

Attachment A3

**Retail Review – Waterloo Estate (South) –
City of Sydney**

Waterloo Estate Retail Review



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Executive summary

The NSW Land and Housing Corporation (LAHC) lodged a planning proposal request with the City of Sydney in May 2020 to redevelop the southern portion of Waterloo Estate.

The City has prepared this retail review to inform the assessment of LAHCs planning proposal request and to inform a planning proposal to Council and Central Sydney Planning Committee to change the planning controls on Waterloo Estate (South).

This retail review recommends planning for retail on the site follow four key principles:

- affordability and flexibility, to accommodate a diverse retail offering and space for non-retail employment, community and services;
- convenience and ease of access, reflecting the convenience-focused role expected of retail in the area;
- concentration and clustering, to support economic viability and efficient use of investment; and
- room for growth, given the potential for higher demand in the future.

This retail review recommends Waterloo Estate (South) be planned to include a retail “main street”, supported by inclusion as a new local centre in the hierarchy of centres in the City South area. If the recommendation is supported, it will be the first new main street and local centre identified since the hierarchy was established in Sydney Development Control Plan 2012.

The additional local population arising from the redevelopment, growth and change in the wider trade area and catchment of Waterloo Estate, and delivery of Waterloo Metro station all ensure a new local centre is viable, warranted, and the best way to serve the local community and efficiently capitalise on existing and planned public investment. A main street retail environment is the best way to deliver a new local centre according to the four key principles established for retail planning in the precinct outlined above.

A “main street” retail environment is similar to established streets such as Oxford Street, King Street Newtown, Glebe Point Road and Crown Street. In delivering retail along the length of the street across multiple blocks and numerous landowners, the new main street in Waterloo Estate (South) will be an open, public and diverse locus of community activity.

Development context

A planning proposal request (the request) was lodged with the City of Sydney for the redevelopment of Waterloo Estate (South) (the site), the boundaries of which are shown at Figure 1. The request was made by the majority landowner of Waterloo Estate (South), NSW Land and Housing Corporation (LAHC). The request would facilitate development comprising about 3,000 dwellings and 20,000 square metres of retail, commercial and community uses.

The City has prepared this retail review to inform the assessment of LAHCs planning proposal request. Following its assessment, the City will report its assessment and a recommendation about proposed changes to planning controls on Waterloo Estate (South) to Council and Central Sydney Planning Committee.

Waterloo Estate (South) forms part of the Waterloo Estate. The central and north sections of Waterloo Estate will also see redevelopment in the future, although detailed planning of these sites is yet to commence and the numbers of dwellings and expected future population are not yet available.

Waterloo Metro Quarter, the over station development for the Waterloo Metro station, is adjacent to the site and is currently in the development assessment stage. The most up to date (but not yet approved) concept for this site is for 220 dwellings, 12,129 square metres of student accommodation, 2,817 square metres of retail and community uses, and 34,116 square metres commercial offices.

To the north-east of Waterloo Estate is the Elizabeth Street site of Redfern Estate, which is currently the subject of a planning proposal lodged by LAHC. This site may see about 327 new dwellings and 569 residents.

In the wider area, the Green Square neighbourhood of Waterloo Park is south of McEvoy Street, and is expected to deliver a total of 3,731 dwellings and be home to 7,760 residents by 2040. Danks Street South precinct is also part of Green Square and planned for redevelopment, delivering about 1,275 dwellings for 2,703 residents upon completion.

Nearby Botany Road Corridor is currently under strategic planning investigation. Responding to the future context of the Waterloo Metro station, it will have a strong employment focus.

Recently approved development applications and sites under construction in the local area include:

- Lawson Square – 156 dwellings
- Iglu Redfern – 256 student accommodation dwellings
- 11 Gibbons Street – 160 dwellings
- Wee Hur student housing – 407 student accommodation dwellings

Waterloo Estate (South) is in the Redfern Street Village, and adjacent to the Green Square Urban Renewal Area.

