables.
- The height proposed for the Northwood centre is 4-6 storeys, which is totally consistent with the heights of comparable centres, presented in Figure 5.
- The average number of storeys per centre of the ten examples shown in Figure 5 is 6.6 storeys.
- The Northwood centre at an FSR of 2.5:1 and a maximum height of 6 storeys, is totally consistent with comparable centres around Sydney.

Most comparable examples to subject site

The three most comparable examples to the subject site are discussed in more detail below:

Example 8: Mixed Use Development

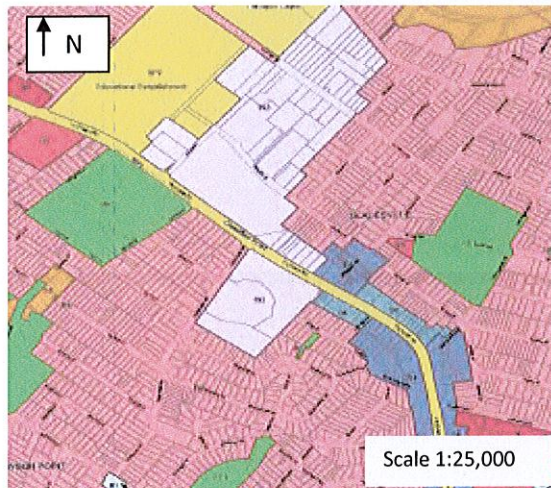
Stockland Balgowlah, Manly LGA



- Location: Condamine Street and Sydney Road, Balgowlah.
- Status: Constructed.
- Zoning: Business, Under the Manly LEP 1988. Proposed B2 Zoning under the Draft Manly LEP 2011.
- Site area: 21,034m².
- Floor area: 45,749 m².
- FSR 2.2:1, with height of 8 floors.
- Retail /commercial area: 14,300 m².
- Residential area: 31,449 m² across 240 units.

Example 2: Mixed Use Development

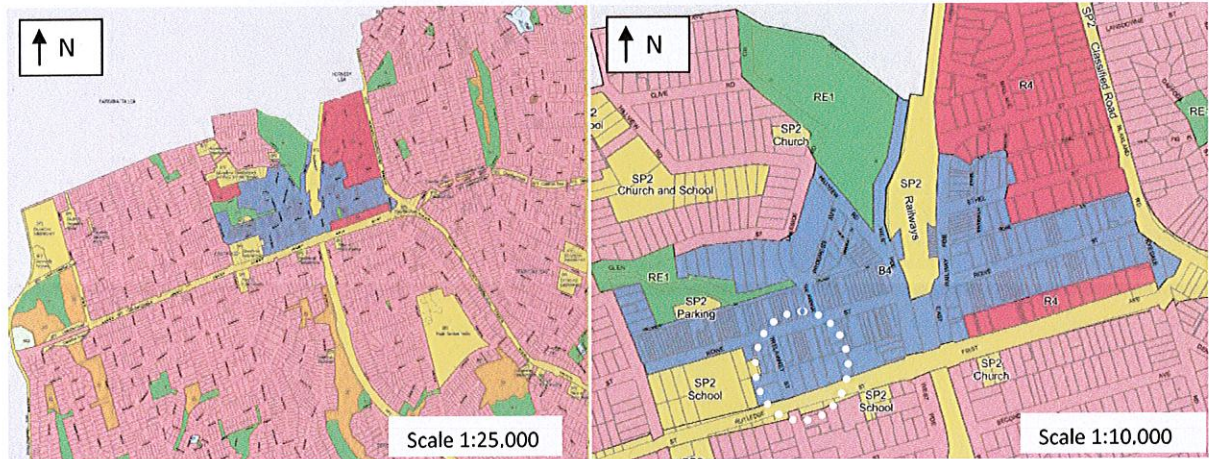
Monash Road and Victoria Road, Ryde LGA (Monarch Apartments)



- Location: 1-9 Monash Road and 407-417 Victoria Road, Galesville.
- Status: Development Approval.
- Zoning: B4 Mixed-Use, under Ryde LEP 2011.
- Site area: 4,456 m².
- Floor area: 11,140 m².
- FSR 2.5:1, with height of 6 floors.
- Retail area: 2,520m².
- Residential area: 8,620 m² across 70 units.

