



Peer Review – Economic Impacts of The Grove Planning Proposal

Liverpool City Council

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1. Introduction

SGS Economics and Planning (SGS) has been engaged by Liverpool City Council (Council) to peer review the economic impacts of a planning proposal (PP) at 'The Grove' and to provide independent advice on likely economic impacts.

The scope of works for this appointment is to:

1. Review Planning Proposal & associated Economic Impact Assessment Reports including:
 - the Deep End Report submitted with the Planning Proposal;
 - Response to pre-gateway submissions letter from Ethos Urban and relevant attachments (A-D);
 - Updated Planning Proposal from Ethos Urban and relevant attachments; and
 - Economic Impact reports submitted / undertaken as part of Amendment 22 and Amendment 61.
2. Consider the comments from Council's City Economy team including impacts on small independent businesses, the timing of including 'business premises' as a permitted use due to the proximity of the subject site to the Liverpool CBD and Council's strategic vision for the CBD, and the role of Council's Civic Place activating an 18-hour economy along Macquarie Street.
3. Review and address the Scentre Group Pre-gateway Submission on the PP.

1.1 Report structure

This report contains the following sections:

- Chapter 2: Planning proposal context which outlines the proposed changes in the PP and the history of planning proposals on the subject site.
- Chapter 3: Retail impacts and permissible uses, which reviews and comments issues relating to retail impact and permissible uses in the Deep End Services report, submission of Scentre Group, response to pre-gateway submissions by Ethos Urban and the submission of Council's Economic Development Department.
- Chapter 4: Role and function of The Grove, which comments on potential changes to the role and function of The Grove as a centre and how this relates to the Liverpool Retail Centres and Corridors Strategy, and could create competition with the Liverpool CBD
- Chapter 5: Conclusion, which summarises SGS's response to the PP and options for Council's consideration in responding to it.

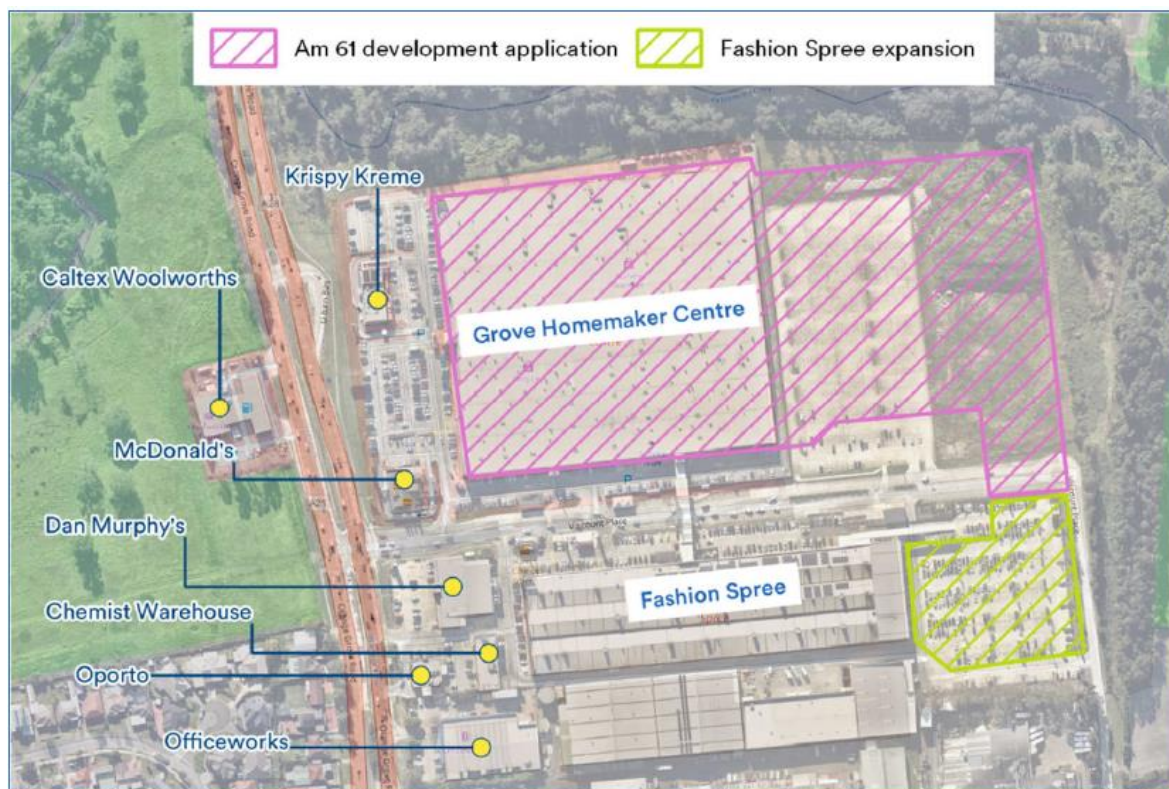
2. Planning proposal context

2.1 Existing use of the subject site

The subject site is located north of the Liverpool City Centre and currently contains a homemaker centre (The Grove Homemaker Centre), a fashion outlet centre called Fashion Spree and several stand-alone retail premises along Orange Grove Road. These premises are labelled in Deep End Services submission, the map from which is depicted in the figure below.

While both the Fashion Spree and Homemaker Centre are part of the retail precinct at The Grove, for convenience this review will refer to the Fashion Spree site (south of the central dividing road) and Homemaker site (north of the dividing road) separately.

FIGURE 1: THE SUBJECT SITE



Source: Deep End Services *Liverpool City Council LEP Review Phase 1: economic analysis for Gazcorp submission*, July 2020

According to Deep End Services' submission, the current GFA at The Grove is split up as follows:

- 34,570 sqm in the Homemaker Centre
- 14,040 sqm at Fashion Spree, with an additional expansion of 4,260sqm approved
- 5,375 sqm at Krispy Kreme, McDonalds, Dan Murphy's, Chemist Warehouse and Officeworks

The Liverpool Local Environmental Plan (LEP) 2008 currently allows up to 19,000sqm GFA of retail premises to be built on the Fashion Spree site, and up to 21,000sqm GFA of shops on the Homemaker site in addition to other permitted uses (including the Homemaker Centre).

2.2 Strategic context

Council recently adopted a Retail Centres and Corridors Strategy (RCCS) which sets visions and principles for planning for The Grove and other centres and employment corridors in the Liverpool LGA. This strategy was informed by the Liverpool Centres and Corridors Study, which Council appointed SGS to write, and which made recommendations regarding the role and planning for The Grove and other retail centres.

SGS was also appointed by Council in August 2020 to peer review several submissions on the public exhibition of the RCCS and to comment on their alignment with the RCCS and SGS's Study, including a submission by Gazcorp requesting changes to the Liverpool LEP similar to those in this PP.