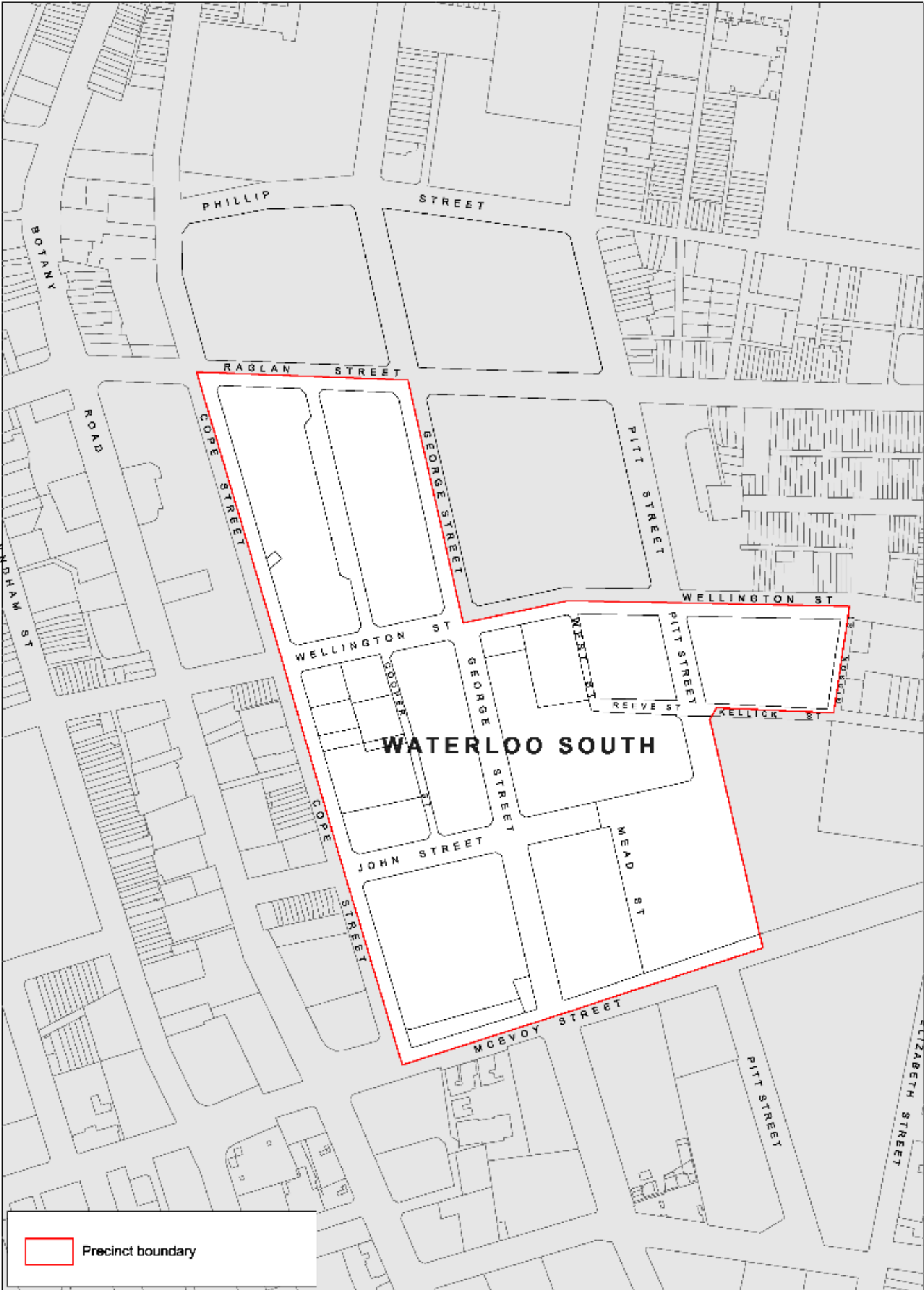


Figure 1 Waterloo Estate (South) extent and context

Existing studies

Retail planning has been a key pillar in planning for growth and development across the City of Sydney, particularly in urban renewal areas and places undergoing significant change.

