

31 August 2020

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Dear Nicholas

Economic analysis for Planning Proposal at The Grove Liverpool, Warwick Farm

This letter has been prepared to provide economic analysis in relation to a Planning Proposal to amend the provisions at Clauses 21 and 24 in Schedule 1 of the Liverpool Local Environmental Plan Liverpool 2008 (Liverpool LEP) with respect to development at The Grove Liverpool.

Introduction

The Planning Proposal has been made by Gazcorp, owners of land containing retail elements which are collectively known as The Grove Liverpool in Warwick Farm, and which include a broad range of existing and approved retail uses including the Grove Homemaker Centre at 2-18 Orange Grove Road, the Fashion Spree discount outlets at 5 Viscount Place and a variety of other retail uses on adjacent lots.

Preparation of the Planning Proposal has been requested by Gazcorp to introduce a site specific Local Environmental Plan (LEP), with the overall purpose to provide greater flexibility in the permissible uses able to be developed on the site and to realise the full development potential of The Grove Liverpool.

The Planning Proposal has been prepared in the context of a submission by Gazcorp which sought to introduce the proposed LEP changes as part of the *Draft Liverpool Local Environmental Plan Review 1*. A review of the Gazcorp submission by Liverpool City Council (Council report of 26 August 2020) concluded that the proposed changes would require lodgement of a separate Planning Proposal.

This letter provides an examination of the economic issues of relevance to the Planning Proposal, and includes:

- A summary of the proposed changes to the Liverpool LEP;
- Background description of the retail and economic role of The Grove and its development history;
- Analysis of the economic issues associated with the proposed changes to the Liverpool LEP; and
- Assessment of the likely economic outcomes if the Planning Proposal proceeds.

Summary of Planning Proposal

The Planning Proposal seeks to amend Causes 21 and 24 in Schedule 1 of the Liverpool LEP as shown below.

Clause 21 (Fashion Spree site)

- (1) This clause applies to part of ~~Lot 121, DP 876962 and part of Lot 101, DP1043160~~ **Lot 23 in DP1190437**, 5 Viscount Place, Warwick Farm, as shown coloured light purple on the Key Sites Map.
- (2) Development for the purposes of ~~retail premises~~ **shops and business premises** is permitted with consent if -
 - a. The total gross floor area of all ~~retail premises~~ **shops and business premises uses** on the site does not exceed ~~19,000m²~~ **21,000m²** and
 - b. The gross floor area of any individual ~~retail premises~~ **shops and business premises** on the site does not exceed 1,200m².

Clause 24 (Grove Homemaker site)

- (1) This clause applies to part of Lot 101, DP1043160, 10 Viscount Place, Warwick Farm, as shown coloured green on the Key Sites Map.
- (2) Development for the purpose of **shops and business premises** is permitted with consent if the total gross floor area of **shops and business premises** on the site does not exceed 21,000m².

The intent of the proposed changes to Clause 21 is to:

1. Update the legal description of the land;
2. Change the floorspace limitations to apply only to shops and business premises, rather than retail premises, consistent with the underlying B5 zoning which permits and facilitates other uses that are within the umbrella term retail premises, to reflect the original intention for development of the site, and to be consistent with the provisions applied to The Grove homemaker centre component of the site under Clause 24;
3. Facilitate a small increase in permitted floorspace (with consent) consistent with a development plan that is currently being prepared as the basis for a development application; and
4. Enable business premises to be operated from the site to provide ancillary services to meet the needs of customers and workers.

The intent of the proposed changes to Clause 24 is to enable the operation of business premises to support the needs of customers and workers within the centre and provide additional ancillary services consistent with the normal mix of businesses typically present within similar centres.

The combined intent of the changes to Clause 21 and 24 is also to align the planning provisions applicable to The Grove with other designated stand-alone centres in the City of Liverpool (ie Chipping Norton, Hoxton park Road, Woolworths Prestons and Casula Shopping Centre) which permit the use of land for business premises.