Example 1: Mixed Use Development

Eastwood Centre – Ryde LGA



- Location: Row Street and Rutledge Street, Eastwood.
- Status: Development Approval.
- Zoning: B4 Mixed-Use, under Ryde LEP 2011.
- Site area: 12,329m².
- Floor area: 33,902m².
- FSR 2.7:1, with height of 10 floors.
- Retail/commercial area: 17,600m².
- Residential area: 16,302m² across 210 units.

Notes on most comparable examples:

Using these most comparable examples above, we note that the LGAs were Manly and Ryde. We also note that the zones selected to house such centres were B2 (Manly LGA) and B4 (Ryde LGA). The heights for the three examples were 8, 6 and 10 storeys respectively, averaging 8 storeys. The FSRs were 2.2:1, 2.5:1 and 2.7:1, with an average of 2.46:1.

3 Site Development Potential

Our view is that the future redevelopment potential for Northwood Neighbourhood Centre will be defined by the economics of development, including the method of delivering floorspace whether residential or retail with off-street carparking. This perspective arises from the unusual physical position of the Northwood Precinct. This site specifically with its B1 lands stretches across two significant roads in the region.

In order to effectively meet Council's desired future character for the Centre, off-street car parking is needed to service a material increase in retail floorspace, and to transition the area from an opportunistic thoroughfare to a functional and vibrant destination. In the absence of a substantial increase in off-street parking that can be physically accommodated and financially costed on this site, the existing Centre will continue to be inconsistent with the centre objectives set out by the NSW Department of Planning and Council's desired future character, leaving the current fragmented array of commercial land uses in place.

There are only two options available for the provision of off-street car parking: above or below-ground car parking.

In the case of greater **above-ground parking**, our analysis of comparable sites indicates that such arrangements could only be viably provided in association with a single-storey building redevelopment (e.g. containing a supermarket, liquor store, fast food restaurant or petrol station). Clearly, only a supermarket or fast food premises would constitute a material change in use, given the current service station offering.

However, current planning rules for the B1 zone do not permit individual retail stores of greater than 400m². This effectively eliminates a new supermarket, with new stores typically being greater 1,000m². By implication, there is unlikely to be a material change in retail uses that involve above-ground parking, and which would improve the vibrancy and functionality of the existing Northwood Neighbourhood centre, without significant relaxation of the retail space controls.

It is also highly unlikely that a new commercial (office) building would be developed with above-ground car parking on the subject site. If the FSR is maintained at 1:1, then a commercial building on the subject site would be limited to 5,000m², or a three-storey building of about 1,700m² per floor with a footprint of about 3,000m². Car parking to service a commercial offering of this magnitude would need to be provided at a rate of 1 per 30m², based on new commercial buildings that are viable in Macquarie Park and North Ryde. At this rate of parking provision, the site would need to accommodate about 170 above-ground car parking spaces – but this would take up at least 3,500m² for car parking and circulation alone. Hence, under current planning restrictions, the subject site is not compatible with the physical requirements of a new commercial building with above-ground parking.

Figure 6. View looking east at Northwood Rd. / Kenneth St. Junction



Description of Figure 6 - The disconnected sides of the current B1 zones at the intersection of Kenneth Street and Northwood Road. (Source: Google Images)

In the case of **below-ground parking**, we believe it very unlikely that a non-residential project would be viable without a supermarket. Redevelopment involving below-ground carparking would need to be materially different to any above-ground parking option. The cost of constructing below-ground carparking is very substantial, typically in the order of \$50,000 per space for one or two underground levels.

This cost component draws attention back to the floor area of any new building. For a suitable commercial building (5,000m² over three levels), there would need to be 170 parking spaces – but this number of spaces could require up to five underground floors. This outcome would lead to far higher costs for the sub-surface structures, and render such commercial development not feasible.

Moreover, the Northwood centre is unlikely to attract stand-alone office buildings given its disconnect with other office projects and the services that such developments normally require (transport, retail and ancillary office services). Also any floor plate offering would be small by comparison with other new buildings.

It is thus our view that the physical constraints at the site are such that any significant retail offering (i.e. beyond a service station or fast food type of vehicular-oriented development) could not proceed without a supermarket. To cover the cost of below-ground car parking, there would need to be substantial revenues generated per square metre from retail space – only a supermarket would provide this quantum of sales. There is insufficient foot traffic at the site to support a café/restaurant, or a strip shop (such as a newsagent or bakery).

Based on these evaluations of off-street, above and below-ground parking, it appears that there is only one business application that would be permitted and feasible on the subject site under the current zoning restrictions: i.e. vehicular oriented development such as a petrol station, large-floor-plate bottle shop or a fast food restaurant. It is self-evident as to why petrol stations currently constitute such a large proportion of land uses in this locale.

