

Purpose: To assess the strategic and the site-specific merit of the proposed instrument, having regard to the views of Willoughby Council and the justification provided by the proponent.

To recommend to the Deputy Director General that the proposed instrument should progress to pre-gateway review by the Joint Regional Planning Panel (JRPP).

Dept. Ref. No:	PGR_2012_WILLO_001_00
LGA:	Willoughby
LEP to be Amended:	Willoughby LEP 2012
Address/Location:	17-19 Smith Street, Chatswood
Proposed Instrument:	Planning Proposal to allow development of a supermarket and liquor store ('shop') on land at 17-19 Smith Street, Chatswood
Reason for Review:	Council has notified the proponent that it will not support the proposed instrument.

Supporting information

Material provided in support of proposal:	The proposal submitted to Council in November 2011 by City Plan Services, on behalf of Woolworths, was supported by the following: 1. Indicative Concept Plan, 9 November 2011, BN Architects; 2. Land Use Analysis, January 2011, Jones Lang LaSalle; 3. Economic Analysis, 16 February 2011, Duane Location IQ; 4. Traffic Report, 17 August 2010, including supplementary reports dated February 2011 and 21 June 2011, Colston Budd Hunt & Kafes; 5. Woolworths Research Findings, May 2011, Woolcott Research; 6. Submission on the draft Willoughby Principal LEP, 20 May 2010, City Plan Services; and 7. Letter from Roads and Maritime Services giving 'in-principle support' to the proposal's traffic management scheme, 10 November 2011. In addition, the proponent's request for a pre-gateway review, received by DP&I on 30 November 2012, contained the followed documents in support of the proposal: 1. East Chatswood Industrial Precinct Review, AEC Group on behalf of Woolworths Limited, 17 July 2012; and 2. Letter in support of Woolworths proposal for a new supermarket in Smith St, Chatswood East, by Northbridge Progress Association, 3 July 2012.
Correspondence Submitted	30 November 2012 - Request for pre-gateway review received by DP&I 15 January 2013 - Letter to the proponent confirming receipt of submission and of payment of initial fee (Stage 1 Initial Assessment) 15 January 2013 - Letter to Council confirming receipt of submission and requesting Council comments by 15 February 2013 (Stage 1 Initial Assessment) 31 January 2013 - Additional supporting documentation resent to Council by email from DP&I after error in original submission of 15 January 2013 31 January 2013 - Council email requesting extension of time until 1 March 2013 to comment on the proponent's submission and additional supporting documentation 6 February 2013 - DP&I email to Council agreeing to extend Council's deadline to respond to proponent's submission until 1 March 2013

	22 February 2013 - Meeting between DP&I (DG and RD of Sydney Region East team) and Woolworths. DP&I assured that the assessment would be merit-based. 1 March 2013 - Council comments on pre-gateway review including response to additional supporting information received by DP&I
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Views of council

Date council advised of request:	15 January 2013
Date of council response:	1 March 2013
Council response:	Willoughby Council considers that the proposal should not be endorsed, because: 1. it is contrary to local, regional and state strategic planning directions, particularly the Metropolitan Plan 2036 and the draft Inner North Subregional Strategy; 2. the proposal fails to recognise the strategic importance of the subject site to the future growth and development of the East Chatswood Industrial Area; 3. there is no net community benefit for the residents of the Willoughby LGA or the Inner North Subregion; 4. the proposal would substantially increase car dependency; and 5. the proposal would potentially result in the creation of a new centre in a location that is supported neither by higher-density housing nor existing or proposed public transport. Council also provided a report by SGS Economics & Planning that highlighted the following points: 1. although the East Chatswood industrial market currently appears soft, there is insufficient evidence to justify a significant shift away from the industrial zoning; 2. although some community benefits are possible (for example, a reduction of traffic in the Chatswood CBD and increased consumer choice) these have not been quantified by the proponent, nor balanced against the downsides of a supermarket in this location; 3. allowing a supermarket on a site-specific basis in East Chatswood is anti-competitive. However, a wider rezoning could lead to a 'centre by default' which is not justified by any government policy.

