

21 December, 2011

Mark Brown
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By Email: mark.brown@planning.nsw.gov.au

Dear Mark,

Re: Peer Review of the Economic Assessment documentation submitted in conjunction with the Cronulla Sharks Concept Plan Application

Introduction

Hill PDA was commissioned by the Department of Planning and Infrastructure (DoPI) to undertake an independent peer review of economic documentation submitted in conjunction with a Concept Plan Application for the Cronulla Sharks site, 461 Captain Cook Drive, Woollooware (hereafter referred to as 'the Subject Site').

In accordance with the brief, this peer review undertakes the following:

- An examination of the Assessment of Retail Development Potential (ARDP) dated July 2011 and the Economic Impact Assessment (EIA) dated August 2011 prepared by Pitney Bowes Business Insight, and the Net Community Benefits Assessment (NCBA) dated August 2011 prepared by JBA Planning;
- A critique of the assumptions in the EIA and ARDP including the size and extent of trade areas, socio-demographic profiles, growth forecasts, household expenditure etc;
- Commentary on the trade area required to sustain the proposed development and the degree to which it accords with State and Subregional policies relating to economic development;
- An assessment of the likely economic impacts of the proposed retail and commercial components on other centres, advice on the significance of these impacts and (where applicable) any methods for mitigating these impacts;
- Consultation with Council, the proponent and the DoPI.

Please note that our examination concerns economic considerations only and does not consider other aspects of the proposal such as design, traffic etc.

The Development Proposal

A submission has been made to the DoPI for a Concept Plan application under Part 3A of the Environmental Planning and Assessment Act. The Concept Plan envisages a mixed use development on the Subject Site which includes 8 residential buildings providing 700 dwellings, neighbourhood retail uses and a medical and leisure centre in addition to upgrades to the Toyota Stadium, the Cronulla Sutherland Leagues Club and other associated works.

The Concept Plan is seeking approval of uses, development yields and building envelopes to develop the Subject Site in three stages as follows:

- Stage 1 – New neighbourhood centre with retail, medical and leisure uses on the eastern car park site and redevelopment of the Leagues Club facilities;
- Stage 2 – Residential Masterplanned Estate on the western car park and training fields; and
- Stage 3 – Extension and improvements to Toyota Stadium including grandstand extensions.

The retail element of the proposed scheme comprises 13,900sqm of retail floorspace which is assumed to comprise of:

- supermarket floorspace of 6,000sqm;
- mini-majors of 5,200sqm;
- specialties of 2,250sqm; and
- Non-retail uses of 450sqm.

The proposed development includes multi-level car parking facilities and a major entertainment facility.

Planning Policy

Draft Activity Centres Policy (April 2009)

The Draft Centres Policy focuses on six key principles. The principles relate to:

1. The need to reinforce the importance of centres and clustering business activities;
2. The need to ensure the planning system is flexible, allows centres to grow and new centres to form;
3. The market is best placed to determine need. The planning system should accommodate this need whilst regulating its location and scale.
4. Councils should zone sufficient land to accommodate demand including larger retail formats;
5. Centres should have a mix of retail types that encourage competition; and
6. Centres should be well designed to encourage people to visit and stay longer.

The proposed development comprises an entirely new centre, rather than an out-of-centre group of shops. The Draft Centres Policy encourages clustering of similar activities (Principle 1). The proposed development is not currently located within a defined centre however flexibility is encouraged by the Draft Centres Policy to allow new centres to form if they are required (Principle 2).

The proposed development is being driven by the market and therefore is consistent with Principle 3 of the Draft Centres Policy and would also encourage competition (Principle 5). The layout and internal accessibility of the proposed development appears to comply with Principle 6.

Principle 4 of the Draft Centres Policy emphasises the need to provide sufficient land to accommodate future market demand. The supporting documentation to the proposed development is therefore required to provide an assessment of demand for retail floorspace versus supply, and the scope to accommodate any residual unsatisfied demand within existing centres. We note that a supply and demand assessment has been undertaken by the proponent, but that an assessment of the capacity of zoned commercial lands has not.

We note that the Draft Centres Policy requires that a sequential approach is undertaken when considering edge-of-centre and out-of-centre proposals whereby:

- *“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.*
- *if there are no suitably zones 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.*
- *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 proposed development is on a site which is not currently zoned for retail use and therefore a sequential approach would be mandatory if the Centres Policy was made. The applicant has not carried out a sequential test approach and has not investigated the potential to accommodate the proposed mix of retailers in the existing centres or edge of centres.

