

ENVIRONMENTAL**9.3 17-19 SMITH STREET, EAST CHATSWOOD - PLANNING PROPOSAL NO. 2011/02**

ATTACHMENTS:

1. LOCATION AND DRAFT WLEP 2012 ZONING
2. MAIN TRADE AREA – EXTRACT FROM ECONOMIC ANALYSIS
3. CONCEPT PLAN
4. OFFICERS CONSIDERATION OF SUBMISSION TO EXHIBITION OF DRAFT WLEP 2009
5. ALTERNATIVE SITES
6. EXTRACT FROM REVIEW BY SGS ECONOMICS AND PLANNING
7. LETTER DATED 11 NOVEMBER 2011 FROM ROADS AND MARITIME SERVICES

MEETING DATE: 21 MAY 2012

RECOMMENDATION: REFUSAL

LOCATION: NORTHERN SIDE OF SMITH STREET, BETWEEN ALLEYNE STREET AND LOWER GIBBES STREET, EAST CHATSWOOD

APPLICANT: RENNEW CONSTRUCTIONS ON BEHALF OF WOOLWORTHS LTD

OWNER: FABCOT PTY LTD

PROPOSAL: AMENDMENT TO PLANNING CONTROLS TO ALLOW A SUPERMARKET AND LIQUOR SHOP IN EAST CHATSWOOD INDUSTRIAL AREA

DATE OF LODGEMENT: 14 NOVEMBER 2011

REPORTING OFFICER: JANE HOSIE, STRATEGIC PLANNER

RESPONSIBLE OFFICER: GREG WOODHAMS, ENVIRONMENTAL SERVICES DIRECTOR

PURPOSE OF REPORT

This report considers a Planning Proposal to allow a supermarket and liquor outlet at 17-19 Smith St, East Chatswood which was previously occupied by the Sundell Holden car service centre.

The report sets out the merits of the Planning Proposal. The report concludes that, on balance, the Planning Proposal does not provide sufficient justification to support a major shift in the nature and integrity of the East Chatswood industrial area (an identified Category 1 Employment Lands Area in the Draft Inner North Sub Regional Strategy) and the potential

creation of a new local centre in a location that is not supported by growth in housing density and public transport infrastructure.

In addition to being prohibited in the zone, the proposal is inconsistent with the current strategic planning framework for the area. This includes the Willoughby City Strategy, previous industrial studies of East Chatswood, in particular, by GEOPLAN in 1995 and SGS Economics in 2004, the Metropolitan Plan 2036, Draft Inner North Sub Regional Strategy and the Environmental Planning and Assessment Act 1979 Section 117 Direction –1.1 Business and Industrial Zones, the Draft Planning Principles for Sydney's Industrial Lands (August 2011) and Draft Centres Policy.

Significant local and regional traffic issues would be generated from a supermarket on the subject site especially at the scale proposed in the Planning Proposal. There would be major implications to the Smith St, Eastern Valley Way and Deepwater Road intersections which have not been resolved.

This report recommends that Council not support the Planning Proposal.

SITE AND CONTEXT

The subject site is located in the East Chatswood light industrial area and has been vacant since 2010. Fabcot Pty Ltd (Woolworths) purchased the site in 2010. It has an area of 4,377sqm and occupies almost an entire block with the exception of 2 Short St which is occupied by a car service centre. It has frontage to Smith St, Lower Gibbes St, Short St and Alleyne St. Attachment 1 of this report is a site identification plan.

Bunnings Warehouse is located immediately to the east of the site. There are residential properties located diagonally opposite in Smith St, other bulky goods and light industrial uses nearby.

Smith St, where the site is located is the main route through the East Chatswood industrial area that connects to High St.

CURRENT PLANNING CONTROLS- WLEP 1995 and Draft WLEP 2012

The subject site is zoned Light Industrial 4(b) under WLEP 1995 and is proposed to be zoned Light Industrial IN2 under draft WLEP 2012.

"Neighbourhood shops" are permitted in the Light Industrial 4(b) and IN2 zone however "supermarket and liquor outlet" are not. Clause 44 of WLEP 1995 and Schedule 1 of draft WLEP 2012 permits bulky goods in the East Chatswood Industrial area, except where there is direct frontage to any residential area (other than along Eastern Valley Way). (The proposed uses are not categorised as bulky goods retail). The proposed uses are defined as being "shops". There is no separate definition for "supermarket" in the standard instrument.

PLANNING PROPOSAL

1. Summary of proposal

The Planning Proposal has arisen because Woolworths, the proponent, has determined that there is demand and sufficient retail expenditure for a full line (3950sqm) supermarket and liquor shop in this area. According to Woolworths the Main Trade Area which includes Castle Cove, Middle Cove, East Chatswood, North Willoughby, East Roseville, Lindfield and Killarney Heights (indicated in Attachment 2) is under supplied in comparison with the average Australian supermarket provision. (For comparison purposes, the Woolworths supermarket at Northbridge Plaza is 3,869sqm).

Woolworths argues that there are no sites in existing local centres that could accommodate a new full line supermarket and therefore seeks to establish one in the East Chatswood industrial area which it maintains is no longer a traditional industrial area but rather comprises a mix of uses including light industrial, retail, office, recreation and community uses.

The Planning Proposal characterises a supermarket, not as traditional "retail" but as "car based retail", similar to uses approved for the old Council Depot in Artarmon and the recently approved Bunnings warehouse in East Chatswood. It argues that it would therefore be consistent with the objectives of the current 4(b) zone (and the IN2 zone) Light Industrial zone.

The objectives of the IN2 Light Industrial zone under draft WLEP 2012 are:

- *To provide a wide range of light industrial, warehouse and related land uses.*
- *To encourage employment opportunities and to support the viability of centres.*
- *To minimise any adverse effect of industry on other land uses.*
- *To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.*
- *To support and protect industrial land for industrial uses.*
- *To identify and preserve industrial lands to meet the current and future light industrial needs of Willoughby City and the wider region.*
- *To accommodate industrial development that provides employment and a range of goods and services without adversely affecting the amenity, health or safety of nearby residents in adjacent areas.*
- *To protect the viability of business zones in the City of Willoughby by enabling development for the purposes of offices only where they are used in conjunction with industrial, manufacturing, warehousing or other permitted uses on the same land.*
- *To improve the environmental quality of the City of Willoughby by ensuring that land uses conform to land, air and water quality pollution standards, environmental and hazard reduction guidelines.*
- *To accommodate uses that because of demonstrated special building or site requirements or operational characteristics, cannot be or are inappropriate to be located in other zones. (Extract from draft WLEP 2012)*

Woolworths has submitted economic and land use analysis reports, a consumer research survey and traffic study aiming to justify a variation to the planning framework and to support a rezoning. It highlights improved traffic conditions from decreased traffic to Northbridge and Chatswood CBD, more choice for the community and increased employment as substantial benefits from a supermarket in East Chatswood.

An indicative concept plan has been submitted with the Planning Proposal and is attached to this report as Attachment 3. It shows a "full line" supermarket and liquor outlet of 3,950sqm and 184 spaces in two levels of underground car park. No elevations have been supplied at this stage. Architectural plans and other information would be required at Development Application stage if the rezoning was supported.

The Planning Proposal reiterates a request made by Woolworths in a previous submission to the exhibition of draft WLEP 2009. Council Officers did not support the request for the reasons outlined in Attachment 4 of this report and Council did not resolve to amend the draft LEP.

2. Explanation of Provisions

The Planning Proposal seeks to make amendments to either Draft WLEP 2012 or WLEP 1995 and suggests two methods of permitting a supermarket and liquor outlet on the site in the industrial area in Smith St as outlined below:

1. The entire East Chatswood industrial area be rezoned to B5 Business Development with provisions to allow a supermarket as a permissible use for 17-19 Smith St under a local clause and Schedule 1 of the draft LEP and with light industry included as a permissible use in the B5 zone; or
2. Site specific amendments to Schedule 1 (Additional Permitted Uses) in Draft WLEP 2012 for 17-19 Smith St and inclusion of a local provision which would allow a supermarket to be a permissible use within the IN2 zone or inclusion of an enabling clause in the existing WLEP 1995 (for the subject land only) in a similar way to the bulky goods provisions applying to the East Chatswood light industrial area.

The Proponent's preferred approach is for a "spot rezoning" (enabling clause) to WLEP 1995 (which would be included in the draft LEP) given possible delays with the progression of draft WLEP 2012.

An amendment to WLEP 1995 would not be supported by Council officers as the progress of draft WLEP 2012 is well advanced.

Under the Standard instrument, the Land Use Tables and Schedule 1 (Additional Permitted uses) can only refer to uses that are defined in the Dictionary. "Supermarket" is not separately defined but would be included in the definition of "shop" as would a liquor outlet.

ASSESSMENT

Merits of the proposal

A full line supermarket located on the subject site could be attractive for a number of reasons. According to Woolworths research where 400 residents were interviewed, 37% of people strongly supported the proposal and 31% were somewhat in favour.

As argued by the Proponent, benefits could include extra choice and convenience for residents both in the catchment area and for passing traffic particularly for motorists travelling through the City along Eastern Valley Way. The option of not travelling to the Chatswood CBD for grocery shopping would be attractive as would be an alternative to shopping at Northbridge Plaza. There could also be some reduction in traffic around the intersection of Eastern Valley Way and Sailors Bay Rd and in the Council owned car park adjacent to Northbridge Plaza as well as reduction in traffic to Chatswood CBD.

