

# Hydro Planning Proposal

## B1 and B7 Economic Assessment Review

Cessnock City Council

June 2017



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**25** years of Independent insight.



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# 1 INTRODUCTION

## 1.1 The proposal

The former Norsk Hydro Aluminium Smelter and associated landholdings comprise a 1,442ha site north of Kurri Kurri. The site is mostly located within Cessnock LGA but the north eastern portion is located in Maitland LGA. It lies along the boundary between Cessnock City Council and Maitland City Council. The site possesses access to the Hunter Expressway and the railway line.

The aluminium smelter started primary metal production in 1969 and closure was decided in May 2014. The area used for the smelter comprised a relatively small proportion of the total site. In addition to the aluminium smelter the land has been used for livestock grazing and intensive poultry and there is extensive areas of remnant native vegetation.

Council has received a Planning Proposal to rezone the former Norsk Hydro Aluminium Smelter site and associated land from RU2 Rural Landscape (1,379 ha) and E2 Environmental Conservation (63 ha) to the following zones<sup>1</sup>:

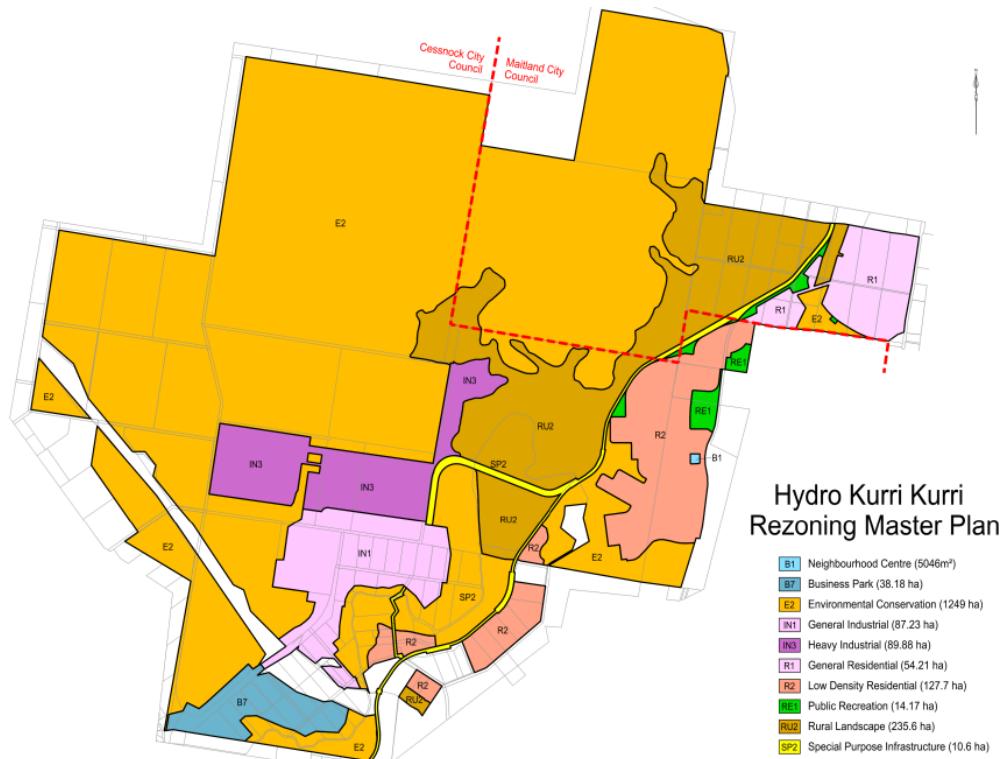
- RU2 Rural Landscape(132.5 ha)
- E2 Environmental Conservation (944.7 ha)
- B1 Neighbourhood Centre (0.5 ha)
- B7 Business Park (38.18 ha)
- IN1 General Industrial (87.23 ha)
- IN3 Heavy Industry (89.88 ha)
- R2 Low Density Residential (127.7 ha)
- RE1 Public Recreation (10.42 ha)
- SP2 Infrastructure (19.9 ha)

These are illustrated in Figure 1.