Notwithstanding, Hill PDA recently undertook such a study on Sutherland Shire as part of the Part 3A assessment for the Kirrawee Brick Pit site. We know from this analysis that there are no reasonable opportunities in the existing centres of Cronulla, Woolooware or Caringbah to accommodate retail development of this mix and scale.

A net community benefits test has been submitted with the Concept Plan in compliance with the Draft Centres Policy. This is at a later stage of this peer review.

Draft Competition SEPP (July 2010)

The proposed state-wide planning policy removes artificial barriers on competition between retail businesses. The new Draft SEPP proposes:

- The commercial viability of a proposed development may not be taken into consideration by a consent authority, usually the local council, when determining development applications;
- The likely impact of a proposed development on the commercial viability of other individual businesses may also not be considered unless the proposed development is likely to have an overall adverse impact on the extent and adequacy of local community services and facilities, taking into account those to be provided by the proposed development itself; and

- Any restrictions in local planning instruments on the number of a particular type of retail store in an area, or the distance between stores of the same type, will have no effect.

In our opinion the proposed development is consistent with the draft Competition SEPP because it allows competition between retailers to exist and leaves it to the market to decide what is viable on this site. Any competition which may result between individual traders as a result of the proposed development is not a planning concern.

Metropolitan Plan for Sydney to 2036

The approach towards centres in the Metropolitan Plan is to facilitate flexibility in order to allow existing centres to change and grow over time, and plan for new centres to emerge in appropriate locations (Objective B3). It recognises that the retail hierarchy will evolve and that the focus should be on supporting the growth of centres in general rather than maintaining a strict hierarchy as defined at a given point in time.

Action B3.1 of the Metropolitan Plan encourages Subregional Strategies to identify opportunities for new centres to be located within existing urban areas. The appropriateness of new centre locations is noted as being dependent upon a range of factors including public transport access, proximity to good quality open space, primary schools, residential amenity of the area, heritage significance and adaptability of existing buildings, market demand and the impact of a new centre upon facilities and services in existing centres.

Based on this approach the proposed development does not contravene the Metropolitan Plan if its location is appropriate. This is dependent upon amongst other factors the economic impact of the development proposal on existing centres which is considered in the economic documentation submitted with the proposed development and reviewed in this peer review.

Draft South Subregional Strategy (2007)

The Draft South Subregional Strategy does not set out a specific policy approach to be used towards defining new centres in the retail hierarchy. In general terms it supports the 'centres first' approach and seeks to focus new retail investment in line with the retail hierarchy.

On this basis we consider that the proposed development, which would facilitate the creation of a new centre, does not contravene the Draft South Subregional Strategy but is not supported by it either.

We note the following centre typologies recorded in the Draft South Subregional Strategy:

- Town Centre. Town Centres have one or two supermarkets, community facilities, medical centre, schools, etc. Contain between 4,500 and 9,500 dwellings. Usually a residential origin than employment destination.
- Village Centre. A strip of shops and surrounding residential area within a 5 to 10 minute walk contains a small supermarket, hairdresser, take-away food shops. Contain between 2,100 and 5,500 dwellings.
- Small Village Centre. A small strip of shops and adjacent residential area within a 5 to 10 minute walk. Contain between 800 and 2,700 dwellings.
- Neighbourhood Centre. One or a small cluster of shops and services. Contain between 150 and 900 dwellings.

Within the context of the above, the proposed the centre would be comparable to a town centre (or at least a village centre) rather than a neighbourhood centre as referred to be the proponent.

Sutherland Local Environmental Plan 2006

The eastern part of the Subject Site on which the neighbourhood centre is proposed is currently zoned Private Recreation (Zone 6(b)) under the Sutherland LEP 2006 which excludes retail as a permissible use. However Clause 65(5) of the LEP states that consent may be granted for a range of additional uses on the site including a conference / convention centre, seniors living, hotel, motel, residential flats and retail uses.

The western part of the Subject Site upon which residential development is envisaged in the Concept Plan is zoned Private Recreation (Zone 15) in the LEP. Permissible uses with consent include existing uses associated with the recreation areas and facilities and those associated with the Leagues Club operations.

Critique of Retail Analysis

In accordance with the brief Hill PDA has undertaken a detailed critique of the assumptions contained within the EIA and the ARDP. These are explored on an individual basis below.