Workers in the industrial area would also find a supermarket in Smith St convenient as there is currently limited shopping within walking distance.

An industrial location for a new supermarket could also have fewer amenity impacts than if one was located in a smaller existing local centre where residential dwellings are more likely to be affected by loss of privacy, noise, overshadowing and parking issues. As the site is large and relatively isolated there could be fewer constraints in terms of provision of on site parking, loading and unloading facilities and existing streets are wide for manoeuvring large delivery trucks.

Woolworths research findings indicated that the biggest concern that residents have with a proposed supermarket would be traffic issues.

In terms of traffic generation significant issues particularly for local streets such as Alleyne, Mann and High Streets are likely notwithstanding that the levels may meet traffic planning guidelines. The intersection of Eastern Valley Way (a major road controlled by the RMS) / Smith St and Deepwater Roads would also be affected as discussed elsewhere in this report.

Traffic issues would relate to the volume of traffic on the local and arterial road as well as control of large additional vehicles accessing the site in peak hours and overnight.

The perceived benefits of a supermarket need to be balanced against issues such as the local and regional traffic impacts and other factors discussed later in this report such as the long term impact on the future demand for industrial land and the impact on the character of the East Chatswood industrial area, the viability of existing local centres in the LGA and the potential creation of a new centre.

Consideration of the Proponent's Justification for Rezoning

The following assessment of the Planning Proposal has been undertaken with reference to the document, "A Guide to Preparing Planning Proposals" published by the Department of Planning July 2009. It includes consideration of the justification for the planning proposal, the relevant strategic planning framework, and the likely impacts of the proposal as required by s55(3) of the EP&A Act. It has also been considered in conjunction with "A Guide to Preparing Local Environmental Plans" and Circular PS 09-015 "Commencement of Certain Provisions of the EP&A Amendment Act 2008 and EP&A Amendment (Plan making) regulation 2009" also published by the Department of Planning as outlined below.

Section A- Need for Planning Proposal

1. Is the planning proposal a result of any strategic study or report?

The Planning Proposal is not the result of a strategic study or report and was initiated by the proponent, not Council.

A number of reports and studies have been prepared on behalf of the proponent in order to justify the Planning Proposal. These have been reviewed by SGS Economics and Planning and Council's Traffic and Transport Section. They are considered in the assessment and are referred to and reviewed throughout this report. They include:

1. A Land Use Analysis prepared by Jones Lang LaSalle which discusses the existing context of the site, its future purpose and the potential loss of industrial land.
2. An Economic Analysis prepared by Duane location IQ which considers the availability of supermarket floor space across the Willoughby LGA and the region, The relationship to surrounding local centres and consideration of potential alternative sites for a supermarket.
3. Traffic and parking impacts prepared by Colston Budd Hunt and Kafes Pty Ltd
4. Woolworths research findings.

Council has undertaken a number of studies of the East Chatswood industrial area over the last 20 years. The most recent prepared by SGS Economics and Planning in 2004 resulted in changes to the planning controls through Amendment 60 to WLEP 1995 to reflect modern trends in industry. Council has also engaged SGS to provide advice for the assessment of the current Planning Proposal. An Executive Summary of that report is provided at Attachment 6.

2. Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?

The planning proposal is contrary to the strategic principles in terms of the objectives and intended outcomes of WLEP 1995 and draft WLEP 2012 for the Light Industrial area. However if Council was to support the proposal, then the appropriate way would be to amend

the new WLEP following its gazettal rather than WLEP 1995 given that draft WLEP 2012 is well advanced.

If Council saw merit in the rezoning proceeding, then Council would need to determine whether it is appropriate to rezone all the East Chatswood industrial area in order to allow shops generally or just the subject site as proposed in the planning proposal as there could be an argument that should Council support the planning proposal it would be favouring Woolworths over other supermarket companies and therefore a spot rezoning could be anti competitive.

An alternative way to achieve the Proponent's objectives would be to identify land within an existing centre or adjoining an existing centre that could be rezoned to allow the uses.

3. Is there a net community benefit?

Although it is not government policy, the Proponent has relied on the draft Centres Policy for justification for a supermarket to be located outside the existing retail centres. The draft Centres Policy supports the location of retail and commercial activity in centres to ensure the most efficient use of transport and other infrastructure, proximity to labour markets and to improve the liveability of those centres.

When considering a proposal such as a supermarket outside an existing centre, it suggests that a sequential test be followed.

1. *it must first be demonstrated that there are no suitably zoned sites within the existing centre. Where the zoning is flexible – such as a mixed use zone – there will be more options available to proponents. It is recognised that acquiring appropriately zoned sites within existing centres may not always be practical or feasible particularly if large format sites are required.*
2. *if there are no suitably zoned sites in the existing centre, it must then be demonstrated that there are no suitable sites in an edge- of-centre location. Where available, edge-of-centre sites will generally be supported particularly if good connections can be established with the existing centre.*
3. *Out-of-centre stand-alone sites will generally not be supported unless it has been demonstrated that there are no suitable within-centre or edge- of-centre sites and there is a demonstrated net community benefit.*

The Proponent argues that the subject site is "edge of centre" with good connections with the established "major centre of Chatswood with good access to existing infrastructure such as public transport." It is difficult to agree with the Proponent's assertion that the subject site is "Edge of Centre" being located over 2km from Chatswood station. Therefore under the draft Centres Policy, the third point above must be followed.

In this regard the Proponent maintains that the net community benefit of a supermarket in the industrial area is that it would allow a supermarket use which will be compatible with the surrounding land uses; would increase choice and competition within the area and would facilitate a permanent employment generating activity. In response to the requirement to demonstrate that there is no suitable "within centre" sites, it states that there are already two full line Coles in the Chatswood CBD and a proposed Woolworths Metro in the Interchange complex. It states that there are limited sites large enough for another full line supermarket in the CBD. In addition, the proponent submits that the existing congested traffic and limited parking availability within the CBD makes it less attractive for supermarket development.

Council Officer's have identified a number of alternative sites within existing centres or in "Edge of Centres" that could accommodate a full line supermarket. These are discussed in Section B of this report under consideration of the Metropolitan Plan. The SGS Review has

also confirmed that there are at least two sites in the catchment area that could accommodate a full size supermarket.

The Department of Planning's, *A Guide to Preparing Planning Proposals*, recommends that the Net Community Benefit Test from the Draft Centres Policy should be followed when assessing a Planning Proposal. The Planning Proposal has therefore been considered against the applicable criteria as set down in the guide.

Will the LEP be compatible with agreed State and regional strategic direction for development in the area (eg land release, strategic corridors, development within 800 metres of a transit node)?

The planning proposal is contrary to the State and Regional strategic directions, in particular the Sydney Metropolitan strategy and draft Inner North Strategy. (Refer to discussion in Section B of this report).

Is the LEP located in a global/regional city, strategic centre or corridor nominated within the Metropolitan Strategy or other regional/subregional strategy?

The subject site is part of the Global and Economic Corridor proposed in the Metropolitan Plan 2036 which extends north and south from the Sydney CBD. The corridor to the north of the CBD extends through North Sydney, St Leonards and Chatswood to Macquarie Park.

The Inner North subregional strategy identifies the East Chatswood industrial area as strategic employment land. It notes that employment land has been under pressure for conversion to higher order employment or residential uses, with significant rezoning over the last two decades and land constraints and high values are likely to limit future provision of employment land in the Inner North.

It states *"The Artarmon, East Chatswood and Lane Cove West Employment lands play an especially significant and contributory role to the Global Economic Corridor and have been identified as being of sub regional importance."*

In relation to Strategic Centres the proponent argues that the subject site, being "edge of centre" has good connections with the established "Major Centre" of Chatswood with good access to existing infrastructure such as public transport.

As stated previously, the proposition that the site is "edge of centre" is not supported. The term originates from the UK Centres Policy which defines "edge of centre" as being within easy walking distance (ie 200-300 metres) of the primary shopping area. The site would be more likely to be "Out of centre" as it is clearly separate from the Town Centre but not outside the urban area.

Is the LEP likely to create a precedent or create or change the expectations of the landowner or other landholders?

The Proponent rejects the suggestion that the Planning Proposal will create a precedent. It states that the site is unique and as such the Planning Proposal is site specific requesting an enabling clause to allow an additional permissible use on the site.

Contrary to the Proponent's view, it is considered that the proposal could create a precedent and expectation for other industrial land owners that additional retail uses are supported within industrial areas, and as a result, negatively impact on the employment capacity and the availability of industrial lands on the North Shore.

Have the cumulative effects of other spot rezoning proposals in the locality been considered? What was the outcome of these considerations?

Council has recently refused another Spot Rezoning from Woolworths (Masters) proposing additional uses (bulky goods retail) in a light industrial zone at the former ABC site at Gore Hill which has been approved for a High Technology Park.

A "Masters" hardware store would be permitted on the subject site in Smith St, East Chatswood.

There are no other spot rezoning proposals in the locality.

Will the LEP facilitate a permanent employment generating activity or result in a loss of employment lands?

The Planning Proposal, if it proceeded to an LEP, would result in the loss of a large site in single ownership with the opportunity to develop for a use consistent with the definition of Employment Lands for industrial purposes. Based on expected levels of employment generation as predicted by Jones Lang LaSalle for different types of uses and on floor area of 3950sqm, the proposal could generate in the order of 158 employees for a supermarket (The Woolworths submission predicts 176 additional jobs). Depending on the nature of the use, an industrial activity could generate around 79 jobs in manufacturing, 47 jobs in wholesale, 98 jobs in service trades and 138 jobs in high tech.

