

No. 433 Property Address	17-19 Smith St, Chatswood (refer to Map 26)
Existing Zoning under WLEP 1995/SREPP5	Light Industrial 4(b) under WLEP 1995
Proposed Zoning under WLEP 2009	IN2 Light Industrial
Author of Submission	City Plan Services Pty Ltd. Submission dated 20/5/2010
Status	Consultant on behalf of the owner Woolworths Pty Ltd (Fabcot Pty Ltd)
Summary of Submission - Woolworths has acquired the property at 17-19 Smith St in the East Chatswood Light Industrial area with the intention of establishing a full line supermarket (3,900sqm) subject to the appropriate zoning. - Requests that Council either zone the existing 4(b) Light Industrial land in East Chatswood to B5 Business Development and allow a "supermarket" as a permissible use for 17-19 Smith St under local provisions and Schedule 1 of the draft LEP and include "light industry" as a permissible use in the B5 zone or alternatively, allow a "supermarket" to be permissible within the IN2 Light Industrial zone for 17-19 Smith St under local provisions and Schedule 1. - Notes that Council is required to have regard to the objectives of Ministerial Direction 1.1- Business and Industrial Zones pursuant to Section 117(2) of the Environmental Planning and Assessment when considering the most appropriate zone for the site. The objectives include the protection of employment land in business and industrial zones. - An Economic Impact Assessment report prepared by Duane Location IQ, a Land Use Study prepared by Jones, Lang Lasalle and a Traffic report prepared by Colston Budd Hunt and Kafes Pty Ltd have been included and referred to in the submission in order to support the contention that a supermarket be a permissible use at 17-19 Smith St and that it would be consistent with the objectives of the abovementioned Section 117 Direction. - In justifying its position, the submission notes 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 and Bunnings, Subway and Pet Barn, Fitness First. - States that there are in excess of 400 tenancies in the area including over 300 businesses but over 100 tenancies are currently vacant and there are 20 with over 1000sqm of space for lease. - Notes that companies such as Fawcett Bros/ Rosella foods have chosen to move to new purpose built premises where land is cheaper, development costs are lower and there is room to grow their business. - Argues that although the East Chatswood industrial area is identified as Category 1 employment land in the Metro strategy in reality the type of land uses operating in the area are not traditional industrial uses but are low employment generating mixed use businesses. It cites reasons for the shift in demand away from traditional light industry as high land costs and a shift to outer metropolitan areas, greater emphasis on accessibility to road, rail and sea and large modern distribution centres and increased diversification including a range of retail and office uses, and mixed uses requiring both office space and warehouse space. - Most developments in the East Chatswood industrial area in recent years undertaken by the private sector have been small multi-storey strata units with a high proportion of office space (typically 25% and over). - It contends that retail including a supermarket and business premises should not be excluded from zones such as East Chatswood which are intended for employment purposes. According to the submission, a Woolworths supermarket would contribute	

a net increase of around 189 additional jobs to the local area.

- A number of recent government policies are referred to in the submission from Woolworths including the draft Centres policy, the Choice Free Zone report by Professor Allen Fels for the Urban Taskforce and the Standing Committee on State Development which considers the appropriateness of competition policy issues within the planning system. It quotes from the Urban Task Force which proposes that retailing should be encouraged outside established shopping centres, easing the transport burden and encouraging pedestrian friendly communities. It outlines how the Centres Policy would allow greater competition and lower prices for consumers.
- With regard to the draft Centres Policy the submission notes that the Smith St site would be classified as "edge of centre" and therefore would be subject to a "net community benefit test" when assessing whether to consider a rezoning. Under the test it must be established that there are no suitably zoned sites within the existing centre. Woolworths contend that a zone that permits a supermarket would pass the test because the site has good access to existing infrastructure and public transport, it would be complementary/ compatible with the surrounding land uses, would increase choice and competition in the area, would facilitate a permanent employment generating activity and there is no suitably zoned land within the existing already congested Chatswood commercial centre and the Northbridge supermarket is trading at full capacity.
- In terms of the economic impact from a supermarket at 17-19 Smith St the submission is supported by a report from Duane Location IQ which notes that the Willoughby LGA is substantially undersupplied in terms of supermarket provision and concludes that the development of a supermarket at Smith St would not threaten the viability or continued operation of any centres and is consistent with objective (c) of the Ministerial Direction 1.1 Business and Industrial zone.
- The submission also argues that the proposal to permit a supermarket in the East Chatswood industrial area is consistent with the review by the Department of Planning and Better Regulation Office that recommends, in part, that the final Activity Centres Policy should consider ways to increase opportunities for competition by allowing more types of shops into centres that currently only permit "neighbourhood shops".
- In addition to the policy justification for a supermarket, the submission also notes that the traffic report prepared for Woolworths concludes that the future traffic impacts are likely to be acceptable and existing road works would be able to cater for the additional traffic generated.
- The submission argues that neither the subject site at 17-19 Smith St nor the surrounding area is "industrial" so the existing 4(b) and proposed IN2 zones are anomalous. It further argues that the B5 Business Development zone would be the best fit for the area as its objectives are consistent with the nature of existing land uses in the East Chatswood area and the trend/shift to allow a mix of businesses and warehouse uses within specialised large format retail uses. It considers that the aim of the B5 zone "to encourage a range of employment uses/ activities in locations which are close to and which support the viability of strategic centres" is ideal for the Smith St site and surrounding area. The submission also recommends permitting a supermarket in the B5 zone for the subject site at 17-19 Smith St.
- If Council does not support the B5 zone classification then the Woolworths submission requests that the draft LEP permit a supermarket as a permissible use in the IN2 zone for the site at 17-19 Smith St.