The Grove Liverpool

The Grove has emerged as a significant retail destination in the City of Liverpool, with total floorspace of approximately 55,758 sqm across the various elements which include:

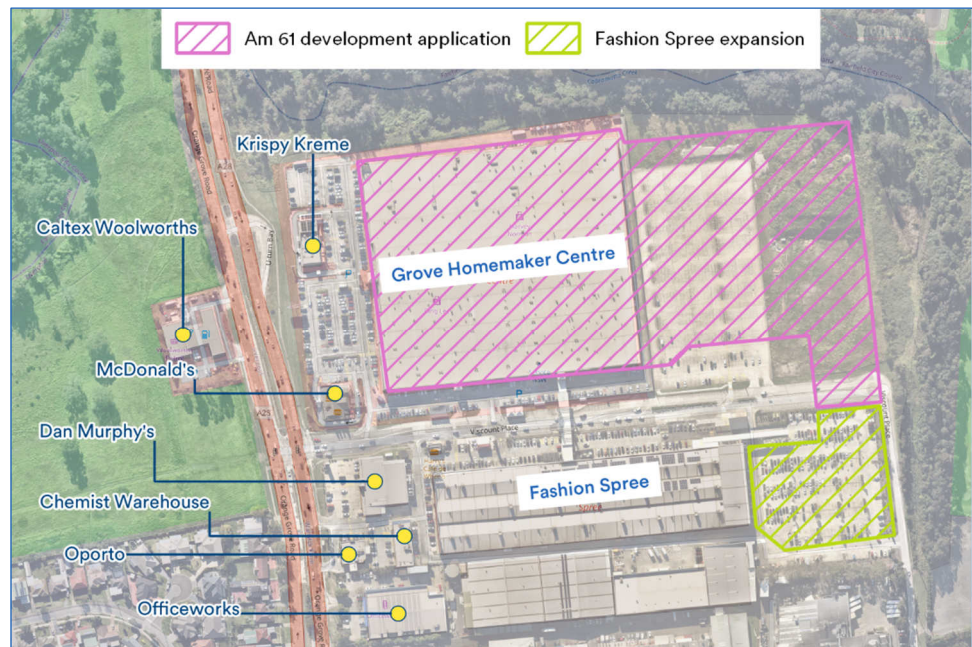
- the Grove Homemaker centre
- the Fashion Spree outlet centre
- various uses along the Orange Grove Road frontage within the B6 Zone, including Krispy Kreme, McDonald's, Dan Murphy's, Chemist Warehouse and Officeworks, as shown in Figure 1.

Future expansions are already anticipated within the Liverpool LEP, including DA approved expansions at Fashion Spree for an additional 4,260 sqm and up to an additional 21,000 sqm permissible at The Grove homemaker centre site as a result of Amendment 61 to the Liverpool LEP which introduced Clause 24 at Schedule 1.

When fully developed, the precinct will be one of the largest in the municipality, with other large centres at the Liverpool CBD (at 125,000 sqm) and the Crossroads Casula precinct (at 70,000 sqm including bulky goods and Costco components).

The Grove operates as a hybrid stand-alone retail destination offering both bulky goods and apparel-focused discount retail, and with future approvals for traditional shopping centre elements as described in the next section.

Figure 1—The Grove context



Development history

Development at The Grove initially consisted of bulky goods uses trading as the 'Liverpool Mega Centre', anchored by Harvey Norman and Domayne. At that time the Fashion Spree site to the south was used for weekend markets (although noting that outlets had been operating on the site prior to closing in 2004 as a result of a Land & Environment Court case).

Further uses were added following **Amendment 19** to the Liverpool LEP 2008 in 2012 which rezoned the Orange Grove Road frontage to B6 Enterprise Corridor and introduced a local provision to facilitate the Dan Murphy's store. Subsequently, Council resolved to change the status of Orange Grove to a 'stand alone centre' in November 2012.

Amendment 22 was made in 2013 to introduce retail premises as a permitted use within the B5 Business Development Zone. This facilitated the establishment of the Fashion Spree discount outlet centre on the former weekend markets site, enabling up to 19,000 sqm of retail premises to be developed subject to consent.

A development application was made in 2014 for the construction of the initial stage of around 10,000 sqm at the Fashion Spree site, and a further application was made in 2016 to expand the centre to approximately 14,000 sqm.

The original Amendment 22 and the subsequent development applications were accompanied by assessments of the economic effect of the proposed introduction (and expansion) of outlet centre retailing on other centres in the retail hierarchy. This work demonstrated that the development would have acceptable trading effects on other centres, and development consent was granted.