The review by SGS comments that there may be some modest local employment benefits compared to what would otherwise locate on this site. However, employment in a new supermarket development typically "transfers" employment that would occur elsewhere in the retail "system".

Will the LEP impact upon the supply of residential land and therefore housing supply and affordability?

This question is not applicable to the subject Planning Proposal.

Is the existing infrastructure (roads, rail, utilities) capable of servicing the proposed site? Is there good pedestrian and cycling access? Is public transport currently available or is there infrastructure capacity to support future public transport?

In terms of road infrastructure, the Proponent's traffic study is of the view that the adjacent road network can satisfactorily accommodate traffic from the proposed supermarket; the intersection of Smith Street/Eastern Valley Way can satisfactorily accommodate traffic from the proposed supermarket and the proposed supermarket would result in a reduction in traffic travelling to Chatswood and Northbridge/Castlecrag and would result in a substantial reduction in vehicle kilometres travelled, with associated reduction in fuel costs, vehicle emissions and travel times. As stated in the section concerning Traffic in this report, there are unresolved issues relating to the capacity of the intersection of Eastern Valley Way/ Smith St and Castle Cove. There is also expected to be increased traffic in the local streets.

Regular public buses operate along Smith St for services between the northern beaches and Chatswood and along Eastern Valley Way to the City. (Wynyard). However, there is limited public transport from the peninsular suburbs in the catchment area such as Middle Cove, Castle Cove to the proposed supermarket site.

Will the proposal result in changes to car distances travelled by customers, employees and suppliers? If so, what are the likely impacts in terms of greenhouse gas emissions, operating costs and road safety?

The proposal could reduce car distances travelled for residents to the north or east of the site who currently go to Chatswood or Northbridge and who may choose to shop at the proposed supermarket.

The proposal is likely to generate additional short trips between the industrial area and other existing centres should customers need to travel between the two destinations to purchase a range of goods or to compare prices.

It is difficult to quantify whether there will be a net environmental benefit in terms of greenhouse gas emissions associated with the proposed supermarket and changes to travel behaviour.

Are there significant Government investments in infrastructure or services in the area whose patronage will be affected by the proposal? If so, what is the expected impact?

The site is located in an established area with existing road infrastructure and services. Discussion on the impact on road infrastructure and public transport is considered elsewhere in this report. It is considered that there is likely to be an increased demand for public bus transport, principally by employees but also by some shoppers. The use, however, is expected to be primarily car dependent.

Will the proposal impact on land that the Government has identified a need to protect (e.g. land with high biodiversity values) or have other environmental impacts? Is the land constrained by environmental factors such as flooding?

The subject site is existing industrial land and is changing from industrial to retail use. Should Council resolve to support the planning proposal, compliance with SEPP 55- Land Remediation will be required.

The site has not been identified as being subject to a natural hazard that would be likely to affect the proposal. Standard flood controls would apply to the development of the site.

Will the area be compatible/ complementary with surrounding land uses? What is the impact on amenity in the location and wider community? Will the public domain improve?

The Proponent states that its land use analysis recognises that the site and the area is no longer considered or characterised as traditional light industrial, but rather more appropriately characterised by mixed business format employment generating uses and as an area capable of supporting higher order employment uses. Accordingly the proponent argues that a supermarket is compatible and complementary to the evolving and future character of the area.

Whilst it can be agreed that the East Chatswood industrial area is not characterised by heavy industry and manufacturing, the range of activities in the area are consistent with flexible industrial policy providing services and light industries that support local residents and businesses. Retail is restricted to being ancillary to light industrial uses or as bulky goods retail. A general retail area such as a supermarket and liquor shop is not compatible or complementary with the current or planned character of the area. There is a residential area diagonally opposite the site and the proposed use is likely to significantly transform the area

from the perspective of those residential properties. The proposed use is likely to generate greater activity (7 days per week and extended hours) around the site than light industrial use. The quality of the public domain, if the proposal proceeds, would depend on the detail of the design.

There is no suggestion in the Planning Proposal of any elements such as public park, improvement to pedestrian, cycle network or landscaping that would indicate support for the Planning Proposal in terms of a contribution to the public domain.

The proposal represents a significant departure from the strategic plans established for the light industrial area. Please refer to further discussion under the relevant strategic plans, including the Willoughby City Strategy, Draft WLEP 2012.

Will the proposal increase choice and competition by increasing the number of commercial premises operating in the area?

The proposal would provide some increased choice for where consumers can shop for convenience goods. It is arguable that the range offered by Woolworths is comparable to that offered by the Coles supermarkets in Chatswood and would be similar to the range offered at Northbridge. The new IGA store at Castlecrag has some difference in products and price range but it is still not a full line supermarket.

A "stand alone" Woolworths would provide another alternative for shoppers who don't want to go to the Chatswood CBD however, it would also provide an unfair advantage to Woolworths over other supermarket companies who have to pay higher rents and property prices to locate in the retail areas of the City.

If a stand-alone proposal and not a centre, does the proposal have the potential to develop into a centre in the future?

The proponent's Economic Analysis prepared by Location IQ argues that as the proposal is only for a supermarket and liquor shop with no other supporting retail specialty floor space to be provided it will serve a different market to the convenience and specialised shopping focus of traders within High St, Penshurst St and Victoria Ave.

However the proponent's submission does not address the possible pressure for creation of another centre in the industrial area which is likely to occur given that supermarkets tend to act as "anchors" attracting complementary retail uses nearby and given the fact that an LEP cannot restrict the zone only to a "supermarket and liquor shop". Under the standard instrument the Planning Proposal would have to permit "shops" generally. This means that if the supermarket did not proceed (or commenced and ceased trading in the future), the zoning would allow any type of retail premises under the definition of shop to seek approval on the site. This could lead to establishment of a new centre on this site. Refer to Section B for further consideration under the section Metropolitan Plan for Sydney 2036.

What are the public interest reasons for preparing the draft plan? What are the implications of not proceeding at that time?

There would be a number of public interest benefits for an additional supermarket as outlined elsewhere in this report such as greater grocery line choice and convenience however, there are better located sites in the City that would also provide similar benefits yet still support established centres rather than as stand alone destinations. Should the plan not proceed, the site will continue to support the strategic goals envisaged in the metro strategy, sub-regional plan, and the draft WLEP 2012.

Summary

Based on the above assessment, the proposal is not considered to deliver net community benefits for the reasons summarised below:

- It is inconsistent with the strategic goals embedded in the Metro Strategy, and the Draft Inner North Subregional Strategy particularly in terms of retaining industrial uses to maximise economic and light industrial employment potential. The successful regeneration of the site for industrial purposes is strategically important in meeting these goals.
- The proposal to include additional retail uses in the IN2 zone will have an adverse impact on the retention and servicing of important employment lands.
- The proposal will promote a car dependent use in an area that is not well located in terms of bus transport or proximity to a high density residential population that could access the use by walking or cycling.
- The standalone proposal will not foster fair competition by favouring a particular supermarket chain due to the lower land value of the site compared to existing centres (including the need to amalgamate sites).
- There are alternative sites available for a supermarket in existing centres and there is no compelling public interest in proceeding with the proposal.

Section B- Relationship to Strategic Planning Framework.

1. Is the planning proposal consistent with the objectives and actions contained within the applicable regional or subregional strategy (including the Sydney Metropolitan strategy and exhibited draft Strategies?)

Metropolitan Plan for Sydney 2036

The Planning Proposal does not specifically address the Sydney Metropolitan Strategy which provides the basis for the strategic planning framework for Sydney.

The Metropolitan Plan for Sydney 2036 was released in December 2010 and supersedes the Metropolitan Strategy- City of Cities: A Plan for Sydney's Future 2005. It provides broad strategic directions as *"an integrated, long term planning framework that will sustainably manage Sydney's growth and strengthen its economic development to 2036 while enhancing its unique lifestyle, heritage and environment"*.

The proposal has been reviewed against the relevant objectives/direction of the Metropolitan Plan as outlined below.

Strategic Direction

A. Strengthening the City of Cities

Objective A2.1- Consider consistency with the City of Cities structure when assessing alternative land use, infrastructure and service delivery investment decisions.

Objective A4.1 Protect commercial areas in key Strategic Centres to ensure capacity for companies engaged in global trade, services and investment, and to ensure employment targets can be met.

Comment

An Economic Analysis prepared by Location IQ on behalf of the applicant submits that a full line supermarket in East Chatswood would not significantly impact on the viability of existing retail centres and not change the retail hierarchy in the City. It states that "the Chatswood Woolworths development is proposed to include a stand alone supermarket only and will not include specialty floor space. As a result the vast majority of surrounding specialty shops within the region would not compete with the proposed Chatswood development and as such would not be negatively impacted."

This proposition is not supported. It is likely that a supermarket would generate a precedent for other general retail activity including specialty floor space in the industrial area. Supermarkets are often used as "anchor" stores in shopping centres and given that the permissible floor space in the industrial area is 1.5:1 on the basis of the concept plan there would be potential for about an additional 2,188sqm of shop floor space just on the subject site. Further, the Economic Analysis argues that there is such high demand for additional supermarket space in the main trade area that even with a new Woolworths supermarket there would still be unmet demand. Therefore it would be reasonable to assume that other supermarkets like Aldi and Supa Barn could also request permission to locate in the industrial area in the future.