Proponent justification

Details of justification:	The proponent contends that the proposal should be endorsed for the following reasons: • The nature of the East Chatswood industrial area is changing. Of the 410 premises in the area, 48% are offices and warehouses and only 0.7% premises are of an industrial nature. There is a 20% vacancy rate in the area. Recently approved uses – eg Bunnings, Petbarn – suggest that the area is becoming less industrial in nature. • There are limited sites available within the Chatswood strategic centre for development of a "full-line" supermarket. • The subject site has good access to existing infrastructure and the Chatswood strategic centre. • There will be a minimal impact on trading in the Chatswood CBD (approximately -1.3%). • The proposal would generate approximately 183 jobs and provide a catalyst for growth in East Chatswood, which is capable of supporting higher order employment use. • There would be a net economic and social benefit both through the creation of jobs and improved consumer choice; • The existing road network could satisfactorily accommodate traffic generated by the proposed use; and
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	The proposal would reduce traffic travelling to Chatswood and Northbridge centres.
Additional supporting information provided	Flexibility of land use planning in Employment Lands The proponent included information relating to more flexible land use controls in employment lands, including: - A 2008 report by Professor Allan Fells on behalf of Urban Taskforce, titled 'Choice Free Zone', which seeks to establish a link between increases in grocery prices and current planning legislation. The report contends that a revision of the State Government's centres hierarchy would allow greater competition. - A 2008 Productivity Commission report which recommends that "<i>States and Territories should examine the potential to relax those controls that limit competition and restrict retail space and its utilisation.</i>" The Department notes that the Local Planning Panel considered this issue in a 2012 Position Paper and recommended that councils should continue to have discretion whether to permit certain retail uses in IN1 and IN2 zones.

Assessment

STRATEGIC MERIT ASSESSMENT	
Relevant local strategy	There is no relevant local strategy that has been endorsed by the Director General.
Assessment	Not applicable
Relevant regional strategy or Metropolitan Plan	Metropolitan Plan for Sydney 2036 The Metropolitan Plan has a key objective of retaining existing zoned employment land of strategic importance, noting its importance to Sydney's economy in areas such as freight, logistics, warehousing, manufacturing and high technology industries. The Metropolitan Plan also notes that many small businesses and residents rely on existing local employment lands for a range of services including car repairs, storage facilities and building supplies. Draft Metropolitan Strategy for Sydney to 2031 The draft <i>Metropolitan Strategy for Sydney to 2031</i> (the draft Metropolitan Strategy) is on public exhibition until 28 June 2013. The draft Metropolitan Strategy has five outcomes (balanced growth; a liveable city; productivity and prosperity; healthy and resilient environment; and accessibility and connectivity) supported by 29 objectives. The two most relevant objectives to this proposal are Objective 13 (Provide a well-located supply of industrial lands) and Objective 15 (Provide for a good supply of retail space). The draft Metropolitan Strategy recognises the continuing pressure for existing industrial lands to be rezoned to other uses and, under Objective 13, provides the following checklist against which to assess these proposals: 1. Is the proposed rezoning consistent with State and/or council strategies on the future role of industrial lands? 2. Is the site either near or within direct access to key economic infrastructure or contributing to a significant industry cluster? 3. How would the proposed rezoning impact the industrial land stocks in the subregion or region and the ability to meet future demand for industrial land activity? 4. How would the proposed rezoning impact on the achievement of the subregion/region and LGA employment capacity targets and employment objectives? 5. Is there a compelling argument that the industrial land cannot be used for an industrial purpose now or in the foreseeable future and what opportunities may exist to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries?

