

Andy Nixey  
Ryde City Council  
Locked Bag 2069  
North Ryde, NSW 1670

27 May 2016

Dear Andy,

**Re: Macquarie Shopping Centre Expansion EIA Peer Review**

**Introduction**

HillPDA was requested by Ryde City Council (Council) to undertake a peer review of the Stage 1 Concept DA for the redevelopment of Macquarie Shopping Centre, located at 197 Herring Road, Macquarie Park (subject site) in relation to the economic impacts. As part of the application an Economic Impact Assessment (EIA) was prepared by MacroPlan Dimasi.

The DA seeks to provide a mixed use redevelopment of part of the existing shopping centre to include:

- Four towers fronting Herring Rd;
- A maximum additional gross floor area (GFA) of 148,000sqm;
- An additional 39,723sqm of retail gross lettable area (GLA);
- 44,252sqm of commercial net lettable area (NLA);
- 41,063sqm of residential net saleable area (NSA) and
- 2,175 additional car spaces.

**Relevant Planning Considerations**

Although the EIA does not provide a review of current strategic and legislative documents, HillPDA believes it is a necessary component to provide context to the wider planning and strategic directions. As such, existing planning policies and strategies of relevance to this peer review are summarised below.

**A Plan for Growing Sydney 2031 (2014)**

The DP&E published the A Plan for Growing Sydney to 2031 (the Plan) in December of 2014. It seeks to achieve the following outcomes:

- A competitive economy with world-class services and transport;
- A city of housing choice, with homes that meet our needs and lifestyles;

- A great place to live with communities that are strong, healthy and well connected; and
- A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

By 2031, Sydney's economic output will almost double to \$565 billion a year, with this economic growth being fuelled partly by an additional 689,000 new jobs over the period. Sydney will also experience a population growth of about 1.6 million persons, with 900,000 of this population growth occurring in Western Sydney. To meet this population growth, an additional 664,000 new dwellings will need to be constructed.

Specific to this Study is:

- Direction 1.6: Expand the Global Economic Corridor;
- Direction 1.7: Grow strategic centres - providing more jobs closer to home;
- Direction 1.9: Support priority economic sectors;
- Direction 2.1: Accelerate housing supply across Sydney;
- Direction 2.2: Accelerate urban renewal across Sydney;
- Direction 2.3: Improve housing choice to suit different needs and lifestyles; and
- Direction 3.1: Revitalise existing suburbs.

#### [NSW Draft Centres Policy, NSW Department of Planning and Infrastructure \(2009\)](#)

The NSW Draft Centres Policy has never been formally adopted but in our experience the NSW Department of Planning and Infrastructure has consistently sought to apply its guidance to relevant development proposals. It focuses around six key principles as follows:

- The need to reinforce the importance of centres and clustering business activities;
- The need to ensure the planning system is flexible, allows centres to grow and new centres to form;
- The market is best placed to determine need, and the planning system should accommodate this need whilst regulating its location and scale;

- Councils should zone sufficient land to accommodate demand including larger retail formats;
- Centres should have a mix of retail types that encourage competition; and
- Centres should be well designed to encourage people to visit and stay longer.

The NSW Draft Centres Policy seeks to support existing centres and allow centres to grow and expand in line with demand.

#### [Draft Competition SEPP \(NSW Government, 2010\)](#)

The proposed state-wide planning policy removes artificial barriers on competition between retail businesses. Of relevance to this peer review the SEPP stipulates that impacts which may eventuate from a proposed development on the commercial viability of individual businesses may not be considered in determining planning proposals, unless that impact would jeopardise the extent and adequacy of local community services and facilities, taking into account those to be provided by the proposed development itself.

#### [Section 79C \(1\) \(b\) of the EPA Act](#)

Section 79C (1) (b) of the Environmental Planning and Assessment (EPA) Act, requires Councils to consider “the likely impacts of that development, including environmental impacts on both the natural and built environments, and social and economic impacts in the locality”. Previous court judgements have provided some guidance on relevant issues in relation to the economic impact of retail developments.

