



Rezoning of Council Owned Land at 795 Medowie Road Medowie

Economic Considerations

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Summary

Key findings of this report include:

- There is approximately 10,250sqm of existing retail floor space within Medowie, with the majority of this retail floor space being occupied by Coles and Woolworths, which account for over 50% of existing retail floor space.
- The population within the Medowie-Ferodale-Campvale Catchment in 2011 was estimated at 8,923 residents. The population within the Catchment is projected to increase by almost 70% between 2011 and 2031 to 15,167 residents.
- The retail turnover within Medowie in 2009 was estimated to be approximately \$25 million per year, resulting in an average annual retail expenditure of \$2,820 per resident within the retail centre. This annual expenditure was prior to the development of Woolworths on the site.
- The previous report, the Port Stephens Commercial and Industrial Lands Strategy, developed by SGS Economics and Planning's approach in determining retail floor space requirements is regarded as highly inappropriate by RPS and calls into question validity, reliability and relevance of the retail floor space needs assessment scenarios generated in the SGS report.
- Industry best practice requires retail floor space need to be assessed by converting retail expenditure in the defined catchment to floor space using industry standard retail turnover densities (i.e. expenditure per sqm). A market share is then applied to this floor space to determine how much of the expenditure is captured in the local market and how much "leaks" to other centres. Whereas SGS utilised an employment-based forecast model that estimated the amount of retail floor space that is required to accommodate future retail workers in the catchment.
- The projected growth in population in the Medowie Catchment over the next 15-20 years is expected to support increased demand for local retail floor space. However, the recent addition of supermarket floor space indicates that this additional demand is unlikely to be in the form of grocery and supermarket-related floor space, instead, additional floor space demand is likely to relate to non-grocery retail categories. These may include:
 - » Specialty shops;
 - » Retail service (e.g. banks, real estate agents, hairdressers, medical); and
 - » Café' and food services offerings
- Further analysis is recommended through the preparation of a full retail needs assessment for the catchment. This would include updated retail floor space demand and supply estimates for Medowie utilising an industry best practice, expenditure-based approach to retail modelling.
- This update would inform Council as to the projected demand for retail floor space, the composition and type of retail floor space needed and the timings which additional retail floor space would be required.

I.0 Report Purpose and Site Context

This report outlines the economic factors which should be considered when assessing the rezoning of Council owned land at 795 Medowie Road Medowie.

The site, Lot 240 DP1027965, is 5.99 hectare and is currently zoned R2 Low Density Residential and RE1 Public Recreation under the local planning scheme. This zoning allows for attached dwellings, dual occupancy dwellings, multi-unit dwellings and seniors dwellings.

The intention of the rezoning is to bring the site in line with the land to the south, and zone the lot as B2 Local Centre.

This report reviews existing research conducted by Port Stephens Council to provide a high order preliminary assessment of the existing retail environment within Medowie and the implications of the proposed rezoning.

I.1 Site Context

Located within the Port Stephens LGA in the Hunter Region, New South Wales, the suburb of Medowie spans an area of 21.1sqkm¹. Medowie is approximately 35km west of Port Stephens, 8km north of the Williamstown RAAF Base/Newcastle Airport and 35km north of Newcastle by road. Nestled between Grahamstown Lake, Medowie State Forest, Moffats Swamp Nature Reserve and Tilligerry State Conservation Area, Medowie is serviced by major arterial roads, namely the Pacific Highway (A1) and Williamstown to Nelson Bay route B63.

Situated within the Medowie Town Centre – North neighbourhood, the proposed site is adjacent to Yulong Park and is an inland settlement east of Raymond Terrace². Accessible via Ferodale Road and Peppertree Road, the site is located between rural residential and low density detached residential areas.