The 2012 SGS Review supports this assumption and states inter alia, "In our view the supermarket development would catalyse further retail development such that a centre by default would be created. In this case not only would the industrial area be affected by encroaching and higher land value development, with unmanaged consequences, the opportunity to obtain more desirable planning outcomes would be lost. "

Page 22 of the Location IQ Economic Analysis considers competitive centres and predicts a range of impacts from a Woolworths supermarket- all less than -10%. It predicts an impact of -1.3% for the Chatswood CBD with the most impact on the Northbridge Plaza of -9%.

The review by SGS noted that overall the method used by Location IQ for assessing the likely impact on competitive centres is consistent with that used by retail analysts although there is a lack of clarity on how some of the key assumptions have been developed.

SGS is of the view that the impact on surrounding centres may be understated and further quantitative testing would be required to test the assertions.

In summary, the proposal for a supermarket in the East Chatswood industrial area would be contrary to the hierarchy of centres as identified in the City of Cities structure of the Metropolitan Plan for Sydney. It would be likely to act as an anchor store and attract pressure for additional retail uses nearby with the potential for creating an additional centre. This would undermine the integrity of the industrial area and compete with the already established centres of the city particularly Chatswood CBD, Northbridge and Victoria Ave/Penshurst St in East Chatswood. (see further relevant discussion below).

B. Growing and Renewing Centres

Objective B- To Focus Activity in Accessible Centres

B1.1 Plan for centres to grow and change over time

B1.2 Establish appropriate mechanisms in subregional Strategies to provide sufficient capacity for commercial development in centres, taking into account identified demand.

B2 To strengthen Major and Specialised Centres to Support Sustainable Growth of the City.**Comment**

The Metropolitan Plan reaffirms the multi centred geography of Sydney identified and promoted in the 2005 Metropolitan Strategy in limiting Out of Centre development to maximise the economic and social advantages of clustered activity. It states: *Sydney has successfully created a network of large and vibrant centres throughout its metropolitan area, in part through limiting out-of-centre commercial development (which includes retail premises, business premises and office premises). The Metropolitan Plan continues to support the location of commercial development in the central part of existing or planned centres. By providing adequate capacity for commercial development within centres, more sustainable growth can be achieved, avoiding pressure for such development in inappropriate out-of-centre locations.*

The pressure for retailing to occur in industrial areas continues to exist. Ideally, retailing in areas with an industrial zoning should continue to be limited to retailing that is ancillary to an industrial use and the retailing of products such as building supplies- where the retailing generates impacts akin to industrial areas.

Retailing which requires large floor areas, such as bulky goods premises, cannot always be readily accommodated in existing centres. Subregional planning and local planning will need to identify locations for subregional clusters for this kind of retail development which support the economic development of centres in those subregions. The B5 Business Development Zone is generally an appropriate zone in which to cluster this kind of development. (P62)

Demand for an additional supermarket has been established by the Proponent in its economic and land use analysis. The Proponent's submission that there is insufficient land in existing centres is based on Woolworth's requirement for a large supermarket of at least 3,690sqm.

One of Woolworths' main arguments for locating a "full line" supermarket in the East Chatswood industrial area is the difficulty in assembling a large enough site, that is, at least 4,500sqm within the existing centres in the LGA. Various sites have been examined in the economic analysis in the Planning Proposal, prepared by Duane Location IQ but have been rejected for various reasons primarily the difficulty in aggregating a site due to existing development and many different owners which Woolworths claim would make redevelopment for a supermarket unviable. (The necessity or otherwise to have a full line supermarket is a separate issue). No alternative sites in the catchment area located in adjoining Council areas of Ku-ring-gai or Warringah have been considered by the Proponent.

The Woolworths' submission also cites the existing congested traffic and limited parking availability within the Chatswood CBD making it less attractive for supermarket development as justification for its proposal to locate in the East Chatswood industrial area.

Chatswood has been identified as a Major Centre in the Metropolitan Plan 2036 and a supermarket is a logical and appropriate land use which would support the employment goals for the Centre.

The Planning Proposal submission prepared by Jones Lang LaSalle argues that while Council is concerned over the loss of industrial zoned land, it has not addressed the lack of suitable zoned land for retail purposes particularly for medium to large sized supermarkets.

In response to this claim and in accordance with Objective B of the Metropolitan Plan "Growing and Renewing Centres", Council officers have identified possible sites in the LGA which could accommodate a large supermarket. There is approximately 190,000 sqm of

retail floor space in Chatswood CBD. Draft WLEP 2012 proposes to zone additional land in the Chatswood CBD and the total available capacity for additional retailing will be in the order of 20,000 sqm allows retail premises including supermarkets. Areas that could accommodate a large supermarket are zoned B2, B3 and B4 under draft WLEP 2012. They would all require acquisition and amalgamation of sites which is common for "in centre" or "edge of centre" proposals (Chatswood Chase acquired properties in Havilah St and Malvern Ave to expand the centre.)

Some possible sites that could be considered are identified in Attachment 5 and have been discussed in more detail in the review by SGS Economics and Planning April 2012. The criteria used for identifying these sites were:

- the current or proposed zoning under draft WLEP 2012 and whether shops are permitted;
- if the site is not currently zoned or proposed to be zoned to allow shops it is located nearby to an existing centre ie (Edge of Centre).

Although not all the sites are in the Proponent's supermarket catchment area the majority of sites identified by Council Officers would not require rezoning although some would be required to amalgamate in order to assemble a large enough site for a full line supermarket.

In addition, the large Chatswood Chase and Westfield centres in the CBD have sufficient capacity to provide for an additional full size supermarket however, the Woolworths Planning Proposal does not indicate that either of these centres have been approached with a proposal. Under the draft WLEP 2012 these sites have increased FSR development potential.

The Planning Proposal in its examination of alternative sites has not addressed draft WLEP 2012, despite its exhibition in March 2010 and current availability on Council's website. Some of the sites on the edge of the Chatswood CBD that are identified by Council Officers as suitable for a supermarket are not currently zoned under WLEP 1995 for retail, however they are proposed to be zoned B4 Mixed Use in Draft WLEP 2012. They have not been considered in the Woolworths Planning proposal as possible sites. An example is Site 8 (36 Hercules St and 17 Albert Ave) which is currently zoned Special Uses under WLEP 1995 but is proposed to be zoned Mixed Use B4 under draft WLEP 2012. Other sites include the blocks bounded by Oscar St, Albert Ave, Archer St and Victoria Avenue as well as the block between Help St and McIntosh St.

At a recent meeting with Royal North Shore Hospital (Health Infrastructure) representatives, the issue of a supermarket on the Herbert St divestment land was met with interest.

The review by SGS Economics confirms that there are viable alternative sites particularly the old Bunnings warehouse at 173 Victoria Ave and the Legion club at 243-245 Peshurst St as they are within the Proponent's catchment area and close to or within existing centres. Each of these alternative sites have issues to be considered and may not be appropriate on closer analysis. However, the Smith St site has been found to be inappropriate based on the analysis of the Planning Proposal.

C – Transport for a Connected City

Objective C2 To Build on Sydney's strengths by further integrating transport and land use planning and decision-making to support increased public transport mode share.

Objective C2.1 Ensure subregional housing and employment targets are informed by analysis of current and planned public transport capacity availability.

Objective C2.2 Develop modal strategies including rail, bus, walking and roads to respond to

growth in demand.

The proponent addressed matters relating to transport and land use integration. A discussion on traffic issues associated with the Planning Proposal is included under the heading Traffic in this report.

E. Growing Sydney's Economy

Objective E1 To Ensure Adequate Land Supply for Economic Activity, Investment and Jobs in the Right Locations

Action E1.1 Reflect new subregional employment capacity targets in Subregional strategies and Local Environmental Plans

E1.2 Establish an Employment Lands Task Force to promote and ensure the orderly development of employment lands

Objective E2- To Focus Sydney's Economic Growth and Renewal, Employment and Education in Centres

Action E2.1 Plan for more commercial and retail jobs in highly accessible Strategic Centres

Action E2.2 Ensure an adequate supply of retail, office space and business parks

Action E2.7 Prepare and implement measures to assist development of low cost space for creative industries and business start ups

Objective E3 To Provide Employment Lands to Support the Economy's Freight and Industry Needs

Action 3.1 Monitor supply and demand for employment lands and plan for new employment lands

Action E3.2 Identify and retain strategically important employment lands

Comment

A supermarket in the East Chatswood industrial area would be contrary to the objectives of the Metropolitan Plan for Sydney 2036. In particular, it would not support the objective of locating retail and commercial jobs in highly accessible Strategic Centres. A supermarket would be better located in St Leonards (a Specialist Centre with a high density residential area) or Chatswood (an identified major centre) or one of the local centres identified in the Inner North Strategy such as in Penshurst St. See further discussion above under consideration of Objective B of The Metropolitan Plan 2036 -"Growing and Renewing Centres. "

The Draft Inner North Strategy sets employment targets of 16,000 additional jobs by 2031 primarily provided in St Leonards (8,200) and Chatswood (7,300). This leaves 500 extra jobs to be provided in areas outside those strategic centres such as Artarmon, East Chatswood industrial areas and other local centres. In terms of achieving employment targets the Planning Proposal would be merely transferring location of jobs, not necessarily creating new ones. Further, Chatswood has a higher jobs target to reach than East Chatswood so it makes sense to support it being an already established retail centre.