Trade Area

A 'main trade area' is defined for the proposed development which comprises:

- A primary sector extending 1km to the south and west of the Subject Site including the suburb of Kurnell and parts of Cronulla and Woollooware;
- A secondary south sector incorporating the suburbs of Cronulla, Wollooloware and Burraneer;
- A secondary west sector including parts of the suburb of Caringbah.

Given the lack of significant retail facilities in the primary sector, in particular supermarket floorspace, and the restricted road access to the peninsular we concur that the proposed retail facilities are likely to draw the majority of trade from this area.

We also agree that a sizable proportion of trade would be drawn from the secondary sectors. With respect to the secondary south sector, supermarket retailing in the area is currently limited to that provided in Cronulla which serves a quasi-tourist function and contains no full-line supermarket. Supermarket demand in the secondary west sector is likely to be served predominately by Caringbah at present. The proposed development is situated adjacent to Captain Cook Drive which comprises one of the main vehicular routes serving the east of Sutherland Shire. The proposed development would therefore be easily accessible from the two secondary sectors and would compete with existing centres for trade from residents of these sectors.

Population Estimates and Growth Rates

The exact apportionment of suburbs to sectors has not been clearly specified by the proponent and therefore we have only approximated the composition of sectors for the purposes of reviewing the population assumptions. On this basis however the 2006 population estimates used by the proponent appear to be reasonable.

In terms of population projections these have been based largely on those compiled by the DoPI. For the primary sector the population projections incorporate an allowance for the 700 residential units proposed as part of the Cronulla Sharks Concept Plan and those dwellings subject to extant development application approval at Wanda Beach, Kurnell. The proponent has not set out the assumed household occupancy rate or phasing used but the overall population growth forecast in the primary sector appear reasonable. We concur with the population forecasts used for the secondary sector.

Socio-Demographic Profiles

The proponent has undertaken socio-demographic profile for the suburbs which constitute MTA based on 2006 ABS Census data. This has been benchmarked against the Sydney Metropolitan average. We concur with the results of this analysis.

Household Expenditure

In terms of the approach towards household expenditure, we note that:

- The retail expenditure per person assumed by the proponent at 2011 are comparable to those calculated by Hill PDA using our in house Marketinfo based expenditure model;
- An allowance for retail inflation at 2.5% per annum has been made by the proponent in the ARDP. It is usual practice not to include any forecast of inflation as comparing future dollars with present day dollars is meaningless. We note that the EIA excludes inflation from the calculations and therefore we have based our peer review of expenditure forecasts on this report;
- The assumed real retail spending increase of 0.8% per annum is modest and compares to a rate of 1.3% currently used by Hill PDA¹.

We have checked the household expenditure figures with our expenditure model and generally concur with the levels in the Pitney Bowes EIA.

Competitive Context

The proponent sets out the competitive retail hierarchy in Table 3.1 of the ARDP and Table 3.1 of the EIA. We believe that Pitney Bowes has underestimated the level of retail space in Cronulla by 9,500sqm. Cronulla has 24,500sqm from detailed surveys carried out by Hill PDA in 2010. Pitney Bowes has also underestimated the level of floor space in Caringbah by 10,000sqm (40%).

We agree with the amount of retail floorspace provided in the other competitive centres listed by the proponent.

The implication of underestimating existing retail floorspace in the centres identified above is that the level of retail floorspace undersupply derived by the proponent will be an overestimate. This is because some of the unmet demand identified is actually being satisfied by existing retail floorspace on the ground, and therefore there is no need for additional floorspace to be provided in order to satisfy this demand.

¹ Source: Expenditure per capita has increased at around 1.3% to 1.4% above CPI every year since 1986 (Hill PDA estimate based on ABS Retail Sales, CPI and Population Estimates)

Notwithstanding this, in light of the level of need identified by the proponent even accounting for this additional retail floorspace there would remain significant level of demand for more retail floorspace in the MTA

Demand for Supermarket Floorspace

Within the MTA the only existing supermarkets of which we are aware are Franklins (980sqm²) and Woolworths (650sqm³) in Cronulla equating to total provision of 1,500sqm which is consistent with that assumed by the proponent.

We agree that the larger centres in the area surrounding the MTA are currently performing strongly.

Westfield Miranda recorded a total turnover of \$724m in 2010 which equates to a turnover per sqm of \$7,200/sqm⁴. This is 10% greater than the median for all 'big gun' centres⁵ in Australia and ranks Westfield Miranda 24th out of the 91 Westfield Centres nationally in terms of performance.