The wider context for retail planning in the City, and City South particularly, is discussed below, followed by a summary of the findings from Macroplan, .id consulting and Elton Consulting that were submitted by LAHC in support of its planning proposal request.

Sydney DCP 2012

Sydney Development Control Plan 2012 (Sydney DCP 2012) includes a centres hierarchy for City South, based on the Green Square and Southern Areas Retail Study (2008). This establishes a clear hierarchy for retail centres in the area, with Green Square Town Centre being the primary retail, commercial and community centre, local villages established in major urban renewal precincts such as Victoria Park (East Village) and Ashmore, small village centres to have some consolidation of local retail, and neighbourhood centres with a small cluster of about five shops.

The hierarchy is supported by the restricted retail premises map in Sydney Local Environmental Plan 2012 (Sydney LEP 2012) that prohibits shops and markets (as defined in the LEP) over 1,000 sqm in areas outside the designated major centres and local villages.

This planning framework is informed by an overarching strategy for retail planning in the City South area, based on the key principles of:

- reducing private vehicle trips by locating retail close to public transport;
- creating engaging public spaces and focus points for communities by clustering retail close together in a centre;
- promoting competitive, sustainable environments for local businesses by increasing visits by virtue of co-locating retail with other uses (including residential development); and
- efficient use of public investment in public domain, open spaces, community facilities and public and active transport infrastructure.

Examples of local villages, where large retail is encouraged to support clustering of specialist retail and other services, are:

- Victoria Park, now known as East Village Shopping Centre. Serving the new residents of Green Square neighbourhoods of Victoria Park and Lachlan precinct.
- Ashmore Estate, now known as Park Sydney Village. Serving the new residents of Ashmore urban renewal area in Erskineville.
- Danks Street, an emerging retail main street in Waterloo and the Meriton Retail Precinct at Crystal Street, serving the Crowne Square precinct and surrounding development

These all serve significant new populations (in excess of 5,000 residents) resulting from urban renewal precincts and are zoned B2 – Local Centre in Sydney LEP 2012.

Established B2 zoned main streets in the City of Sydney include King Street, Newtown, Glebe Point Road, Glebe, Darlinghurst Road, Darlinghurst, Oxford Street, Darlinghurst, Redfern Street, Redfern and Crown Street, Surry Hills.

The centres hierarchy established in Sydney DCP 2012 has not been changed since the 2008 retail study. Planned centres in Ashmore, Victoria Park and Danks Street have grown and been built out with redevelopment of those areas, but no new centre locations have been added.

Retail Action Plan

The City of Sydney developed its Retail Action Plan in 2016 in response to major changes in the retail sector as a result of online retail and changing consumer behaviour.

The Plan directs much of the City's work on supporting retail, in Central Sydney and village centres. This works in concert with the centres policy in the planning controls, providing smaller, more concentrated areas of retail activity where the City can direct public domain works, funding for programs, activities and events and achieve outcomes for businesses efficiently.

The Plan also highlights the need to support independent main street retailers and businesses in the face of a shift to decentralised regional shopping centres and online retail. Independent small businesses are better suited to main street properties, with more flexible leasing arrangements and the possibility to own their shopfront. Shopping centres controlled by major property companies attract larger corporate chains and businesses that can accommodate the high rents, overheads and other requirements, but discourage niche, small scale businesses that focus on diverse community segments.

Elton Consultation and Visioning Report

LAHC commissioned Elton Consulting to create a consultation and visioning report in support of the planning proposal request for Waterloo Estate (South). The purpose of this report is to summarise the key themes that have come out of consultation undertaken with the existing community since 2017.

One of the key themes that came out of consultation was the community's vision and desire for community facilities, services and shops as part of any redevelopment of the site. The retail-related outcomes of this report are summarised below.