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<sup>1</sup> The land area numbers refer to the Cessnock LGA portion only.

**FIGURE 1. PROPOSED REZONING FOR HYDRO SITE**



Source: Cessnock Council and Maitland Council, 2015

It is understood that on 23 March 2016, the Department of Planning and Environment advised Cessnock Council that the Minister for Planning and Environment determined that the Planning Proposal should proceed subject to conditions within the Gateway determinations. Specifically, this report responds to the following conditions as part of the Gateway determination:

1. Council is to amend the planning proposal and draft maps prior to exhibition to:
  - (a) Exclude the proposed B7 and B1 zoning. Further justification of the size, location and zone proposed for these areas is required, in particular how the proposal relates to surrounding land uses and the existing/proposed centres in Kurri Kurri and Gillieston Heights.

## 1.2 This report

SGS has undertaken an analysis of all employment lands across Cessnock City Council as part of the preparation of an employment lands study for the Council. The landowner at Hydro has requested further investigations into their site. Consequently, Council has requested SGS to undertake a review of the potential economic impacts of the proposal drawing from the overall analysis of employment lands across the LGA.

Specifically, the review addresses condition 1 (a) assessing the need for the B1 and B7 zoned land within the rezoning area, and in particular potential impacts on the Kurri Kurri and Gillieston Heights centres, drawing on the SGS employment lands study being prepared as part of the Cessnock City Planning Strategy.

This includes an assessment of supply and demand for this land (as well as strategic need) drawing on the results of the employment lands study, taking into consideration the potential impacts on Kurri Kurri, Weston (in Cessnock) and Gillieston Heights (in Maitland).

As Gilleston Heights does not form part of the employment lands study, SGS has broadly determined its role in the centre hierarchy to adequately assess the potential impact on the local centre.

Recommendations are made in relation to the appropriateness of the proposed B1 and B7 zones. It should be noted that these are in the context of the available data and information generated for the employment lands review. Detailed site or development specific retail modelling has not been undertaken.

## 2 REVIEW OF B1 ZONE

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The proposed B1 zoned site at Hydro is for a potential Neighbourhood Centre designed to service the future residential development which surrounds it. This section reviews the merits and potential impacts of the proposed B1 zoned site at Hydro, with particular consideration given to any potential trade diversion effects on Kurri Kurri and Gillieston Heights.

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Under the Principal Local Environmental Plan, the objective of the B1 Neighbourhood Centre zone is:

“To provide a range of small-scale retail, business and community uses that serve the needs of people who live or work in the surrounding neighbourhood”.<sup>2</sup>

In assessing the appropriateness of a proposed B1 rezoning, the key consideration is the extent to which the location and quantity of land/floorspace designated will appropriately serve the surrounding neighbourhood.

The planning proposal proposes to rezone 0.5ha of land located in the centre of the proposed R2 Low Density Residential area. The proposal states that:

‘The proposed neighbourhood centre will provide residents with access to daily shopping and opportunities for social interaction, and will provide space where local services such as a medical centre and child care centre could be established by private operators.’

In principle, SGS agrees with the need for a walkable neighbourhood centre to service the local residential catchment. Such a centre is considered essential for the future neighbourhood as previous SGS retail studies have shown that 1 in 4 Australians now visit their local grocer at least five times a week.

Spatial assessment of this area shows that presently, there are no retail facilities within walking distance of the future residential neighbourhood, with the nearest centres being Kurri Kurri and Gillieston Heights (both being over an hour’s walk away).

In order to ensure that the centre does not perform a role greater than a neighbourhood centre, we recommend a retail floorspace cap of 2,000sqm (which is the general maximum size of a walkable centre before it becomes more of a supermarket anchored centre) within the 0.5ha B1 zoned land. This is to prevent the development of any supermarket anchors which could potentially enhance the economic function of the centre beyond that of a neighbourhood centre.

