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INTRODUCTION

As instructed by Wyong Shire Council (Council), Leyshon Consulting has reviewed submissions made by interested parties in relation to the Wyong Shire Retail Centres Strategy Review report (the study) prepared by Leyshon Consulting.

The submissions were forwarded on behalf of the following organisations:

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2 OVERVIEW

The submissions received by Council make certain criticisms of the study. These broadly can be grouped into three key areas namely:

- ▶ methodology/assumptions
- ▶ alternative development options
- ▶ content and philosophy of Development Control Plan (DCP)

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As discussed below, there are a number of sub-issues associated with the three major categories of issues noted above. Given the limited budget Council has available to prepare a response to submissions it has been necessary for us to address these generically rather than on an individual basis: the latter would have involved a cost almost equal to the cost of the entire study to date.

Where possible, we have referenced each individual sub-issue to the submitter which raised that particular matter.

3 **METHODOLOGY/ ASSUMPTIONS**

A number of criticisms were raised concerning the study's methodology and certain key assumptions. These criticisms essentially fall into the following categories:

- ▶ population level and growth
- ▶ retail expenditure levels
- ▶ real growth in retail spending
- ▶ floorspace demand estimates
- ▶ extent of trade areas
- ▶ non-resident spending
- ▶ allocation of retail spending to various levels of the retail hierarchy.

These issues are discussed in turn below.

3.1 Population Growth

Some submissions have queried whether the population projections used in the study are too optimistic. It should be noted that Leyshon Consulting was specifically instructed by Council to adopt the

population projections of by id consulting which was commissioned independently by Council to prepare such population growth projections.

Some submitters also argue that the population projections used in the study should be reviewed when the results of the 2006 Census become available. This criticism is unfair and unreasonable given that the study was commissioned in January 2005. While of course such a review could be undertaken, it would be a massive exercise effectively involving a reworking of the entire study. The cost of such an undertaking would be commensurately large.

3.2 Retail Expenditure Levels

Submissions prepared on behalf of Westfield and Walker Corporation have argued that Leyshon Consulting has under-estimated significantly available expenditure levels in Wyong Local Government Area (LGA). In particular, both argue that per capita retail expenditure levels have been understated seriously. UrbisJHD (representing Westfield) and Deep End (representing Walker) both cite data produced by a Brisbane-based company called MDS. This company publishes estimates of retail spending derived from a model they have constructed and known as "MarketInfo".

We acknowledge that MarketInfo data is used by a number of consulting and retail groups in Australia. Equally, however, there are a number of consulting firms which have serious reservations about the estimates produced by MarketInfo model. Leyshon Consulting is one of these.

For instance, it is claimed that MarketInfo data is more accurate because it takes account of retail expenditure data contained in the Australian National Accounts (ANA). Allegedly, MarketInfo uses ANA data together with data from the 2001 Census and the Australian Bureau of Statistics (ABS) Household Expenditure Survey (HES) to produce what it claims to be more accurate estimates of retail spending. Leyshon Consulting also uses the latter two data sources in its preparation of retail spending estimates.

We also note the ABS itself considers it is deficient in terms of data sources to accurately project what are known as "chain volume estimates" of retail expenditure in the Australian economy related to retail goods and services which make up the ANA. Accordingly, we do not consider that reliance on ANA data produces the superior estimates claimed by MarketInfo.

In any event, we note that whereas UrbisJHD (using Marketinfo data) claim Leyshon Consulting has under-estimated spending by 30%, Deep End using **exactly the same data source** say we have under-estimated spending by 18%. Clearly, if both consultants are using the same data source for Wyong (that is, MarketInfo) there should be no discrepancy between their claims in relation to our alleged under-estimate of retail spending.

Past calibrations we have performed between estimates we generate ourselves using ABS Census and HES data at a state level compared to retail sales trade data published by the ABS have revealed differences between our figures and the ABS of less than 6%. We have never encountered any previous suggestion that we under-estimate resident retail spending anywhere between 18% and 30% as is claimed by UrbisJHD and Deep End.