Amendment 61 was made on 2 August 2019 to provide for up to 21,000 sqm of shop floorspace to be developed on the Grove Homemaker site through the introduction of Clause 24 to Schedule 1 Additional permitted uses.

The amendment resulted from a Planning Proposal seeking to expand retail activities onto undeveloped land to the east of the existing bulky goods centre to accommodate traditional retail formats including a discount department store (DDS), supermarkets and specialty shops.

The proposal was accompanied by an Economic Impact Assessment (EIA) undertaken by Leyshon Consulting, with peer reviews conducted by Deep End Services on behalf of Gazcorp, and by Essential Economics on behalf of Liverpool City Council.

These assessments confirmed that the expansion in retail activity at The Grove would substantially improve the range of retail facilities available to residents in an area with relatively poor access to DDS and supermarket shopping, and would not adversely affect the role or operation of other centres in the region. The assessments were undertaken to incorporate the future operation of the Fashion Spree element subject to Amendment 22.

A development application for the proposed redevelopment of the Grove Homemaker site is currently being prepared and will shortly be submitted to Liverpool City Council for assessment. The application will be accompanied by a further EIA to examine potential trading effects.

Overall, the above summary shows that the Liverpool LEP currently anticipates substantial growth in retail floorspace within The Grove precinct, with potentially another 21,000 sqm of shop floorspace able to be developed (with consent) on the Grove Homemaker site, in addition to the 4,260 sqm Fashion Spree expansion which is already DA approved.

Based on current development plans (which incorporate a small increase in permitted shop floorspace at Fashion Spree as per the current Planning Proposal), the development application for the Grove Homemaker site, plus the additional floorspace available on the Fashion Spree site would see The Grove retail precinct and surrounding sites have a combined total of around 65,000 sqm to 70,000 sqm of retail floorspace at full development. This would make it nearly as large as the Crossroads Casula precinct in terms of total floorspace across all types.

The progression of approvals described above shows that the Liverpool LEP currently anticipates The Grove to have a significant and multi-faceted role in the retail hierarchy serving residents in the Liverpool City Council area, with this role having been tested, and confirmed, over various Planning Proposal and development application processes.

Changes to Schedule 1 Cl.21

The Planning Proposal seeks to make minor changes to Clause 21 to apply floorspace limitations to shops and business premises rather than retail premises, and to increase the allowable floorspace from 19,000 sqm to 21,000 sqm.

The deletion of reference to *retail premises* and replacement with *shops* can be justified on town planning grounds with respect to the underlying zone controls and the intent of Amendment 22, as set out in the town planning report by Ethos Urban on behalf of Gazcorp.

The following sections assess the economic effects of increasing the floorspace allowance (applicable to both shops and business premises) by an additional 2,000 sqm and enabling the introduction of business premises as a permitted use.

Increase in permitted shop floorspace

The Planning Proposal seeks to enable development of shops and business premises on the Fashion Spree site to be permitted with consent up to a maximum gross floor area of 21,000 sqm rather than the existing 19,000 sqm (which is currently applied to retail premises).

This represents an increase in the maximum permitted floorspace of 2,000 sqm, or around +10% for the Fashion Spree site and +2½% in terms of all permitted development at The Grove.

The proposed increase in floorspace is associated with a recent plan which incorporates a higher degree of amenity for shoppers, including the establishment of active uses on the northern frontage of the Fashion Spree to sleeve the building façade.

The economic effects of the outlet centre development have been examined several times over the course of the last ten years.

The original EIA by Leyshon Consulting was prepared in 2011 to accompany the Planning Proposal for Amendment 22, and was subject to peer review by HillPDA on behalf of Liverpool City Council, and further peer review by SGS Planning and Economics on behalf of the (former) Department of Planning and Infrastructure (DPI). A submission by Urbis on economic impacts was also made on behalf of Westfield.

The economic consultants generally agreed that the highest trading effects were likely to be experienced at the Westfield Liverpool Shopping Centre.

Leyshon anticipated impacts of less than 4% (with this figure confirmed in a subsequent EIA for the development application), while HillPDA modelled higher impacts of around 8% to 10% loss of sales.

