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Department Generated Correspondence (Y)

**DEPARTMENT OF PLANNING AND ENVIRONMENT**  
*Planning Services*

**GATEWAY DETERMINATION ORANGE GROVE MEGA CENTRE**

**PURPOSE**

- For the Deputy Secretary, Planning Services, to determine that the planning proposal (PP\_2016\_LPOOL\_002\_00) for the Orange Grove Mega Centre to amend the *Liverpool Local Environmental Plan 2008* should proceed subject to conditions outlined in the Gateway determination.

**RECOMMENDATION**

- That the Deputy Secretary, Planning Services:
  - (a) as a delegate of the Greater Sydney Commission:
    - **notes** the Planning Team Report (Tab A);
    - **signs** the Gateway determination supporting the planning proposal (Tab B); and
    - **signs** the attached letter (Tab C) advising Liverpool City Council of the Gateway decision.
  - (b) as a delegate of the Secretary:
    - **agrees** that any inconsistency with S117 Direction 6.3 Site Specific Provision is of minor significance.

**CURRENT POSITION**

- The planning proposal (Tab D) seeks to amend Schedule 1 of *Liverpool LEP 2008* to permit 'shops' as an additional use up to a maximum Gross Floor Area (GFA) of 21,000m<sup>2</sup> at the Orange Grove Mega Centre site. The proponent anticipates that future tenancies will include a discount department store (Kmart), two supermarkets, two mini-majors, a number of speciality shops and some commercial tenants.
- The site adjoins the land rezoned under Amendment 22 to the *Liverpool LEP 2008* for retail uses. (Refer to Tab E – Site Plan). Total GFA for the two sites is 40,000m<sup>2</sup> of retail/shops.
- The primary issue for consideration is the potential economic impact on existing retail premises in the vicinity including the Liverpool CBD (Tab F).
- All other matters are addressed in the Planning Team Report (Tab A) and it is considered that there are no matters that preclude the proposal from proceeding to exhibition.

### Previous Proposal- Amendment No. 22

- The previous 2013 proposal was prepared to permit the additional use of “retail premises” at 5 Viscount Place, Warwick Farm, (‘Orange Grove’) so that the pre-existing building which was used as a “weekend market” can be used for a “retail outlet” centre.
- A number of economic studies were prepared both in support and opposition to the planning proposal. The Department engaged SGS (Tab G) to carry out an independent peer review of the cumulative economic impact of the proposed retail development on existing retail centres. The review also considered the impact on Bonnyrigg and Fairfield, which had only been partially considered by earlier reports.
- The SGS review found that Liverpool CBD, and other centres within a reasonably defined primary trade area, would not feel a significant trading impact in the first year of operation given various assumed development scenarios.
- The study cautioned against a shift away from outlet retail to more supermarket or discount department store retail as this would likely have significant impacts – particularly on Liverpool CBD and Westfield as its retail anchor. As such, the study recommended the need for planning controls that ensure only outlet retailing on the site and restrict general retail uses to minimum levels.
- The Standard Instrument does not make distinctions between “factory outlet” and “retail” uses and it does not define a supermarket as a separate use. Amendment 22 when made, addressed the SGS concern by setting a maximum size for shops within the proposed development of 1,200m<sup>2</sup> and an overall limit of 19,000m<sup>2</sup> of total retail, thereby ensuring that department (or mini-department) stores cannot be established.

### **ASSESSMENT**

- The planning proposal is supported by the following three studies, two commissioned by the proponent and one by Liverpool Council.