We understand that Caringbah and Southgate are also trading at 10 to 20% above benchmark turnover levels. We also understand that some supermarkets in Sutherland Shire are trading at up to twice the national average. This indicates unmet demand for supermarket facilities in the area

We should note that although supermarket provision within the MTA appears under provided on a per person basis, this to some extent reflects the lack of subregional sized centres within the MTA. Many of the needs of residents in the MTA are currently served by the nearby town centres⁶ located outside of the MTA such as Miranda which contains a Woolworths, Coles, Franklins and ALDI (under construction) and Caringbah which contains a Woolworths, Coles and Franklins. As such, an under-provision of supermarket floorspace within the MTA is not unexpected.

Notwithstanding this, we recognise that on the basis of the Sutherland Shire supermarket floorspace provision presented by the proponent there appears to be an undersupply of supermarket floorspace in the LGA which the proposed development would help to address. This is consistent with previous work undertaken by Hill PDA in Sutherland Shire which noted a strong undersupply of supermarket floorspace in the area.

Based on the Hill PDA expenditure model residents of the MTA are forecast to generate some \$141m of supermarket related expenditure in 2014. By applying the target turnover rate for supermarket floorspace assumed by Hill PDA in 2014 of \$9,800/sqm we estimate that some 14,800sqm of supermarket floorspace could be supported in the MTA. Currently 1,500sqm of supermarket floorspace is provided in the MTA at Cronulla. As such, there is residential demand for around 13,300sqm of supermarket floorspace in the MTA at 2014. We recognise that some of this is accounted for by provision in nearby centres and Miranda in particular, but it nevertheless demonstrates a high level of need for further supermarket facilities in the MTA to serve local need.

A full-line supermarket typically requires a trade area of around 10,000 persons and ALDI requires a trade area of approximately 15,000-20,000 persons. On the basis of the population of the MTA at 2006 of 31,870 persons the MTA could support up to three full-line supermarkets and at least one ALDI store. It contains no provision of either retail format at the current time.

² Source: Property Council of Australia Shopping Centre Directory NSW

³ Source: Hill PDA Floorspace Survey 2010

⁴ Source: Shopping Centre News Big Guns 2011

⁵ A 'big gun' centre is classified by Shopping Centre News as a centre which provides in excess of 45,000sqm

⁶ As defined in the draft South Subregional Strategy

Demand for Other Types of Retail Floorspace

The proponent has not sought to demonstrate the need for the non-supermarket related retail floorspace proposed. Whilst it is not a requirement for an economic impact assessment to assess retail need, it will inform the level of retail impact which would be experienced.

Based on the Hill PDA expenditure model the MTA is set to experience significant growth in the amount of retail expenditure available to be captured by retail specialities (specialities and mini-majors) over the 2009 to 2014 period, of some \$18m⁷. By applying benchmark turnovers by retail store type to this expenditure growth, we estimate that this could equate to around 20,700sqm of speciality floorspace. As such, in the context of the quantum of speciality and mini-major floorspace being proposed for the Cronulla Sharks site of 7,450sqm, the need for this floorspace can be justified on the basis of expenditure growth alone.

In the longer term to 2021, the growth in speciality retail expenditure is forecast to increase to \$50m or up to 60,300sqm of speciality retail floorspace which could be supported in the MTA. This is aside from the existing undersupply of retail floorspace which exists in Sutherland Shire of which we are aware from our previous work in the area, and which will equate to further need for additional speciality floorspace.

As a result of the above we have no concerns that there is insufficient need for the level of speciality floorspace proposed for the Cronulla Sharks site.

Turnover

Supermarket

In order to estimate the potential turnover of the supermarket component of the proposed development, we have used a benchmark turnover of \$9,500/sqm for the supermarkets in 2014.

We note that this is notably higher than that assumed by the proponent of between \$8,440/sqm (in 2014) and \$9,270/sqm (in 2012/13) in the EIA and ARDP respectively which appears low, particularly given the observed undersupply of supermarket floorspace in the MTA. The rate of \$9,500/sqm for supermarket turnover in our analysis is closer to industry benchmarks.

On this basis we estimate that the supermarket component of the proposed development would trade at around \$59m in 2014. This compares to between \$51m and \$57m calculated by the proponent in the EIA (Table 4.2) and the ARDP (Table 4.2) respectively.

The ARDP assumes that the 'sales potential' (or trading level) of supermarket floorspace would increase by 5.0% per annum. This includes an inflation rate of 2.5%. As previously indicated inflation should be excluded from this calculation however we consider 2.5% per annum to be a reasonable assessment of the likely increase in turnover which could be expected of the supermarket floorspace.

