PROPERTY CONSULTING

REVIEW OF BEGA VALLEY LEP DRAFT AMENDMENT NO. 4

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SYDNEY MELBOURNE CANBERRA

independent property consulting Hill PDA

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REPORT BY

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1. INTRODUCTION

1.1 Background

Council is seeking an amendment to the Bega Valley LEP known as Draft Amendment No.4. The aim of the amendment is to:

- Limit floor area for any one retail premise to 1,000sqm in Merimbula;
- Enable expansion of Tura Beach commercial area by 4ha with a maximum of an additional 5,000sqm retail floor area, a limit of 1,000sqm floor area for any retail premises except for a supermarket of up to 3,200sqm and provision for a homemakers centre.

The NSW Department of Planning (DoP) is not supportive of the 1,000m2 retail limit on Merimbula and has provided the Minister with an alternative 4,000sqm cap. DoP is comfortable with the Tura Beach proposal with the exception of the bulky goods component.

The Department allowed exhibition of LEPs for Merimbula and Tura Beach as proposed by Council, to gauge public comment, but with strong reservations expressed about the retail floor cap for Merimbula.

Council's proposal to introduce a cap on retail floor space in Merimbula is motivated by its desire to protect Bega as the Major Regional Centre, to preserve Merimbula as a tourist oriented destination without "big box" retail formats and to minimise adverse traffic and parking problems. Council is opposed to an enlarged supermarket or other large floor plate retail occurring in Merimbula.

While Council's intention to reinforce Bega as the Major Regional Centre is consistent with the South Coast Regional Strategy, the 1,000sqm limitation on Merimbula is considered by the Department to be inconsistent with the designation of Merimbula as a Major Town under the same strategy. This designation envisages that a full range of retail facilities will be provided, which is considered inconsistent with Council's restrictive floor space proposal.

The proposal to expand the Tura Beach shopping centre is consistent with the growing residential population of Tura Beach. However, DOP believes that the proposed homemakers centre (bulky goods) is not considered appropriate with adequate supply existing in nearby Pambula (25,000m2 available).

Council has raised the concern that to not have any retail floor space cap at Merimbula creates the potential for a discount department store (DDS) or other large format retail to develop in Merimbula in preference to the Major Regional Centre of Bega.

In response to these concerns, DoP has suggested a higher floor space cap of 4,000sqm in Merimbula. The argument is that it would direct a DDS (of 5,000 to 6,000sqm) to Bega but allow a full line supermarket in Merimbula, consistent with its Major Town designation.

1.2 The Brief

DoP commissioned Hill PDA to assess the implications of the Department's position on Bega Valley LEP Draft Amendment No 4 for Merimbula and its consistency with the commercial hierarchy of the South Coast Regional Strategy. The terms of reference were specifically:

1. Assess draft Bega LEP Amendment No. 4 as proposed by Bega Council and the alternative as proposed by the Department for consistency with the South Coast Regional Strategy and its commercial hierarchy.

2. Consult with Bega Valley Council and the Department of Planning in undertaking the review including undertaking a site inspection and discussions with representatives of Council in Bega.

1.3 Methodology

In undertaking this study the following steps were carried out:

A review of relevant documentation was done including:

- the Hill PDA Illawarra and South Coast Commercial Centres Study;
- the South Coast Regional Strategy;
- Council's Commercial Strategy adopted in December 2006;
- Merimbula Nominees Pty Ltd v Bega Shire Council 2006 LEC Judgement;
- Statement of Evidence of M Deborah Laidlaw in the above case;
- LEP Review Panel Consideration, October 2007;
- Various Correspondence between the NSW Minister for Planning, the NSW Department of Planning, Council and the Merimbula Area Chamber of Commerce and Tourism, Inc (MACCAT);
- Additional information via email sent through by the Department of Planning during the course of the study.

