



Director City Strategy & Development
Planning & Development

Exhibition of a Planning Proposal for Costco in Marsden Park

Item: **DE3462** Report: **SD340107** File: **RZ-13-1008**

Ordinary Meeting on 3 December 2014 **Committee Meeting on 26 November 2014**

Division is required

Topic	The outcome of public exhibition of a Planning Proposal to permit the development of a Costco Warehouse on land zoned B5 Business Development in the Marsden Park Industrial Precinct.
Analysis	<p>Four submissions were received in response to the public exhibition of the Planning Proposal. While the submissions identify possible impacts on nearby commercial centres, the proposal is not expected to lead to the loss of major tenants or a change in the role of each centre. On balance, the consumer behaviour for Costco reflects that of a bulky goods premises, which is permitted in the zone.</p> <p>There is 1 attachment to this report.</p>
Report Recommendation	<p>1. Council support an amendment to State Environmental Planning Policy (Sydney Region Growth Centres) 2006 to include the clause referred to in paragraph 2.6 of this report within Schedule 1 of Appendix 5 – Marsden Park Industrial Precinct Plan.</p> <p>2. Council forward the Planning Proposal and supporting documentation to the Department of Planning and Environment to request that the Minister make the plan.</p>

Key reasons

1.1 Planning controls are proposed to address concerns from nearby retail centre owners who objected

- a. We sought comments on the Planning Proposal through a public exhibition process. Two submissions have been received from planning consultants on behalf of nearby retail centres. They are:
 - Ingham Planning on behalf of Centre Management Ltd (formerly Westfield) and Dexu Wholesale Property Ltd, representing Westfield Mount Druitt
 - BBC Consulting Planners on behalf of GPT Group, representing Rouse Hill Town Centre.
- b. Ingham Planning claims that the Planning Proposal is contrary to established planning policy, will adversely impact on existing and planned town centres, increase trip generation and car dependency and offer no public benefit. The submission states that the Planning Proposal should be rejected.

- c. BBC Consulting Planners object to the Planning Proposal citing various inconsistencies with existing planning policies.
- d. Strict planning controls are proposed that would make the Costco development subject to a minimum site area, gross floor area and tenancy controls designed to suit only a Costco Warehouse. These controls will prevent other retail premises from developing in the B5 Business Development zone, which could potentially result in a quasi-retail centre in an out-of-centre location.

1.2 Traffic modelling and intersection improvements address concerns from the Roads and Maritime Services

- a. We also received a submission from Roads and Maritime Services (RMS) concerning the impacts of additional traffic generated by Costco at the intersection of the southern access road with Richmond Road. RMS is concerned that the combined traffic generation of Costco and the adjoining Masters development may have been understated by the proponent. The submission from RMS states that Council should not support the Planning Proposal until its concerns have been addressed.
- b. We have met and held discussions with RMS about its concerns. Updated traffic modelling and a plan for intersection improvement works have been provided and they are being considered by RMS. The specific matters of concern will be addressed as part of the Development Application assessment process and appropriate conditions will be included as part of any development consent. On this basis the RMS has advised that it has no objection to the Planning Proposal.

Supporting analysis

2.1 The submitters are concerned about out-of-centre retail development

- a. In responding to this concern, it is relevant to consider the potential impacts of locating a Costco Warehouse in a town centre environment.
- b. A large Costco Warehouse is not compatible with the operation of a town centre where a finer grain pattern of land use is present. In the context of the Marsden Park Town Centre, a Costco Warehouse would require around 30% of the total town centre land area. This would restrict other retail and commercial uses that would otherwise contribute to the vitality of the centre. It would also introduce a heavily car dependent land use into a centre that is located on a strategic public transport corridor, contrary to best practice urban design and planning principles.
- c. A vibrant town centre is typically characterised by an inviting pedestrian oriented environment which encourages people to visit the centre regularly and for daily needs. It must be easily accessible to all members of the community and integrate with the character of surrounding areas, in particular residential precincts.
- d. The desired future character of the Marsden Park Town Centre is described in the Growth Centres Development Control Plan as the principal point for retail, commercial and mixed use activities as well as recreational and community facilities catering to the whole Marsden Park Precinct. A Costco Warehouse would not provide these characteristics nor serve the daily needs of surrounding residents. The Costco business model is based on a regional trade catchment, targeting consumers who typically shop for large volume purchases on a monthly basis.
- e. A Costco Warehouse would not encourage people to spontaneously visit the centre for social interactions and recreational activities (eg. friends catching up for coffee or lunch at a cafe, movie theatres, amusement centres etc.). These sorts of spontaneous visits