The RCCS designates The Grove as a stand-alone centre. The strategic role for stand-alone centres is to provide for the convenience and specialised retail needs of the local community, but do not act as mixed-use centres of the local community. The Strategy further specified that these centres should:

- Feature a supermarket or significant specialised retail,
- Have no or limited co-location with social infrastructure (as opposed to local and town centres which are expected to have co-location with social infrastructure),
- Have good access from the arterial road network, and
- Only be expanded if there is limited capacity elsewhere, if they can act as a local or town centre in the future, and if there will not be a substantial impact on the viability of a local or town centre

Along with The Grove, several other supermarket-based centres received this designation, including Chipping Norton, Flowerdale Road/Hoxton Park Road and Woolworths-based centres in Casula and Prestons. The stand-alone centre designation is distinct from out of centre bulky goods clusters, including Crossroads and Sappho Road, which are only expected to contain specialised retail premises.

2.3 Changes proposed in the planning proposal

The PP proposes the following changes to the Liverpool Local Environmental Plan:

- Updates to the clause applying to The Grove to reflect changes in the legal description of the land,
- Amending Clause 21 of Schedule 1, applying to Fashion Spree, to allow business premises as well as shops within the floorspace cap (currently 19,000 sqm with no retail premise having more than 1,200sqm of floorspace)
- Amending Clause 21 of Schedule 1, applying to Fashion Spree, to increase the floorspace cap from 19,000sqm to 21,000sqm, an addition of 2,000sqm
- Amending Clause 21 of Schedule 1, applying to Fashion Spree, to remove specialised retail premises and food and drink premises, as well as other kinds of retail premises apart from shops, from the floorspace cap

- Amending Clause 24 of Schedule 1, applying to The Grove, to allow business premises as well as shops within the floorspace cap (currently up to 21,000sqm of shops only)

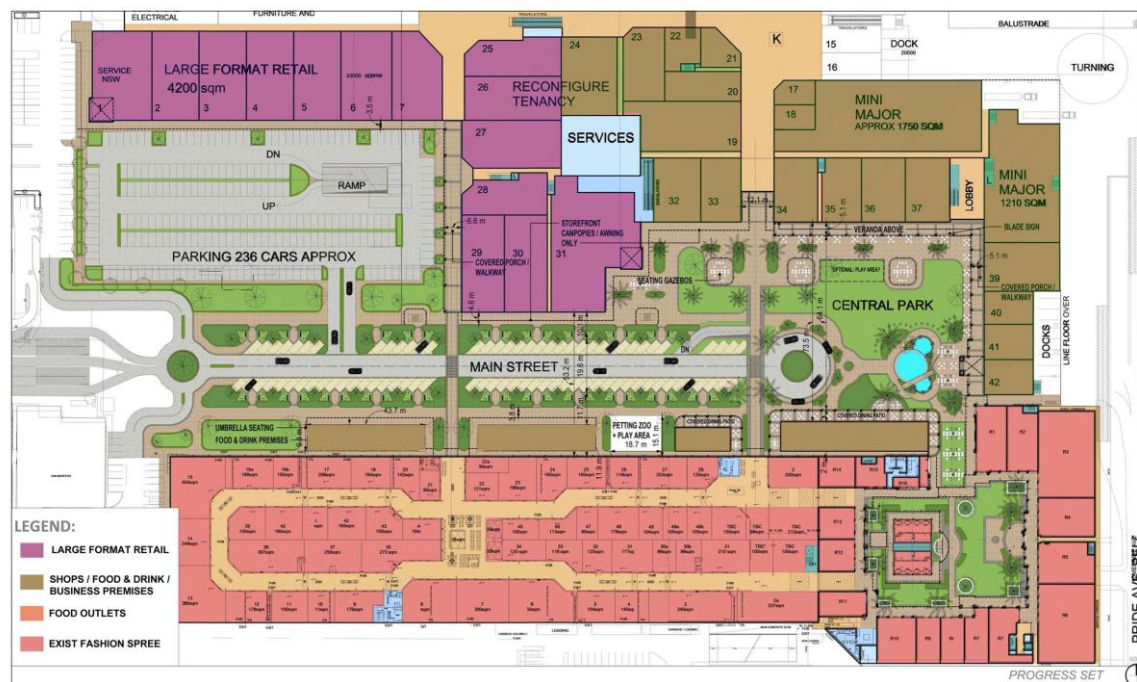
Design vision

The PP provides documentation of the design vision underpinning the proposed changes to the LEP in the form of an indicative concept plan and render. These are reproduced in Figure 2 and Figure 3 below.

The design vision appears to be intended to bring together the different retail components existing and proposed on the subject site, joining them into a single cohesive shopping centre organised around a central park.

The proposed development also appears to contain a substantial hospitality presence, with multiple restaurants ringing the Central Park area and creating a large dining precinct. Hospitality is currently heavily concentrated in the Liverpool City Centre and there are few other precincts of this type in the area.

FIGURE 2: INDICATIVE CONCEPT PLAN FOR PROPOSED DEVELOPMENT



Source: Marios Savopolis Architects, shown in Ethos Urban Planning Proposal, November 2020

FIGURE 3: ILLUSTRATIVE PERSPECTIVE OF THE PROPOSED DEVELOPMENT



Source: Marios Savopulis Architects, shown in Ethos Urban Planning Proposal, November 2020

2.4 History of LEP amendments on the subject site

The history of planning proposals and development on the site is referred to and summarised in multiple of the documents reviewed. SGS have also reviewed this history, along with the Council reports and resolutions which were attached to Ethos Urban's response to submissions. This history is informative as to the policy intent of development on the subject site, and how that relates to the current PP.

Amendment 22

Liverpool LEP 2008 Amendment 22 allowed Fashion Spree to be developed by adding retail premises as an additional permitted use on the site. This amendment introduced a cap on retail premises of 19,000sqm, with no one premise to have floorspace greater than 1,200sqm.

The rationale for this amendment as stated in the Council reports was that:

- There were no other suitable places for outlet centre development due to the large land take required
- An outlet centre likely to have a large trade catchment due to the specialised nature of the retail, limiting likely competition with nearby centres and impacts on them
- The size of any one tenancy would be limited to 1,200sqm, meaning that supermarkets and DDSs (discount department stores like Target, Kmart or Bid W) which should locate in centres couldn't locate in the outlet centre

- Modelling showed that the impact on the Liverpool City Centre would be at most 9%, which was not deemed highly significant, and this impact would be counteracted within four years by population growth.