The location of the 0.5 ha B1 site at the centre of the proposed residential area is considered to be optimal as it would maximise its scope to draw trade from a walkable catchment, whilst minimising the potential for this centre to draw trade from beyond this neighbourhood. This is considered appropriate for a neighbourhood centre.

Overall this B1 zone is considered essential for the purpose of supporting the proposed residential area and should be approved.

SGS therefore concludes that:

<sup>2</sup> <http://www.legislation.nsw.gov.au/#/view/EPI/2006/155a/partlanduseta/include12>

- a. The B1 zoned land is merited on the basis that it will provide essential daily services to local residents
- b. This neighbourhood centre will have no significant impacts on other centres in the retail hierarchy, including to Gillieston Heights or Kurri Kurri
- c. Cessnock City Council ensure that the B1 area is centralised within the proposed residential development area to maximise its walkable catchment
- d. Cessnock City Council should consider a floorspace cap (or an equivalent planning guideline at least) of 2,000 sqm to prevent the centre from serving a role beyond that of a Neighbourhood Centre in this area.

# 3 REVIEW OF B7 ZONE

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The proposed B7 zoned site at Hydro is for a mix of businesses including bulky goods retail uses. A bulky goods use in this location is highly likely to service a sub-regional catchment which stretches beyond Kurri Kurri or Gillieston Heights. Nonetheless this section reviews the merits and potential impacts of the proposed B7 zoned site at Hydro, with a focus on retail and bulky goods retail and in particular any potential trade diversion effects on Kurri Kurri and Gillieston Heights. Prospects for other service industry and business enterprises are also discussed.

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## 3.1 Planning Objectives

Under the Principal Local Environmental Plan, the objective of the B7 Business Park zone is:

- To provide a range of office and light industrial uses.
- To encourage employment opportunities.
- To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area<sup>3</sup>.

In general terms, this zone provides for a variety of business park related uses ranging from commercial office premises to light manufacturing and bulky goods retail. This is designed to give modern businesses some degree of flexibility, as for instance, modern head offices are often co-located with the industrial operations on a single site.

In this case, the applicant has expressed an interest for bulky goods retail plus highway service activities as the predominant uses on this site. The remainder of this chapter focusses on the impacts of bulky goods uses on this site, plus a discussion of prospects for other service industry and business enterprises.

## 3.2 LGA wide supply and demand

### Bulky goods retail

Table 1 below details the existing land supply within Cessnock LGA available for bulky goods retail. Note that there are no lands within Cessnock LGA which are exclusively zoned for this use, so the focus is on lands where the zoning can potentially facilitate a bulky goods outcome – namely on B4 and B7 zoned lands.

Whilst it is tempting to use these numbers for a supply and demand analysis, the reality is that many of these B4 and B7 zoned lands contain – or could potentially accommodate – a whole spectrum of other land uses ranging from mixed use housing to light industrial. The more pertinent question is which precincts could feasibly attract bulky goods retail in the medium to long term, given estimated future demand.

<sup>3</sup> <http://www.legislation.nsw.gov.au/#/view/EPI/2006/155a/partlanduseta/include12>

TABLE 1. EXISTING EMPLOYMENT LAND SUPPLY IN CESSNOCK LGA (HA)

Precinct	B4	B7	Total
Huntlee	271.6		271.6
Cessnock - Commercial Peripheral	43.1	24.0	67.1
Kurri Kurri - Lang Street	5.3		5.3
Weston - Fringe	4.8		4.8
Cessnock - Commercial Core	0.2		0.2
<i>Hydro (proposed B7)</i>		38.2	38.2
<b>Total (existing)</b>	<b>325.0</b>	<b>24.0</b>	<b>349.0</b>
<b>Total (existing + proposed)</b>	<b>325.0</b>	<b>62.2</b>	<b>387.2</b>

Source: SGS Analysis of GIS Database, SGS Land Audit, ABS Census 2011

SGS's Employment Lands Study found that presently, Cessnock's Commercial Peripheral area accommodates 15,665 sqm of bulky goods retail, with the centre as a whole possessing 19,934sqm of bulky goods retail. This is expected to grow to 24,200 by the year 2046 (Table 2).