⁷ Note: assumed to comprise the retail store types of 'specialty food stores', 'fast-food stores', 'clothing stores', 'other personal and household goods retailing' and 'selected personal services'

Mini-Majors

We concur with the proponent that mini-major floorspace is likely to be appropriate on the Subject Site if the principle of locating a new centre in this location is accepted. Mini-majors would increase choice and retail provision for residents of the MTA.

The turnover of mini-majors will vary significantly depending upon the operator. Some food operators like Dan Murphy's or Harris Farm trade at similar levels to supermarkets whereas non-food mini-majors generally trade at half these levels or less. Therefore the assumed turnover rates assumed by the proponent for mini-majors (\$5,668/sqm at 2014) are below what is likely to be achieved.

For the purposes of our turnover calculations we have assumed that half of the proposed floorspace (5,200sqm) is used for food retailing and half is used for non-food retailing. This is consistent with the EIA which assumes that tenancies will comprise a national brand liquor store, a fresh produce retailer, a discount variety operator and a large pharmacy.

Retail Specialties

We agree with the general principles outlined by the proponent in the ARDP in terms of the need for retail specialties. For the proposed development to provide a successful centre it should provide a range of retail facilities and offer an array of goods and services. Provision for smaller specialty retailers is a fundamental part of a centre of this size.

Food specialties typically trade at around \$7,000/sqm or higher and non-food specialties at around \$4,000 to \$6,000/sqm (at 2009). The proponent has assumed an average turnover of \$5,906/sqm (at 2014) which we concur with.

Centre Turnover

Allowing for some increase in benchmark turnover levels we estimate the following total retail sales in the new centre to be as follows:

Table 1 - Estimated Turnover of the Proposed Development in 2014 (in 2010 dollars)

Store Type	Sqm	\$/sqm	\$m
<u>Supermarkets</u>	6,000	9,800	58.8
<u>Mini-Majors</u>			
Food	2,600	8,800	22.9
Non-food	2,600	4,800	12.5
Total Mini-Majors	5,200	6,800	35.4
<u>Specialties</u>			
Food	1,125	7,200	8.1
Non-food	1,125	5,200	5.9
Total Specialties	2,250	6,200	14.0
Total Retail	13,450	8,038	108.1

Source: Hill PDA Estimate

The turnovers calculated in the table above are significantly greater than those calculated by the proponent. The EIA (Table 4.2) estimates the turnover of the centre as being some \$93.4m in 2014. This compares to a total of \$108m calculated by Hill PDA, a difference of +\$14m or 13%.

Market Share

The proponent has applied varying capture rates for the proposed development for food and non-food categories, and for the identified sectors. As would be expected the proposed development is anticipated to capture a larger proportion of retail expenditure from the primary sector and a lesser proportion from the secondary sectors.

Within the primary sector, the proposed development is expected to achieve an overall market share of expenditure of 26% (36% for food and 10% for non-food), which compares to 15% in the secondary south sector (21% food, 6% non-food) and 9% in the secondary west sector (13% food, 3% non-food).

However in monetary terms, given the greater amount of retail expenditure generated by residents of the secondary sectors it is forecast to capture a greater amount of expenditure from these sectors than from the primary sector. The proposed development is assumed to capture some \$32m of expenditure from residents in the primary sector; \$45m from the secondary south sector and \$6m from the secondary west sector.

Overall, the proposed development is assumed to achieve a market penetration rate of 17% in the MTA (24% for food, 7% for non-food) which equates to \$83m of expenditure. This equates to 89% of the turnover of the proposed development calculated by the proponent, with the residential \$10m or 11% being derived from sales beyond the MTA.

We agree with this general approach and assumptions although, in our view, given the lack of supermarket facilities in the area a larger proportion of trade may be expected to be drawn from the primary sector than that assumed by the proponent.

A small proportion of trade is expected to be derived from outside of the MTA. We agree that trade will also be derived from beyond the MTA from sources including residents living beyond the MTA, passing trade, workers in the area and beyond it such as in Taren Point Industrial Area to the north-west, tourists, and visitors associated with the Cronulla Sharks Leagues Club.

Economic Impact

The proponent outlines a number of economic benefits of the proposed development in Section 4.3 of the EIA. We agree that the proposed development would bring about benefits of convenience for local residents, amenity improvements and additional employment both during construction and post-construction.