This amendment specifically sought to allow development of an outlet centre, and attempted to prevent it being developed into a more general retail centre. Inclusion of business premises within the Fashion Spree would be contrary to the intentions of this amendment, although whether it is in keeping with the evolving and intended economic role of the site is discussed in more detail in the following chapters.

While Amendment 22 permitted retail premises on the site, it appears that its intention was specifically to facilitate the development of shops, used for outlet purposes, with very limited ancillary functions such as takeaway food and drink.

Amendment 61

Liverpool LEP 2008 Amendment 61 allowed the development of a traditional retail centre on the site of The Grove, with a floorspace cap of 21,000sqm of shops. This is in addition to existing specialised retailing on the site, and additional floorspace under the permitted uses of the B5 zone would also be allowed.

The rationale of this amendment as stated in the Council reports was that:

- Multiple economic impact assessments and peer reviews found that the proposal would not adversely impact the viability of existing centres including Liverpool CBD and Westfield
- The proposed development, including an additional DDS, could not be accommodated elsewhere nearby and would increase accessibility for convenience retailing without people needing to go to Liverpool CBD, for example to supermarkets and day to day specialised retail
- Retail diversification would service unmet demand for DDSs, supermarkets and other retail and would support the continued operation of specialised retailing at The Grove by diversifying activity on the site.

The proponent originally proposed rezoning the site to B2. As Council was concerned that development did not meet the B2 zone objectives and that undesirable uses such as residential would be permitted, the PP instead added an additional permitted use under the B5 zone. In the PP, Ethos Urban state that Council's concern with residential uses primarily rather than the retail makeup should be considered when considering the current proposal. However, it is evident from the council report adopting Amendment 61 that the size and competitiveness of the proposed retail floorspace was a key concern, with multiple economic impact assessments occurring, that other uses in the B2 zone were not specifically highlighted but may also have been a concern, and that the strategic alignment of a B2 zoning with the subject site was a concern (SGS emphasis added in bold below):

“The proposal demonstrates the need to provide additional clause to the LLEP 2008 Schedule 1 – Additional Use as opposed to rezoning because **the site does not meet the objectives of the B2 – Local Centre zone**. Moreover, rezoning to B2 – Local Centre would open up the possibility of establishing uses that would not be desirable in the locality.

The B2 – Local Centre objective is to provide a range of retail, business, entertainment and community uses that serve the needs of people in the local area. The subject site is a regional

facility servicing a very broad catchment as opposed to a local catchment. The subject site is located on Orange Grove Road, a major regional thoroughfare, and is designed for and primarily accessible by motor vehicles.

The B2 – Local Centre would allow **a number of additional uses** permitted for development (e.g. residential flat buildings or shop top housing) which are prohibited in the B5 – Business Development zoning. This could lead to unplanned and unintended consequences on the site which may lead to poor land use outcomes.”

Council should not be constrained from considering these issues when assessing the current PP.

It is noted that the Amendment 61 PP stated that the Homemaker Centre functions would be relocated to the rear of the Homemaker site, with traditional retail functions in front of them. Integration of traditional retail functions with outlet retailing in Fashion Spree was not discussed. While the proponent should not be bound by the initial indicative precinct design expressed in the earlier PP, it is relevant to consider the extent to which an amended design with LEP implications (as proposed in this PP) may contribute to a different retail role and function than previous supported. This issue is discussed in Chapter 4 and Chapter 5.

3. Retail impacts and permissible uses

This section summarises the following documents:

- The justifications for change from the PP document by Ethos Urban
- Deep End Services economic analysis, which was prepared in support of Gazcorp's submission on the Liverpool LEP review, and which SGS has previously commented on
- Scentre Group's submission on the PP
- The City Economy Department of Council's internal submission on the PP not supporting it and requesting an independent economic assessment
- Ethos Urban's response to submissions

These documents comment on common issues regarding the strategic justification of the PP, its impacts and its consistency with the LEP and strategic context. The contents of the submissions are summarised thematically below, with an SGS response provided following the summary of each document on each topic. Issues related to the role and function of The Grove, including in these documents, are discussed in the following chapter.

SGS has not included in the following discussion any comments on changing the legal description of the land in the LEP, or on traffic impacts. The first change appears to be purely administrative in nature, while the second is outside of the scope of SGS's review.

It is also noted that a comprehensive review of the strategic merits of the PP are outside of the scope of SGS's work. Rather, SGS is specifically commenting on economic impacts and analysis of their likely size, and alignment of the PP with the RCCS, which adopted many of the recommendations of SGS's Liverpool Centres and Corridors Study.

3.1 Additional retail floorspace and cumulative economic impacts

Planning proposal rationale

Ethos Urban argue that the proposed 2,000sqm to the Fashion Spree site would allow the provision of a better experience for shoppers and a better urban design outcome by sleeving the Fashion Spree building with tenancies and integrating the two retail centres.

Deep End Services analysis

Deep End Services argue that the proposed addition of 2,000sqm of retail floorspace on top of what is currently permitted would have a limited impact on the turnover of the Liverpool CBD or other centres. Deep End Services' rationale for this position is that:

- Economic impacts of the Fashion Spree outlet centre have been tested several times and impacts on Westfield Liverpool have never been deemed significant

- Recent analysis by Leyshon Consulting to accompany a 2016 development application to expand the Fashion Spree from 10,100sqm to 16,025 sqm found that the impact on Westfield Liverpool would be very low at around 1.4% of sales, based on the new portion of the centre trading at the same level as the already built portion and trade area analysis
- Applying similar parameters as Leyshon's recent analysis shows that economic impacts of adding 2,000sqm will be minimal at around -0.5% of sales at Westfield Liverpool
- Westfield Liverpool generally performs well in sales, with moving annual turnover per sqm consistently around 15% above the average for all Big Gun centres (of which Westfield Liverpool is one)

Scentre Group submission

Scentre Group argues that over time the amount of retail allowed at The Grove has increased incrementally, with each increase justified as not having significant impacts on other centres. However, Scentre Group argues that the cumulative economic impacts of the multiple additions of retail floorspace has not been considered and should be tested to better understand the overall economic impact. These multiple retail additions or expansions include the original fit-out and opening of Fashion Spree, the development approval for an expansion of Fashion Spree, the traditional retail floorspace proposed on the Homemaker site and an additional 2,000sqm on the Fashion Spree site.

City Economy Submission

The City Economy submission includes the following statement:

The economic impact assessment from the applicant's consultant and our own consultant, have only considered Westfield as the CBD. There are many smaller traders outside Westfield and the Liverpool Plaza which should also be considered within the CBD boundaries specifically, economic impact assessments should refer to the CBD boundaries set out in the DCP.