By implication, there is unlikely to be a material change in commercial/retail use that involves below-ground parking without relaxation of the current, outdated retail and residential floorspace limitation.

Figure 7. View looking North along Kenneth St. toward Northwood Road



Description of Figure 7 – Petrol station uses are the predominant land use option currently at the Northwood Centre. (Source: Google Images)

4 Interrogation of Development Scenarios

The Importance of a Supermarket Anchor

The arguments above conclude that the inclusion of a medium-sized supermarket is an essential component of development required to support above-ground or below-ground parking at this location.

Our analysis indicates that a moderate-sized supermarket would not represent a significant influence on the retail hierarchy in Lane Cove. In fact it would create a retail benefit.

At present, the Northwood Neighbourhood Centre delivers a limited retail offering. The primary goods traded are petrol and alcohol and limited general retail products sold through petrol stations.

Typically, across Australia, the allocation of retail space on a per capita basis stipulates a baseline requirement for around 0.34m^2 of supermarket floorspace per person.

Lane Cove LGA contains two large supermarkets, but no smaller-scale operations:

- Coles Lane Cove ($3,000\text{m}^2$).
- Woolworths Market Square Lane Cove ($3,536\text{m}^2$).

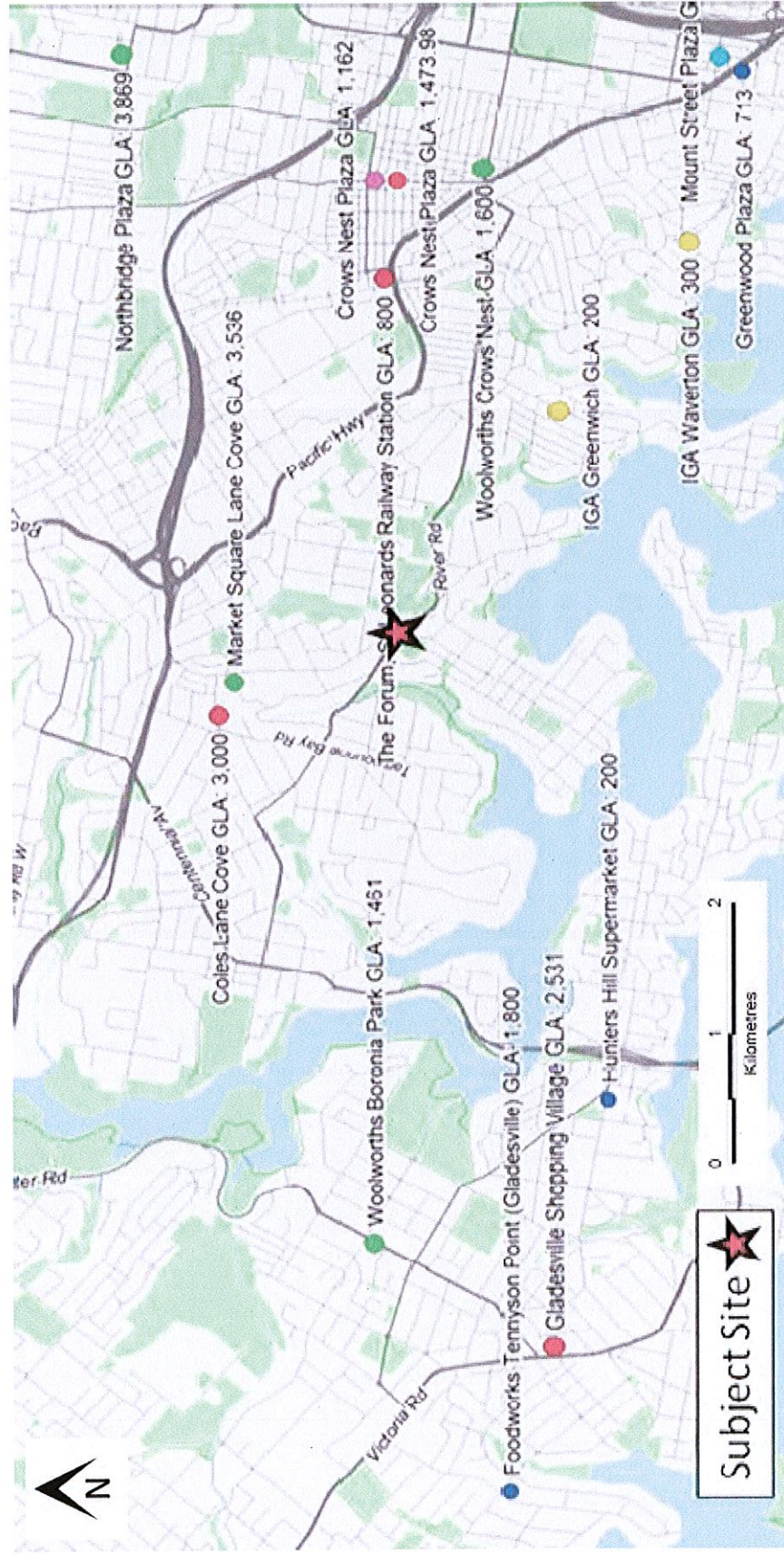
Compared to the Lane Cove LGA population of approximately 34,000 people, the two major supermarkets at Lane Cove deliver 0.19m^2 of floorspace per person.