- Services and shops should help bring people together, support social interaction. Include space for existing members of the community to socialise and spend time with friends and networks.
 - The community is supportive of clustering community facilities, services and shops to create a centre of activity.
 - Of the options provided by LAHC for consultation, residents preferred retail clustered around the Metro Quarter and Park, and dispersed throughout the site for ease of access.
 - Support for a wide range of shops and services, ensuring the type and mix supports the needs of social housing residents, ensure they are welcoming places for all, provide fresh food and include cost effective options.
 - Strong importance on affordability of retail options to prevent gentrification and exclusion of social housing residents. Concerned about being priced out of the new shops and services.
 - Economic development opportunities for the Aboriginal community, including space for events, creative manufacturing, workshops, and retail shopfronts.
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.id population and demographics study

LAHC commissioned a population and demographics study in support of the planning proposal request for Waterloo Estate (South). This study forecasts a total population at build out for 5,542 people. This is accounted for by an increase of 2,300 dwellings, up from the current 874 (on both LAHC and privately owned sites), and an increase in average household size from 1.78 to 1.86. Vacancy rates of 5.7 per cent currently and 6.1 per cent at build out are used.

The study forecasts the worker population on the site to grow from 350 currently to 760 in 2036. Much of this growth is accounted for by the retail and community floor space proposed by LAHC

within their own properties in Waterloo Estate (South), which could accommodate about 393 new workers.

To ensure this additional floor space meets demand for workers, the study looks at expected ratios of jobs to population. Given the primarily residential nature of the site, its proximity to existing and planned knowledge worker hubs, and lack of features that would draw significant outside visitors or tourism, the study offers a range of 0.08 to 0.1 population servicing jobs per person, and only a marginal additional number of non-population servicing jobs. Citing nearby Crowne Square precinct as a useful benchmark, the study arrives at 0.14 jobs per person being required on the site, translating into support for about 775 jobs worth of non-residential floor space.

This figure is very close to the total amount of jobs LAHC are proposing to accommodate, counting an existing 350 workers plus space for 393 new workers.

The existing 350 workers figure requires some validation. Figures from the 2017 Floor space and Employment Survey point to a far lower number of existing workers. If the number of existing workers on the site is in fact lower than 350, further additional non-residential floor space may be desirable to accommodate total forecast workers on-site.

Another factor that could increase demand for non-residential floor space is the forecast average household size rate. Nearby Green Square Urban Renewal Area, which features a very high proportion of newly built high-density residential apartments as would Waterloo Estate (South), has an average household size of 2.12. If the household size at Waterloo Estate (South) is higher than 1.86 per dwelling projected by the .id report, the total population of the site, and hence the demand for population servicing jobs, would increase.

Macroplan economic development, local retail and services study

LAHC commissioned Macroplan to undertake an economic development and retail study in support of their planning proposal request. The study focuses on retail planning for the proposed development, accounting for the new population in Waterloo Estate (South) as well as the surrounding future context of the full catchment area.

The study draws a primary trade area encompassing Botany Road/Regent Street, Cleveland Street, Young Street and Allen Street/Powell Street, and a secondary trade area extending further west to compass more of Alexandria and the former Australian Technology Park. It includes growth from public development plans within the area, and applies a general annual population growth rate of 3.8 per cent. Although the trade area includes Waterloo Estate (North) and (Central), the study does not include specific population growth figures from development on those sites.

The study describes the types of retail uses that can be expected in Waterloo Estate (South). It recognises Central Sydney, Broadway, Central Park and Bondi Junction are existing primary retail destinations for fashion and leisure; Green Square Town Centre is a future retail destination; and there is large-format retail in Alexandria. The study suggests Waterloo Estate (South) will not be a major retail destination, that it will not see major non-food anchors such as department stores or discount department stores, and that bulky goods premises and large-format retail is not appropriate nor competitive given the nearby Alexandria cluster.

The study points to a convenience-focused offering to serve the day to day needs of local residents, focusing on groceries, fresh food, cafes and restaurants, and some speciality retail and non-retail services. The study expects local retail will capture about 13 per cent of retail expenditure in the primary and 4.7 per cent in the secondary trade area, together 11 per cent of retail spend in the catchment area.