¹ ABS (2012), 2011 Census of Population and Housing, Australian Bureau of Statistics, Canberra

² SGS (2009), Port Stephens Commercial and Industrial Lands Study, SGS Economics & Planning, Sydney

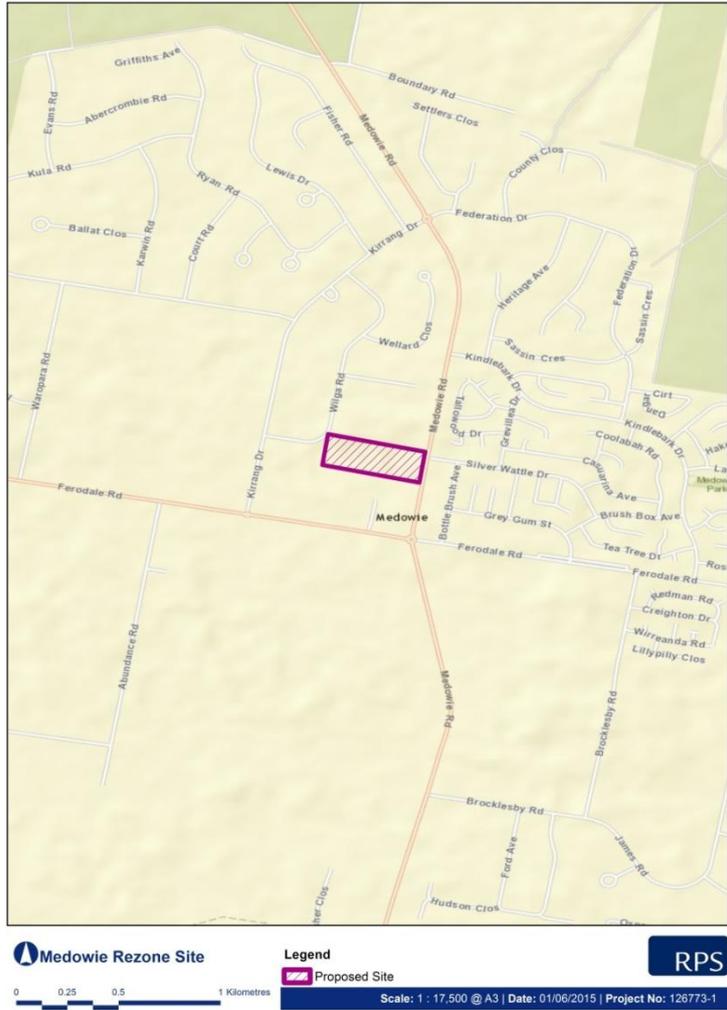


Figure 1 Medowie Site Map

2.0 Medowie Structure Plan

As per the Medowie Strategy³, there is approximately 300ha of developable land in Medowie. Projected yield from limited existing development and the structure plan includes:

- 12.2ha commercial;
- 0.6ha mixed use;
- 6.7ha light industrial;
- 1,489 standard residential lots;
- 791 villas & town houses;
- 33 home enterprise lots;
- 421 rural small holdings;
- 371 environmental living lots;
- 29ha environmental management;
- 22ha community use; and
- 29ha parks.

Currently, zones on the proposed Site have been allocated to villas and townhouses, rural small holdings and parks (public recreation)/overland flow paths. Contingent on commercial use rezoning approval, plans for new centres surrounding the proposed site have been designed to complement the existing town centre in terms of size and mix of uses. These centres are situated relative to future movement networks and relative to low lying flood affected land⁴.

In terms of neighbourhoods, several clusters of residents surround the Medowie Town Centre. These neighbourhoods are centred around existing and proposed traffic generating activities. Brief descriptions of these neighbourhoods are outlined in the following table.

Table 1 Planned and Existing Neighbourhoods, Medowie, 2013⁵

Neighbourhood	Description
Medowie Town Centre – North	Proposed rezoning site. Mostly residential and commercial use zoned. Residential – 173 allotments. Proposed commercial – 8.2ha. Open space – 5.4ha.
Medowie Town Centre – South	South of proposed rezoning site. Mostly residential zoned. Residential – 191 allotments. Proposed commercial – 1.7ha. Open space – 3ha.