Site inspections were carried out by Hill PDA on 5 February 2008 including sites for proposed expansions in Merimbula, Tura Beach and Bega;

Hill PDA's Principal, Adrian Hack met with Council, MACCAT and Bega Chamber of Commerce on 5 February 2008.

2. ASSESSMENT

2.1 Demand for Retail Space

As a first exercise we estimated the demand for further retail space – specifically supermarket space in the locality.

Table 1 - Population and Dwellings in Bega Valley by Localities

Locality	People	Occupied Dwellings	Occupancy Rate	Unoccupied Dwellings	Total Dwellings	Vacancy %
Tathra*	2,092	881	2.37	210	1,091	19.2%
Tura Beach	2,742	1,137	2.41	256	1,393	18.4%
Merimbula**	3,852	1,765	2.18	621	2,386	26.0%
Pambula***	2,069	831	2.49	190	1,021	18.6%
Surrounding Rural Areas#	3,565	1,347	2.65	157	1,504	10.4%
TOTAL	14,320	5,961	2.40	1,434	7,395	19.4%
Bega	4,536	1,834	2.47	163	1,997	8.2%
Elsewhere in LGA	12,206	4,831	2.53	1,291	6,122	21.1%
TOTAL LGA	31,062	12,626	2.46	2,888	15,514	18.6%
NSW	6,549,177	2,470,451	2.65	258,268	2,728,719	9.5%

* Includes Wallagoot

** Includes Berrambool

*** Includes Pambula Beach and South Pambula

Includes the localities of Millingandi, Wolumla, Wapengo, Kalaru and Broadwater

Source: ABS Census 2006.

From the above table it's likely that around 13,000 to 14,000 people live within Merimbula's trade area. Tourism is difficult to define but based on the Illawarra and South Coast Centres Study done by Hill PDA and based on discussions with stakeholders retailers generally double their turnover during the summer school holiday period when the population in the area swells to 30,000 people or more. As shown in the above table the locality has a high proportion of unoccupied dwellings and the majority of this stock is filled during the peak holiday period. Further to this are tourists staying in caravans, hotels/motels, with family and friends and the like. A figure of 17,000 people average population was quoted. Its likely with the surrounding rural areas a figure more like 18,000 to 19,000 people would represent Merimbula's trade area.

Allowing for say 5% growth over the next 2-3 years suggests 20,000 people is the target. At a national average rate of around 0.32sqm per capita this suggests that around 6,500sqm of supermarket space should be provided in the locality from Tathra to Pambula. However existing supply is no more than 4,000sqm.

There was general agreement that the existing Woolworths store is over trading relative to its size and is trading probably close to double the average for non-metropolitan supermarkets. So there is a need for additional supermarket space, the question then is where it should be accommodated and in what form.

Note that a high proportion of tourists stay in self contained accommodation and these tourists in particular will demand retail space that's related to "chore" shopping – supermarkets and specialty food and grocery stores.

2.2 Arguments for Amendment No. 4

There have been two or three main arguments for the 1,000sqm restriction. Firstly it protects Bega as the main regional centre from threats of large format retailers. Large retailers such as full-line supermarkets and discount department stores should be located in Bega.

The second main reason for the amendment is to do with traffic and related issues. Merimbula's infrastructure is at near capacity and further expansion will result in additional traffic and parking issues that can't be easily resolved.

Related somewhat to the first argument is that Merimbula should not be defined as a Major Town Centre in the retail hierarchy under the South Coast Regional Strategy. Some advocates of Amendment No. 4 have suggested that a better definition for Merimbula may be "Town Centre" or "Tourist Centre". As a tourist centre the retail mix should be "boutique" and large format retail stores is considered inconsistent with this vision.

2.3 Problems with Amendment No. 4

The main arguments against the amendment are that it prohibits the existing Woolworths supermarket – that is the existing Woolworths would continue to operate but with a non-conforming existing use status. It would also prohibit any significant expansion of the existing Bi-Lo supermarket or introduction of a third supermarket to the Merimbula town centre (other than a small supermarket).