In *Fabcot Pty Ltd v Hawkesbury City Council* (97) LGERA, Justice Lloyd noted "economic competition between individual trade competitors is not an environmental or planning consideration to which the economic effect described in s 90(1)(d) is directed. The Trade Practices Act 1974 (Cth) and the Fair Trading Act 1987 (NSW) are the appropriate vehicles for regulating competition. Neither the Council nor this Court is concerned with the mere threat of economic competition between competing business.... It seems to me that the only relevance of the economic impact of a development is its effect ‘in the locality’ ...”.

In *Kentucky Fried Chicken Pty Ltd v Gantidis* (1979) 140 CLR 675 at 687 Justice Stephen noted that “if the shopping facilities presently enjoyed by a community or planned for it in the future are put in jeopardy by some proposed development, whether that jeopardy be

due to physical or financial causes, and if the resultant community detriment will not be made good by the proposed development itself, that appears to me to be a consideration proper to be taken into account as a matter of town planning... However, the mere threat of competition to existing businesses if not accompanied by a prospect of a resultant overall adverse effect upon the extent and adequacy of facilities available to the local community if the development be proceeded with, will not be a relevant town planning consideration.”

The NSW Land & Environment Court has stated that Councils should not be concerned about competition between individual stores as this is a matter of fair trading. But it should concern itself with impact on established retail centres.

The principles were reiterated by Justice Pearlman in *Cartier Holdings Pty Ltd v Newcastle City Council and Anor* [2001] NSWLEC 170. “It follows that Section 79C(1)(b) does not require the consent authority to take an approach in consideration of the relevant matter different from the approach formerly taken in the application of 90(1)(d)”.

## **Critique of the EIA**

This section undertakes a critique of the EIA, the data and assumptions used.

## **Trade Area Analysis**

### **Trade Area**

HillPDA concurs with the methodology regarding trade areas as set out in the EIA, that is that a trade area should be defined based on the scale and composition of the proposed development, the location and strength of competitive provision, accessibility, urban development and the presence of physical barriers.

Macquarie centre is a regional centre and as such would draw upon a wide trade area. This trade area would overlap with surrounding regional centres such as Chatswood, Hornsby, Burwood and Castle Hill.

The EIA uses Quantum data to define their trade area. This gives it added robustness in determining and understanding the extent of the centres trade area. We concur with this method and source of data which is statistically valid.

### **Population Growth**

The EIA derives its estimated resident population from various sources including the ABS Census (2006-2011), ABS Dwelling Approvals and ABS Estimated Resident Population Data (2011-2014). Population projections have been sourced from the NSW DPE and NSW BTS projections.

The EIA has also given consideration to major residential projects within the area such as priority precincts and the station precincts around the NWRL and the impact these would have upon population growth.

Given that the trade areas within the EIA are defined at the SA1 level while the NSW DPE projections are provided at the LGA level and the BTS are provided at the LGA and Travel Zone level. The EIA would therefore have to proportion growth based on number of dwellings or land area.

HillPDA replicated the trade areas within MapInfo's Anysite software and found as of 2031, the MTA population was slightly under estimated in the EIA while the tertiary sectors total was slightly over estimated. However, as of 2031 there was only a difference of approximately 6,000 persons within the TTA<sup>1</sup> population, this discrepancy is deemed to be insignificant.

Therefor HillPDA agrees with the population projection used within the EIA.

### **Demographics**

Demand for retail floorspace is dependant not only on the number of households in the main trade area but also on the socio-demographic characteristics of those households. The EIA is therefore prudent to undertake a socio-demographic analysis of residents in the main trade area using 2011 ABS Census data. The socio-demographic analysis in the EIA appears reasonable and accords with our understanding of the socio-demographic traits of residents in this area.

### **Expenditure Data**

Using our bespoke expenditure model, HillPDA concurs with the EIA's estimated expenditure per capita and total trade area retail expenditure.

<sup>1</sup> Total Trade Area – combination of main, secondary and territory trade areas.

## Worker and Student Market Analysis

### Worker market

#### Employment forecasts

As indicated in the table below, worker projections used within the EIA are approximately 10,500 to 11,000 lower than that projected by the BTS for the same main trade area.

The higher employment projections within Macquarie centre are reinforced by an *Employment Centres Analysis* report undertaken by SGS for NSW DPE. The report projects employment to reach a total of between 82,000 to 94,500 jobs by (an assumed year of) 2031.