³ PSC (2013), Medowie Strategy, Port Stephens Council, Raymond Terrace

⁴ PSC (2013), Medowie Strategy, Port Stephens Council, Raymond Terrace

⁵ PSC (2013), Medowie Strategy, Port Stephens Council, Raymond Terrace

Neighbourhood	Description
Wirreanda Neighbourhood	East of Medowie Town Centre Mostly residential and community use zoned. Residential – 582 allotments. Proposed commercial – 0.5ha. Open space – 5.4ha.
Waropara Neighbourhood	North-west of Medowie Town Centre. Mostly residential and community use zoned. Medowie Public School and Medowie Christian School located on site. Residential – 226 allotments. Open space – 1.1ha.
Brocklesby East & West	1km south of Medowie Town Centre. Mostly residential and environmental management zoned. Proposed residential – 694 allotments. Open space – 4.7ha.
South Street	South of Medowie Town Centre and Brocklesby East & West Neighbourhoods. Mostly residential and rural small holdings zoned. Proposed residential – 130 allotments. Commercial – 0.5ha. Open space – 0.3ha.
Fairlands	South-west of Medowie Town Centre. Mostly rural small holdings and residential zoned. Proposed residential – 625 allotments. Commercial – 0.4ha. Open space – 2.1ha.
Abundance	South-west of Medowie Town Centre. Mostly residential and environmental living zoned. Proposed residential – 484 allotments. Light industrial – 6.6ha. Commercial – 0.9ha. Open space – 4.9ha.

Zonings for the proposed site and surrounding neighbourhoods are illustrated in the following figure.