For comparison, we note that Hunters Hill has four supermarkets (Woolworths Boronia Park, Harris Farm Boronia Park, Gladesville Shopping Village and Hunters Hill supermarket) comprising $4,200\text{m}^2$ of supermarket floorspace for a population of 14,700 – this equates to a provision of 0.29m^2 per person.

This comparison of national trends to local provision suggests that there is a substantial undersupply of supermarket floorspace in the Lane Cove LGA. The addition of a supermarket with $1,000\text{m}^2$ of floorspace at the subject site, would raise the LGA's provision to 0.22m^2 per person and would therefore go some way toward improving the availability of supermarket services to Lane Cove LGA residents.

A separate factor is the extent of demand for supermarket services that are generated by passing traffic. The subject site is located on an arterial road that connects Mosman and North Sydney to Ryde and Macquarie Park. This position means that the subject site can draw demand from residents in surrounding LGAs (beyond the catchment trade), which would be unlikely to flow to the two major supermarkets at Lane Cove, located adjacent to the heavily congested Pacific Highway and Epping Road intersections with Longueville Road.

Figure 8. Nearby Shopping Facilities in proximity to the Northwood Centre (Subject Site)



Source: MacroPlan Dimasi 2012

Development Can Precede a Centre Masterplan

The position of the site (subject to a new Planning Proposal) within the overall Northwood Neighbourhood Centre is an important consideration.

Figure 9. Northwood Neighbourhood Centre Precinct Boundaries



Source: Northwood Neighbourhood Centre, Master Plan Design Principles and Block Study Options Background Report, Jan McCredie Urban Design.

The western B1 precinct, shown by the area labelled 'W' above, is substantially smaller than the subject site. Given its physical separation, the western precinct is unlikely to be developed in association with the subject site (part of the area labelled 'E' above) as a single project – this is certainly not the intent of the proposed project. In this case, progression towards a redeveloped and functional Northwood Neighbourhood Centre, will probably require development of two or more projects.

Given the potential of the Northwood Neighbourhood Centre to develop to a higher purpose that would more appropriately assist its function as a 'centre', it makes sense to consider the subject site and the 'western precinct' together, to help define the centre's future planning parameters. This does not imply however, that a masterplan alone can help to clarify the relative positions or timing and delivery of any future redevelopment projects. Indeed, reliance on a masterplan approach, though useful, may have the effect of delaying development that is now possible.

The logic of this position flows from the fact that **only one medium-sized supermarket would be viable** within Northwood Neighbourhood Centre. We have examined supermarket sizes and proximity across Sydney (drawing on our proprietary Dimasi retail databases). There is only one location where two supermarkets sized below 1,500m² are in such close proximity to each other (i.e. in Jannali, where two old supermarkets operate).

Put simply, there would be insufficient demand pull for the Northwood Neighbourhood Centre to support two medium-sized supermarkets.

The conclusion from this analysis is that only one supermarket would take advantage of a higher retail space allowance in the Northwood Neighbourhood Centre. This higher floor area threshold can be equally applied to the other B1 lands in the WESTERN PRECINCT in some future proposal, but a supermarket is unlikely to utilise this amount of space.

It is possible that a larger liquor store (e.g. Dan Murphy) would seek to utilise this higher floorspace threshold – but that would probably be an extension of the existing single-storey building used for the existing liquor store. Based on this argument, the most likely outcome is that any two projects within the Northwood Neighbourhood Centre region, will be materially different.