**Table 1 - Worker Trade Area Projections**

	2011	2016	2021	2026	2031
MTA EIA	43,290	46,590	50,090	53,840	57,840
BTS MTA	53,777	57,428	60,797	64,710	68,829
Difference	-10,487	-10,838	-10,707	-10,870	-10,989

Source: BTS Population and Employment Travel Zone Forecasts 2014 and MacroPlan EIA

### Worker spend

The EIA projects that worker spend would generate an estimated \$226.4 million in 2015, increasing to \$343.7 million by 2031. This represents a weekly spend (assuming 46 working weeks a year) of \$107/week, increasing to \$129/week by 2031.

A 2013 survey conducted by Urbis found that on average, workers within Sydney CBD spent \$230/week on retail shops. It would be expected that as a result of the extended nature of the secondary workers trade area, overall weekly expenditure by workers within Macquarie Park would be more conservative.

However, applying the weekly spend of \$129/week to above BTS and SGS employment projections in 2031, worker spend generated could be as high as \$400 million in 2031. Please note however that Macquarie Park is expected to capture a large proportion, but not the entirety, of this expenditure.

### Student Market

HillPDA agrees with the student enrolments numbers stated within the report and the growth projections.

Students from the university regularly travel to the centre during their lunch breaks, gaps within timetables or by students living in campus.

Previous surveys undertaken by HillPDA revealed students that use the centre could spend upwards of \$7,000 per annum on retail goods over the year. This would further drive demand for additional retail floorspace to be accommodated within the subject site.

### **Macquarie Transport Interchange**

The development and planned transport infrastructure within Macquarie Park has and will continue to increase patronage by commuters. However, HillPDA agrees that these commuters are comprised of students, workers and residents. These have been accounted for within the previous analysis.

### **Competitive Environment**

Macquarie Park is a major centre and would compete with surrounding centres of the same status in the hierarchy. As such, The EIA provides a fair representation of the existing competitive retail hierarchy within the identified catchment area. The floorspace figures quoted are consistent with the NSW Property Council's Shopping Centre Directory.

### **Retail Demand**

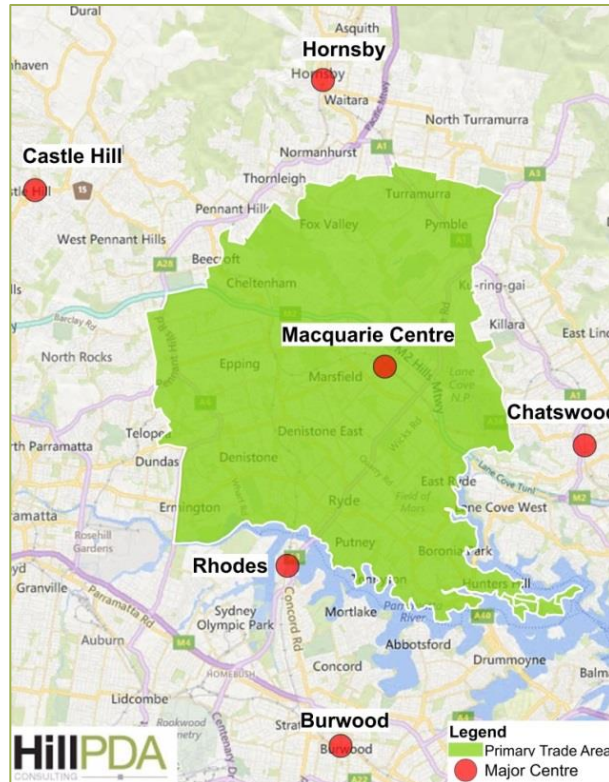
HillPDA generally agrees with the method used within the EIA to determine the total demand for retail floorspace within the trade area. Note however that the main trade area overlaps with the primary trade areas of surrounding major centres such as Hornsby, Castle Hill and Chatswood.

As stated in the EIA the centres Castle Towers and North Rocks are all proposing expansions. Combined an additional 121,223sqm of floorspace is proposed (including the subject site) within the MTA / edge of the MTA.

### **HillPDA Demand Assessment**

To check the robustness of the forecast supply demand modelling in the EIA, HillPDA derived an approximate trade area (or Locality) for Macquarie Park based on more or less an equal distance from competing regional centres as shown in the figure below.

**Figure 1 - Macquarie Park Locality**



Source: HillPDA

This area or locality had an estimated resident population of 236,300 residents as of 2015 and is forecast to increase to 299,800 residents by 2031.