The study also estimates about 11,200 square metres of retail floor space could be viably supported by 2024, comprising:

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- a full-line supermarket – 3,800 square metres;
- two mini-majors, including a fresh food offering – 800 square metres;
- speciality retail, including food and beverage – 4,600 square metres; and
- non-retail services including banks and allied health services – 2,000 square metres

The study forecasts continued growth in viable retail floor space beyond 2024 based on population growth forecasts for the trade catchment area, from 11,200 square metres in 2024 up to a total of 15,000 square metres by 2036. This does not include 6,700 square metres of community and cultural facilities.

Examining the existing and forecast demographic of the trade catchment area, the study makes some recommendations for planning retail in the area. To serve the local residents of the main trade area, retail and services will need to cater for Aboriginal and Torres Strait Islander peoples, older people and disadvantaged people. This may require more active consideration to accommodate and attract diverse businesses and organisations, including how retail floor space is distributed with a view to leasing arrangements, affordability and flexibility, and deliberate identification and engagement of retailers and non-retail service providers.

The study identifies very low rates of car ownership in the catchment area. Rather than assuming people can travel to meet their retail and non-retail requirements, the local offering will need to be diverse enough to meet the needs of all residents.

The study also emphasises the convenience-focused approach for retail planning in the area. Retail will serve the local residents day to day needs and should be an easy to access street or strip along centralised nodes and precincts. Easy access from public transport and active transport corridors, as well as parking, will support convenience-focused retail.

Retail principles

Planning for retail in Waterloo Estate (South) is based on the broad principles for retail set out by the Retail Action Plan and Sydney DCP 2012, the forecasts provided by SGS for retail floor space demand in the Redfern Street Village, and the site-specific details provided in the two LAHC-commissioned studies by .id consulting and Macroplan. It also considers the community's views and desires for retail as outlined in the Elton Consultation and Visioning report.

The key principles for retail planning on the site are:

- affordability and flexibility, to accommodate a diverse retail offering and space for non-retail employment, community and services;
- convenience and ease of access, reflecting the convenience-focused role expected of retail in the area;
- concentration and clustering, to support economic viability and efficient use of investment; and
- room for growth, given the potential for higher demand in the future.

Affordability and flexibility

As outlined in the Macroplan study, the retail offering must respond to the demographics of the area. Retail and non-retail services on the site will be serving a unique demographic mix in the main trade area, including high income couples, single person households, First Nations peoples, older people and disadvantaged people.

This will require a diverse retail offering, and those tenants in turn will be best served by accommodation arrangements that are affordable and flexible. Highly managed shopping centre environments with high rents, operational expectations (including frequent renovation) and revenue-based contributions are not conducive to a diverse retail offering.

Instead, retail in Waterloo Estate (South) should be delivered in a “main street” environment, with diverse ownership and leasing arrangements. This does not preclude small shopping centres within a main street environment, with examples such as Oxford Square on Oxford Street and the Meriton Shopping Village on Danks Street, which add additional retail floor space and provide clustering effects and shared supporting infrastructure for retailers. However, delivering retail floor space outside a shopping centre environment will also be important.

In the NSW planning framework, the state mandated objectives of the B2 – Local Centre zoning are best suited to deliver concentrated retail across multiple lots and blocks along a primary corridor. This zoning will emulate established main street environments like King Street and Glebe Point Road and provide flexibility for retail to cluster in small shopping centres as well as street-facing retail.

In concert with the zoning, mapping Active Street Frontages in Sydney LEP 2012 will provide certainty and support the agglomeration of retail and businesses in a main street environment. It will encourage the provision of appropriate space for retail premises, by a diversity of landowners across multiple lots along the corridor. Mapping side streets and corners from the main corridor as Active Street Frontages will deliver more affordable retail space and help facilitate a more diverse offering.