help contribute to the overall vibrancy and prosperity of a centre.

2.2 The submitters are concerned about inconsistencies with State planning strategies

- a. Whilst it is important to recognise existing metropolitan strategies that encourage retail development in centres, it is also important to maintain flexibility in the planning framework to accommodate industry changes and provide for new land uses.
- b. The Planning Proposal broadly satisfies the site suitability criteria outlined in the draft Activity Centres Policy 2010 and complies with the articulated principles of locating large format retailers on main road corridors connected to town centres. Under the draft policy the subject site is considered to be within a new activity centre which is defined as:

"Activity centres can vary greatly in size from major centres to regional commercial areas to neighbourhood shopping strips. They can also refer to agglomerations of specialist activities such as research and development clusters or bulky goods clusters."

- c. The Department of Planning and Environment has consistently advised Costco to co-locate in bulky goods clusters (Auburn and Casula examples) in recognition of the compatibility of the land uses. The Gateway Determination received in respect of the subject Planning Proposal confirms that the Department is satisfied that the proposal is consistent with relevant State policies and directions.

2.3 The submitters are concerned about the suitability of the subject site

- a. The sequential site analysis prepared by Essential Economics in support of the Planning Proposal concludes that no alternative sites are available in established retail centres to accommodate a Costco Warehouse. Other out-of-centre sites are deemed unacceptable for a range of reasons, including poor access for the consumer catchment, lack of large undeveloped areas with suitable commercial zonings, the need to preserve land zoned for industrial purposes and poor integration with surrounding land uses.

2.4 The submitters are concerned about the large lot retail model

- a. The Department of Planning and Environment has previously determined that the Costco format differs considerably from large supermarket or department store developments through its membership scheme, general sale of bulk items and consumer behaviour. The Director-General's Report in relation to the Costco store at Auburn confirmed that Costco is a hybrid, having some of the characteristics of large retail stores and some of the characteristics of wholesale warehouses. On this basis the Costco business model is recognised as being "large format retail" compatible with bulky goods retailing outlets.

2.5 The submitters are concerned about the loss of land for bulky goods retailing

- a. The B5 Business Development Zone at Marsden Park is expected to include IKEA, Bunnings, Masters and a bulky goods "homemaker" centre. The majority of the floor space within the B5 Zone will therefore be taken up by traditional bulky goods operators. Should further bulky goods operators wish to establish within the precinct then the homemaker centre provides the opportunity for them to do so. There is additional B5 zoned land to the south of the site on the eastern side of Richmond Road, providing further opportunity for bulky goods retailers to establish in the area.
- b. In consideration of the Costco Casula proposal, the Department of Planning and Environment noted that the "loss" of land for bulky goods development would be negligible because the proposed Costco uses are essentially the same as the uses which are otherwise permissible in the existing zone and are similar in nature.