A supermarket would create further pressure for general retail uses to be located in the industrial area which would impact on the integrity of the industrial area.

In terms of Objective E "Growing Sydney's Economy", it is noted that the East Chatswood industrial area has been identified as category 1 Employment Land.

The Woolworths submission observes that the East Chatswood industrial area is evolving and no longer consists of traditional light industrial uses like manufacturing but is mostly a mix of warehouse/self storage, showrooms, bulky goods retailing, office, retail and recreational uses. It notes that new developments include multi storey strata units, Bunnings (bulky goods), Subway (neighbourhood shop), Fitness First (Recreational Indoor facility) and other non traditional industrial land uses.

However, the East Chatswood Industrial area has been "evolving" since the 1980's and has not been characterised by manufacturing for over 30 years. A study undertaken by JLW Advisory in the mid 1990's advised that Council's industrial areas fulfil particular and important service functions for the surrounding residential and commercial areas. This was reinforced in the more recent 2004 SGS Economics and Planning study.

Bulky goods were introduced as a permissible use in the East Chatswood area in 1987 through Willoughby Local Environmental Plan 29. Council later further responded to the changing demands in the industrial areas and the need for the planning controls to be flexible and practical through the introduction of WLEP 1995 (Amendment 60). This was based on a review of the existing and evolving trends in the industry and recommendations by SGS Economics and Planning. WLEP 1995 (Amendment 60) was gazetted in 2007 and introduced a number of initiatives that acknowledged the changing nature of industry including the deletion of a maximum ancillary office and showroom component for industrial uses in East Chatswood; more detailed floor space ratio objectives and the addition of uses such as laboratories and high technology industry.

The Planning Proposal includes a detailed land use study prepared by Location IQ of both the East Chatswood and Artarmon industrial areas. Its aim is to confirm the argument that the East Chatswood industrial area is no longer a traditional industrial area.

The Tables in the study showing business mix numbers and percentages and "Key site attributes" prepared in the Economic Analysis by Location IQ which was submitted with the Planning Proposal indicated that there are 61 premises used for office, representing 14.9% of the premises in the East Chatswood industrial area.

However, site inspection and review of Council records by Council officers has found that this figure is incorrect and misleading. The sites listed as office in the Planning Proposal study are not "office premises" but rather are approved as ancillary to uses permitted in the zone. Examples of this include Compass Resources at 384 Eastern Valley Way which has been identified in the proponent's study as being office however it is actually approved for Geological Research and Development (consents 1999/801 and 2006/626). Another example is the company, EP&T at 358 Eastern Valley Way which has been identified by the proponent as office however, is approved (consent 2005/856) for the production, design, distribution and service of energy saving systems. Furthermore a number of vacant premises have been identified as vacant but denoted as office use in the Planning Proposal study.

The proponent's land use study also identifies 13 uses as retail representing 3.2% of land uses in the East Chatswood industrial area. These retail uses are permissible in the zone, for example, as cafés, bulky goods or wholesalers. They include Bowen bakery at 108 Warrane Rd which manufactures and distributes bread but includes a café on site. The premises at 312A High St is a costume hire shop which is approved (2002/1271) for warehouse, repair and hire of costumes however the land use study identifies it as a retail use.

The variety of uses described in the Woolworth's land use study have long been permitted in the East Chatswood industrial zone and either serve the local needs of the workers or operate for bulky goods that are permitted as a result of government planning and they exist in many industrial areas across Sydney particularly since the introduction of the Flexible

Lands policy in 1990 by the Department of Planning. Their presence does not justify changing the site or the area to a "business" zone. The major purpose of the current zone is industrial use and service industry.

The proposition made in the Planning Proposal that a supermarket is similar to a "bulky good" is not supported. The Standard Instrument classifies supermarkets as "shops" to be accommodated in zones B2-B4 within centres.

Whilst both supermarkets and bulky goods retail are car based, bulky goods retailing is different to "everyday needs" retailing typically associated with grocery and convenience goods shopping. Bulky goods retailing involves a large purchase (ticket) value; a planned and considered purchase usually undertaken by the family rather than individuals; an infrequent purchase and the need to undertake comparison in terms of merchandise type and relative costs.

There is consistent demand in the City for sites that are large enough to sustain genuine bulky goods as recently indicated by the approval of Bunnings in East Chatswood, Home HQ in Artarmon and the recent Planning Proposal refused for a Master's hardware facility at the Gore Hill Technology Park.

It would be short sighted to allow the reduction of suitable land for current permissible uses that are in demand such as bulky goods and in this regard the subject site at 17 Smith St is an ideal size and well located for genuine bulky goods retailing.

Vacancy rates and Supply of Industrial Land

It was previously noted in the report to Council regarding Woolworth's submission to the draft WLEP 2009 that Council has consistently strived to maintain the supply of existing industrial land particularly for service industry in the LGA and the subregion. The Willoughby Industrial Study prepared for Council by SGS Economics and Planning in 2004 noted that given the increasing North Shore population (330,000 by 2021) and the current land allocated to industry, there is a shortage. This is also supported by the Department of Planning (See Draft Inner North Strategy dated July 2009). The 2004 SGS study noted that in terms of total industrial zoned land per capita, Willoughby, with a ratio of 12.9sqm per capita, falls below the average ratio for the Inner north- west Sydney region (14.9sqm per capita) and well below the Sydney statistical SD average. The SGS study acknowledged that efficiencies, mobility in the way people do business and changes in operations will affect the future demand for service industry but industrial land is scarce and particularly important from a service industry perspective.

The Location IQ report disputes the proposition in the 2004 SGS study that there is a shortage of industrial land noting that it is seven years old and the "supposed shortage of land is contradicted by the high number of vacancies that persist within Chatswood East in particular."

High vacancy rates in the East Chatswood industrial area were noted in the SGS study prepared in 2004 and were considered to be the result of a combination of poorly serviced access to public transport, proximity to residential land use and restrictive Council development controls (which have since been amended as a result of the study).

The Location IQ (2011) land use analysis prepared for Woolworths identifies 83 or 20% of premises as being vacant including sites identified also as office when there is no tenant. This number is queried, for example, the Council owned development at 25 Gibbes St is now fully occupied with the exception of one unit however, the land use study listed 11 out of 20 premises as vacant. This would mean the number of vacant tenancies would be lower than noted in the Proponent's submission.

It could be expected that the recent down turn in the economy could play a factor in recent high vacancy rates. The same has occurred with high vacancy rates in Chatswood, St Leonards, North Sydney, Ryde/ Macquarie Park and Artarmon.

Unlike East Chatswood and Artarmon, the neighbouring industrial area of Lane Cove has recently seen significantly reduced vacancy rates. The SGS study noted that in 2004, rough vacancy rates for Lane Cove were close to 20% however a recent article in the Sydney Morning Herald in March 2012 noted that it is now 2.9%. This can partially be attributed to affordability with rents being lower than similar properties in North Ryde and Artarmon (and East Chatswood). However an important aspect to note from the Lane Cove case is the cyclical nature of the industrial market.

The April 2012 review by SGS Economics and Planning of the subject Planning Proposal supports this view and notes that according to local agents demand for small warehouse office type units is relatively high and vacancy rates have improved recently. It predicts (as does the economic study prepared by JLL in support of the Planning Proposal) that there is a likelihood that the older, larger format developments in the East Chatswood industrial area will redevelop over time for smaller units to meet the demand for "Higher Tech", specialised light industry and office warehouse activities if retained for industrial uses.

The 2012 SGS review notes that a deficiency in the JLL study is the lack of a quantitative and long term perspective.

It is unlikely that there will be opportunities to increase the amount of industrial land in the future and some sites on the North Shore particularly those in Burns Bay Rd and Epping Rd in Lane Cove will be lost to residential use over time. As a result, it will be even more important to retain existing industrial land in the inner areas such as East Chatswood.

The Metropolitan Plan for Sydney 2036 states that only employment lands that are not strategically important should be considered for rezoning and includes a strategic summary checklist. The Woolworths Planning Proposal does not consider the strategic assessment checklist. The SGS review has undertaken a quick and qualitative assessment of the Proposal against the strategic lands criteria on page 22 of its report and states that the Planning Proposal has mixed results when assessed under the checklist and that more work would be required to fully test the proposal for a supermarket.

The Metropolitan Plan for Sydney 2036 emphasises the importance of identification and retention of important employment lands. The August 2011 draft document- Implementing the Metropolitan Plan: Planning Principles for Sydney's Industrial Lands (which is not yet adopted policy) states:

"Retention of existing lands in Industrial zones which have strategic importance is a key objective of the Metropolitan Plan. Existing Industrial Lands, especially in established parts of Sydney, are coming under pressure for rezoning to alternative uses (generally commercial or residential), driven largely by higher financial returns for those uses and uncertainty about the future of industrial activity within an area. However, many of the future needs of business and residents in those established areas will have to be met from the existing industrial zoned land, which serve a range of local and regional economic functions, such as warehousing and manufacturing, high-technology, auto repairs, storage facilities, building trade and local utilities. It will therefore be important to retain the stock of industrial zoned land to meet these needs."

It also states that: *"While renewal may enable a broad range of economic activity, including development of a higher office component in some cases, in order to maintain the integrity of industrial areas and to support the role of centres as primary locations for office and retail development, generally only ancillary office and retail space uses are supported in industrial lands."* (Emphasis added).