The flexibility afforded by street front premises also allows use by non-retail tenants, such as community uses, commercial offices, creative uses and light, small scale creative manufacturing. This will ensure vibrancy, activity and use of the space even if retail businesses do not turn out to be viable.

Convenience and ease of access

The retail offering in Waterloo Estate (South) will have a strong convenience focus. As outlined in the Macroplan report, there are significant leisure, fashion and bulky goods retail centres nearby, including Central Sydney, Broadway, Bondi Junction and Alexandria. Waterloo Estate will not be able to compete with these offerings, leaving its role to serve the day to day needs of the local population. Capitalising on this convenience offering will be key to successfully planning for retail in the area.

The site, and the wider trade area, have very low rates of car ownership compared to Greater Sydney. This is expected to continue to be the case upon build out, with car ownership rates low in nearby urban renewal areas. This means convenient access to retail and services in Waterloo Estate (South) will be measured in ease of access by walking and cycling, and not necessarily access to car parking. It also means a diverse offering is required within the site serving the local residents, who may not necessarily have the ability to drive out of the area to access vital services and fulfil their day to day retail needs.

Locating retail along the key walking corridors to public transport nodes will provide a baseline amount of foot traffic, helping support the viability of new retail, and will allow convenient access for residents without having to go out of their way. In Waterloo Estate (South), this means walking corridors to the new Waterloo Metro Station, Redfern Station and bus stops within the site.

George Street will likely be the central spine of Waterloo Estate, being equidistant to sites on either side, and extending from the Metro station (through the new park) to the southernmost extent of the site. It will also likely carry foot traffic from people walking between north-western parts of Green Square to Waterloo Metro Station, where George Street continues.

A new large park at George Street between Raglan, Cope and Wellington Streets is proposed for Waterloo Estate (South). Locating retail close to planned public open space will help support viability. Major parks attract foot traffic, they provide a comfortable place for people to congregate and socialise, and people benefit from having retail, food and beverage and services close to parks.

Waterloo Estate (South) features the George Street Cycleway, a key cycling route from Green Square to Redfern and Central Sydney. Retail located close to this cycleway will broaden the trade area, allowing easy cycling access from Redfern and northern-western parts of Green Square, and provide convenient cycling access to people's homes within Waterloo Estate.

The typology of retail development also has implications for convenience and ease of access. Large shopping centres encourage longer stays by having higher barriers for entry and exit, including having to drive and park. Retail main street environments, with retail premises directly along the street front and in shallow arcades, small centres and side streets, encourage faster trips more suited to day-to-day shopping. This is best achieved by B2 – Local Centre zoning along the length of a main street, combined with identification on the Active Street Frontages map in Sydney LEP 2012.

At least one supermarket is desirable on the site. This will provide the most convenient retail offering for residents, without expecting them to travel out of the area to access fresh food and groceries. It will also act as an anchor for other speciality retail, providing an even fuller and more diverse offering and meeting the day to day needs of residents. Achieving this will require exempting the B2 zoned area from the Restricted Retail Premises map in Sydney LEP 2012, which caps the permissible floor space of shops and markets to 1,000 square metres. For reference, a small supermarket is between 1,000 and 2,500 square metres, a full-line supermarket is greater than 2500 square metres, and Macroplan forecasts a large full-line supermarket of 3,800 square metres is supportable on the site.

Concentration and clustering

As set out in Sydney DCP 2012, the overarching approach for retail planning in the City South is identifying centres for retail to cluster and restricting the size of shops outside those centres. A new centre for Waterloo Estate is appropriate because of the planned significant investments in public transport, open space and public domain, and the very high planned local population upon redevelopment.

Retail benefits from clustering with other retail, with spill over effects and cross-pollination that come from foot traffic. The future Waterloo Metro station and significant new park will be a major focus of activity and attractor of people, and the Waterloo Metro Quarter development is not proposed to include a significant amount of retail itself, so appropriately located retail in Waterloo Estate will benefit from the foot traffic.