As stated above there is a need to expand supermarket floor space in the locality. In response to this Amendment No. 4 allows 5,000sqm of additional retail space including a large full-line supermarket of up to 3,200sqm in Tura Beach.

A main issue with the proposal in Tura Beach is that it will generate adverse economic impacts on Merimbula town centre in terms of redirected expenditure. In terms of immediate or "point in time" impacts Merimbula is likely to lose around 15% if not 20% of trade. This is a significant level. However, the overtrading of existing food and grocery stores in Merimbula – particularly the Woolworths supermarket – means that it is highly unlikely to result in closures.

A further argument against Amendment No. 4 is that another large supermarket in Merimbula will have only minor or insignificant adverse impact on Bega. We concur with this argument. Generally supermarket shopping is local and there is reluctance by shoppers to travel long distances to undertake the majority of their food and grocery or "chore" shopping. On the other hand people will travel further to undertake "leisure" shopping or "comparative goods" shopping, which includes items such as fashion, furniture, electrical appliances and the like. In these cases shoppers will spend more time to compare items and retailers. Most of this type of shopping is done in the larger regional centres.

So residents in the Merimbula, Pambula, Tura Beach area will generally shop locally in Merimbula for food and groceries and will travel to Bega (particularly after Bega expands), Batemans Bay and Canberra for comparative goods shopping. Whilst in Bega they may do some dual shopping – in other words both "leisure" and "chore" shopping – but of total "chore" or "food and grocery" expenditure it represents only a minor proportion.

The argument that a large full-line supermarket is not consistent with the role of Meriumbula as a tourist centre is not entirely supported. As stated above a high proportion of tourists stay in self contained accommodation and these tourists in particular will demand retail space that's related to "chore" shopping – supermarkets and specialty food and grocery stores. We are also aware that both Woolworths in Merimbula and Woolworths in Narooma achieve turnovers during the summer holiday season that are almost double the winter months. Since full-line supermarkets are strong anchors that attract a large proportion of holidayers as well as permanent residents then expansion of supermarket space in Merimbula should not be discouraged.

A final criticism of Amendment No. 4 is its negativity in respect of solving traffic and parking issues. Whilst it may alleviate problems of parking and traffic it doesn't guarantee to alleviate them. Furthermore it prohibits any solution for Merimbula to have a large full-line supermarket which may satisfactorily address parking and traffic issues – even potentially alleviate some problems through developer agreements or other mechanisms.

The alternative to Amendment No. 4 is to allow large supermarket proposals and assess each application on its merits. This also opens the way for developer negotiated outcomes to "fix" traffic and parking issues. Also to maximise control over development and minimise the number of appeals, traffic and parking requirements should be formalised in a DCP if they have not already been done.

2.4 DoP Amendment

As a compromise solution DoP has suggested a 4,000sqm limit on any retail store in Merimbula. The purpose of this was to allow a full-line supermarket whilst a discount department store (generally 5,000 to 6,000sqm) could only locate in Bega.

Unfortunately, on its own, this numerical standard will not guarantee that outcome. There are 4,000sqm discount department stores in non-metropolitan areas. The former Kmart store in Parkes was just under 4,000sqm and the new Big W store is less than 4,500sqm. Both of these stores were built recently (within the past 10 years). Kmart, Target and Big W are all capable of operating in a 4,000sqm shell.

The other possible and undesirable outcome is a development application that divides the discount department store into two or three separate stores – for example a Big W store could be divided into three stores – a Big W, Nursery and Electricals store. In other words the applicant may argue that they are three separate stores. Combined the floor area may exceed the 4,000sqm limit but as separate stores they are each below the limit. This would be a challengeable position that the applicant may take and possibly could win based on the design (if there were separate entrances and checkouts for example notwithstanding the possibility of internal connections).