#### Economic Impact Assessment – Leyshon Consulting

- The Economic Impact Assessment (EIA) (Leyshon Consulting 2015) (Tab H), prepared for the proponent (Gazcorp Pty Ltd) reached the following conclusions.
  - The Orange Grove trade area population is expected to increase from 120,000 persons in 2012 to 131,000 by 2021.
  - Between 2011 and 2021 total annual retail spending is projected to increase by \$250.7 million (\$2014). This will support an increase in retail floor space of at least 38,500 square metres.
  - The proposed expansion of Orange Grove will generate additional sales of \$116.5 million per annum in 2019.
  - The proposed expansion means that the centre needs to capture only 8.7% of available retail spending generated in the trade area in 2019. The remaining 91.3% of available spending would be directed to the other shopping centres either within the trade area or external to it.
  - In 2019, the proposed expansion of Orange Grove will have modest impacts on the existing centres.
  - The impact on the Liverpool CBD is estimated -5.0% for the centre as a whole and -5.8% for the Westfield centre in particular.
  - The impact on other centres in and adjacent to the trade area ranges between -1.7% and -7.3% with the majority of impacts being less than -4.0% in 2019.
  - Recent survey indicates that the retail vacancies in Liverpool CBD have declined significantly since 2011.

- No appropriate vacant premises or development sites were available in the Liverpool CBD to accommodate Kmart, supermarket and supporting speciality shops.
- The impact of the proposal is acceptable. The EIA also advocates that the proposal will generate significant net community benefit as it will improve the range of retail facilities to residents of the trade area.
- The proposal will create about 576 jobs on full and part time basis. This estimation does not include jobs during construction of the development.
- Despite some impact on surrounding centres, the overall benefits of additional retail development at Orange Grove will outweigh any minor negative impacts. Hence, there is net community benefit from the proposal.

#### Peer Review of Economic Impact Assessment – Deep End Consultants

- The Peer Review of Economic Impact Assessment (prepared by Deep End Consultants) (Tab I) for Gazcorp Pty Ltd (the proponent) reviewed the EIA prepared by Leyshon Consulting. In general the peer review supported the findings of the EIA and concluded that the proposal would not lead to a significant trading impact on any competing centres.
- The peer review's sales forecast for the proposed development nearly matches with the EIA. The review supported the EIA analysis about the potential impact of the proposal on Liverpool CBD. However, it acknowledged that the proposals will have slightly higher impact on the other sub-regional centres in the area including the Fairfield Town Centre, Stockland Wetherill Park and Bonnyrigg Plaza.
- On the whole, the peer review supported the EIA conclusion that the proposal would not lead to a significant trading impact on any competing centre to the extent that the centre's role would be compromised. In particular the potential effect of the proposal on the Liverpool CBD will be much less given the vacant floor space is now substantially lower than reported in the Liverpool Retail Centre Hierarchy Review.
- Overall, the peer review concluded that the proposal will facilitate a development which would generate a substantial net community benefit in the form of increased local employment, wider retail choice, additional competition and resultant downward pressure on prices.

#### Peer Review and Assessment – Essential Economic

- The second Peer Review and Assessment, prepared by Essential Economics (Tab J) for Liverpool City Council reviewed both the reports prepared by Leyshon and Deep End. This study looked at the same Trade Area and existing centres as the previous two studies
- In summary the peer review by Essential reached the following conclusions.
  - The proposed development is unlikely to lead to a reduction in retail facilities or services at other competing centres in the region.
  - The competitive trading impacts from the proposal are not expected to impact on the operation of the retail hierarchy that currently serves the communities in the Cities of Liverpool and Fairfield.

- The impact of the proposal on the Liverpool CBD and in particular the Westfield Liverpool centre is forecast to result in a reduction in retail sales of -5.9% in 2019 at the Liverpool CBD, including a reduction of -7.3% of sales at Westfield Liverpool. The impact on the other centres will be as below:

Stockland Wetherill Park:	- \$13.2m (or -3.4% of sales)
Cabramatta:	- \$7.6m (or -3.6% of sales)
Fairfield Town Centre:	- \$6.4m (or -1.7% of sales)
Bonnyrigg Plaza:	- \$6.1m (or -5.4% of sales)

- The impact analysis carried out by Essential Economics indicates that the loss of retail facilities would be unlikely to occur, and that the loss of any significant levels of retail employment at identified centres would also be unlikely to occur.
- In keeping with the Leyshon report, Essential Economics review found that there would be a net community benefit from the proposal. These benefits include: increased access to retail facilities; increased competition; and increased local employment opportunities (approximately 550 direct jobs).