The above statements confirm that in the context of the Metropolitan Plan for Sydney 2036, a supermarket and liquor store are not appropriate in the East Chatswood industrial area.

ii) Employment Lands Development Program (ELDP) 2010- Report 5- Inner North Subregion (May 2011)

The Metropolitan Plan for Sydney 2036 refers to the ELDP. According to the Department of Planning, Employment Lands are defined as those zoned for industrial or similar purposes and generally include "lower density employment areas containing concentrations of businesses involved in: manufacturing; transforming and warehousing of goods; service and repair trades and industries; integrated enterprises with a mix of administration, production, warehousing, research and development; and urban services and utilities."

According to the ELDP report, Artarmon supports a job density rate of 148 and East Chatswood, 145 jobs per hectare compared with the Sydney region of 43 jobs per hectare. The Willoughby LGA has the highest number of people working in Employment Lands (14,000) jobs. This accounts for approximately 23 percent of the LGA's workforce and illustrates the importance of employment lands for job creation within the LGA and wider subregion.

The Proponent argues that all types of Employment including retail should be permitted in "Employment Lands". (Refer to the consideration of Section 117 Direction 1.1 Business and industrial Zones.) Whilst this may be reasonable to take account of all forms of employment, the term is specifically used by the Department in relation to non-retail type uses.

iii) Inner North Subregional Strategy

The Planning Proposal acknowledges that the subject site is located within the East Chatswood Employment lands and under the Draft Inner North Strategy, is category 1 employment lands or "land to be retained for industrial purposes". The Inner North Strategy defines employment land as *including traditional areas and business and technology parks for higher order employment. They are vital for the economy and ability to service the city and incorporate light industrial, heavy manufacturing, urban services, warehousing and logistics and high tech based activities.*

The Planning Proposal maintains that the site being in single ownership and close to the major centre of Chatswood makes it desirable for redevelopment however it would be unlikely that the site would develop for heavy industry or manufacturing given contextual constraints being close to residential housing and distant from freight infrastructure. In support of its argument that the East Chatswood area is no longer a traditional light industrial area the Planning Proposal implies that the subject site is unlikely to develop for heavy industrial use i.e manufacturing and so the site is not consistent with the definition of Category 1 Employment land. This is not the case- as outlined in the definition of Employment Lands in both the ELDP 2010 and Draft Inner North Sub Regional Strategy, heavy industry and manufacturing are only a component of Employment Lands. Typical activities in the East Chatswood industrial area fit into the definition of Employment lands as uses that contain a mix of manufacturing and ancillary office development, with a high tech focus. While the area originally comprised tanneries and other heavy industry this has not been the case for many years.

There will be growing demand for local services such as car service repairs, local trades and urban services such as utilities and transport depots in the inner north sub region according to the draft strategy. The draft strategy states:

"Given existing development patterns, land values and scarcity of land, it is not expected that there will be any significant new zoning of Employment Lands within the Inner North sub

region. In view of continued demand of existing Employment Lands, conversion of existing Employment Lands within the subregion should be highly restricted and existing precincts (Artarmon, Lane Cove West, East Chatswood, Gore Cove....should be retained."

The following statement from pge 27 of the draft Inner North Strategy states:

"In order to accommodate potential future demand, there may be some intensification of Employment lands in select precincts. However, this must not undermine the integrity of the Employment lands in servicing the local and broader needs of Sydney or threaten the strength and role of centres, particularly the Strategic Centres." (Emphasis added).

Choice Free Zone Report- May 2008, Productivity Commission report and Draft SEPP Competition 2010

The Proponent argues that there is a policy shift being considered by Government which encourages the expansion of "neighbourhood shops" within the business development zones, business parks, enterprise corridors and certain light industrial zones. These include the Choice Free Zone Report May 2008, Productivity Commission Report 2008, Standing Committee on State Development dated December 2009 (final Activity Centres Policy), Promoting Economic Growth and Competition through the Planning system dated April 2010.

The proposition regarding expansion of neighbourhood shops is from the final Activity Centres policy. The comments of SGS in its review of the Planning Proposal and quoted in this report are supported. That is, the recommendation is not relevant to the current case. The intent of the final Activity Centres policy is that a rigid hierarchy of retail and commercial centres which excludes larger format premises from lower order or smaller centres should be discouraged. The theory is that there may be scope to rapidly expand small neighbourhood centres by allowing supermarkets and larger format stores, thereby increasing competition and building on the existing more modest retail dynamics.

The policy does not apply to the subject site which is not located within or adjacent to an existing centre.

It has been confirmed by the Urban Policy Team of the Department of Planning that the *Draft Centre Policy – Planning for retail and commercial development consultation draft (April 2009)* is the current draft policy of the Department with respect to Centres Policies. A key stakeholder discussion paper may have been made by the Department in May 2010, but is not a published draft policy endorsed by the Department.

2. Is the planning proposal consistent with the local council's Community Strategic Plan, or other local strategic plan?

The Planning Proposal makes only a passing reference to the Willoughby City Strategy in its consideration of the Section 117 Direction -1.1 Business and Industrial zones.

The Willoughby City Strategy 2010-2025 includes six strategic directions for Willoughby. They are Community and Cultural Life; Natural Environment; Homes; Transport, Mobility and Infrastructure; Economic Activity and Civic Leadership. Each strategic direction includes goals and related outcomes.

The main themes in the City Strategy concerning the Planning Proposal can be summarised as:

- Manage car parking to promote public transport instead of car use.
- Support the viability and maintain local commercial and retail centres
- Locate employment in areas well serviced by public transport
- Limit commercial and retail activity in industrial areas

- Support the CBDs of Chatswood and St Leonards.

The Planning Proposal for a full line supermarket and liquor shop in the East Chatswood industrial area is inconsistent with the key relevant Directions of the City Strategy.

3. Is the planning proposal consistent with applicable state environmental planning policies?

There are relevant State Environmental Planning Policies (SEPPs) that would apply to the assessment of a detailed development application for a supermarket and liquor outlet.

In terms of the Planning Proposal, SEPP 55- Remediation of Land applies as the land is changing from an industrial to a commercial use. Should Council support the planning proposal the proponent would be required to comply with clause 6 of the SEPP and submit a preliminary investigation of the land in accordance with the contaminated land "Guiding Principles."

The Draft SEPP Competition 2010 applies to the Planning Proposal. The Department of Planning together with the Better Regulation Office released a review report, Promoting Economic Growth and competition through the planning system (Review Report) April 2010 with respect to the impacts of planning regulations on competition particularly retail premises. The report and draft SEPP (Competition) subsequently exhibited, direct planning authorities not to take into consideration the direct impacts on one organization arising from the entrance into the same market of one of its competitors.

4. Is the planning proposal consistent with applicable Ministerial Directions (s117 directions)?

The Section 117 Directions that apply to the Planning Proposal are as follows:

Direction 1.1 is most relevant to the Planning Proposal and is copied in full for Council's consideration.

Direction 1.1 Business and Industrial Zones

Objectives

- (1) *The objectives of this direction are to:*
- encourage employment growth in suitable locations,*
 - protect employment land in business and industrial zones, and*
 - support the viability of identified strategic centres.*

Where this direction applies:

- (2) *This direction applies to all relevant planning authorities.*

When this direction applies

- (3) *This direction applies when a relevant planning authority prepares a planning proposal that will affect land within an existing or proposed business or industrial zone (including the alteration of any existing business or industrial zone boundary).*

What a relevant planning authority must do if this direction applies

- (4) *A planning proposal must :*
- give effect to the objectives of this direction,*

- (b) *retain the areas and locations of existing business and industrial zones,*
- (c) *not reduce the total potential floor space area for employment uses and related public services in business zones,*
- (d) *not reduce the total potential floor space area for industrial uses in industrial zones, and*
- (e) *ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director General of the Department of Planning.*

Consistency

- (5) *A Planning Proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Director- General of the Department of Planning (or an officer of the Department nominated by the Director-General) that the provisions of the planning proposal that are inconsistent are:*
- a) *justified by a strategy which:*
 - i) *gives consideration to the objective of this direction, and*
 - ii) *identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and*
 - iii) *is approved by the Director General of the Department of Planning, or*
 - b) *justified by a study (prepared in support of the planning proposal) which gives consideration to the objective of this direction, or*
 - c) *in accordance with the relevant Regional strategy or Sub-Regional strategy prepared by the Department of Planning which gives consideration to the objective of this direction, or*
 - d) *of minor significance.*

The Proponent submits that the Planning Proposal is consistent with the 117 Direction because it does not change the zoning yet allows a "car based" retail use to be permissible under local provisions and Schedule 1 and it retains the floor space area within the industrial zone. It also argues that the proposal would provide approx 180 jobs and would represent an optimal employment generating use for the site.

According to the submission, even if Council disagrees and considers that the proposal is inconsistent with the 117 Direction, the Planning Proposal has merit because it can justify the inconsistencies.

In this regard the Proponent relates the proposal to the Willoughby Strategy and its aim of achieving employment goals and to the "Report on industrial areas" which was a background report to Draft WLEP 2012, both of which support the objectives of the Section 117 direction.

In the Report on industrial areas it is stated that the amendments made in Amendment 60 to WLEP 1995, will lead to an increase in employment capacity because of changes to floor space provisions and additional uses. The additional uses in the report referred to high tech and laboratories being permitted in the light industrial zones.