Urbis, on behalf of Westfield, also concluded that the impact on Westfield Liverpool was likely to be a loss of around \$53 million in sales (or -8%), noting that this was undertaken on the basis of 19,000 sqm of traditional retail uses rather than an outlet centre.

Notwithstanding the modelled impacts, all of the consultants agreed that the viability of affected centres, including Westfield, was not under threat, and on this basis Amendment 22 was made to the scheme and development approval was subsequently granted.

The most recent analysis was prepared in December 2016 to accompany a development application for the centre to be expanded from 10,110 sqm to 16,025 sqm. The EIA conducted by Leyshon Consulting found that:

- The increase in outlet centre floorspace of 5,915 sqm would generate an additional \$32.7m in sales at a rate of approximately \$5,500/sqm, which reflected the sales performance for already-built parts of Fashion Spree
- Given anticipated trading patterns, the additional sales generated from the identified catchment would represent an insignificant increase in market share of +0.4%
- The impact on Westfield Liverpool would be very low, estimated at a 1.4% loss of sales at that centre.

In the context of these findings from various assessments over many years, the proposed minor increase in floorspace of 2,000 sqm would have commensurately low trading effects.

By applying similar parameters in terms of performance and trading patterns, the additional floorspace would be expected to have a -0.5% impact on sales achieved

at Westfield Liverpool. This is a minimal impact that would not be noticed given typical fluctuations in sales activity year by year.

Annual changes in sales performance at Westfield can be examined with reference to information published by Shopping Centre News (SCN) in their 'Big Guns' survey, which collects broad performance data including moving annual turnover (MAT) and turnover performance per square metre of floorspace (MAT/sqm) for the largest shopping centres in Australia.

This data is presented in Figure 2 for the calendar years 2015 to 2019, noting that Fashion Spree commenced operations in March 2016.

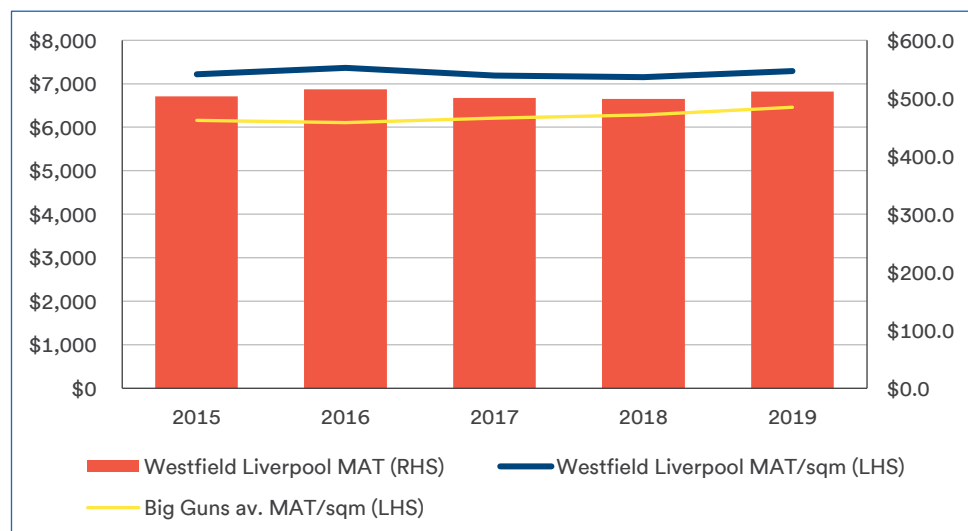
Key highlights are as follows:

- Westfield Liverpool achieved total MAT of \$511.8m in 2019 at an average of \$7,289/sqm.
- The centre was ranked 41st out of the 92 centres in the SCN Big Guns survey in terms of MAT, and 37th out of 92 in terms of MAT/sqm.
- MAT has fluctuated since 2015 peaking at \$515.5m in 2016 (the year that Fashion Spree opened), declining in the following two years, and then increasing strongly in 2019.
- Sales performance measured by MAT/sqm has also fluctuated, but has remained consistently around 15% above the average for all Big Gun centres.
- Fluctuations in sales, in both MAT and MAT/sqm terms, has generally been in the range +2% to -2% over the five years of data analysed.