Due to growth in real spend per capita the amount of retail floor space per capita in Sydney has increased from 1.8sqm in 1990 to around 2.2sqm today. Over time we would expect this to continue to increase (at a rate of 0.5% per annum) to around 2.35sqm per capita by 2031.

Using these rates, population in the locality demanded around 520,000sqm retail floorspace in 2015 and this will increase to 700,000sqm by 2031. This represents an increase in demand of 180,000sqm or 11,250sqm of additional floorspace every year.

Around one third of total floorspace is provided in the major centres. Hence Macquarie Centre could provide 60,000sqm of additional space whilst allowing other centres in the locality to expand a further 120,000sqm. A further 5,000sqm at Macquarie Park can be supported by growth in the workforce.



With the above factored in, the proposed expansion of 39,720sqm (of which 30,000sqm is likely to be retail) on the subject site is easily supportable.

Importantly, this simple cross checking method ensures that the other major centres can also accommodate growth in demand in their respective trade areas. In other words a further 30,000sqm of retail space at Macquarie Park can be supported by growth in the locality without redirecting expenditure or growth from the other major centres. It also demonstrates that smaller centres in the locality can enjoy some growth in trade notwithstanding possible short-term adverse impacts.

### **Estimated sales potential**

The EIA estimates an incremental increase of around \$190.5 million for the additional 30,000sqm of retail floorspace. This represents a turnover for the additional floorspace of \$6,350/sqm. HillPDA agrees with this estimate.

### **Impacts on Centres**

Whilst we have not replicated the impacts of the proposed expansion we find the methodology is reasonable and the results generally accord with reasonable expectations.

The only surprise is that Table 6.2 in the EIA suggests an immediate loss in trade for Hornsby at 5.2% and 4.7% loss in trade over 5 years. We would expect Hornsby to enjoy growth given 1.1% per annum growth in population in the Shire and 1.4% per annum growth in Kuring-gai. It may be that the loss in trade over 5 years is also attributable to the assumed expansion at Castle Towers. In any case the loss of 5% in trade is not considered to be significant enough to warrant concern.

Please note that the combined impacts on the other smaller centres in the locality will depend on the mix of retailers. A high component of food and grocery related retailers will have stronger impacts on the local centres, whereas a high proportion of fashion and department stores will have stronger impacts on the regional centres (Hornsby, Chatswood and Castle Hill) and less impact on the local centres.

## Other economic and community impacts

### Employment projections

HillPDA agrees with the retail employment densities used within the EIA. However, the EIA uses an employment density of one employee for every 67sqm of NLA commercial floorspace for the proposed 44,252sqm. This is two to three times found in A and B grade office space in suburban locations.

Macquarie Park provides approximately 886,500 of NLA commercial floorspace<sup>2</sup>, applying the previous BTS and EIA workforce estimates for the year 2016 (Table 1) equates to an employee density of one employee for every 15 to 19sqm.

As such, using a more appropriate rate of say 19sqm per worker and a 5% vacancy rate, then the net increase in workers would be around 3,343 rather than the 1,807 estimated in the EIA.

### Dwelling projections

The EIA states that under one scenario, 615 dwellings could be developed across three residential towers while under another scheme 918 dwellings (915 dwellings in the SEE) are planned across four towers.

This would reveal an average unit size of 67sqm for Scheme 1 and 93sqm for Scheme 2.

Given that the SEE stated that 50% of dwellings are one bedroom units, HillPDA has used a more reasonable average units size of 70sqm for both schemes. This reveals that between 587 to 1,219 dwellings could be delivered. As such, the PP would contribute to between 10 to 21% of the total dwellings planned for the priority area.

**Table 2 – Dwelling Projections**

	EIA and SEE			HillPDA	
	Residential (NSA)	Units	Average unit size (sqm)	Average unit size	Units
Scheme 1	41,063	615	67	75	587
Scheme 2	85,315	915	93	75	1,219

<sup>2</sup> PCA 2016 Office Report

Given all the above we believe the application does not warrant refusal on the grounds of adverse economic impact.

We trust this covers the main points. Please call if you have further questions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Hack', with a large, stylized initial 'A'.

**ADRIAN HACK**

*MLE, BTP (Hons), MPIA*  
Principal, HillPDA