In summary, we reject the assertions made by UrbisJHD and Deep End that we have under-estimated retail spending in Wyong by the extent claimed and stand by our estimates.

3.3 Real Growth in Retail Spending

Several submitters question the use of a conservative assumption of +1% in real spending growth in the study (UrbisJHD on behalf of Westfield, Deep End on behalf of Walker).

With respect to this claim we note the study specifically acknowledges an assumption of +1% real spending growth is conservative. Such a figure is considered justified, however, in this particular instance given that, broadly, Wyong LGA residents have below average household incomes, have traditionally had higher levels of unemployment and have an older age profile than the New South Wales or Australian population in general. In this regard we note HES data clearly demonstrates the correlation between older households and lower levels of retail spending. Moreover, Wyong LGA residents are likely to be impacted by rising energy and utility prices which will further constrain their propensity to spend on retail goods and services in the future.

The study specifically acknowledges that real retail sales growth in Australia has been approximately +2% over the past decade. It should be recognised, however, that this Australian average is made up of some communities where the real growth would have substantially above +2% and some where real growth would have been substantially below +1%.

3.4 Floorspace Demand Estimates

Some submitters have questioned the floorspace productivity levels (that is, \$ per sq.m. per annum) used by Leyshon Consulting to determine the future demand for retail floorspace in Wyong LGA over the period 2006-2031.

The relevant submitters were:

- ▶ MapInfo Dimasi (for Karedis Group)
- ▶ Deep End (for Walker Corporation)
- ▶ MapInfo Dimasi (for Tuggerah Business Park)
- ▶ MapInfo Dimasi (for Colonial First State Property Management)
- ▶ UrbisJHD (for Westfield).

It is worthwhile summarising the arguments put forward by each submitter. These essentially are as follows:

- ▶ UrbisJHD argue that \$4,500 per sq.m. per annum is too low for a village/neighbourhood centre anchored by a supermarket and that the relevant figure should be \$6,000 per sq.m. per annum. Adoption of such a figure would lead to fewer village/neighbourhood centres being required, however;
- ▶ MapInfo Dimasi on behalf of Colonial First State Property Management argue it is impossible to say what should be the appropriate productivity rate and demonstrate the effect on

demand for floorspace at an arbitrary 10% reduction in the average turnover rates adopted by Leyshon Consulting;

- ▶ MapInfo Dimasi on behalf of Karedis argue the average turnover rate for supermarket floorspace should be reduced from \$8,500 per sq.m. per annum to \$7,500 per sq.m. per annum;
- ▶ Deep End on behalf of Walker argue that the average turnover rate for bulky goods floorspace should be reduced from \$4,000 per sq.m. per annum to \$3,500 per sq.m. per annum;
- ▶ MapInfo Dimasi on behalf of the Tuggerah Business Park argue that the appropriate rate for bulky goods floorspace is \$3,500 per sq.m. per annum; and
- ▶ several submitters argue it is inappropriate to use floorspace productivity levels to determine future floorspace demand. Nevertheless, they do not put forward any suggestions as to what they consider constitutes an appropriate alternative method of estimating demand for retail floorspace and centres notwithstanding this being a crucial input for long-term strategic planning.

In response to issues raised regarding floorspace productivity rates we make the following comments:

- ▶ in most cases, assumed productivity levels were set relatively high in the study to ensure that future centres would be viable. We acknowledge the implication may be that future demand is understated somewhat. We do not consider this constitutes a substantial planning risk, however, compared with adopting productivity levels which are too low;

- ▶ new floorspace being introduced to almost any market needs to achieve higher productivity rates than “old space” because rents are typically much higher in newer as opposed to old space; and
- ▶ the average turnover level for village/neighbourhood centres (\$4,500 per sq.m. per annum) has been set relatively low to reflect to the wide disparity in trading characteristics among these type of centres in Wyong LGA.