Economic impact is assessed by the proponent in Table 4.6 the EIA. The greatest levels of impact are forecast for Caringbah (12% loss of trade in 2014), Taren Point (10% loss of trade) and Cronulla (8% loss of trade).

For the purposes of this peer review we have calculated our own assessment of retail impact using the Hill PDA gravity model. The main principles in the gravity model are that:

1. Like for like stores compete with one another. That is the grocery/ food retailer will compete with existing grocery/ food retailers in the locality, and likewise with specialty stores and department stores;
2. The level of redirected expenditure from a centre is directly proportional to the turnover of that centre. Hence more expenditure will be drawn from a centre that has higher trading levels;
3. The level of redirected expenditure from a centre is indirectly proportional to the distance from the Subject Site. This is based on the premise that shoppers will try to minimise distance, time and travel costs when travelling to undertake shopping – particularly “chore” shopping (predominantly for food, groceries and other regular items).

This approach is similar to that adopted by the proponent, in that the level of impact is determined by examining the strength of competing centres, their distance from the Subject Site and their forecast trading level

The results from our impact model are shown below:

Table 2 - Retail Impact of proposed Cronulla Sharks Development (\$m2010)

Retail Centre	Distance from Subject Site (minutes)	Approx. Retail Floor Space (sqm)	Turnover in 2011 (\$m)	Turnover in 2014 without Proposal (\$m)	Turnover in 2014 with Proposal (\$m)	Immediate Shift in Turnover (\$m)	% Shift in Turnover in 2014	Turnover from 2011 to 2014 (\$m)	Turnover Shift from 2011 to 2014 (%)
Proposed D'ment	-	-	-	-	108.1	108.1	-	-	-
Cronulla	7.0	24,600	153.8	163.7	155.7	-8.0	-4.9%	1.9	1.2%
Woollooware	4.0	1,400	9.9	10.5	9.4	-1.1	-10.1%	-0.4	-4.4%
Miranda	8.0	113,500	790.0	823.6	784.4	-39.3	-4.8%	-5.6	-0.7%
Caringbah	5.0	26,800	269.5	280.9	247.0	-33.9	-12.1%	-22.5	-8.3%
Lilli Pilli	11.0	500	4.1	4.3	4.1	-0.2	-4.0%	0.0	0.1%
Taren Point	6.0	3,700	33.9	35.4	30.6	-4.8	-13.5%	-3.3	-9.8%
Southgate	12.0	19,450	180.4	188.0	180.7	-7.3	-3.9%	0.4	0.2%
Other Localities	-	-	-	-	-13.5	-	-	-	-
TOTAL	-	189,950	1441.6	1506.5	1,520.0	0.0	0.9%	78.5	5.4%

Source: Shopping Centre News (2010/2011), Property Council of Australia, Hill PDA

^ Excludes any allowance for the extant DA approval for an additional 17,700sqm of retail floorspace but includes allowance for ALDI at Miranda RSL

Similarly to the proponents' estimates, in our view the greatest levels of impact in monetary terms will be felt upon Miranda (\$39.3m reduction in trade) and Caringbah (\$33.9m reduction in trade).

There are no universal measures of significance of economic impact. There are references in various consultancy reports and statements in the Land and Environment Court which suggest that a loss of trade below 5% is considered insignificant, 5% to 10% is low to moderate, 10% to 15% is moderate to high and above 15% is a strong or significant impact.

Based on the above moderate to high impacts would be experienced by Taren Point (14% reduction in trade) and Caringbah (12% reduction in trade). Woollooware would experience moderate impact of 10%. All other centres would experience an insignificant impact of 5% or less.

Over time the adverse impacts will lessen with growth in retail spend generated by the main trade area. Only Caringbah and Taren Point will experience a loss in turnover of more than 5% from their 2011 trading figure as shown in the last column of the above table. Taren Point is not a retail centre but a stand alone supermarket in the industrial area. We do not consider the impacts on this store to be a relevant matter for determination. In any case it

is understood to be trading well. Caringbah is also trading very strongly and can easily absorb an impact of 10% or even greater.

The proposed development would therefore result in some adverse impacts upon a small number of centres in the locality. Notwithstanding this, as previously noted the area is currently undersupplied by retail floorspace and existing retail facilities in the area, and in particular supermarket floorspace, are trading very strongly. As such, in our view these centres have the ability to absorb the identified levels of impact without detrimentally affecting their role or trading position.