2.6 The submitters are concerned about setting precedent

- a. Planning decisions are not strictly bound by precedent as each decision needs to be

considered on its merits. The Planning Proposal includes development standards in relation to future retail premises on the site as part of the proposed State Environmental Planning Policy (SEPP) amendment. Any potential to set a precedent for other retail premises to be located in the B5 Zone would be mitigated by the inclusion of the following site-specific clause that would place restrictions on the site area, floor space and tenancy arrangements of any future retail development, such that it would only meet the requirements of Costco:

"Development on Part Lot 18 and Part Lot 19, DP 262886, Hollinsworth Road, Marsden Park

1. *This clause applies to part Lot 18 and part Lot 19 in DP 262886 in Zone B5 Business Development.*
 2. *Development for the purposes of "retail premises" and "vehicle repair station" is permitted with consent.*
 3. *Development including "retail premises" is permitted with consent only where:*
 - a) *the retail premise is located on land with a minimum site area of 20,000sq.m;*
 - b) *the retail premise has a minimum gross floor area of 13,000sq.m; and*
 - c) *the retail premise is operated by one retailer and/or tenant only."*
- b. This Planning Proposal does therefore not establish a precedent for other retail uses on other sites in the Marsden Park Industrial Precinct.

2.7 The submitters are concerned the proposal offers no community benefit

- a. The document titled "A guide to preparing planning proposals" issued by the Department of Planning and Environment in 2012 does not include any reference to the need to assess the net community benefit of a Planning Proposal. Notwithstanding, an assessment of community benefit is included in the Economic Impact Assessment which adopts the same approach taken and accepted by the Department for the Costco Casula Planning Proposal.
- b. The Planning Proposal has been prepared in accordance with the relevant guidelines and is sound in its assessment of the proposal. The fact that it received a Gateway Determination to proceed to exhibition confirms that the Department sees merit in the proposal and supports the development of a Costco warehouse on the subject site.

2.8 Roads and Maritime Services are concerned about traffic impacts

- a. The traffic generation impact of a future Costco development on the subject site is discussed in detail in GTA Consultant's response to the RMS submission.
- b. The issues raised by RMS are explained in a relatively straightforward response from GTA, which outlines the findings of an updated Transport Impact Assessment Report dated July 2014. The 2014 report includes a review of the traffic studies submitted in support of the Masters and Ikea Development Applications. It also includes an assessment of the opening of the Costco store at Casula which provides a more accurate estimate of the traffic volumes generated by a Costco development.
- c. The Planning Proposal is not seeking to change the underlying zoning of the land, nor will it facilitate a development that is vastly different to land uses that would otherwise be permitted in the zone. On this basis the RMS has advised that it has no objection to the Planning Proposal provided the following is incorporated in the determination:

"In the event of a Costco development not proceeding, the rezoning arrangements and permissible uses shall be relevant to the original zoning provisions; with 'retail

premises' being prohibited."

- d. They further advise of road network improvements that they would like addressed as part of the development application that is being considered for the Costco Warehouse on the site.
- e. The Planning proposal seeks to introduce a site specific clause that is tailored for a Costco Warehouse type development. There is already a current development application on the site to develop the Costco Warehouse. Should Costco not proceed on the site, only a replacement Costco type retail model could be developed on the site and therefore there would be no need to amend the SEPP.

2.9 The submitters' concerns do not warrant refusal of the Planning Proposal

- a. The B5 Business Development Zone within the Marsden Park Industrial Precinct is identified as a bulky goods specialist centre. The consumer behaviour for Costco reflects that of bulky goods premises as evidenced by the high percentage of trips made by private vehicles, the quantities bought, and the trade catchment of the store which exceeds that of a traditional core retail premises.
- b. The proposed site at Marsden Park will cater for the needs of the north-west subregion of Sydney, with access to an arterial road network and bus services from the M7 and Richmond Road. The economic assessment submitted by the applicant indicates that the proposal would result in no more than a 1.5% reduction in retail spending in any of the surrounding centres. This is considered to be of low impact and not expected to lead to the loss of major tenants or a change in the role of each centre.
- c. If Costco proves to be unfeasible, or does not take up the option to develop on the site, the current B5 Zone will allow the premises to be utilised for bulky goods sales without the need to further amend the SEPP.