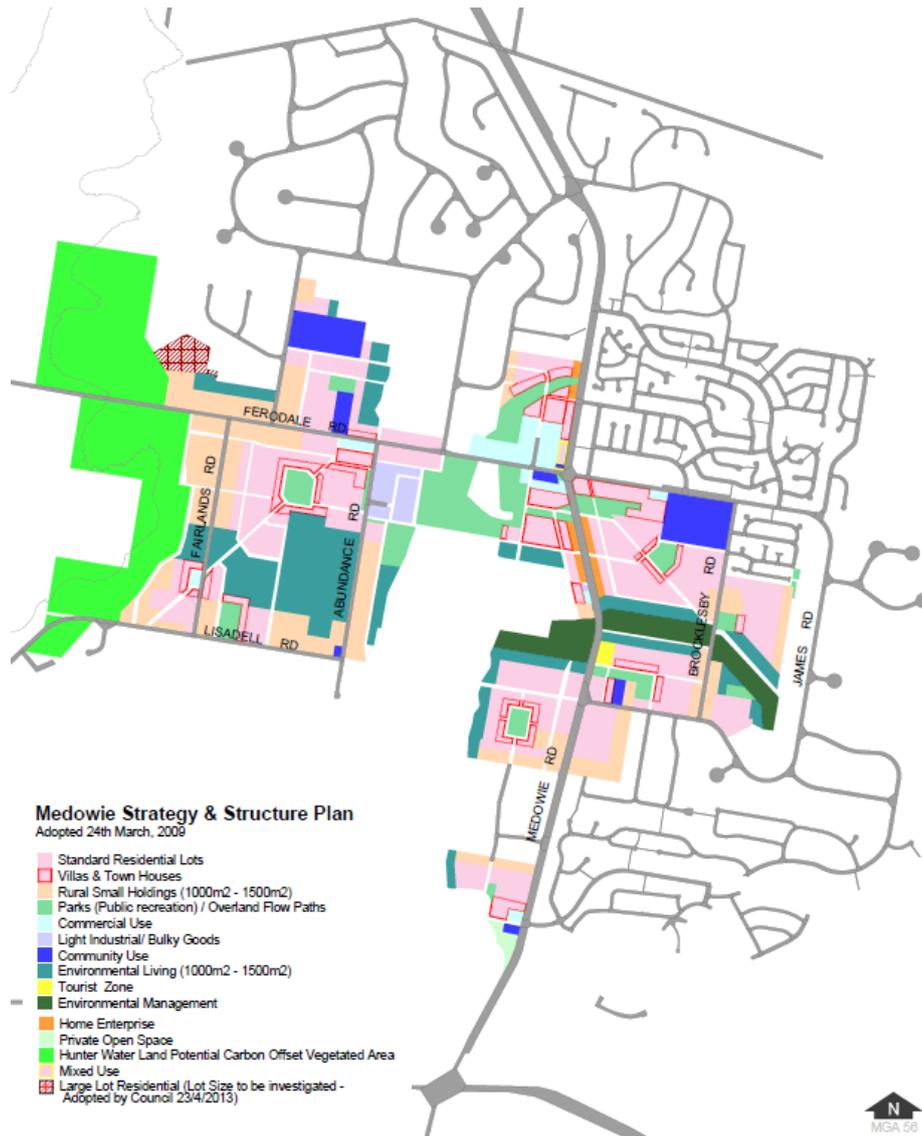


Figure 2 Structure Plan, Medowie⁶

⁶ PSC (2013), Medowie Strategy, Port Stephens Council, Raymond Terrace

3.0 Existing Retail and Commercial Floor space

In 2009, the town centre in Medowie was zoned primarily as general business, with broad land use categories including retail big box, carpark, retail main street and short term accommodation, with the major retailer being Coles (2,500sqm). In terms of accommodation, the site also currently accommodates a large tavern and basic motel at the western end of the centre.

In total, there is approximately 6,500sqm of occupied retail floor space and less than 100sqm of vacant retail floor space. This suggests the Centre has been broadly successful, as a retail floor space vacancy rate of 1.4% is generally regarded as very low.

Supermarkets, undefined retail and personal services comprise the majority of this floor space. There is 3.3ha of “commercial” land available surrounding the town centre, most of which is composed of a large at-grade uncovered car park and around 5,000sqm of land on vacant lots.

Since the Port Stephens Commercial and Industrial Lands Study has been released, Woolworths has developed a store next to the existing Coles site, with approximately 3,750sqm of floor space, resulting in a substantial increase in supermarket floor space within Medowie.



Figure 3 Land Use and Zoning, Medowie, 2009⁷

⁷ SGS (2009), Port Stephens Commercial and Industrial Lands Study, SGS Economics & Planning, Sydney

4.0 Estimating Medowie Population and Retail Growth

4.1 Population Growth Rates

According to the Port Stephens Commercial and Industrial Lands Study; the Medowie-Ferodale-Campvale location contained a population of 8,923⁸ in 2011. It the Study projected that, through greenfield development an infill of rural residential lots, the population would increase to 11,346 residents by 2021 and 15,167 residents by 2031. Based on the population projections contained in the Study, the Medowie-Ferodale-Campvale population is projected to increase by almost 70% between 2011 and 2031.