Comment

Rezoning the East Chatswood industrial area to B5- Business Development is not supported nor is the addition of an enabling clause to specifically allow a Woolworths shopping centre at 17-19 Smith St in draft WLEP 2009.

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 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 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 SGS study described the character of East Chatswood as having less local service industry compared to Artarmon, more manufacturing, higher order finance and business services than in Artarmon and a more High Tech flavour.

In addition to the Willoughby Industrial Study prepared by SGS Economics and Planning, the Draft Inner North Strategy helped to form the basis for strategic planning in Draft WLEP 2009. The Draft Inner North Strategy states with regard to strategic employment lands in the inner north, that *"overall, there is relatively limited supply of Employment Lands within the inner North Subregion with a total of 194 hectares of zoned land, concentrated within Willoughby (94 hectares) and Lane Cove (63 Hectares) local government areas. Through the subregional planning process, seven Employment Lands precincts were identified within the Inner North Sub Region as being of strategic importance and should be retained for industrial uses."* (Both East Chatswood and Artarmon are identified in the seven precincts).

In consideration of recent and future trends in the supply of Employment Lands, the Draft Inner North Strategy also states *"In view of continued demand for 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, West Ryde, Gladesville and former ADI site) should be retained."*

The Woolworths submission notes 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. These are uses that have long been permitted in the 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 most industrial areas across Sydney. Their presence does not justify changing the site to a "business" zone. The major purpose of the current zone is industrial use and service industry.

The main purpose of Woolworths is retailing. Industrial areas enable bulky goods retail (due to the nature of goods sold) and *Neighbourhood shops* that "provide for the day to day needs of people who live or work in the local area". A supermarket of nearly 4,000sqm is neither of these things and will undermine the long term availability of land on the lower North Shore for industry and local services. The proposed Woolworths Supermarket is the same size as the existing Northbridge Supermarket.

Offices and showrooms in the industrial zone must be ancillary to the primary permissible use, a control that has recently been confirmed and maintained by the Department of Planning after the industrial strategy amendments to the industrial zones made in 2007. High vacancy rates in the East Chatswood industrial area were noted in the SGS study and were considered to be a result of a combination of poorly serviced access to public transport, proximity to residential land use and restrictive Council development controls. It could also

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

As a result of the detailed analysis by SGS Economics and Planning of the existing and evolving trends in industry, WLEP 1995 (Amendment 60) was gazetted in 2007 which introduced a number of initiatives that acknowledged the changing nature of industry including the deletion of a maximum ancillary office and showroom component in East Chatswood; more detailed floor space ratio objectives, increased FSR (1.5:1) for sites over 1,000sqm and the addition of uses such as laboratories and high technology industry. Whilst acknowledging the evolving nature of industry and in particular, the growth of "high tech" industry, the SGS study cautioned that it is important to protect the industrial areas from pure office use as such activity has the potential to force out genuine industrial users, raise land prices and create incompatibility problems. The same could be said about the potential opening up of the industrial areas to retail particularly a large supermarket as proposed in the submission from Woolworths.

In terms of retail demand, the SGS study noted that the East Chatswood industrial area lacks a local business/ convenience retail focus i.e. takeaway food, milk bar, café, business services etc. It suggested that a node could be established in Smith St or as part of a site redevelopment in Eastern Valley Way and that any retail provision would need to be restricted so as not to undermine activity in nearby Penshurst Street shopping centre. It suggested a clause restricting the maximum amount of retail floor space to 200sqm.