Huntlee's B4 zoned area, whilst presently possessing no retail activity is also expected to attract some bulky goods development estimated in the future to 2046 at 2,000sqm given expenditure associated with the projected future population at 2046 of 13,392, and discounting the potential of the centre to attract major anchors given more significant clusters nearby at Cessnock, Rutherford, Thornton and Wallsend.. Future demand is relatively modest given the zoned land available for retail floorspace.

Kurri Kurri also possesses minor bulky goods retail outlets in its B4 zoned land (Betta Electrical and Steptoos, a second hand furniture store).

These are the only bulky goods retail precincts or stores of significance in Cessnock LGA.

TABLE 2. DEMAND FOR BULKY GOODS RETAIL FLOORSPACE IN CESSNOCK LGA (SQM)

Precinct	Existing provision	Demand by 2046	Projected Growth
Cessnock	19,934	24,200	4,266
Huntlee	0	2,000	2,000
Kurri Kurri	1,266	2,600	1,300
<b>Total</b>	<b>21,200</b>	<b>28,800</b>	<b>7,566</b>

Source: SGS Analysis of GIS Database, SGS Land Audit, ABS Census 2011

### Other service industry and business

SGS's Employment Lands study for Council includes a demand and supply analysis for other employment uses. In terms of industrial land, which can also accommodate many of the uses which Hydro would be seeking in the proposed B7 zone, the report notes that there is expected to be demand for an additional 26.4 hectares of industrial land in Cessnock LGA over the next 25 years and that, nominally, there is ample supply across the LGA (1,245 hectares of unoccupied capacity if both Hydro and Black Hill are

included). As Table 1 shows there is also ample capacity in both B4 and B7 zoned lands given locally derived demand, though isolating demand specifically for this land is difficult, as the industrial zoned land is also able to accommodate B7 type uses in particular.

The more pertinent point to note in the Cessnock case, given the excess of land zoned for business and industry, is that not all of the existing or proposed lands are well located. The SGS employment land report goes on to note that the Hydro site is *well located to attract future demand* given its location in proximity to the Hunter Expressway and linked to the population ‘axis’ defined by the Kurri Kurri to Cessnock corridor.

### 3.3 The impact of the proposed B7 site at Hydro

The question then turns to the level of impact that a bulky goods retail cluster at Hydro is likely to generate. Given its exposure and location along the Hunter Expressway, the future Hydro B7 site should be well positioned to attract not only bulky goods demand from Cessnock residents, but also residents and workers from the broader region.

This proposed bulky retail offering may capture a share of the 7,600 sqm of projected demand growth, but also a share of growing regional demand. It may be that some existing demand for bulky goods retail in Kurri Kurri and Cessnock Town Centre would also be captured by this proposed development. Given that Cessnock Town Centre possesses a large, established bulky goods precinct at the centre of the LGA near most of the existing residential development, it should retain most of its bulky goods expenditure, so long as the bulky goods offering at Hydro is of a relatively similar level of attractiveness. Nominally, this means that the bulky goods offering at Hydro should not exceed in the order of 20,000sqm of floorspace.

Kurri Kurri, on the other hand, may lose most of the future bulky goods demand and floorspace identified for it, as 2,600 sqm constitutes residual bulky goods floorspace that lacks any gravitational pull in terms of expenditure. Indeed, it is reasonable to conclude that most residents of Kurri Kurri would presently commute to other bulky goods clusters such as that in Cessnock. In essence, bulky goods retail is not a significant highlight of Kurri Kurri Town Centre’s offer.