Several consultants acting on behalf of submitters have performed various calculations to demonstrate the effect of alternative assumptions on floorspace demand. They are as follows:

- ▶ UrbisJHD estimate the study has under-estimated total floorspace demand in Wyong LGA during the period 2006-2031 by 70,000 sq.m.
- ▶ MapInfo Dimasi estimates that bulky goods floorspace demand has been under-estimated by 60,000 sq.m.
- ▶ Deep End estimate bulky goods floorspace demand in northern Wyong has been under-estimated by 38,000 sq.m..

Clearly, as bulky goods demand is a subset of total retail floorspace demand and according to MapInfo Dimasi and Deep End bulky goods demand is 20% of total retail floorspace demand, the above alleged under-estimates are completely contradictory.

3.5 Extent of Trade Areas

UrbisJHD on behalf of Westfield comment that the actual trade area for Westfield Tuggerah is more extensive than that shown in the study. They further claim that whereas Leyshon Consulting estimate 25% of Westfield Tuggerah's sales originate from outside the defined trade area, recent surveys they say have been undertaken at the Westfield centre indicate this is closer to 30%. No clear evidence of these survey findings is provided, however.

The trade areas defined in the study were derived primarily from information obtained from a survey conducted by Hill PDA who was Council's original consultant in relation to preparation of the study. The Hill PDA survey data was supplemented where appropriate by information held by Leyshon Consulting about the performance of centres.

The study specifically notes that Westfield Tuggerah has a larger **tertiary** catchment than indicated in the report—extending as it does into the lower parts of Lake Macquarie LGA and into (limited) areas of Gosford LGA.

3.6 Non-Resident Spending

Several submitters claim the study fails adequately to account for spending by non-residents—namely spending by tourists and visitors and other shoppers who reside outside Wyong LGA. These comments were made by the Department of Planning, DMPS and UrbisJHD on behalf of Westfield.

In reply we note the study report specifically acknowledges that tourist and visitor spending makes a contribution to Wyong's retail system. It is very difficult, however, to calculate with any degree of accuracy either the quantum of that spending or those centres likely directly to benefit from such spending. In addition, and as noted in the submission by The Entrance Chamber of Commerce, tourist/visitor spending in the area is highly seasonal and (according to them) can be relied upon only for three months of the year.

In relation to spending within Wyong's retail system by residents from outside Wyong LGA it is our opinion, that most centres in Wyong—apart from Westfield and the Tuggerah SupaCenta—do not attract any substantial proportion of their sales from spending by shoppers residing immediately outside the borders of Wyong LGA. This situation will be further reinforced by the imminent upgrading of retail facilities at Morisset and the further long-term expansion of regional shopping facilities at Glendale and Charlestown in The Hunter.

Our estimates are that spending by non-residents could add at most 8% to 10% to the total pool of available spending. Such spending is seasonal and is not evenly distributed between centres or product categories.

3.7 Allocation of Spending to Levels of Retail Hierarchy

Various submitters have been critical of the method adopted in the study of allocating available spending to various levels of the Wyong retail hierarchy. We note, however, that some of the claims for the different treatment of various centres within the hierarchy are contradictory and impossible to accommodate. For example:

- ▶ higher allocation of spending to the regional centre (Westfield Tuggerah)
- ▶ higher allocation of spending to district centres (Stockland and Colonial First State Property Management)
- ▶ higher allocation of spending to neighbourhood/village centres containing supermarkets (Kareidis)
- ▶ higher allocation of spending to bulky goods centres (Walker Corporation and Tuggerah Business Park).

Clearly not all of these claims are either justified or possible to accommodate.