	6. Is the site critical to meeting the need for land for an alternative purpose identified in other NSW Government or endorsed council planning strategies? In Objective 15, the draft Metropolitan Strategy identifies that retail uses are the main attractor in most centres. Supermarkets, in particular, encourage the conglomeration of shopping and other services to allow single multi-purpose trips. Objective 15 also reiterates the need for any proposal to use industrial land for retail purposes to account for the operational and access needs of existing and future industrial. The draft Metropolitan Strategy proposes the following policies under Objective 15: (a) centres of all sizes will be the primary location of retail, at a scale reflecting the level of public transport accessibility; (b) bulky goods (and hybrid warehouse/e-commerce premises) will be located in existing and planned centres or in clusters close to public transport; and (c) retailing in industrial zones can occur where it is ancillary to the main industrial use, goods are produced on site or where retailing has industrial-scale impacts, as per the standard instrument definition of 'industrial retail outlet'. Draft Inner North Subregional Strategy The relevant regional strategy is the draft Inner North Subregional Strategy which was prepared in 2007. The draft Subregional Strategy notes that there is a relatively limited supply of Employment Lands in the Subregion and identifies the 26 ha East Chatswood industrial area as land to be retained for industrial purposes. Specifically, the draft SRS states: <i>in view of the 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.</i>
Assessment	The draft Metropolitan Strategy and the draft Subregional Strategy provide the current framework for the consideration of the strategic merit of the subject proposal. Although both documents are in draft form, each contains policies relating to the retention of employment land and concentrating retail and commercial development in centres with access to public transport. It is noted that the approach to protecting employment lands in the draft Subregional Strategy will be reconsidered as part of the next generation of Subregional Delivery Plans about to be prepared. The draft Metropolitan Strategy provides six criteria to be considered when considering whether industrial lands should be rezoned to other uses. The two criteria that are most relevant to the subject proposal are addressed below. 3. How would the proposed rezoning impact the industrial land stocks in the subregion or region and the ability to meet future demand for industrial land activity? The Inner North Subregion (comprising the LGAs of Ryde, Hunters Hill, Willoughby, Lane Cove, North Sydney and Mosman) has a total of 194 ha of zoned employment land, concentrated in the Willoughby (94 ha) and Lane Cove (63 ha) LGAs. Of the 94 ha of employment land in the Willoughby LGA, two areas are currently identified as 'land to be retained for industrial purposes': namely the Artarmon Industrial Area (60 ha) and the East Chatswood Industrial area (26 ha). The proposal would remove 0.44 ha of the 26 ha of the East Chatwood Industrial Area from any future industrial use. The impact of the removal of such a small area of land from the total subregional industrial land stock of 194 ha would be relatively insignificant in itself. 5. Is there a compelling argument that the industrial land cannot be used for an industrial purpose now or in the foreseeable future and what opportunities may exist to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries? The current IN2 zoning of the site allows for a broad suite of permissible uses such as storage, vehicle sales or hire, warehousing and distribution and garden centres. In addition, Willoughby LEP 2012 enables a degree of flexibility in East Chatswood by allowing certain land uses (under Schedule 1, Item 34), such as bulky goods premises, in the locality. In considering these uses, the consent authority needs to be satisfied

	that: (a) suitable land is not available for the development in any nearby business zone; (b) the development will not detrimentally affect the range of services offered by existing shops located in any nearby business zone; and (c) giving consent would not change the predominantly industrial nature of the area or detrimentally affect existing or future industrial development in the zone. The vacancy rate in the East Chatswood industrial area is currently quite high and the area is in transition from its original industrial/manufacturing beginnings, however, the proponent has not presented a compelling argument that the subject land cannot be used for an industrial purpose now or in the foreseeable future.
Relevant s117 Directions	Direction 1.1 Business and Industrial Zones The objectives of this Direction are to: (a) encourage employment growth in suitable locations, (b) protect employment land in business and industrial zones; and (c) support the viability of identified strategic centres.
Assessment	The proposal is not fully consistent with this 117 direction for the following reasons: (a) As the subject land is 'out-of-centre', not within walking distance of higher-density residential areas, severed from the residential areas to the east by the Eastern Valley Way and served only by an infrequent local bus route, it is not considered to be an ideal location in which to encourage employment growth. However, the subject land is located adjacent to a low density residential area and would address the identified need for retail floor space in the region. (b) The proposal would result in a loss of land available for industrial uses and, therefore, would not "protect employment land in business and industrial zones".
	Direction 3.4 Integrating Land Use and Transport The objective of this Direction is to ensure that building forms and land use locations: improve access to housing, jobs and services by walking, cycling and public transport; increase the choice of available transport and reduce car dependence; reduce travel demand, support the efficient and viable operation of public transport; and provide efficient freight movement.
Assessment	The proposal, which is largely 'car-based, retail development' is not consistent with this section 117 direction.
Summary:	The Department considers that, on balance, the proposal has questionable strategic merit within the current metropolitan, regional and local planning framework. However, there is a clear unmet demand for supermarket floorspace in the locality. As well, there are constraints to establishing a full-line supermarket in existing nearby centres. The changing nature of the East Chatswood industrial area also needs to be considered.