So whilst the impact of a bulky goods cluster at the Hydro site would significantly impact on the bulky goods traders at Kurri Kurri, the impact on the remainder of Kurri Kurri Town Centre which provides a local and convenience retail function would be minimal. In a scenario where no bulky goods retailers remain in Kurri Kurri, it is almost certain that all other retailers in that centre would continue to operate on a business as usual basis.

Finally, the impact on retailing at Gillieston Heights will be negligible as there is currently no bulky goods offer in that centre, so there is no competition to report.

In addition to the proposed bulky goods uses SGS anticipates that the B7 Hydro site is in a strong position to attract other footloose businesses with a regional reach, with only a modest impact on local centres and other locally focussed employment precincts. Indeed if the site succeeds in attracting larger, regionally focussed businesses flow on impacts for centres in Cessnock are likely to be positive, albeit unquantifiable at this stage.

### 3.4 Future role and recommendations

SGS’s Cessnock Employment Lands report for Council highlights the employment and development potential of the area near or at the intersection of the Hunter Expressway corridor axis and the Cessnock to Kurri Kurri to Maitland residential settlement axis. The Hunter Regional Plan has also highlighted the Hunter Expressway as an employment growth area and the Cessnock to Kurri Kurri to Maitland corridor as a growth area. The proposal therefore might be seen as consistent with these strategic directions.

The analysis in this report and these strategic directions suggest that the proposed B7 zoned precinct is appropriate for bulky goods retail uses, though SGS's Employment Lands report notes that service industry uses might also be appropriate in this area. These are not precluded as light industry is amongst the mix of employment uses currently permitted with consent in the B7 zone in the Cessnock LEP. The site is well located to attract service industry and other businesses with a regional reach, and these might provide flow on benefits and trade opportunities to local businesses in Cessnock and Maitland LGAs.

As the SGS Employment Lands report suggests it is worth taking this opportunity to make the Cessnock LEP more consistent with the Standard Instrument for Local Environmental Plans. A B5 Business Development Zone would replace the current B7 zone with the addition of the mandatory objective (i.e. 'to enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of, centres') but the same Land Use Table from the current B7 zone. This allows, with consent, a range of employment activities including offices, light industries and service and recreation uses as well as bulky goods. Retail premises, visitor and tourist accommodation facilities and residential uses should remain prohibited. The 'new' B5 zone would apply in the area proposed for the B7 zone in the Hydro proposal.

As such, SGS concludes that:

- a. The proposed B7 zone and its potential employment activities are well suited to this strategic location on the Hunter Expressway, though we recommend that a B5 Business Development Zone be applied instead for this and other B7 zones in the Cessnock LGA, consistent with the Standard Instrument for Local Environmental Plans.
- b. The proposed bulky goods retail use within the zone may detract from the small existing bulky goods offering at Kurri Kurri, but would have no major negative impacts on other businesses in Kurri Kurri or the Kurri Kurri Town Centre as whole
- c. The proposed bulky goods retail use will have no impact on the Gillieston Heights centre as there is no competing offer there to speak of
- d. Cessnock City Council should consider a floorspace cap of 20,000sqm for bulky goods retail to prevent the precinct from developing into a major regional cluster which would draw significant volumes of trade away from Cessnock Town Centre (and potentially other centres in the broader region).
- e. A bulky goods retail cluster of a sub-regional scale is supported for this location.
- f. There is sufficient industrial, B4 and B7 zoned land elsewhere in the Cessnock LGA to accommodate projected future demand for other service industry and businesses. However the site is strategically located and could be attractive to footloose, regionally focussed businesses not accounted for in the demand and supply analysis undertaken for the SGS employment lands study which focussed more on identified future LGA based economic activity and employment. If the site attracted such uses the flow on impacts for centres in Cessnock (and Maitland) are likely to be positive, albeit unquantifiable at this stage

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