The sales data shows that there is little correlation between sales performance at Westfield Liverpool and the commencement of the outlet centre in 2016. The changes in sales – in aggregate terms and measured on a per sqm basis – are likely to be related to many factors such as underlying population growth, changes in the wider economy such as interest rate movements and bank lending requirements, consumer confidence, and the changes in offer both within Westfield and in the large number of other competing centres in the region.

Figure 2—Westfield Liverpool trading performance 2015-2019

Source: Shopping Centre News Big Guns



Based on this analysis, the proposed increase in allowable floorspace from 19,000 sqm to 21,000 sqm, would have an insignificant effect on the role and operation of existing centres such as Westfield Liverpool.

The above analysis was presented as part of the Gazcorp submission to the Draft Liverpool Local Environmental Plan Review 1, and was subsequently reviewed by SGS Economics and Planning on behalf of Liverpool City Council. SGS concluded in relation to the proposed increase of 2,000 sqm of permissible floorspace that “*this is not a large enough amount of floorspace to make a significant change to the overall structure of the centre and the impact on other centres of this particular addition is likely to be minimal providing that the outlet clothing retail focus is retained*”.

Business premises as permitted use

The Planning Proposal seeks to include ‘business premises’ as a permitted use at the Fashion Spree site, with the floorspace limitation to apply to shops and business premises.

Business premises is defined in the Liverpool LEP as follows:

Business premises means a building or place at or on which—

(a) an occupation, profession or trade (other than an industry) is carried on for the provision of services directly to members of the public on a regular basis, or

(b) a service is provided directly to members of the public on a regular basis, and includes a funeral home and, without limitation, premises such as banks, post offices, hairdressers, dry cleaners, travel agencies, internet access facilities, betting agencies and the like, but does not include an entertainment facility, home business, home occupation, home occupation (sex services), medical centre, restricted premises, sex services premises or veterinary hospital.

The use ‘business premises’ sits within the ‘commercial premises’ definition which also includes office premises and retail premises.

The inclusion of business premises as a permitted use would have the effect of enabling small service-type uses to be accommodated within the Fashion Spree site in order to serve the needs of customers that are already shopping at Fashion Spree.

The most likely types of businesses that would be attracted to the centre include clothing alteration shops, shoe repairs, and optometrist, which are complementary to the uses already operating from the site. Other possible ancillary services include massage therapists or hairdressers.

These small-scale service businesses would rely on the visitation to the centre generated by discount fashion outlets, and would have a complementary or ancillary function that would improve the amenity of the centre by allowing visitors to obtain a limited range of personal or business services while undertaking their shopping.

For example, the introduction of a clothing alteration shop would enable people to purchase apparel items from discount outlets and then have them altered within the centre.

The effect of this change would be minimal in terms of attracting any significant additional patronage to the centre for specialised visits to business premises, but would rather offer additional amenity to shoppers already there.

The inclusion of business premises as a permitted use would therefore have no effect on the role of operation of the centre, and is immaterial to the classification of The Grove as a stand-alone centre within the hierarchy.

Changes to Schedule 1 Cl. 24

The only proposed change in relation to the controls on the Grove Homemaker centre part of the site is to incorporate business premises as an additional permitted use at Clause 24 to Schedule 1 of the scheme.

As noted above in relation to the proposed change to permitted uses on the Fashion Spree site, business premises are small-scale personal and business service uses which provide added amenity and convenience for shoppers and workers.

The expectation is that the additional retail provision at The Grove would include traditional shopping centre elements such as supermarkets, mini majors and specialty retailers. Having regard to the typical visitation patterns of shoppers to these traditional retail tenancy types – usually visiting on a regular weekly basis – the most prevalent types of business premises likely to be attracted are:

- Banks and ATMs
- Health insurance outlets
- Hairdressers and beauty salons
- Mobile communications stores
- Travel agents
- Post offices
- Massage and nail bars
- Optometrists.

These services are not destination attractors in their own right, but rely on the pedestrian activity within the centre as a result of people undertaking regular supermarket grocery shopping or visiting other shops for more irregular purchases, or from people who work within the centre.

The inclusion of these services at The Grove would enable shoppers and workers to access services for which they would otherwise need to make separate trips to other centres in the area. By providing these services locally, trips for shopping can be combined with accessing local services, thereby generating important economic and environmental benefits in terms of reduced travel costs and emissions, as well as providing convenience for shoppers and workers.