SITE-SPECIFIC MERIT ASSESSMENT	
Natural environment	The subject site, with an area of 4,388m², has frontages to Smith Street, Gibbes Street, Alleyne Street and Short Street. The site slopes gently towards its northern frontage to Short Street. Existing on the site are several large industrial buildings and car parking areas associated with its previous use as a car service centre. There is little vegetation on the site and no environmentally sensitive areas in its vicinity. Given the previous use of the site, it is expected that any contamination issues could be dealt with at development application stage and would be unlikely to preclude the use of the land for the proposed supermarket.
Existing, approved, likely future use of land	The subject land is currently vacant. It was occupied by a Holden car service centre until its purchase by the proponent in 2010. Should the planning proposal not proceed, the most likely future use of the land would be one of a range of light industrial and other compatible uses currently permissible on the land under the existing IN2 zoning. Since the 1980s, a number of traditional industrial uses have moved from the East Chatwood Industrial area. Council has responded to this by providing more flexibility in its planning controls. For example, bulky goods retailing was introduced as a

	permissible use in 1987 and other controls relating to the amount of ancillary office space were relaxed in 2007. Council notes that there is a wider range of uses permitted in the Light Industrial IN2 zone in its WLEP 2012 than those in the B5 Business Development zone of the SILEP. As well, Council has a specific provision that allows it to consider bulky goods retail in the area, such as garden centres, hardware and building supplies, as long as the uses don't impact on the essential industrial nature of the area or on the viability of nearby centres. Recent developments in the East Chatswood industrial area include Bunnings (located on the site adjoining the subject site), The Good Guys, Petbarn and Fitness First.
Services and Infrastructure	The Traffic Report concludes that the existing road network can accommodate the predicted increase in traffic. Improvements are proposed to the road network in conjunction with the proposed site layout and these have been given "in-principle" support by Roads and Maritime Services. The site is serviced by a low-frequency local bus route and is approximately 2.5 km from Chatswood train station. The proponent acknowledges that the proposed supermarket is essentially "car-based retail".
Other relevant matters	<i>Demand for Retail Floorspace</i> The draft Centres Policy, which was exhibited by the Department in April 2009 to provide a planning framework for the development of new and existing retail and commercial centres in NSW, states that retail space per capita in NSW has grown from 1.4m² to 2m² over the last 25 years and is expected to continue to grow. An Economic Impact Assessment (May 2013) for the proposed supermarket states that there is currently a significant underprovision of supermarket floorspace in the Willoughby LGA. A significant underprovision of retail floorspace was also identified in the SHOROC Regional Employment Study prepared by HillPDA in 2008. In this study, HillPHA noted: • The increasing affluence of the region will increase the per capita demand for retail floorspace; • The increasing labour participation rates and the expected increase in working hours of the regional population will increase the demand for more convenient and out-of-hours retail; and • If adequate retail floorspace is not provided then people will leave the region to shop, resulting in more traffic and loss of employment in the region. It is considered that the proposal is in accordance with those planning principles in the draft Centres policy which relate to the need to accommodate market demand. <i>Availability of Other Sites</i> The proponent asserts that there are no suitable alternative sites within or adjoining any nearby centres to meet the identified demand. SGS, on behalf of Council, identified two nearby in-centre sites with potential to accommodate a full-line supermarket. The first site, 173-197 Victoria Avenue has an area of 4,384m²; was formerly used for a Bunnings Warehouse; is within a commercial zone; and has good public transport access. However, in order for sufficient area to be available for the proposed Woolworths Supermarket, an existing three-storey residential flat building would need to be removed. The second site, 243-245 Penshurst Street, has an area of 13,209m² and is currently used by the Australian Legion of Ex-Servicemen and Women. The site currently contains club buildings, bowling greens as well as a large car park and appears to be under-utilised. However, it is not known if the club is interested in selling any of its property. <i>Other Matters</i> The proponent contends that traditional industrial areas, such as East Chatswood, will inevitably transition away from their original nature and function. By allowing additional uses such as the proposed supermarket, the proponent considers that the area can be revitalised and provide considerable economic and social benefits to the community. This includes the provision of 176 jobs, which is more than would be provided even if the site was developed for 'high-tech' industry and significantly higher than if the site