#### Department's Position

- It is nearly three years since Amendment 22 was made and there has been significant residential development in Liverpool and surrounds in this time. It is logical to expect that there has been commensurate growth in retail market demand that may support an additional 21,000m<sup>2</sup> of retail floor space at the Orange Grove site.
- A significant difference between the two planning proposals is the 1,200m<sup>2</sup> single tenancy limitation in the earlier Amendment 22, there is no such limitation proposed in the current planning proposal. This limitation was in response to the earlier economic studies, including the independent peer review commissioned by the Department, which were concerned that larger tenancies would allow for supermarkets and discount department stores. In 2013 the concern was that discount department stores and supermarkets would have significant impacts on Liverpool CBD and Westfields in particular.
- Although the studies submitted in support of the current proposal indicate that the proposed retail floor space can be accommodated within the trade area, given previous concerns, further information was sought from Council, to identify what has changed in economic conditions over the last three years that now make it feasible for Orange Grove to have two supermarkets and one discount department store, without a significant impact on Liverpool CBD and surrounds.
- Council responded, including a further submission from the proponent (Tab E). The submission summaries the changes in the economic conditions as detailed below.
  - The current economic assessment assume that the proposed supermarkets and DDS will be developed in 2019 as opposed to the SGS study which had adopted an opening date of the outlet centre in 2016. In addition, the original demand analysis undertaken for Council by Hill PDA study was completed in 2012.
  - There has been considerable population growth since the Hill PDA study in 2012. Liverpool LGA's population has increased from 191,401 people in 2012 to 204594 in 2015 equating to an increase of 13193 new residents. Consequently, this population growth will lead to an increase in demand for additional retail floor space.
  - The Hill PDA and SGS reports are based on prices in 2010 (\$2010). Since 2010 there has been real growth in per retail capita spending in Liverpool LGA of around

+1.0% per annum. This real growth in per capita retail spending would increase annual available spending generated in Liverpool LGA by about \$45 million in real terms between 2012-19. The real growth in spending, together with population growth, means that the outcome of any analysis of retail need and impact calculated in \$2010 cannot be compared meaningfully with that of analysis using \$2014 and updated population estimates.

- The 2015 Leyshon Assessment is based on a discrete trade area as opposed to the LGA approached taken in the Hill PDA and SGS reports.
- Sufficient justification has been submitted to warrant the planning proposal to proceed to exhibition having regard to the supporting studies and the explanation of the changed economic environment submitted by Council.
- It is anticipated that additional economic assessments will be undertaken in response to the exhibition of the planning proposal. Having regard to the controversial nature of the proposal it is recommended that the LEP should not be delegated to Council. This will enable the Department to undertake a robust assessment of any submissions made and if necessary commission an independent economic review.
- An assessment of relevant S117 Directions, strategic context, social and infrastructure considerations (Tab A), do not raise issues that would preclude the matter from proceeding to a Gateway determination.


## CONCLUSION

- The primary issue for consideration is the potential economic impact on existing retail premises in the vicinity including the Liverpool CBD.
- Sufficient justification and supporting information has been supplied by Council to allow the proposal to proceed to exhibition.
- It is recommended that delegation not be given to the Council to finalise the plan. This will enable the Department to undertake a further assessment of any issues raised in response to the exhibition of the plan.
- It is considered that there are no other matter that preclude the proposal from proceeding to exhibition.

  
Stephen Murray 16 September 2016  
Executive Director, Regions

*Note: Chief Planner has reviewed  
the proposal and recommended  
it proceed.*

**Marcus Ray**  
Deputy Secretary  
Planning Services

  
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