Importantly, as ancillary uses that rely on a customer base already present in the centre, there is little chance of a multiplicity of such uses being established within the centre (eg many banks or a large number of hairdressers). Based on benchmarks

for centres that contain similar amounts of floorspace, these types of tenants make up a small fraction of the available floorspace within each centre.

The minor role that business premises play in the functioning of shopping centres is acknowledged by the fact that economic impact assessments specifically exclude such uses when considering trading impacts on other centres, concentrating on the primary retail components which define the function of centres.

A final point is that the inclusion of business premises as a permissible use should occur across both sites due to the fact that future development may occur across the boundary line between lots (ie making planning distinctions across the boundary impossible to manage).

Overall, this proposed change would have no effect on the role or operation of The Grove, would generate benefits to local shoppers and workers, and would not adversely impact any other centres.

The above analysis was included in the Gazcorp submission to the Draft Liverpool Local Environmental Plan Review 1 and was subsequently reviewed by SGS on behalf of Liverpool City Council, with comments including the following:

- SGS agree with Gazcorp and Deep End Services that some business premises are a useful inclusion in centres and there is some degree of substitutability between small retail tenancies like clothing stores and business premises like hairdressers, optometrists and real estate agents.
- It would be unusual and restrictive on the operation of a general retail centre operation not to allow it to contain any services such as hairdressers, dry cleaners, etc
- SGS agree that allowing population services would also be consistent with the classification of The Grove as a stand-alone centre under the retail hierarchy
- Deep End Services is correct that business premises are not normally considered in retail modelling.
- Business premises form a significant part of the total floorspace in some local centres, but generally only a small proportion of floorspace in enclosed and stand-alone shopping centres.
- SGS would not support the additional of offices at The Grove (although noting that offices are a permitted use in the B5 Zone and that Council cannot separate small scale office businesses from other business premises).
- Some cap on business premises use might be appropriate, for example by replacing the proposed cap on shops with a cap on both shops and business premises.

Following this advice, Gazcorp has changed the proposed wording of the amended Clauses 21 and 24 to ensure that the floorspace caps apply to shops and business premises as proposed by SGS.

In summary, the proposed changes are supported by economic analysis undertaken by Deep End Services presented above, and these changes have also been supported by a review by SGS on behalf of Liverpool City Council.

Economic outcomes

The Planning Proposal has potential to generate the following positive economic outcomes:

- The Planning Proposal will help achieve development outcomes at The Grove in accordance with the existing Liverpool LEP which seeks to establish a multi-faceted retail shopping destination on the site.
- The proposed changes would provide additional flexibility in terms of the types of uses able to be developed within the centre, leading to greater likelihood that a successful development will occur.
- The additional flexibility will help to minimise investment risk, ensuring that development occurs earlier than might otherwise be the case.
- A more successful and earlier development will generate benefits for the local community by maximising the employment potential of the site and bringing forward those employment benefits. In this regard, advice from Gazcorp is that the additional future uses have potential to generate approximately 600 new jobs.
- The inclusion of business premises as a permissible use would help to provide a greater array of complementary services for shoppers and workers, minimising the likelihood of multiple trips and thereby generating economic and environmental benefits associated with trip savings.

Conclusions

The proposed expansion in permitted shop floorspace at the Fashion Spree site is intended to achieve a better design outcome and represents a minor expansion in floorspace that would have no discernible effect on the operation, role or performance of other centres in the region.

The proposed inclusion of business premises as a permissible use at both the Fashion Spree site and the Grove Homemaker site would enable the establishment of small-scale personal services to serve the needs of customers and workers. There would be no effect on the role or operation of other centres in the hierarchy, and the inclusion of such uses would be consistent with other similar centres, including other designated stand alone centres within the Liverpool LGA.

The Planning Proposal, if it proceeds, would generate economic benefits by encouraging a more successful and earlier development outcome, maximising local employment benefits, enabling multiple-purpose trips that will reduce traffic and resulting adverse environmental impacts, and adding to personal convenience for users.

Kind regards

A handwritten signature in black ink, appearing to read 'Matthew Lee', written in a cursive style.

Matthew Lee
Principal