This outcome would not be desirable in terms of meeting the objectives of promoting Bega as the regional centre. Such a retail format – "stores within a store" – should be promoted in Bega. Notwithstanding the technicality that each store may be less than 4,000sqm they are large stores selling a considerable level of fashion, personal and household goods, sporting goods, home entertainment, electrical appliances, and the like that should be promoted in Bega not in Merimbula.

3. CONCLUSIONS AND RECOMMENDATIONS

On the one hand we have a Council proposal to limit retail tenancies in Merimbula to 1,000sqm and allow a large full-line supermarket in Tura Beach. The three main criticisms with this control are that:

- it prevents supermarket expansion in Merimbula, which is needed and would have little adverse impact on Bega;
- it prevents any possible solution that may include a large supermarket and address parking and traffic problems; and
- it will result in some redirection of trade from Merimbula to Tura Beach.

On the other hand we have the DoP proposal that would allow any tenancies up to 4,000sqm. But even this proposal, without other controls, can undermine the retail hierarchy – namely it can result in outcomes that undermine the role of the regional centre, Bega.

The preferred outcome is as follows:

- In the short term a new large supermarket (3,000sqm to 4,000sqm) is provided in either Tura Beach or to replace the Woolworths in Merimbula;
- In the mid term (say 5-10 years away) another new supermarket – whichever option was not implemented immediately above in the short term. (Notwithstanding this as a desirable outcome we recognise that it may be difficult to prevent both options being implemented in the short-term which would result in some oversupply over the next several years0;
- In the short term a new discount department store based shopping centre be developed in Bega; and
- Bulky goods outlets be developed as close to Bega town centre as possible.

In order to achieve the above outcome the following controls are recommended:

The LEP be amended to allow for 5,000sqm expansion in Tura Beach and to include a supermarket up to 3,200sqm and any other tenancies to be no larger than 500sqm. If these details cannot be enshrined in the standard template LEP then it is recommended that they be incorporated in a DCP or the Shire DCP.

The LEP be amended to allow for individual stores in Merimbula to be up to 4,000sqm for supermarkets and 1,500sqm for other store types. 1,500sqm is large enough to permit a Target Country or a discount variety store such as Go-Lo or Reject but would exclude discount department stores such as Big W and Kmart. Again if these numerical standards cannot be enshrined in the LEP then it is recommended that they be incorporated in the DCP.

Stated objectives should be made explicit in either the LEP or the DCP. The objectives should state the respective roles of the commercial centres. Being defined as the major regional centre Bega should allow all retail store types including large department stores. In order to protect Bega as the regional centre limitations should be imposed on the other centres including "out-of-centre" or "bulky goods / homemaker" centres.

Being defined as a major town centre Merimbula should be allowed to accommodate the full range of "regular" or "chore" shopping needs including food and groceries as well as restaurants and personal services. Some non-food and grocery shopping should be permitted where its scale is not large including discount variety stores, hardware stores, etc below 1,500sqm. Merimbula should also be recognised for its tourist role and be allowed to accommodate retailers that contribute to this role including small scale clothing stores.

Tura Beach should be defined as a town or village with a cap on its retail centre to 5,000sqm in addition to its existing floor space. Given its definition as a lower order centre it should be allowed to provide for regular or chore shopping needs but not be allowed to provide shops for "non-regular" or "comparative goods" shopping.

One of the advantages with a DCP is that it can include more detail in identifying store types (eg newsagents, chemists, etc) and even store names (Big W, Kmart, Target, etc). This allows the objectives to be better communicated and gives more control over development. However since retailers and store names can change and new retail formats are introduced then a DCP may require regular review.

3.1 Other Issues – Bulky Goods

The current definition of bulky goods is considered ill conceived and should be changed to conform more to the Standard LEP template – that is bulky goods retailers should not sell food, clothing and other small merchandise that are normally sold in town centres. Rather than specifying maximum floor areas the LEP should specify minimum floor areas – say 400 or 500sqm – so as to prevent regular specialty retailers locating there. The first preference for bulky goods should be in Bega, preferably as close as possible to the town centre.

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