We recognise that the DoPI is currently considering a scheme proposing the redevelopment of the former Kirrawee Brick Pit site in Kirrawee. We understand that the proposed development would include a full-line supermarket and retail floorspace of approximately 8,400sqm, in addition to commercial uses, around 500 residential units, a commuter car park and public open space. It could also include a discount department store.

Given the distance of the Cronulla Sharks site from the Kirrawee Brick Pit site (approximately 8km by road), the nature of the proposed development and the existing retail hierarchy the MTA of the Cronulla Sharks site is unlikely to overlap with that of the Kirrawee Brick Pit development if it were to proceed. Notwithstanding this it prudent to consider the cumulative impact upon existing retail centres should both proposals proceed.

Hill PDA has undertaken previous economic impact modelling on the Brick Pit proposals. This indicated that even is around 20,000sqm of retail floorspace was implemented no existing centres would experience a net loss in turnover (over the 2007 to 2014 period) as a result⁸. In all cases the impact of the Kirrawee Brick Pit development was deemed to be insignificant. This was attributable to the high level of undersupply of retail floorspace in Sutherland Shire and forecast expenditure growth which would see all centres experience a net gain in turnover to 2014 even with the proposed Kirrawee Brick Pit development.

On this basis, the inclusion of the mooted Kirrawee Brick Pit development in the impact assessment would not alter our conclusions that the proposed Cronulla Sharks development is acceptable on the grounds of economic impact. This is particularly in view of the strong trading performance of existing centres which have the ability to absorb the impacts of both schemes without jeopardising their economic viability.

Employment Generation

The proponent estimates employment generation which would result from the proposed development in Section 4.3 of the EIA. It calculates that, based on a construction cost of \$55m, the proposed development would generate 235 job years directly in construction and a further 376 job years in supplier employment impacts. Total job years generated is 611. Our analysis suggests a higher number in direct jobs (276) but a lower number of production induced multiplier impacts (215) resulting in 491 total job years. Please note that the production induced multiplier impacts are nation wide. The vast majority of this work will not be located in Sutherland Shire or will not directly benefit the Shire.

Pitney Bowes estimates around 566 jobs in retail operations. Based on floorspace rates per worker for different types of retail store type sourced from the ABS Retail Survey (1998-99), we estimate that the proposed development would support in the order of 501 full and part time jobs. This is some 65 jobs less than that calculated by the

⁸ Source: A Centres Study for Sutherland Part B, Hill PDA, June 2010

proponent. The difference is in the specialty retail where Pitney Bowes has used a rate of 16.7sqm per worker rather than 26.3sqm per worker (ABS Retail Survey 1998-99 average for all specialty stores).

We further believe that redirecting only 5% of jobs gained from competing centres is a little optimistic. We believe the figure will be considerably higher. However job losses will largely go unnoticed due to growth in expenditure and retail sales over time.

Entertainment Facilities

The proponent seeks to justify the proposed 'family-orientated' entertainment facilities on the Subject Site, such as a gym, on the basis of the socio-demographics characteristics of the MTA and Sutherland Shire LGA and current provision. Given that expenditure directed towards entertainment is not 'retail' expenditure it is not quantified by Marketinfo which requires a more qualitatively based assessment as undertaken by the proponent.

We concur that entertainment facilities could be accommodated within the proposed development with minimal adverse economic impacts upon existing facilities in the surrounding area. Given the sporting nature of the area as a result of the Leagues Club presence it would be appropriate for some type of sporting themed facility such as a gym to be located on site.

We therefore have no concerns regarding the proposed entertainment facilities in the proposed development.

Net Community Benefits Test

As indicated previously the Draft Centres Policy establishes the need for a net community benefits test for rezoning proposals which would permit retail uses, including those which would create a new centre.

The net community benefits test submitted by the proponent covers the requirements of the Draft Centres Policy. In overall terms we agree with the findings of the net community benefits test which has been submitted, although we observe that:

- The Subject Site is currently subject to medium to low public accessibility according to the Sutherland Shire Council accessibility maps. We recognise that there is potential for public accessibility to be improved with the proposed development, and this should be ensured if the DoPI were minded to approve this proposal;
- We agree that the proposed development would reduce distances travelled by car for convenience shopping purposes by some residents, however it may increase distances driven by others if it attracts residents from the secondary south sector who currently visit Cronulla or those in the secondary west sector who visit Miranda;
- We believe that some of the impacts could have been quantified – not just qualified – particularly in relation to travel and travel time costs;
- No community costs have been acknowledged, which may include disruption to roads and visual amenity during the construction process, short-term loss of car parking facilities etc.