Ethos Urban Response

In response to Scentre Group, Ethos Urban state that:

- Economic impacts of the Orange Grove Centre, and Amendment 22 and 61, have been tested multiple times and found not to be significant
- The addition of 2,000sqm will have a negligible further impact

SGS Response

Impacts of addition of 2,000sqm

SGS's response to Gazcorp's submission requesting an additional 2,000sqm is provided below:

SGS have not performed retail impact modelling on the addition of 2,000sqm of retail floorspace on the Fashion Spree site. However, this is not a large enough amount of floorspace to make a significant change to the overall structure of the centre and the impact on other centres of this particular addition is likely to be minimal providing that the outlet clothing retail focus is retained.

Consistent with previous advice, SGS maintains that the impact of 2,000sqm of additional retail floorspace is in itself very unlikely to have a large impact on turnover of another large centre, given the small size of this additional floorspace amount when compared against what is currently anticipated. However, if this addition contributes to changing the overall function of the site impacts could be greater, and consistency with the policy framework should also be considered. These issues are discussed in Chapter 4.

Cumulative economic impact

SGS agrees with Scentre Group that an assessment of the trading impact of all of the existing *and* proposed floorspace at The Grove would find higher impacts than any single assessment conducted for Amendment 22, Amendment 61 or the current proposal. In sum, these impacts could be greater than the 10% threshold sometimes cited as significant. An assessment of the cumulative percentage trading impacts on the Liverpool CBD comparing the base case of only specialised retailing functions at The Grove with the development of both Fashion Spree and the proposed traditional retail function has not been conducted.

However, SGS agrees with Ethos Urban's response that economic impact assessments for the increases in floorspace cited by Scentre Group have included information on the overall turnover on Westfield Liverpool, and have found that Amendment 61 along with Fashion spree would be unlikely to reduce Westfield Liverpool's turnover below an acceptable level. In this sense, the absolute quantum of retail floorspace proposed does not appear to be unacceptable. However, it is also important to establish that any proposed development is consistent with intended centre roles and functions in strategic planning documents, and with the centre hierarchy. The question of the centre hierarchy also reflects the need to ensure that anchor tenants and retail categories in the CBD and other centres are not significantly affected, which could impact on the function of the other centres as a whole (for example a strong hospitality offering could be viewed as crucial to the future of the Liverpool CBD). This issue is considered in more detail in Chapter 4.

The existing retail floorspace in the bulky goods part of the subject site, existing floorspace at Fashion Spree and the proposed addition of 21,000sqm of traditional retail were included in SGS's retail modelling as part of the Liverpool Retail Centres and Corridors Study. Despite this existing and additional retail floorspace, SGS still found that there is likely to be an increase in retail floorspace demand at Liverpool City Centre in the future, driven by population growth, although the relative size of this increase is not great compared to current retail provision. SGS's modelling can thus be viewed as including cumulative impacts, and informed SGS's recommendations and the RCCS.

However, modelled impacts on retail turnover are only one part of the broader considerations that should inform the appropriateness of a proposed development and its potential impact on other centres. It is important to also consider the likely market profile and competitive role of each centre and whether this creates the potential for competition or impacts beyond what is likely to be captured by modelling that is necessarily high-level. Such additional impacts overlap with the retail hierarchy and centre roles question noted above, and are considered in more detail in Chapter 4.

Impact on small traders in the Liverpool CBD

The proposed development at The Grove is likely to compete primarily with Westfield Liverpool and to a lesser extent Liverpool Plaza, as the proposed development is likely to attract typical shopping centre tenants while outside of the shopping centres the tenants in the Liverpool CBD are generally smaller or

specialised businesses with a different market than those served by shopping centre retail. As a result, the proposed development is likely to have a limited impact on retail viability outside of Westfield and the Liverpool Plaza.

This issue is discussed in more detail in Section 4.3.

3.2 Addition of business premises

Planning proposal rationale

Ethos Urban argue that the introduction of business premises will enable the provision of ancillary and complementary services for the convenience of the visitor and working population of the site. The proposed changes would then enable The Grove to align with other stand along centres with a degree of flexibility between business premises and small retail tenancies. However, Ethos Urban state that the introduction of some business premises would not convert the site into a mixed-use or local centre in the traditional sense.

Ethos Urban also state that Council's concern with the proposed B2 zone when Amendment 61 was initially lodged was that residential land uses would be permitted rather than that retail or business premises would be allowed.

Deep End Services analysis

Deep End Services that business premises should be permissible on the sites of both The Grove and Fashion Spree on the following basis:

- Business premises rely on pedestrian activity from retail to attract businesses and are likely to make up a small proportion of total floorspace, with little chance of a multiplicity of such uses being established
- Adding business premises would provide services for shoppers and workers already coming to the centre, improving the amenity of The Grove
- Business premises have a minor and ancillary role in the functioning of centres and are typically excluded from economic impact assessments
- Businesses premises should be permissible on both sites as development may occur across the boundary line between lots in the future.

Scentre Group submission

Scentre Group argue that the inclusion of business premises in The Grove would impact Westfield Liverpool and other centres which provide a wide range of retail and business uses, by reducing trips to them. They state that this is inconsistent with the objectives of the B5 zone to:

To enable a mix of business and warehouse uses, and specialised retail premises that require a large floor area, in locations that are close to, and that support the viability of, centres

Scentre Group also note that the subject site is in close proximity to other centres that could provide business premises, reducing the need for them on the subject site.

City Economy submission

City Economy's submission expresses concern that the addition of business premises to the site could detract from Council's current strategies and aspirations for the Liverpool CBD including the City Activation Strategy and intentions to achieve an 18-hour vibrant economy. They consider that business premises could become permissible in the future (for example in 5-10 years), but that the timing of the proposal could detract from the CBD's development.

Ethos Urban response

In response to the submissions by City Economy and Scentre Group, Ethos Urban argue that:

- Activity in the Liverpool CBD is underpinned by a large amount of retail, entertainment, dining, other uses and a residential population, and so business premises which are likely to be an ancillary function at The Grove will have no effect on the Liverpool CBD.
- Provision of business premises is consistent with the B5 zone as they will support the viability of the Orange Grove Retail Centre.
- The PP is consistent with SGS's prior review of Gazcorp's submission, which agreed that business premises should be permitted in a traditional retail centre and suggested they fall within the existing floorspace cap.

SGS response

SGS's previous advice on the suitability of business premises at The Grove, commenting on Gazcorp's submission, is provided below.

SGS agree with Gazcorp and Deep End Services that some business premises are a usual inclusion in centres and that there is some degree of substitutability between small retail tenancies like clothing stores and business premises like hairdressers, optometrists and real estate agencies. Given that a retail centre of around 21,000 sqm is proposed on the site and has been facilitated through a site-specific amendments to the LEP, it would be unusual and restrictive on the operation of a general retail centre operation not to allow it to contain any services such as hair-dressers, dry-cleaners etc. SGS agree that allowing population services would also be consistent with the classification of The Grove as a stand-alone centre under the retail hierarchy.