In relation to one specific claim (namely that made by Walker Corporation and Tuggerah Business Park) that spending allocated to bulky goods centres is unrealistically low, we wish to indicate that the proportion of sales allocated in our generalised model to this type of retailing (9.6%) was specifically meant to relate to free-standing bulky goods centres. Clearly, not all bulky goods-type spending is captured by free-standing centres. A considerable proportion of such spending is directed to shops found in traditional centres including department stores, discount department stores and specialised retail outlets.

4 ALTERNATIVE DEVELOPMENT OPTIONS

4.1 Kanwal

Some submitters have raised the potential for other sites or other forms of development to be considered which, in their opinion, have not been addressed in the study. The Karedis Group, for example, has raised the development of the Kanwal Oasis caravan park site for retail development.

We note that this proposal is not new. Council previously has considered this issue in the light of submissions by Karedis Group that the site could be developed to incorporate a discount department store, supermarkets and associated retailing thereby producing a centre of sub-regional scale.

Our previous advice to Council is reiterated here: namely that such a proposal is inconsistent with the proposed development of the Warnervale district centre and would have significant implications for existing retailing at Lake Haven. Further, we do not agree with the conclusion of MapInfo Dimasi (on behalf of Karedis) that a third discount department store is warranted in northern Wyong within the forecast period. Furthermore, we consider that such an outcome would be inconsistent with maintaining the status of Westfield Tuggerah as the area's major regional centre.

4.2 Lake Munmorah

Wakefield Planning on behalf of Shopkeepers at Lake Munmorah and Chain Valley Bay prepared a submission in relation to the appropriate location of future retailing in the Northern Lakes Social Planning District (SPD). This submission is supported by a letter from Mr Paul Mailath which contains an expression of his concern about the potential effects of a Woolworths development at Lake Munmorah on his business which is located at the existing Lake Munmorah shops.

The submission by Wakefield Planning argues that a preferred outcome, given the constraints of the area, would be for a new retail centre to serve the Northern Lakes SPD being located either to the north of Lake Munmorah near the intersection of the Pacific Highway and Kanangra Drive or to the west of Lake Munmorah in the vicinity of the intersection of Rutleys Road and the Pacific Highway.

In our opinion, Council should undertake further analysis of the most appropriate location for a new centre in the Northern Lakes SPD. This recommendation is specifically spelt out in the study. We further recommend that the views expressed in the submission by Wakefield Planning and Mr Mailath be taken into account in any such further analysis and evaluation.

4.3 The Entrance

Three submitters have provided comments in relation to the effect of the retail strategy and Draft DCP 81 on The Entrance.

The Entrance District Chamber of Commerce raises a number of concerns it has about the extent of existing vacancies in The Entrance at present, the potential adverse impact of further development at Long

Jetty, the effect of markets on retail trade in the centre, the need to attract shops to The Entrance that will benefit the centre as a whole and the importance of the redevelopment of Lakeside Plaza to The Entrance.

A submission was made by DMPS on behalf of Jewel Tower Pty Ltd. We understand Jewel Tower controls a large site at the intersection of Ocean Parade and The Entrance Road East. The DMPS submission argues that the proposed development is consistent with the Draft Central Coast Regional Strategy and further argues that tourism expenditure should be taken into account specifically in relation to recommended development in The Entrance.

A third submission is that made by The Entrance Plaza Pty Ltd (Dunnet) which expresses concern that the floorspace expansion target of 8,000 sq.m. reflected in the study does not align with the scope of development proposed for a number of sites in The Entrance including:

- ▶ Picnic Point
- ▶ Clumysa Development
- ▶ Fisherman's Wharf
- ▶ Oway site
- ▶ Lakeside Plaza centre.

We accept that The Entrance is an atypical centre as far as the Wyong retail hierarchy is concerned. In this regard, we understand Council has been working on an overall strategy for The Entrance/Long Jetty/North Entrance which is intended to address many of the issues raised by the submitters noted above.

In relation to retail provision at The Entrance, we agree that some flexibility may be required over and above the recommendations set

out in the study to take account of the effect of tourism on this particular centre.