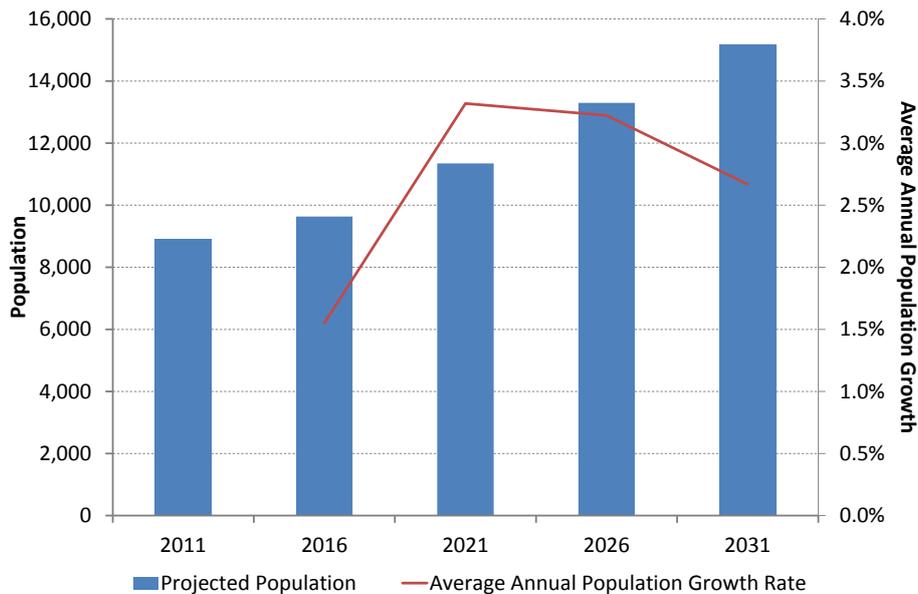


Figure 4 Current and Projected Population, 2011 to 2031⁹

4.2 Inappropriate Approach

In terms of retail spending, average annual spend per person was determined using 2009 population figures from the Port Stephens Commercial and Industrial Lands Study for Medowie-Ferodale-Campvale (8,858 residents) and the 2008 estimated retail turnover estimates (\$24,983,000)¹⁰. Using these two estimates, it was estimated that residents in Medowie had an average annual retail expenditure of \$2,820 within the current retail centres.

However, the Study did not progress this analysis to estimate the demand for floor space from expenditure by the current and future population of the catchment. Instead, SGS utilised an employment-based forecast model that estimated the amount of retail floor space that is required to accommodate future retail workers in the catchment.

⁸ SGS (2009), Port Stephens Commercial and Industrial Lands Study, SGS Economics & Planning, Sydney

⁹ SGS (2009), Port Stephens Commercial and Industrial Lands Study, SGS Economics & Planning, Sydney

¹⁰ SGS (2009), Port Stephens Commercial and Industrial Lands Study, SGS Economics & Planning, Sydney

RPS regards this approach as highly inappropriate and calls into question the validity, reliability and relevance of the retail floor space needs assessment scenarios generated in the SGS report. Industry best practice requires retail floor space need to be assessed by converting retail expenditure in the defined catchment to floor space using industry standard retail turnover densities (i.e. expenditure per sqm). A market share is then applied to this floor space to determine how much of the expenditure is captured in the local market and how much “leaks” to other centres.

The failure of SGS to comply with this approach renders the current needs assessment for retail floor space in the area as irrelevant. In addition, the age of the analysis (i.e. 2009/10) means that the findings lack currency, particularly considering the economic volatility during the subsequent period and changes in consumer spending patterns.

5.0 Conclusions and Recommendations

The projected growth in population in the Medowie Catchment over the next 15-20 years is expected to support increased demand for local retail floor space. However, the recent addition of supermarket floor space indicates that this additional demand is unlikely to be in the form of grocery and supermarket-related floor space. Instead, additional floor space demand is likely to relate to non-grocery retail categories. These may include:

- specialty shops;
- retail service (e.g. banks, real estate agents, hairdressers, medical);
- café' and food services offerings.

It is important to note that the proposed B2 Local Centre zone not only allows for commercial and retail uses, but also or semi-detached dwellings, including; attached dwellings, multi-unit dwellings and seniors housing. As a result, a B2 Local Zone will not necessarily result in a decrease of residential zoned land, but potentially allow additional retail and commercial floor space through increased development densities.

The methodology utilised in the Port Stephens Commercial and Industrial Land Study is regarded as inappropriate for assessing future retail demand for the catchment in the broader Port Stephens area. The use of an employment-based approach by SGS for projecting retail floor space, coupled with the age of the study, means the retail floor space scenarios within the Study cannot be relied upon to determine the size of the current and future retail market in the Catchment.

Instead, further analysis is recommended through the preparation of a full retail needs assessment for the catchment. This would include updated retail floor space demand and supply estimates for Medowie utilising an industry best practice, expenditure-based approach to retail modelling.

This update would inform Council as to the projected demand for retail floor space, the composition and type of retail floor space needed and the timings which additional retail floor space would be required.