The potential for a retail focus for the industrial area has been addressed by the fact that *Neighbourhood shops* are a permitted use in the IN2 Light Industrial zone under the provisions of draft WLEP 2009.

Neighbourhood shop "means retail premises used for the purposes of selling small daily convenience goods such as foodstuffs, personal care products, newspapers and the like to provide for the day today needs of people who live or work in the local area, and may include ancillary services as a post office, bank or dry cleaning, but does not include restricted premises". This definition is very broad and yet to be tested in court as to what constitutes a *neighbourhood shop*. With the inclusion of a large supermarket as well as bulky goods retailing, the area would soon be occupied by numerous small "*neighbourhood shops*" feeding off the supermarket, further eroding the feasibility of the area for the provision of services such as car repairs, computer maintenance, warehouse/ distribution and small industrial activities for the City and sub region.

The Woolworths submission notes that the East Chatswood industrial area is identified as Category 1 Employment land in the Metro Strategy and under the provisions of Ministerial Direction 1.1- Business and Industrial zones, Council must have regard to maintaining Employment land. The Woolworths submission claims that a supermarket would be a better generator of local employment than the low employment generating mixed businesses that exist in the East Chatswood industrial area at the moment. This may be valid however it would result in the deterioration of available land for genuine industrial uses such as research and development, high tech and service industries that are more appropriately located in industrial areas such as East Chatswood.

The industrial area on the North Shore is in short supply and is always under threat from higher income generating uses such as retail, commercial and residential. The land is strategically important to be retained for the long term as new industrial areas in inner city/middle ring areas will never be created again. It is a much more sustainable outcome to retain such land within the City.

The submission from Woolworths suggests that Council amend the draft Plan to permit a supermarket just for the site at 17-19 Smith St however has not given credible justification as

to why, if it is appropriate to amend the draft Plan for that site in order to encourage retail competition it should not be extended to the whole of the East Chatswood industrial area.

Much emphasis and justification for a supermarket is made in the submission by referring to recent State policies designed to encourage competition. It is understood that Woolworths has been looking for appropriate sites in the Willoughby LGA for some time and that there is a shortage of supermarket space per person in the LGA compared to the national average. This does not justify using up the best industrial land in the City so that Woolworths can build a "one size fits all facility."

If the Smith St rezoning proceeds, then it would lead to further requests for rezoning of the IN2 land. This would gradually erode the employment lands and prejudice the opportunity for industrial uses to establish in the area as land values increase. This would have a significant impact on the competitiveness of the existing businesses, particularly lessees as owners seek to achieve the highest and best use by rezoning and termination of existing occupancies. Adding retail (supermarket) and business premises to the permitted uses in the IN2 zone is likely to result in a fundamental change to the area with higher traffic generating uses and alienation of existing industrial uses.

Approval of the supermarket on the Smith St site, purchased at a lower land price than business zoned land would result in an uncompetitive advantage for the subject site over other business that had to acquire and develop land in the business zone.

There are other opportunities for supermarket development in Willoughby including:

1. Council has approved a supermarket (Woolworths) adjoining the Chatswood Interchange;
2. the Royal North Shore Hospital Divestment lands at St Leonards
3. redevelopment and expansion of the Northbridge Plaza Woolworths.

The Smith St proposal would not satisfy the "net community benefit test" under the draft Centres policy due to the loss of industrial employment land, the pressure for other retail/business uses in East Chatswood creating cumulative traffic and parking issues, the poor accessibility of the site for public transport and the likely impact on the economic viability of strip centres at High St Markets and Penshurst St/ Victoria Avenue.

As with all established areas, lot consolidation of existing shops is generally necessary to create large supermarkets which serve a large catchment and generate large amounts of vehicular traffic. There is nothing to stop Woolworths establishing several smaller supermarkets within existing centres, which the Willoughby City Strategy aims to support and where public transport and existing facilities for community interaction are available.

Council's Traffic Engineers have reviewed the Traffic report prepared by Colston, Budd and Hunt and make the following comments:

The intersection of Eastern Valley Way and Smith St would be unable to cope with the additional traffic generated by a Woolworths supermarket on Smith St. In particular the right turn bays on both Eastern Valley Way and Smith St would not have the storage capacity to cater for the increase in traffic.