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DRAFT DCP 81

A large number of submitters are critical of the contents of Draft DCP 81. At the outset it should be recognised that DCP 81 has been operational in Wyong LGA for a lengthy period without obvious deleterious effects as far as the retail sector is concerned. Moreover, the current draft of DCP 81 provides for a relaxation of the policy as far as indicative floorspace limits and variation criteria for centres are concerned.

The three major criticisms of the current Draft DCP 81 are as follows:

- ▶ floorspace caps are seen as restrictive and anti-competitive
- ▶ there is insufficient emphasis on good design outcomes for shopping centres
- ▶ there is insufficient emphasis on net community benefit.

Comments on these three issues are provided below.

5.1 Floorspace Caps

The current Draft DCP 81 contains indicative floorspace limits for various types of centres in the Wyong retail hierarchy. The Draft DCP also contains what are known as “variation criteria” which enable centre owners to put forward a case for different floorspace outcomes—particularly increases in floorspace—over and above the indicative limits set out in the DCP.

In summary, the submitters want these floorspace caps removed from the Draft DCP. In our opinion, the issue of constraining centres through the use of floorspace caps is the most difficult issue facing Council in relation to the future planning of retail centres in Wyong LGA.

Essentially there are two approaches which could be adopted by Council either:

- ▶ restrict the control of centres to a simple description of their general role within the retail hierarchy and evaluate all expansion proposals on a merits basis; or
- ▶ provide some prescription within an instrument such as a DCP and establish criteria by which applications can be considered where they do not conform with the general guidelines for centres.

The major problem with the former approach is that it is inevitable every application received by Council will contain a justification as to why the floorspace increase being proposed is appropriate and a demonstration that it will have no adverse effects on any other centre. This problem was highlighted recently in a case before the Land and Environment Court (Jetset -v- Eurobodalla Shire Council) where a witness from UrbisJHD admitted that in almost two decades of consulting he had never prepared a report which indicated a proposed development would have an adverse economic impact on other centres. Nonetheless, adverse impacts on existing centres following a new development patently do occur: the recent experience of the Wyong district centre and the Gosford CBD are examples of this.

The second major deficiency with this approach is that in a "growth economy" such as Wyong it inevitably leads to a "free-for-all" as

developers and centre owners endeavour to have new centres or expansions of existing centres approved before others might do so. This is likely to produce a planning outcome which may not be equitable as far as residents are concerned. It can also lead to arbitrary planning decisions being made.

The advantage of the second approach (and that embodied in Draft DCP 81) is to provide some guidance as to the requirement for centres by size and type and the timing of their development to ensure a number of outcomes including:

- ▶ that centres maintain their general role within the retail hierarchy and do not encroach on the functions of other established or proposed centres at different levels of the hierarchy;
- ▶ to ensure a reasonably equitable access to retail facilities for all residents; and
- ▶ to provide guidance to the industry and some certainty about the location, size and timing of retail centres.

It is our firm opinion that the second approach is preferred. This is even more so given that a DCP is not strictly a statutory planning document and can be varied if circumstances warrant it without the inflexibilities associated with varying a Local Environmental Plan (LEP).

5.2 Design Outcomes

We consider there is some force to the argument that Draft DCP 81 does not contain sufficient material on encouraging the good design of

shopping centres. Leyshon Consulting is not an urban design practice and we therefore recommend that if Council considers DCP 81 should contain more extensive information on the good design of centres, then consultants with specific skills in this area be hired to provide that advice.

5.3 Net Community Benefit

Submitters have argued that while Draft DCP 81 makes reference to the concept of “net community benefit” the fact that the DCP contains prescriptive floorspace controls effectively negates the philosophy of net community benefit. Their arguments appear to be based on the assumption that evaluation of net community benefit cannot be undertaken effectively if a planning instrument contains any form of statutory controls over the form of development.