Redevelopment providing new retail/commercial floorspace, would generate only one building with below-ground car parking, and that building would need to have a medium-sized supermarket. This would be the central building, with other lots representing one or more 'satellite' buildings. This outcome is grounded by the financial feasibility of development at Northwood (and it generally describes building formats that evolve at most small centres).

Consequently, progress on the proposed project would define the likely progress for the WESTERN PRECINCT, by effectively precluding a viable retail/commercial building with below-ground car parking, as well as a supermarket with above-ground car parking. This outcome is not brought about through planning instruments but follows from the basic viability of retail and commercial development at the site.

With the Planning Proposal in place, it is difficult to conceive of non-residential building applications that would be feasible for the WESTERN PRECINCT – and that is the very point of this proposition. It should also be noted that the WESTERN PRECINCT is not a very efficient site for residential development and given the current fragmented ownership structure, it may be years before it develops. The potential uses for the secondary site would be difficult to articulate in a financially-meaningful way and this may inhibit its future development.

In conclusion, we argue that it is preferable for Council to consider the proposed project as the cornerstone for the Northwood Neighbourhood Centre, and initiate rezoning independently of the residual B1 lands. A similar approach has been taken at Balgowlah and at Cammeray, where Stockland's redevelopment has anchored a neighbourhood shopping centre but is not expected to be reproduced across all other commercially zoned lands.

The rationale for a staged rezoning of the precinct and area, is founded on the likelihood that one site will be used for a dominant/primary project that incorporates a stand-alone supermarket (albeit one of modest size of around 1,000m²). The building format of any redevelopment of the other B1 lands, will be fundamentally shaped by the size and composition of the primary project.

The Northwood catchment is expected to support only one medium-sized supermarket offering in this Centre, so the subject rezoning is unlikely to generate claims for an additional supermarket space in the western precinct. Without an additional standalone supermarket, public parking underground would not be financially viable within the residual B1 lands.

Our view, therefore, is that the proposed development of the subject site should inform any masterplan process providing it meets Lane Cove Council's requirements in terms of access to the Lane Cove Country Club, view lines etc. Given the physical separation of the two precincts within the Centre, there is no danger economically in allowing the proposed development on land that has been appropriately packaged together, ahead of the resolution of the other precincts including the Western Precinct. Furthermore the development of the Eastern Precinct, may act as a catalyst for the development of the WESTERN PRECINCT in a timelier manner.

Key Contributions to Public Amenity & Externality Effects

The analysis above indicates that the provision of parking within the Centre will be significantly enhanced by the Planning Proposal. Most importantly, this conclusion does not apply to the western wedge of comparably-zoned land across from the subject site.

A separate factor is that the subject site is materially larger, so it is better placed to deliver open spaces as part of its redevelopment. This outcome would generate greater public amenity, particularly for residents to the north and south, who can access the subject site without crossing a major road.

In addition, the Planning Proposal would unlock eastern recreational lands, which are largely blocked from public access under current zoning and development arrangements. Consequently, the public domain and amenity from the Northwood Neighbourhood Centre, will be largely defined by what is delivered at the subject site. The redevelopment of the other B1 lands will occur within the constraints of its borders with major roads, which would offer reduced amenity due to traffic noise and pollution.

Consequently, any progress towards redevelopment of the subject site would be likely to have externality effects on the opposite B1 lands (and not vice versa). Most importantly, the expansion of car parking provision on the subject site would have a substantial positive effect on the western B1 precinct.

There is a pedestrian crossing at the intersection of Northwood Road and Kenneth Street. People would be able to use additional parking on the subject site to access the western B1 precinct. This would be supportive of current businesses, such as the liquor store and retail offerings at the service stations, as well as any future development.

Any positive trading effect from additional car parking at the subject site would make the western B1 precinct a more attractive proposition for redevelopment. In fact, this impact could be sufficiently positive that redevelopment of the Western B1 Precinct occurs *without the need for additional car parking*.

This position has implications for the sequencing of any redevelopment projects. The scale and composition of the initial development will substantially impact on the market value of the residual B1 lands. This position makes it more likely that a meaningful masterplan can be developed **only once there is certainty** from the current Planning Proposal.

Most importantly, the scope and format of parking will be critical. The 'first mover' development is likely to incur substantial car parking costs, and generate a positive externality for remaining lands.

The logical conclusion is that only one redevelopment project will add significant **additional parking – and by implication, there will be positive externality effects on the other lands in the Northwood Neighbourhood Centre**. This position means that if there is a plan for a major redevelopment project with a retail component and underground parking, then the masterplan for the Northwood Neighbourhood Centre is primarily defined by that project.