The submission from Woolworths dwells on the reference to "additional uses" and argues that in accordance with the supporting studies submitted with the Planning Proposal, a supermarket at the subject site has the potential to create higher order employment per square metre, consistent with objective (a) of the Direction, that is to encourage employment in suitable locations.

A central argument in the Proponent's submission is that the meaning of Employment Land as defined by the Department of Planning and stated above in the section on the Employment Lands and Development Program (ELDP) should be expanded to include a mix of uses including retail premises and business premises which would more appropriately contribute to employment generation.

The Proponent argues that there is policy shift which supports its case and cites:

The Draft Inner North Subregional Strategy; "Choice Free Zone" by Professor Fels; Productivity Commission report; State Plan; Draft Centres Policy; Standing Committee on State Development; and "Promoting Economic Growth and Competition through the Planning System" dated April 2010.

Further justification for the inconsistency with the 117 Direction is that Woolworths maintains that its land use analysis indicates that there are limited suitable sites available within the Chatswood CBD that would be large enough to support a full line supermarket and together with existing traffic congestion and limited parking in the CBD, makes a supermarket development unattractive.

It argues that the Smith St site is "Edge of Centre" with good connections to existing infrastructure such as public transport, is complementary and compatible with surrounding land uses, would increase choice and competition and would facilitate a permanent employment generating activity. It would therefore support the viability of identified strategic centres and accord with objective (c) of the 117 Direction.

The Proponent also maintains that the various studies submitted demonstrates that a supermarket will not threaten the viability or continued operation of any centres.

The Proponent dismisses inconsistency with the Inner North strategy and its identification of East Chatswood as category 1 employment lands or lands to be retained for industrial purposes. It claims that the size of the Smith St site, being in single ownership, adjoining low density residential and light industrial activities as well as its location relative to the Major centre of Chatswood renders it desirable for redevelopment and unlikely to function as Category 1 as does the fact that it is removed from high quality rail, road and sea infrastructure.

The submission states that all lands capable of supporting employment should be recognised as employment lands, not only industrial land. It reiterates its notion that the subject site and all the East Chatswood Industrial area should have a zoning which allows a greater mix of uses and as such would not be contrary to the Section 117 Direction.

SGS has reviewed the Proponent's consideration of Section 117 Direction 1.1 on pages 17-20 of its report. It notes that the argument for a supermarket in industrial land is difficult to mount in terms of compliance with the Direction's clause 4 as any loss in floor space due to general retail use is a loss of available industrial floor space so the proposal must satisfy clause 5.

SGS highlights the fact that in terms of Objective 1 (c) of the Direction-"support the viability of identified strategic centres", as discussed elsewhere in this report the proposal cannot be considered "edge of centre" being more than 2km away from Chatswood and separated by residential areas and major streets.

SGS states "It is hard for any proposal of this kind, which will involve a redirection of expenditure away from existing centres to the proposed supermarket, to meet a strict reading of objective (c). Ultimately a reduction in expenditure – even as little as 1.3 percent as suggested in the Duane Location IQ report - is not consistent with the test of supporting the viability of the strategic centre of Chatswood. The City Plan Services report and letter state

that it will “not threaten the viability” of centres, which is not actually the test the proposal needs to meet.”

The SGS review disputes the Proponent’s reliance on “recent” policy changes that support mixed use in industrial areas as well as the concept that all lands capable of supporting employment land should be recognised as employment lands; not only employment lands. SGS states:

“This line is typically advocated in relatively extreme planning literature and would not seem to be consistent with the more fine grain approach to planning that is included in documents like the Metropolitan Plan for Sydney 2036. This includes a centres approach which seeks to concentrate particular uses – retail in particular - for net economic and community development benefits, a land use conflict minimisation approach that recognises that some employment generating uses may not be compatible with each other and an agglomeration approach which seeks to cluster broadly similar employment uses for operational and productivity benefits.”

Direction 3.4 Integrating Land Use and Transport

The Planning Proposal is inconsistent with Direction 3.4 as it does not have good access to public transport and local services. Its relative isolation from higher density residential areas and established centres, where multi-purpose trips can occur, encourages car use.

Direction 7.1 Implementation of the Metropolitan Plan for Sydney

The objective of this direction is to give legal effect to the vision, transport and land use strategy, policies, outcomes and actions contained in the Metropolitan Plan for Sydney 2036. The Planning Proposal documentation does not directly address this Direction nor the Metropolitan Plan for Sydney although it refers to some of its elements such as the Draft Centres Policy and the Inner North Sub Regional Strategy.

The Planning Proposal is inconsistent with the Metropolitan Plan for Sydney as discussed elsewhere in this report particularly Strategic Direction B “Growing and Renewing Centres” and Direction E “Sydney’s Growing Economy. “

Section C Environmental, Social and Economic Impact

Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected as a result of the proposal?

The subject site is existing industrial land. The planning proposal does not apply to land nor is it in the vicinity of land that has been identified as containing critical habitats or threatened species, populations or ecological communities, or their habitats.

Are there any other likely environmental effects as a result of the planning proposal and how are they proposed to be managed?

As advised above should Council resolve to support the planning proposal, compliance with SEPP 55- Land Remediation will be required.

How has the planning proposal adequately addressed any social and economic effects?

An economic and land use analysis have been submitted with the proposal and demonstrates demand for a supermarket in the catchment area. It could be argued that

there is a social and economic benefit from a supermarket however as stated previously the perceived benefits of a supermarket need to be balanced against issues such as the local and regional traffic impacts and other factors discussed later in this report such as the long term impact on the future demand for industrial land and the impact on the character of the East Chatswood industrial area, the viability of existing local centres in the LGA and the potential creation of a new centre.

Section D State and Commonwealth interests

Is there adequate public infrastructure for the Planning Proposal?

The subject site is located within an established industrial area well serviced by existing utilities infrastructure. The proposal is unlikely to generate demand for additional or new infrastructure with the exception of road and intersection upgrades.

Part 4

Community Consultation

Should Council support the Planning Proposal, it will need to proceed to the Department of Planning and Infrastructure "gateway" process to seek endorsement for the proposal to be placed on public exhibition. It would then be exhibited in accordance with the Department of Planning and Infrastructure's gateway determination requirements. This would involve appropriate notification and receipt of submissions on the draft Plan from relevant state agencies and the general community.

TRAFFIC ISSUES

The Traffic Report submitted with the Planning Proposal was prepared by Colston Hunt & Kafes Pty Ltd. The Proponent's traffic study is of the view that the adjacent road network can satisfactorily accommodate traffic from the proposed supermarket; the intersection of Smith Street/Eastern Valley Way can satisfactorily accommodate traffic from the proposed supermarket and the proposed supermarket would result in a reduction in traffic travelling to Chatswood and Northbridge/Castlecrag and would result in a substantial reduction in vehicle kilometres travelled, with associated reduction in fuel costs, vehicle emissions and travel times.

It also states that capturing traffic within the local area would reduce traffic around Northbridge Plaza and Chatswood CBD with consequent reduced traffic and parking impacts at these locations. According to the Colston Hunt & Kafes report, based on the information in Woolworth's retail study, and on RTA guidelines for supermarket generation the proposed supermarket would have a peak hour traffic generation of some 450 vehicles (two way) when passing trade is taken in account. It states that this equates to some 4,500 vehicles per day (two way). Thus traffic to Chatswood would be reduced by some 1,800 vehicles per day (two way) and Northbridge/Castlecrag by some 1,350 vehicles per day (two way).

The Traffic Report states that the proposed supermarket is located centrally within the primary trade area with Northbridge/Castlecrag located some three kilometres to the south and Chatswood some two kilometres to the west.

According to the report the majority of customers that would shop at the proposed supermarket would already be travelling in the vicinity of the site (along Smith Street or Eastern Valley Way). Thus customers who choose to shop at the new supermarket would have less distance to travel with associated reduction in fuel costs, vehicle emissions and reduced travel times. Based on the estimated reduction in traffic at Northbridge/Castlecrag

and Chatswood the report estimates that the savings in vehicle kilometres travelled (VKT) per year could be in the order of 2.8 million.

In relation to the capacity of the intersection of Eastern Valley Way with Smith St and Castle Cove Drive the traffic consultant advised that the intersection would operate at Level of Service "D" (satisfactory but operating near capacity). The proposal would involve widening Eastern Valley Way as discussed below.

Comment

Council's Group Leader, Traffic and Transport raised concerns with the modelling used by Colston Budd Hunt and Kafes Pty Ltd for the intersections of Eastern Valley Way / Smith St and Castle Cove Drive which advised that the SIDRA analysis indicates that the intersection operates at level of service D (Satisfactory but operating near capacity). According to Council's Group Leader, Traffic and Transport, Council and the RMS both raised concerns about the validity of the SIDRA analysis completed for the intersection of Eastern Valley Way and Smith St. It was felt that the SIDRA analysis was inadequate in that it failed to accurately model both the existing and proposed situations at the intersection. The Traffic Study outlined that if the site were redeveloped Eastern Valley Way would be widened to create an additional lane on its eastern side which, in turn would allow the creation of two extended right turn bays for traffic entering Smith Street and entering Castle Cove Drive. The SIDRA modelling was unable to accurately model the conditions at the intersection.