Context

3.1 The Environmental Planning and Assessment Act 1979 sets out the process for Planning Proposals

- a. A Planning Proposal is required to amend Appendix 5 – Schedule 1 of *State Environmental Planning Policy (Sydney Region Growth Centres) 2006* (the Growth Centres SEPP) to include "retail premises" and "vehicle repair stations" as additional permitted uses on the subject site. These uses are core components of the Costco business model but are currently prohibited in the B5 Business Development Zone under the Growth Centres SEPP.
- b. We forwarded the Planning Proposal to the Department of Planning and Environment in April 2014. A Gateway Determination was issued on 13 May 2014. The Planning Proposal was publicly exhibited from 8 June to 10 July 2014.

3.2 Council must apply to the Minister for Planning to make the amendment to the Growth Centres SEPP

- a. Council does not have the authority to formally make the amendment to the SEPP. Having considered the merits of the Planning Proposal and the submissions received in response to the public exhibition, we must forward the proposal to the Department of Planning and Environment to request that the Minister make the plan.

3.3 Council previously considered the merits of the Planning Proposal

- a. Council initially considered a report on the Planning Proposal in October 2013. Based on information provided at the time, the report recommended that the Planning Proposal

not be supported.

- b. However, at the request of the proponent (JBA on behalf of Costco) Council resolved to defer the matter and allow JBA the opportunity to review the report and submit a response for Council's further consideration.
- c. Following the receipt of additional information, Council considered a further report on 19 February 2014 and this time resolved to initiate a site-specific amendment to the Growth Centres SEPP and forward a Planning Proposal to the Department of Planning and Environment to obtain a Gateway Determination.


3.4 A disclosure statement has not been submitted

- a. In accordance with Section 147(3) of the Act, neither the applicant or objectors have submitted to Council a Disclosure Statement in respect to the subject DA.

Approval

Name and position	
→ Report author	Chris Shannon, Manager Strategic and Precinct Planning
→ Endorsed by	Chris Shannon, Manager Strategic and Precinct Planning
→ Director approval	Glennys James, Director City Strategy & Development
	Signature:
→ General Manager approval	Kerry Robinson, General Manager
	Signature:

Attachments

Ref	Description	Files
1	Attachment 1 - Site of proposed Costco development	 A1SD340107.pdf

Recommendations

Report Recommendation	<ol style="list-style-type: none"> 1. Council support an amendment to State Environmental Planning Policy (Sydney Region Growth Centres) 2006 to include the clause referred to in paragraph 2.6 of this report within Schedule 1 of Appendix 5 – Marsden Park Industrial Precinct Plan. 2. Council forward the Planning Proposal and supporting documentation to the Department of Planning and Environment to request that the Minister make the plan.
Committee Recommendation	<ol style="list-style-type: none"> 1. Council support an amendment to State Environmental Planning Policy (Sydney Region Growth Centres) 2006 to include the clause referred to in paragraph 2.6 of this report within Schedule 1 of Appendix 5 – Marsden Park Industrial Precinct Plan. 2. Council forward the Planning Proposal and supporting documentation to the Department of Planning and Environment to request that the Minister make the plan. 3. It be noted that Mr. A. Duggan, applicant, was received by the Planning and Development Committee between 7.35 p.m. and 7.37

p.m.

Committee Division	Supported: Pendleton; Lowles; Bleasdale; Atalla; Bali; Benjamin; Kelly; Dickens; Donaldson; Siljeg; Smith; Diaz; Robinson Absent: White; Holmes
Council Resolution	<ol style="list-style-type: none"> 1. Council support an amendment to State Environmental Planning Policy (Sydney Region Growth Centres) 2006 to include the clause referred to in paragraph 2.6 of this report within Schedule 1 of Appendix 5 – Marsden Park Industrial Precinct Plan. 2. Council forward the Planning Proposal and supporting documentation to the Department of Planning and Environment to request that the Minister make the plan. 3. It be noted that Mr. A. Duggan, applicant, was received by the Planning and Development Committee between 7.35 p.m. and 7.37 p.m.
Council Division	Supported: Bleasdale; Lowles; Atalla; Bali; Benjamin; Kelly; Pendleton; Dickens; White; Donaldson; Siljeg; Smith; Diaz; Robinson Absent: Holmes