We reject this argument. The concept of net community benefit was introduced into Draft State Environmental Planning Policy No.66 and the accompanying Integrated Land Use and Transport (ILUT) planning package to encourage a more balanced evaluation of development applications. The operation of the net community benefit principle involves applicants demonstrating there is a genuine benefit to the community from a particular development rather than relying simply upon planning controls as a justification for the approval of an application. We see no reason why the concept of net community benefit cannot be used by applicants along with the variation criteria contained in Draft DCP 81 to argue their case as to why a variation from the floorspace controls contained in the DCP should not be agreed to by Council.

If Council solely relied upon the test of net community benefit we confidently predict that every report it received in support of a development application will demonstrate a positive net community benefit irrespective of the size or merit of the retail project being proposed.

6 ISSUES RAISED by COUNCILLORS

As a result of briefings provided to councillors during the course of the study and exhibition of the study report, we understand councillors have raised certain additional issues that were not canvassed in the study. These issues include:

- ▶ the effect of tourist spending on The Entrance
- ▶ the effect of additional residential development proposed for Gwandalan/Wallarah Peninsula
- ▶ the approach to bulky goods retailing in northern Wyong
- ▶ the need for the study to address the provision of pad sites/service station retailing in Northern Wyong.

These issues are discussed briefly below.

6.1 Effect of Tourist Spending on The Entrance

Comments on this issue are provided in Section 4.3 above.

6.2 Additional Residential Development – Gwandalan/Wallarah Peninsula

The study report does not address the implications of additional residential development at Gwandalan on the Wallarah Peninsula. The reason being that little was known about this proposal when the study was undertaken and the report prepared.

We understand that subsequent proposals by Rosecorp involve 600 dwellings at Catherine Hill Bay and 312 dwelling at Gwandalan. These have been referred to the Minister for decision under Section 75E, Part 3A of the Environmental Planning and Assessment Act, 1979.

We note that a preliminary environmental assessment of the site at Catherine Hill Bay refers to the provision of “local shops”, tourism accommodation and recreation facilities as part of the development.

In our view, the provision of 600 dwellings (not all of which would be permanently occupied) likely would generate a demand for less than 1,000 sq.m. of local retail space. The proposed 312 additional dwellings at Gwandalan similarly would boost local demand for retail floorspace by about 500 to 600 sq.m..

6.3 Clustering of Bulky Goods Development

Council requested advice concerning whether it is more efficient to concentrate additional bulky goods floorspace in one location or disperse it over a number of locations.

Generally speaking, market experience suggests that concentrating bulky goods floorspace into a single centre or dominant precinct has advantages over allowing such space to be dispersed over a number of locations. These advantages include:

- ▶ efficiencies for shoppers in terms of being able to shop for a number of products in the one location
- ▶ an ability for developers to provide a more competitive/comprehensive range of retailers in particular categories (for example, two bedding or floor covering retailers as opposed to one)
- ▶ urban design/planning benefits including the avoidance of strip-style development.

That said, the concentration of bulky goods retailing in Northern Wyong may confer monopoly benefits on a single developer/centre owner.

6.4 Pad Sites

Council has requested advice on whether it is appropriate to plan for pad sites in Northern Wyong to enable additional fast food outlets/service stations to be provided.

Food consumed outside the home occupies a niche within the retail sector. Total sales in this category constitute only about 10.4% of total retail sales. Consequently, the location of fast food outlets is not particularly significant as far as the operation of the retail hierarchy is concerned.

Council could consider a policy of allowing more fast food outlets to occupy pad sites in Northern Wyong to overcome the existing shortfall in retail services in that area subject to:

- ▶ avoiding excessive clustering of such services around intersections
- ▶ identifying sites in close proximity to planned centres such as Warnervale and San Remo
- ▶ co-locating such services with service stations to maximise resident amenity—that is, minimising single-use pad sites.