Clustering retail also results in more efficient use of public resources and allows economic development initiatives to be focused and more effective. Local and state governments often support centres with higher quality public domain features, such as paving, plantings, flower displays and aesthetic street infrastructure, and temporary events and festivals to draw people to the centre. Economic activities can also be used to support Indigenous-owned businesses, as expressed in the consultation report. Public and active transport is also planned around centres as an efficient way to connect residents with likely destinations. Out of centre development, and planning new centres without a strong enough justification, results in inefficient allocation of resources and undermines existing investment in nearby centres.

Within Waterloo Estate, retail should be clustered to best take advantage of spill over and agglomeration effects. B2 zoning and identification on the Restricted Retail Premises map will encourage retail floor space to be delivered and an appropriate built form to support a retail environment. A key anchor in the form of a supermarket will be desirable to attract specialist retail and non-retail services, which will require identification on the Restricted Retail Premises map in Sydney LEP 2012 to permit shops above 1,000 square metres. Together these three planning controls can be focused to form a concentrated retail cluster and discourage dispersed and out-of-centre retail development in other parts of Waterloo Estate.

Identifying Active Street Frontages is a key planning instrument to achieve concentration and clustering of retail. For sites mapped in Sydney LEP 2012, the DCP includes specific provisions for urban design and built form to establish a successful retail environment. These provisions discourage blank walls, foyers and driveways, which create dead zones in retail streets where no activity occurs, diluting the beneficial effects of clustering. Instead, uses such as shops, food and drink premises, customer service areas and other activities which provide pedestrian interest and interaction are encouraged. Clause 7.27 of Sydney LEP 2012 further reinforces this, requiring all premises on the ground floor to be used for business premises or retail premises and have an active frontage to the street.

Room for growth

The amount of retail floor space proposed by LAHC is supported by the Macroplan report and the .id consulting population forecasts for the area. However, following the methodology used in both studies, it is possible for additional retail to be supportable into the future.

To ensure agglomeration effects are fully capitalised for retailers and other businesses and ensure efficient use of public resources, any new centre must have the capacity grow in the face of potential future demand. If retail and community floor space is provided in a narrow area and closely surrounded by non-complimentary and non-convertible uses (such as residential dwellings), there is no room to grow and residents will be poorly served by crowded facilities, reducing the desirability of the centre. Excess demand will also be met by other centres, requiring residents to travel out of the area and undermining investment made in the new centre.

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As Waterloo Estate (South) is a predominately residential site, growth of new retail floor space needs consideration at the outset, to prevent suitable retail locations becoming unavailable due to strata subdivision into apartments, or inappropriate placing of dwellings that would experience negative impacts from new retail. This needs to be balanced against sufficiently concentrating retail in the early days of the emerging centre.

To achieve this, overflow and sub-prime retail space adjacent to the main George Street corridor can be identified in the planning controls, by mapping active street frontages on side streets and around corners of feeder roads.

Waterloo Estate currently features very large blocks, which will likely be broken up through redevelopment. The process of introducing a finer grain development pattern should respond to a main street local centre and locate new laneways to accommodate overflow retail growth. Larger blocks facing the main street will allow small ground floor shopping centre developments to provide additional retail floor space within the building.

When planning proposals are lodged for the Central and North precincts of Waterloo Estate in the future, additional retail floor space can be included in an extended main street.

Recommendation

It is recommended any planning proposal for Waterloo Street (South) identify a new local centre in the City's hierarchy of centres to focus retail in a main street environment. As demonstrated in the above studies, the additional population from redevelopment, and the presence of a new metro station, justify a establishing a new centre for Waterloo Estate.

A new local centre will deliver on the identified retail principles and create a place of economic focus for retailers and other business to move into the precinct and will also play a significant social role, being a democratic place for residents to gather, meet, shop, work and engage in a range of other activities.

While not the focus of this review, the City concurs with the estimated retail floor space demand in LAHC's studies for Waterloo Estate (South), however proposes an improved arrangement as described.