SGS would not support the addition of offices at The Grove, even those (for example solicitors or accountants) that have a small-scale population-serving function. While office premises is permissible in the B5 Zone in the Liverpool LEP 2008, the provision of offices in this location could detract from the development of the Liverpool City Centre (and to a lesser degree other centres) as a primary office location. While Council cannot separate small scale office businesses from other business premises, not including small offices in any development could form the basis of constructive discussions with the development proponent.

Deep End Services is correct that business premises are not normally considered in retail modelling. In line with the arguments of Gazcorp and Deep End Services, business premises form a significant part of the total floorspace in some local centres, but generally only a small proportion of floorspace in enclosed and stand-alone shopping centres.

Despite the general compatibility of some business premises with the retail role of a stand-alone shopping centre, there is a risk if business premises are allowed without any cap that the size of the proposed retail centre will be expanded significantly beyond what was previously approved by Council. This would make The Grove more competitive with centres like the Liverpool City Centre and other nearby town centres. Given this, some cap on the amount of floorspace permitted may be appropriate. While SGS have not conducted retail modelling with the specific intent of testing the quantum of the retail floorspace cap applying to The Grove, the most straightforward way to implement a cap on the amount of business premises floorspace would be to replace the proposed floorspace cap on shops with a cap on both shops *and* business premises. For example:

Schedule 1, Clause 24 – Use of certain land at 10 Viscount Place, Warwick Farm

(1) This clause applies to part of Lot 101, DP1043160, 10 Viscount Place, Warwick Farm, as shown coloured green on the Key Sites Map.

(2) Development for the purpose of shops *or business premises* is permitted with consent if the total gross floor area of shops *and business premises* on the site does not exceed 21,000m².

Other mechanisms for capping the size of the centre may also be appropriate (for example capping business premises GFA to a proportion of total GFA benchmarked to other centres), subject to discussion between Council and the proponent.

SGS continues to maintain this position regarding the inclusion of business premises in a traditional retail centre, which is what is proposed to be developed on the Homemaker site. Capping business premises as part of the overall floorspace cap for the traditional retail function on the site is the most natural way to restrict their provision as suggested in the quoted text above.

However, the above advice is focused on traditional retail centres, which does not necessarily include specialised retail precincts, noting that Fashion Spree is a clothing outlet rather than a part of a traditional retail centre. The inclusion of a wide range of business premises is not a standard part of a clothing outlet. The addition of business premises on the Fashion Spree site could facilitate its transition towards operation as a standard shopping centre, or could cause it to operate as part of a broader shopping centre together with the proposed traditional retail area, rather than as a clothing outlet. This issue is discussed in more detail in Section 4.2.

3.3 Uses covered by floorspace cap on Fashion Spree site

Planning proposal rationale

Ethos Urban argue that Amendment 22 only sought to limit the potential for shops to be built on the subject site, so the current restriction on specialised retail and food and drink premises to fall within the existing floorspace cap should be removed. They content that this would allow the site to realise its development potential, provide consistency across The Grove site in terms of permissible land uses and promote the orderly and economic use of the land.

Scentre Group submission

Scentre Group request a detailed economic assessment of the economic impacts of removing the cap on the Fashion Spree site on retail premises apart from shops, and that this be considered as part of a cumulative impact assessment.

Ethos Urban Response

Ethos Urban states that this change reflects the underlying intent of the B5 zone, and that the types of retail premises which would be permitted are not directly in competition with the types of retail provided within the Liverpool CBD.

Ethos Urban also highlight SGS's advice on Gazcorp's submission, which supported providing no cap for specialised retail premises.

SGS Response

SGS's previous advice on the suitability of specialised retail premises at The Grove, commenting on Gazcorp's submission, is provided below.

"Specialised retail premises are a permitted land use in the B5 Zone with no restriction on overall floorspace besides floor space ratio controls. As such it would be unusual to prescribe a cap on the amount of specialised retail floorspace in this location"

SGS maintain this position, and note that specialised retail premises have a specific target market which mostly does not directly compete with traditional centres, and so additional specialised retail premises would not be expected to significantly impact turnover in centres like Liverpool CBD.

It is also noted that the amount of specialised retail floorspace could be increased on the Homemaker site under the current LEP, so restricting their volume on the Fashion Spree site would have the affect of restricting which parts of The Grove can contain specialised retail premises rather than their total volume.

The PP would also remove any restriction on food and drink premises floorspace on the Fashion Spree site. While this would appear to be consistent with the intention of the B5 zone, it could have increased economic impacts given the permissibility of shops and the proposed development across the site. This is discussed in more detail in Sections 4.2 and 4.3.

Economic impact testing of lifting retail cap

No assessment has been performed of the economic impact of removing the cap on retail premises apart from shops on the Fashion Spree site. It would be expected that additional development on the site apart from shops would most likely take the form of specialised retail premises, food and drink premises or hardware and landscaping supplies.

The addition of large amounts of food and drink floorspace could create additional economic competition with the Liverpool CBD. This is discussed in more detail in Section 4.3.

Additional specialised retail premises and hardware or landscaping supplies stores would likely compete primarily with other specialised retailing and bulky goods precincts – for example Crossroads and

Sappho Road. While these impacts have not been tested, as noted above impacts of additional floorspace in these categories on the Liverpool CBD or other traditional centres would be expected to be small.

3.4 Type and size of shops and business premises

Scentre Group submission

Scentre Group suggest that there is inadequate information regarding the underlying intent of the LEP amendment and what kinds of retail offering will be proposed. They suggest that any modifications to Schedule 1 Clause 21 (applying to the Fashion Spree) specify what type of shops and business premises will be permissible, with consideration given to implementing a minimum GFA requirement for individual shops and business premises with the intention of aligning with bulky goods and specialised retail use profiles.

Ethos Urban Response

Ethos Urban state that specific details on the tenant makeup will be provided in a DA to be lodged shortly. They argue that it is unnecessary to place a limit on the size of retail premises given that any future development application on the site will need to demonstrate consistency with the objectives of the B5 zone.

SGS Response

SGS note that detailed information on likely tenants would generally not be provided at the PP stage. The level of detail required, and whether a more detailed design should be assessed (potentially from a development application lodged concurrently with the PP) is a matter for Council. However, SGS does have concerns that the design of the combined retail precinct could place it in competition with other centres. This issue is discussed in more detail in Chapter 4.