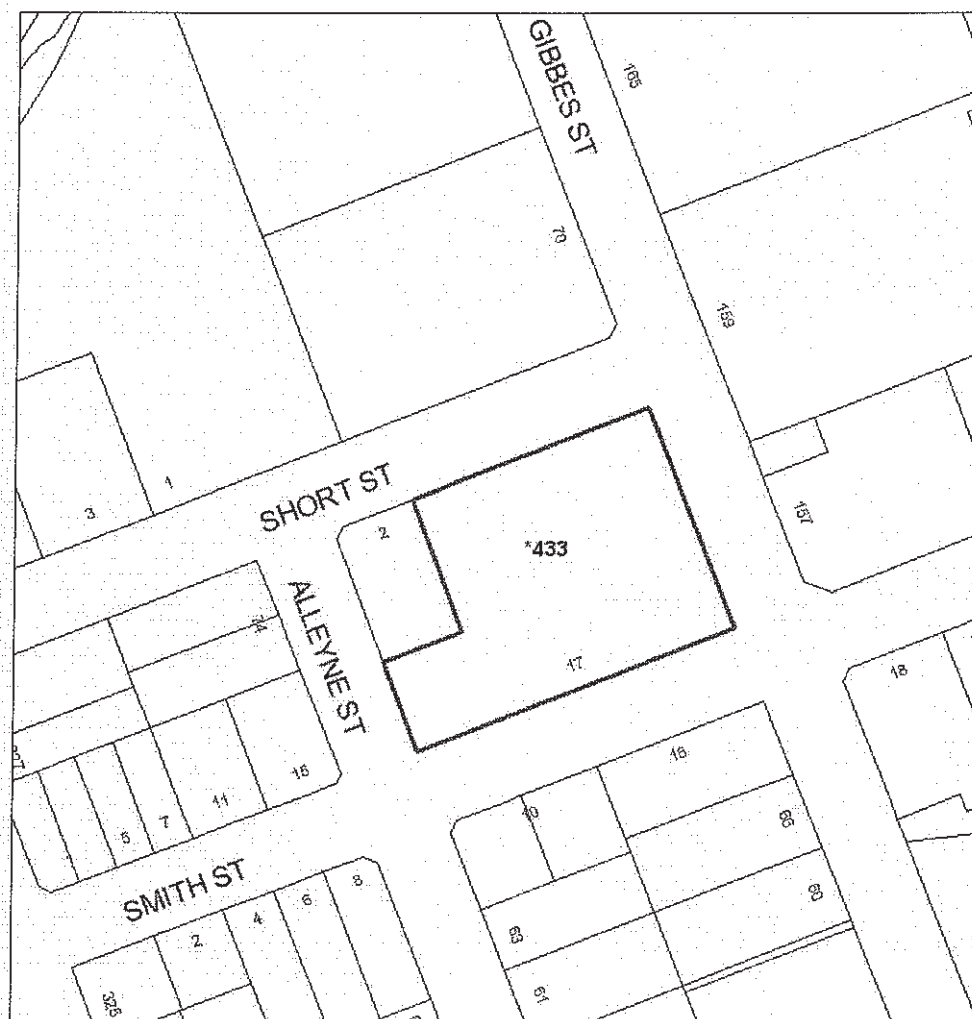
The consultant's intersection analysis showed that the intersection of Eastern Valley Way and Smith St had an average delay of less than 25 seconds during peak periods, which represents a level of service B. However my analysis of the intersection showed an average delay of over 40 seconds during the afternoon peak, which represents a level of service D. It also showed a level of service E for both of the right turn bays. The analysis also showed extensive queuing for northbound traffic on Eastern Valley Way.

It is possible that when modelling the intersection, the consultants may have used the default setting of 500m for the length of the right turn bays, when in fact they are about 35m. This would make a big difference to the performance of the intersection, as the lack of capacity in the right turn bays would not show up in the results. My modelling indicated that right turning traffic would frequently extend back beyond the end of the turning bays and into the middle traffic lane.

These results would indicate that it would not be feasible to construct a Woolworths supermarket in Smith St, unless significant modifications were made to the intersection of Eastern Valley Way and Smith St.

Council has also recently received a petition from residents of Alleyne St complaining about the volume of traffic using their street. They have also expressed concern about the likely increase in traffic volumes should a Woolworths supermarket be constructed in Smith St.

In conclusion, it is considered that for the long term strategic retention and integrity of the East Chatswood industrial area, consistent with the Willoughby Industrial Areas Study, the Willoughby City Strategy and the Metropolitan Study, a supermarket should not be included as an additional use for 17-19 Smith St in Schedule 1 of draft WLEP 2009 and that the land should retain its IN2 Industrial zoning consistent with the existing new controls for the area, the SGS Willoughby Industrial Study, the Inner North Sub Regional Strategy and Department of Planning advice.



Map 26