	was used for manufacturing or warehousing. The proponent has conducted a survey which suggests that 67% of nearby residents are in favour of the supermarket being built, mostly because the supermarket would be easy for them to access and also because it would provide an alternative to more congested shopping areas.
Site-Specific Merit Assessment Provide assessment of information provided	By virtue of its size and location, the subject land (being a large, unconstrained site in single ownership) is eminently suitable for the proposed supermarket from a site-specific commercial perspective. From a site-specific planning perspective, there would be some benefits in using the subject site for a supermarket, including: 1. its location on the edge of an industrial area and its good access to the regional road system, which would enable trucks servicing the proposed supermarket to avoid residential areas; 2. additional retail choice and convenience for residents, workers and passing motorists; 3. the potential to reduce traffic congestion in nearby centres such as Chatswood CBD and Northbridge; and 4. addressing the unmet demand for new supermarket floor space in the Willoughby LGA and the Inner North Subregion.
Recommendation	The Department considers that the proposal has some site-specific merit.

Assessment summary

Department's assessment	<u>Strategic merit assessment</u> The proposal's strategic merit within the current metropolitan, regional or local planning framework has not been fully established. In particular: • the proposal is inconsistent with the Metropolitan Plan for Sydney, the draft Metropolitan Strategy and the draft Inner North Subregional Strategy; and • the proposal is inconsistent with section 117 directions, particularly with regard to its out-of-centre location, lack of public transport and level of car dependency. However, there is : • a clear unmet demand for supermarket floorspace in the locality and region; • constraints with existing available centre sites; • the changing nature of the East Chatswood industrial area; and • the ability of the proposal to generate employment and reduce car trips for local residents; that also need to be considered from a strategic perspective. <u>Site-specific merit assessment</u> The proposal has some site-specific merit, as follows: • the proposal would help address the unmet demand for new supermarket floor space in the Willoughby LGA and the Inner North Subregion; • the proposal would increase the employment capacity of the site; • the proposal would provide more retail choice for residents; • the proposal would provide more convenience for residents, workers and passing motorists; • the subject land is eminently suitable for the proposed 'car-dependent, stand-alone' supermarket, being a large, unconstrained site in single ownership on the edge of an industrial area; • due to its relative isolation from residential properties, amenity impacts from the proposal would be able to be more easily managed than if the site were located in a more urbanised area; • although other potential supermarket sites have been identified by Willoughby Council, none have the attributes of the subject site for the proposed supermarket;
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	- the predicted increase in traffic associated with the proposal can be accommodated within the existing road network; and - a new supermarket in this area may reduce traffic congestion in nearby centres such as Chatswood CBD and Northbridge. In summary, the Department considers that the proposal has some site-specific merit and therefore considers that the proposed instrument should be presented to the JRPP for independent advice.
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RECOMMENDATION

☒ There is merit in the proposed instrument proceeding to gateway determination. The review of the proposed instrument by JRPP is justified.	
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Endorsed by:



Juliet Grant
Regional Director
Sydney Region East