It is noted that there is no way under the NSW Standard Instrument to restrict permissibility to certain kinds of shops or business premises. A planning provision which is unduly prescriptive on the exact tenant profile, rather than on the intended role of the centre, could unnecessarily restrict its operation and evolution.

4. Role and function of The Grove

Scentre Group's submission on the PP comment on the development's inconsistency with the RCCS, SGS recommendations and zone objectives. City Economy's submission comments on potential negative effects on the Liverpool CBD, which can be considered to be related to The Grove's position within the centres hierarchy.

This section summarises these comments on these issues in the documents reviewed, and responds to the issues by discussing the retail role of the proposed centre, its alignment with the RCCS and SGS study, and likely competition with the Liverpool CBD.

4.1 Reviewed documents

Scentre group submission

Scentre Group argue that the proposed concept plan shows that the proponent is seeking to create a 'one stop shop' centre and 'destination shopping experience' including a much larger dining precinct. They argue that this is a change from the current and historical use of the site, which has predominately been a bulky goods destination.

Scentre Group argues that this shift in the function of the subject site is inconsistent with the objectives of the B5 zone, which include "to maintain the economic strength of centres by limiting the retailing of food and clothing". Instead Scentre group states that food and drink premises should serve an ancillary function, and that business premises are not consistent with the B5 zone objectives and should remain prohibited.

Scentre Group also argue that the shifting retail function of the subject site is inconsistent with the stand-alone centre designation of the RCCS, or with SGS's analysis which finds that The Grove is not an appropriate place for a local centre due to its poor walkability and integration with social infrastructure. Scentre Group also state that the proposal is inconsistent with the criteria for planning proposals from the RCCS, and with the stated intention in the Liverpool Local Strategic Planning Statement (LSPS) and RCCS for retail expansion to be prioritised in the Liverpool CBD, town centres and local centres over stand-alone centres.

City Economy submission

City Economy's submission raises concerns that that the proposed development could detract from the Liverpool CBD through the addition of Business Premises, as noted above. The submission also requests that an independent economic assessment consider Council's Civic Place development and its intended role anchoring the southern end of the CBD along the Macquarie Street Spine which is intended to be activated to create an 18-hour economy, and which has Westfield Liverpool at its northern end.

Ethos Urban response

Ethos Urban note that only 2,000sqm of additional retail floorspace is requested and that this small increase is not inconsistent with the LSPS or RCCS given that no new centre is being created and that the Grove is recognised in the LSPS as a stand-alone centre. Ethos Urban further state that the additional floor space will result in a public benefit of better activation of the centre and not generate any adverse economic impact.

With regard to the proposal creating a significant dining precinct, Ethos Urban state that food and drink premises currently make up only 3% of GFA at The Grove, cater only to visitors already coming to the site, and are naturally limited by this role consistent with the objectives of the B5 zone. They further state that the design included in the PP is indicative only and so it is misleading to say that the PP report indicates that a larger dining precinct will be developed.

In response to the City Economy submission, Ethos Urban state that

“The proposed changes to Clauses 21 and 24 would have no adverse effect on achieving the aims of the City Activation Strategy. This Strategy seeks to create an 18-hour activated city centre by leveraging visitation to major drawcard attractions such as Westfield, institutional uses and the station, improving the physical appearance of the CBD, and encouraging activation of surrounding streets and laneways. The inclusion of business premises at The Grove would have no bearing whatsoever on implementing the Strategy or achieving its goals given that they are not typically associated with key activation of retail precincts and they typically do not operate for extended trading hours.”

4.2 SGS Discussion

As well as ensuring that proposed development at The Grove would not have significant trading effects on the Liverpool City Centre and other centres, it is important to ensure that its likely retail role and function is aligned with the retail hierarchy and strategic planning principles.

Intended role of stand-alone centres

As noted in Chapter 2, Council's RCCS as well as the SGS study which informed it, considered The Grove as a Stand-alone Centre. Stand-alone centres are intended to fulfill general convenience retailing needs, providing easy access to retail facilities particularly by car. Stand-alone centres but are not intended to have a broader function, for example as a commercial or mixed-use centre or major community gathering place (which would generally be expected to feature co-location with social infrastructure and in some cases higher-density residential development). From a strategic planning, retail expansion and activity is intended to be concentrated in town and local centres in preference to stand-alone centres.

This retail function is consistent with a retail function in which bulky goods and outlet retailing are provided at The Grove, as these are specialised retail functions which require a large land area and are unlikely to be able to be accommodated in traditional and higher-order centres. These retail uses also have specific target markets and large catchment areas and are not focused on providing for the day to day retail needs of the local population.

The inclusion of a traditional retail role at The Grove is also considered to be consistent with the stand-alone centre designation, provided that its focus is on meeting convenience retailing needs which increase the access of the local population to retail facilities (for example a DDS and supermarket with some specialty retail), and that it does not emulate the function of local and town centre by adding a much larger range of uses and social infrastructure.

Ways in which development could not be aligned with stand-alone centre role

The likely tenant profile, design and size of a traditional retail role at The Grove are relevant considerations in whether it fits within the stand-alone centre role. An initial (although not exhaustive or definitive) set of criteria for considering this would include:

1. A tenant profile with a services, commercial or strong hospitality focus would emulate the intended competitive offer of higher-order centres and be inconsistent with the intended role of a stand-alone centre.
2. If a broader range of uses, for example commercial, residential or community uses were included this would be inconsistent with a stand-alone centre designation.
3. If the size of the traditional retail offer at The Grove became large enough to significantly impact turnover at local and town centres and the Liverpool CBD it would be incompatible with the intended retail hierarchy.
4. If the amount and breadth of retail at The Grove were to become large enough that it would be likely to outcompete other town centres or the Liverpool CBD for a wide range of retail trips, this would be incompatible with the retail hierarchy. In this outcome, the Grove could be perceived as more attractive than other centres, and could attract a greater share of retail trade than would otherwise be assumed.

Alignment of planning proposal with stand-alone centre role

With respect to the **first consideration** above, the indicative design concepts included with the PP appear to show a large hospitality precinct around a central park. While the designs in the PP are indicative only as noted by Ethos Urban, this is a relevant concern in assessing the PP and proposed development. A dining precinct as appearing in the indicative design could be large enough to create a large amount of activity in The Grove beyond what otherwise caters to visitors to the precinct, and to become a drawcard in itself. This would not be consistent with the intended role of a stand alone centre, which is for convenience retailing, but which could conceivably include a small number of food and drink or take away food and drink premises.