Notwithstanding the above, in our view any potential social costs will be outweighed by the benefits.

Consultation

As part of the assessment we liaised with Sutherland Shire Council (Beth Morris in Development Assessment) and reviewed the Planner's report to Council. In summary it suggests that the proposal is a significant change to the current land use of the site and the hierarchy of centres within the Shire. Whilst there is potential for centres to grow and change it essentially creates a new retail centre.

Council has a number of concerns relating to architectural, environmental and traffic considerations upon which we will not comment since it is outside this brief. Also Council is concerned about the centre location lacking public transport and support services. Council believes the location is poor for a new centre because it contains a sports field at its central place and there is no potential to grow the centre over time.

We find Council's position on this somewhat strange and conflicting – to not support the centre because (i) the location is inappropriate and (ii) because the centre will not have the ability to grow over time. There are also some conflicting comments about the proposal being “out of centre” and being a “new centre”.

Council addressed a number of issues in relation to economic impact but did not make any firm stand on whether or not they supported the principle of an additional centre. There is general recognition that surrounding centres would appear to be trading strongly and the resident population in the trade area is affluent. Council makes the comment that the loss of trade will make further investment in existing centres harder to attract and note that Caringbah is in need for some revitalisation. Observation however suggests otherwise as there is little incentive to revitalise strong performing centres but there is a strong incentive to redevelop underperforming centres, which is what happened at Top Ryde for instance.

A strong criticism from Council is the inappropriateness of the location, being 1.4km (our estimate is 1.2km) from the nearest train station and not being served adequately by public transport. Whilst there is some merit with this argument we believe that it is a good location at the entry point to the Kurnell Peninsula, which is largely a car dependent suburb in any case. Furthermore the proposed centre will not threaten the viability of the existing centres located at the train stations. These existing centres will continue to trade and serve residents and workers that rely on public transport. Therefore the social benefit of the additional retail centre is greater than the social cost of its location from the train station.

Summary and Conclusions

Our peer review has shown that:

- The proposed development is generally compliant with the Draft Centres Policy
- The proponent has not undertaken a sequential approach assessment and investigated the potential for existing centres and edge of centre locations to accommodate the size and mix of retailers proposed. Nevertheless we know from the earlier Hill PDA study that there are no reasonable opportunities in the centres of Cronulla, Woollooware and Caringbah;
- The proposed development is compliant with the draft Competition SEPP and does not contravene the Metropolitan Plan for Sydney to 2036 or the draft South Subregional Strategy. Based on the Subregional Strategy it should however be viewed as a town or village centre, rather than a neighbourhood centre with respect to the role which it would perform in the retail hierarchy;

- We concur with the trade area, population forecasts, socio-demographics, household expenditure, capture rates and approach towards accommodating entertainment facilities presented by Pitney Bowes;
- In our view the existing levels of retail floorspace in Cronulla and Caringbah has been underestimated;
- Existing retail floorspace within and around the MTA, and in particular supermarket floorspace, is trading strongly which indicates unmet demand;
- There is a significant undersupply of supermarket floorspace in the MTA which the proposed development would help to address;
- There is sufficient need for the level of specialty floorspace proposed;
- We agree that provision for mini-majors and specialty floorspace on the Subject Site as part of a new centre would be appropriate;
- The proponent has underestimated the likely retail turnover of the proposed development in 2014 by some \$14m or 13%;
- The greatest levels of economic impact would be felt upon Taren Point (14% reduction in trade at 2014) and Caringbah (12% reduction in trade) however both of these centres are likely to be able to absorb these impacts without adversely impacting upon their role or economic viability. Woollooware is forecast to experience a moderate impact of 10% reduction in trade whilst all other centres would experience an insignificant impact of less than 5%;
- The level of jobs created from construction and retail operations is likely to be less than that calculated by the proponent;
- The net community benefits test has not recognised any community costs of the proposed development although on balance we agree that it would result in a net benefit to the community.

On the basis of the above there would be some economic impacts upon centres in the surrounding area to the Subject Site as a result of the proposed development. Notwithstanding this as a result of the strong trading level of existing facilities and the undersupply of retail floorspace in the MTA, we do not consider that there are any grounds to refuse the proposed development on the basis of economic impact.

Should you have any questions, please do not hesitate to contact us in our Sydney office on 02 9252 8777.

Yours sincerely,



Adrian Hack
Principal, Hill PDA

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