In view of the above the RMS agreed to model the intersection using an analysis package called LINSIG. Council staff are unfamiliar with this package however RMS have provided the following advice to the Stephen Richardson (of Renew constructions- the Woolworths Project manager) following the completion of this analysis:

"The model indicates that:-

- Extending the right turn bays on Eastern Valley Way (EVW) will provide extra capacity for right turn movements to Castle Cove Drive and Smith Street.
- The Average Delay of EVW northbound through traffic will be reduced by approximately 75% and 60% at Thursday afternoon and Saturday mid-day respectively. This is due to the removal of the blockage of the queue back from the existing short right turn bay.
- The Average Delay of EVW northbound right turn traffic to Castle Cove Drive are 70sec/veh and 90sec/veh at Thursday afternoon and Saturday mid-day respectively. This means that right turn traffic will be able to clear within one cycle of the traffic signals.
- The Mean Max Queue of EVW northbound through traffic is also reduced by approximately 50% and 60% at Thursday afternoon and Saturday mid-day respectively.
- Both right turn queues on EVW are within the extended right turn bays. A detailed queuing audit was not undertaken, the queuing results were compared against the queue observation by RMS staff.
- Improving the capacity on EVW between Castle Cove Drive and Smith Street will also improve the performance on the Smith Street / EVW intersection."

Council's Group Leader, Traffic and Transport advised that while the above comments are welcome and suggest that Eastern Valley Way will not be adversely impacted by the proposed development and that it may result in some benefits for traffic which currently turns right into Smith St or Castle Cove Drive there are still many issues with regard to the rezoning.

Furthermore, Council has not had any formal response from the RMS to confirm the information provided by the LINSIG modelling, despite Council Officers requesting an updated response to traffic concerns in December 2011. It is understood that the RMS have not considered the proposal in the context of the precedent that a supermarket would set for the overall industrial area and future developments when the IN2 zoned area develops to capacity. A Supermarket generates more traffic movements than the uses currently permitted in the IN2 zone.

The widening of Eastern Valley Way would require a dedication of a 3.5m strip of land on the north eastern side of Eastern Valley Way by Council to allow the work to take place. Council has not been approached about this change. The land owned by Council is currently zoned Open Space and is subject to a Foreshore Building Line.

As noted in the original RMS letter submitted with the Planning Proposal at Attachment 7 of this report, it is noted that "in principle" support only has been obtained by the RMS for the proposed works with details of financial contributions for the work having not been finalised and no RMS commitment to construct the work or a timeframe for its construction given i.e it is unclear at this stage if the RMS would commit to completing the work in conjunction with the Woolworths Development (if it were to proceed).

It is also noted that there are design issues which remain unresolved that the developer has been asked to address prior to firmer support being given for the work. Council would expect that any traffic signal adjustments and associated civil works would be completed at no cost to council and in conjunction with development of the site. Formal approval for the works (not just "in principle approval") and an agreement from the RMS to permit construction of the work in conjunction with the development works would need to be obtained prior to any re-zoning approval being granted. As stated previously, it should also be noted that at this time no formal response from the RMS to Council in regard to abovementioned LINSIG analysis has been received.

In regard to the proponents traffic study the following comments are made:

The planning proposal advises that some traffic may be drawn away from Northbridge Plaza or Chatswood CBD as a result of this development. While this may be true a corresponding increase in traffic volumes on local roads in the vicinity of the proposed development will also take place. Roads which are likely to come under increased pressure include Alleyne Street, Mann St, Smith Street, High Street (in particular the intersection with Victoria Avenue and Victoria Avenue).

Residents of Alleyne Street and Mann Street have already been raising concerns with Council in regard to traffic volumes in their streets with a resident submission requesting additional traffic calming measures having been received only last week. While it is true that traffic volumes in those streets are currently within environmental limits for residential streets (existing peak volumes are under 200 vehicles per hour) this does not mean that development should be permitted in the area to reach the limits. The residents currently have traffic volumes comfortably within those environmental limits at most times and they reasonably expect that traffic volumes will remain at those levels in future. However, the changes to the planning controls approved by Council for the Industrial Area means that there is additional development potential (and therefore, traffic generation potential) under the current zoning that will add to the peak volumes. The proposed traffic generation from the supermarket use will increase peak hour movements on these streets over and above what is projected for the industrial area. This may then exceed the environmental limits for the residential streets. There is insufficient information available to accurately quantify these effects.

Moreover, while it is noted that the planning proposal is outlined as being a site specific LEP applying only to 17-19 Smith Street it is considered that the introduction of a supermarket at this site would set a precedent for further non-industrial developments in the area. The existing zoning of the site does not permit supermarkets or related commercial development and Council will likely receive proposals for similar retail development within the area if a supermarket were approved here. If similarly sized developments were to take place it is likely that further work to increase the capacity of the Smith St/Eastern Valley Way, Victoria Ave/High Street and Victoria Ave/Penshurst St intersections would be required and that measures to protect residents of Alleyne St, Mann Street and Gibbes Street from traffic infiltration would be required.

On the basis of the above comments Council's Group Leader, Traffic and Transport advises that he is not comfortable recommending that Council approve the rezoning application however if Council were to consider approving the rezoning it is suggested that a Voluntary Planning Agreement be entered into with the developer with the following aspects being covered as part of the VPA to assist in offsetting its traffic impacts:

- that an ongoing contribution be negotiated towards the operation of Councils Loop Shuttle Bus Service.
- That all work on the Smith St/Eastern Valley Way intersection be completed at the developer/RMS cost
- That the developer make a contribution towards the improvement of the bicycle routes along Smith Street being developed as part of Council's current Bike Plan Review
- That the developer prepare and implement a Green Travel Plan and be required to provide reporting on an annual basis to council in regard to its implementation and ongoing programs
- That the developer be required to fund a Local Area Traffic management Study focussing on the pre and post development traffic impacts on the area bounded by Scotts Creek, Penshurst St, Victoria Ave and Gibbes St.

In summary although there may be improvements to the Northbridge and Chatswood traffic movements there are many outstanding traffic issues with the Planning Proposal including the impact on local streets around the site, and long term impacts from future developments on the intersection capacity. It is recommended that no further work be requested from the Proponent to satisfy the outstanding traffic issues as the Planning Proposal is not supported for the reasons argued in this report.

Conclusion

On balance the Planning Proposal does not provide sufficient justification to allow a major change to the character of the East Chatswood industrial area, the reduction of category 1 Employment land and the possible creation of a new retail centre outside the existing Centres hierarchy of the City.

Further quantitative testing would be required if the Proposal were to proceed to adequately address the Metropolitan Plan for Sydney including the consideration of the strategic importance of the East Chatswood industrial land in terms of the assessment criteria under the Employment Lands Program and the impact on surrounding centres. The Officers do not recommend requesting the Proponents to provide that information on the basis that the Proposal is not supported in principle.

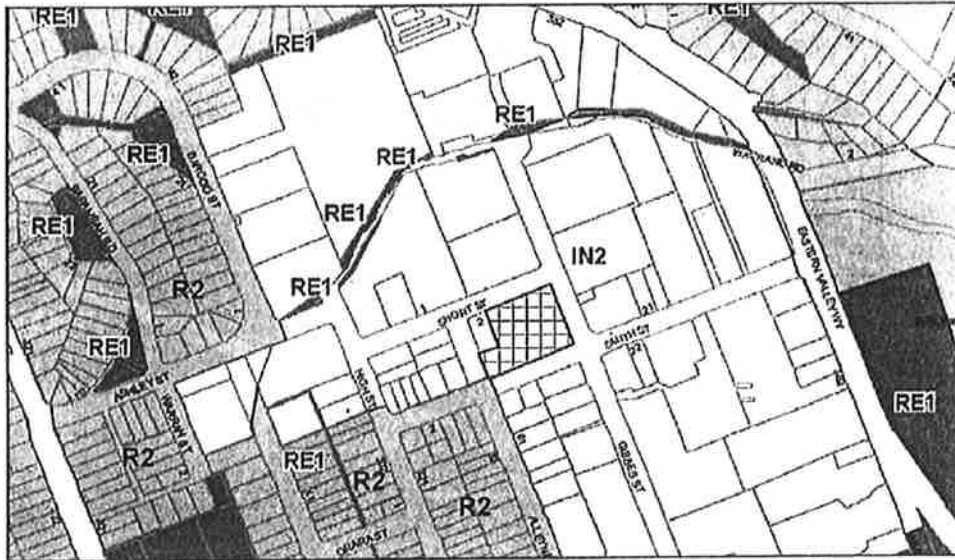
In addition traffic issues particularly relating to the impact on local streets as well as the intersection of Eastern Valley Way/ Smith St and Castle Cove Drive are unresolved.

In conclusion, the proposal fails to recognise the strategic importance of the East Chatswood industrial area. It is inconsistent with the principal objectives of the Metropolitan Plan and it is incompatible with the direction and focus on development of existing Centres.

OFFICER'S RECOMMENDATION

- 1. That Council resolve to reject the Planning Proposal submitted for a supermarket and liquor shop –(shops) to be an additional permissible use in the IN2 zone under draft WLEP 2012 and in the 4(b) zone under WLEP 1995 at 17-19 Smith St East Chatswood.**
- 2. That Council not resolve to rezone the IN2 –Light Industrial zone to B5 – Business Development.**
- 3. That the Proponent and the Department of Planning and Infrastructure be notified of Council's decision.**

ATTACHMENT 1



Draft WLEP Zoning IN2 Light Industrial

 Subject Site

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