It is noted that food and drink premises are currently permitted in the B5 zone. However, shops are not permitted in this zone, and so in the B5 zone more generally food and drink premises are likely to be take away, or to cater to visitors to specialised food and drink premises. The inclusion of a large number of food and drink premises in combination with shops is likely to be a much larger drawcard and so to have greater economic impacts than hospitality premises by themselves. On this basis, it would be reasonable to consider when assessing the proposal whether the quantum of floorspace of food and drink premises proposed is appropriate, and will not compete with the Liverpool CBD as a drawcard, even though food and drink premises are permissible in the B5 zone more generally.

Regarding the **second consideration** above, the PP intends to allow business premises which are typically included as a relatively small proportion of traditional retail centres, including those with a convenience retailing role, and so which fit within the intended function of a stand alone centre providing that they make up a small proportion of the total floorspace. Broader office, community, civic and leisure uses do not appear to be proposed, but would not be consistent with a stand-alone centre designation.

Regarding the **third and fourth considerations** above, as noted a retail centre of 21,000sqm could be consistent with the retail hierarchy and fall within the broad range of retail sizes of other town centres, depending on the tenant mix. In addition, retail impacts have been tested and do not significantly impact on other centres.

However, if the retail floorspace in the current Fashion Spree and proposed to be allowed on the Fashion Spree site (up to 21,000sqm under the PP) is considered combined with the 21,000sqm of shops permitted on the Homemaker site, The Grove would appear as a much larger traditional retail centre of up to 42,000sqm of shops and business premises, plus potentially more floorspace in food and drink premises, plus bulky goods retailing. This would be much larger than town centres and could likely outcompete them, making The Grove a much more significant retail centre than supported in the RCCS. To prevent this occurring, it would be important to maintain Fashion Spree as an outlet retail precinct with a distinct retailing role to other retail on the site. Some design separation between these retailing areas would be recommended to reinforce their separate roles and prevent them to appearing to be one larger consolidated centre.

It is noted that there is no requirement that outlet retailing functions be maintained at Fashion Spree, apart from a cap of 1,200sqm on any one shop. Notwithstanding the proponent's expressed vision for the outlet function to remain, it would be possible under current and proposed planning instruments for it to transition to a more general retail use profile. The addition of business premises on the Fashion Spree site could facilitate its transition towards operation as a standard shopping centre, or could cause it to operate as part of a broader shopping centre together with the proposed traditional retail area, rather than as a separate clothing but co-located discount outlet.

Alignment with zone objectives

SGS has not conducted a full strategic merits assessment of the PP. However, as long as The Grove does not detract from the likely success and activity of higher-order centres, its potential role and function as a stand-alone centre is considered to be compatible with the objectives of the B5 zone at The Grove, which are:

- To enable a mix of business and warehouse uses, and specialised retail premises that require a large floor area, in locations that are close to, and that support the viability of, centres.
- To maintain the economic strength of centres by limiting the retailing of food and clothing
- To provide for a larger regionally significant business development centre in a location that is highly accessible to the region
- To ensure a reasonable concentration of business activity

In line with the rationale for Amendment 22, bulky goods and outlet retailing cannot be accommodated elsewhere, and have a different market profile than traditional centres, and so their development in the B5 zone is consistent with its intent and objectives

To the extent that the development of a moderately sized retail centre on the site as proposed under Amendment 61 supports (or is ancillary to) the operation of bulky goods and outlet retailing on the site, and provides convenience retail premises that do not detract from higher order centres, this is considered to be consistent with the zone objectives.

If the site were to become a much larger traditional retail development, with a focus on food and clothing development apart from at the Fashion Spree outlet (which as discussed has a distinct retail function), this may not be consistent with the zone objectives.

4.3 Competition with Liverpool CBD

When considering the degree of likely competition between The Grove and the Liverpool CBD, it is instructive to consider separately the different retail roles of The Grove including under the PP.

Bulky goods and outlet centre

Some purchases of bulky goods or clothing at the homemaker centre and outlet centre at The Grove would undoubtedly otherwise be made in Liverpool City Centre, and so there these parts of The Grove would have some trading impacts. However, as noted above the bulky goods and outlet retailing roles are likely to have large trade areas and distinct target markets that do not directly compete with retailing in Westfield Liverpool or the broader Liverpool CBD, limiting potential impacts.

Broader uses

A transition of The Grove towards commercial use, a focus on services, community use, or a strong entertainment offering would directly compete with the Liverpool City Centre's primacy in these areas. However, the PP does not propose these things, noting that any business premises included are likely to make up only a small proportion of the total floorspace and to be secondary to the retail function (this is discussed in more detail in Section 3.4). Given this, The Grove is unlikely to attract the aggregation of business premises across the precinct to compete with the Liverpool CBD as a service centre.

Retail use

A moderately sized traditional retail centre is proposed to be developed at The Grove. As this will be a shopping centre under single ownership, it is likely to have a similar tenant profile to other enclosed shopping centres. Tenants are more likely to be chains or larger independent stores and brands which can afford high retail rents and which align with the brand of the centre. This retail profile is likely to compete mostly with the enclosed shopping centres of Westfield Liverpool and to a lesser extent the Liverpool Plaza.

There are many stores and small businesses outside of the enclosed shopping centres of the Liverpool CBD. Many of these stores have specific retail markets (for example with a particular ethnic focus), are hospitality businesses, or offer different kinds of goods and services than are generally found in

enclosed shopping centres. For this reason, while traditional retail at The Grove is likely to have some impact on these other businesses, it is likely to be smaller than that on the enclosed shopping centres.

Hospitality and entertainment

As noted above, the indicative design concepts included with the PP appear to show a large hospitality precinct around the central park. This would directly compete with hospitality in the Liverpool CBD, which is a targeted growth sector of Council along Macquarie Street. If The Grove is developed in the short term and is perceived to be the primary hospitality design in the surrounding area, it could attract significant market share and momentum which would undermine the potential or timeframe for the Liverpool CBD to develop an 18-hour economy.

5. Conclusion

Overall, previous assessments (which SGS have not reviewed in depth) found the potential retail impacts of development at The Grove to fall within acceptable ranges. SGS's modelling for the Liverpool Centres and Corridors Study determined that development as envisaged under Amendment 61 and 22 would not prevent demand in the Liverpool City Centre from growing.

However, it is also important to consider whether development may cause The Grove to become much more attractive from a retail sense and to compete with other centres like Liverpool CBD, potentially with The Grove's increased attractiveness resulting greater turnover impacts and impacts on development prospects than would otherwise be expected from retail modelling. The retail hierarchy and RCCS are intended to protect the strategic position of centres like Liverpool CBD and town centres, and are also an important consideration in the strategic merits of the PP.