The proposed rezoning would benefit the potential redevelopment of the residual B1 lands, as public parking enables greater foot traffic across Northwood Road.

5 Planning and Retail Implications

Council's current Development Control Plan (DCP) 2009 controls for the Northwood Neighbourhood Centre stipulate a preference for the Centre to be oriented along Kenneth Street rather than Northwood Road and a desire to strengthen the pedestrian connectivity between the Centre and the adjoining Central Park. The DCP also suggests that residential development be allowed above the ground floor to Kenneth Street, potentially up to 3 – 4 storeys.

We have demonstrated through our market assessment that activity at the Centre is both shaped and constrained by the busy nature of the roads that dissect it. For this reason, in the absence of planning policies that substantially increase the yield potential of the land, the only viable development that the Centre is likely to attract will necessarily be motor vehicle oriented – such as the existing petrol stations and bottle shop that comprise a large component of the Centre today.

On the other hand, there is capacity for a medium-sized supermarket to be incorporated into the Centre. This form of development can provide an important leverage for the provision of public parking, improved vehicular and pedestrian access via a controlled intersection and the injection of a higher-density residential component that underpins the commercial viability of redevelopment and helps to provide the critical mass necessary for the Centre to prosper.

The provision of such development is congruous with the aims of Council's DCP in that it more appropriately ties the two precincts of the Northwood Centre together and provides a viable redevelopment platform that will benefit the function of the Centre as a whole. We have shown through our analysis that shared parking and access and the connection of the subject site to adjoining open space lands, provides significant external benefits for the Centre and its visitors. Importantly, unlike the outcomes espoused by the current DCP provisions, these externalities can be achieved without the Centre 'turning its back on' land that fronts Northwood Road. As the larger of the two precincts, we have surmised that the subject site's land is more likely to be redeveloped in a manner that accommodates a medium-sized supermarket.

Our research also confirms that a medium-sized supermarket would improve the retail offering across the Lane Cove LGA from the very low level that is evident today, without impact on existing offerings or the Lane Cove Centre. We find also that only one medium-sized supermarket would be viable within the Northwood Centre. The provision of a supermarket is critical to the Centre's redevelopment potential and future success as an active and welcoming space.

Our view is that the future redevelopment potential for Northwood Neighbourhood Centre, will be defined by the economics of development, including the method of delivering floorspace whether residential or retail, with off-street car parking. This perspective arises from the unusual physical position of the B1 lands, which stretch across two significant roads in the region.

Off-street parking is needed to service a material increase in the level of retail/commercial floorspace, and to transition the area to a functional neighbourhood centre. In the absence of improvements to the viability question in the context of development costs, including off-street parking, then the current array of commercial land uses are likely to be maintained.

We have also demonstrated through our comparison of other mixed-use projects in a similar setting that a much higher floor space ratio has been permitted and achieved. These projects also highlight that denser development on part of a neighbourhood or local centre need not be duplicated across other parts of the centre. There is no specific planning reason or need to ensure an equivalent spread of floorspace across an entire centre. It is quite common for development to differ on two sides of a street without any detriment to the function of the centre as a whole. In the current case, land has been amalgamated and is available for development. The form of development proposed is both appropriate in scale and supports the viability of the redevelopment.

The incorporation of a medium-sized supermarket at the site will improve the level of supermarket convenience for the Lane Cove LGA without impact on Council's established retail hierarchy. Notably, given the low rate of supermarket space per capita across the LGA, the provision of a supermarket at the Northwood Neighbourhood Centre will not compromise the predominance of the Lane Cove town Centre. Instead it will anchor the necessary and overdue redevelopment of Northwood Neighbourhood Centre. This outcome ought to be encouraged.

Our analysis concludes therefore that there are no valid planning, retail or market considerations that should preclude the Planning Proposal from being supported.

MacroPlan Australia National Offices

Sydney

Suite 1.02, Level 1
34 Hunter Street
Sydney NSW 2000

t 02 9221 5211

f 02 9221 1284

Melbourne

Level 4
356 Collins Street
Melbourne VIC 3000

t 03 9600 0500

f 03 9600 1477

Gold Coast

Suite 5
492 Christine Avenue
Robina QLD 4226

t 07 5562 0767

f 07 5562 0745

Perth

Ground Floor
12 St Georges Terrace
Perth WA 6000

t 08 9225 7200

f 08 9225 7299

www.macroplan.com.au

info@macroplan.com.au