SGS is concerned that the joining together of the Fashion Spree and proposed traditional retail development on the Homemaker site, catalysed by the inclusion of business premises in the Fashion Spree site as well as Homemaker site and by the proposed development design, creates the risk that The Grove will become a larger traditional retail centre of 42,000sqm of shops and business premises, plus the potential for additional food and drink premises and not including specialised retail floorspace. This could be considered inconsistent with the strategic framework, and could offer increased competition with other centres. The apparent inclusion of a large food and drink precinct is also a concern due to competition with the Liverpool CBD and the potential to diminish its changes and timeframe for developing a stronger night-time economy.

As a design principle to mitigate this risk, SGS recommends that the Fashion Spree should continue to have a discount outlet function, and to be functionally separate from the other parts of the traditional retail centre. This could be encoded in the DCP or LEP, for example through:

- A site-specific DCP chapter specifying development principles for The Grove, which could be prepared and implemented concurrently with the planning proposal
- Additional qualitative objectives or requirements on the additional permitted uses in Schedule 1 of the Liverpool LEP, or in a new clause in Division 2 replacing current additional permitted uses on the Grove. For example, this could specify that the use is only permitted if a set of criteria are fulfilled.

It is noted that any development application would need to be assessed on its merits against the objectives of the relevant zones. SGS have not completed more detailed research to inform the best statutory implementation pathway.

5.1 Components of planning proposal

Change in legal description of land

SGS has no position on this change, which appears to be administrative in nature.

Inclusion of business premises

SGS continues to maintain that it is reasonable to allow business premises within proposed traditional retail development on the Homemaker Centre site, capped along with shops within the 21,000sqm additional permitted use. SGS do not support inclusion of business premises in the Fashion Spree site, as this would create the risk that it could transition to a broader retail role and would be inconsistent with the design principle proposed above.

Council could consider establishing design guidelines stating that business premises will have an ancillary role as part of the retail development.

Removal of cap on specialised retail on Fashion Spree site

SGS continues to maintain that it is reasonable to remove the cap on the Fashion Spree site on specialised retail premises and other kinds of retail premises apart food and drink premises, considering that these uses are permissible in the B5 zone and uncapped on the Homemaker site, and that impacts on the Liverpool CBD and other traditional centres are likely to be minimal.

Addition of 2,000sqm of additional retail floorspace

This change is unlikely to have significant turnover impacts on other centres in itself, and SGS would not oppose providing that it complies with the design principle to keep outlet retailing separate from traditional retailing. If this is not the case (it appears not to be the case from the indicative vision), this proposed additional may be deemed to be contrary to the strategic planning framework. In this sense it is the design intent of the addition which would be problematic rather than the floorspace addition in itself.

It is noted that there have been multiple planning proposals to allow additional retail floorspace over the last ten years, which have shifted the function of The Grove. While these are not necessarily inconsistent with the current strategic planning framework, they do raise concerns that further proposals could occur in the future and could slowly shift the retail landscape in a way that is inconsistent with the strategic planning framework and which could hamper the development of other centres (even if each individual change has an impact of less than 10%). In this light, it may be appropriate for Council to establish an internal policy position against considering further additions of floorspace unless the circumstances of the site change. In addition, Council could consider overall cumulative trading impacts on the Liverpool City Centre when assessing retail impacts in the future as part of the assessment of planning proposals or development applications within the existing statutory framework.

Food and drink premises

While the design included in the PP is indicative only, SGS is concerned that if a large food and drink precinct is delivered it could compete with Liverpool CBD and would be inconsistent with the strategic planning framework. Removal of the cap on food and drink premises on the Fashion Spree site could contribute to this, although it is noted that food and drink premises are currently uncapped on the Homemaker site.

Council may also wish to consider restricting food and beverage retailing in discussion with the proponent. For example:

- It could be capped, including within the proposed 21,000sqm cap on shops on the Homemaker Centre site and the cap on shops on the Fashion Spree site,
- Permissibility could be restricted to takeaway food and drink premises, or
- Design principles could be established.

The scale of food and drink premises is relevant to the size of the likely impacts. However, it is difficult to establish a cap below which impacts are acceptable, and above which they are not. This is due to the role and function of the centre being the important factor in this case, which could be seen as a merits based question depending upon the details of the design.

As a principle, if food and drink premises on the site of The Grove went beyond catering to visitors otherwise likely to shop in the precinct, or an additional take-away function, and became a stand-alone hospitality destination, this could detract from the potential success of Liverpool CBD and other centres and be incompatible with the strategic framework. In this sense, food and drink premises at The Grove should be viewed as ancillary to the homemaker centre, clothing outlet and convenience retail roles. This general principle could be treated as a design guideline or development objective to be considered in future development assessment.

While food and drink premises are permitted in the B5 zone, their inclusion at a large scale within a traditional retail development (potentially up to 42,000sqm of shops and business premises) presents a different strategic prospect to their inclusion within a specialised retail precinct which would be typical of the B5 zone, and so a site-specific approach reflecting the uniqueness of The Grove may be appropriate.

Design intent

As noted above, the acceptability of the additional 2,000sqm of shops, and of business premises, depends on the design intent of the addition.

The overall design and outcome of a development containing significant amounts of food and drink premises is also important given the principle suggested that food and drink premises on the site should cater to site visitors but not be a draw-card in itself.

In these cases, design principles could be established with statutory backing in the LEP and/or DCP, and could be assessed at the DA stage.

5.2 Summary

The following tables provide a summary of the above conclusions relating to each element of the PP. These tables do not include all elements of SGS's commentary on food and drink premises, which are currently uncapped on the Homemaker Site, and which Council should consider in addition to the elements of the PP summarised in the tables below.

TABLE 1: SUMMARY FOR HOMEMAKER SITE

Proposed amendment	Supported by SGS	Comment
Addition of business premises	Yes	Subject to cap, along with shops, at 21,000sqm

TABLE 2: SUMMARY FOR FASHION SPREE SITE

Proposed amendment	Supported by SGS	Comment
Address change	n/a	n/a
Addition of business premises	No	This is contrary to the principle SGS proposed of maintaining function separation as much as possible between outlet retailing and traditional retailing, and creates a risk of creation of a larger traditional retail centre than has been supported.
Addition of 2,000sqm GFA of shops/business premises	Qualified	Unlikely to have a substantial retail turnover impact in itself, but only supported if it is for additional outlet retailing and would not have the design outcome of removing functional separation of the outlet and traditional retailing.
Removing cap on retail uses apart from shops	Partly	<p>SGS support removing the cap on retail premises apart from shops and food and drink premises, as specialised retail premises and other likely development types are permitted in the B5 zone, uncapped on the Homemaker Site, and are unlikely to significantly compete with traditional centres.</p> <p>SGS would not support the creation of a large dining precinct on either or both sites, which could be facilitated by uncapping food and drink premises, and which would be compete with the Liverpool CBD and be contrary with the intended stand-alone centre function of the site.</p>

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