

15 May 2018

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Carolyn McNally
Secretary
Department of Planning and Environment
320 Pitt Street
Sydney NSW 2000

Dear Ms McNally,

Altis Property Partners – Submission on the Planning for the Future of Retail: Discussion Paper

This submission has been prepared by Altis Property Partners (Altis) in relation to the '*Planning for the Future of Retail: Discussion Paper*' (herein referred to the Discussion Paper), prepared by the Department of Planning and Environment (DPE). The discussion paper is a long overdue positive step to the necessary planning reform required within the retail sector.

In summary, our response to the Discussion Paper is as follows:

- Altis believes the Greater Sydney Commission's (GSC) 'centre focused' approach with respect to retail planning is insufficient and damaging to the Large Format Retail sector.
- As the Large Format Retail Sector occupies approximately 30% of all retail floorspace in Australia, it is essential that future strategic planning for retail in NSW acknowledges and actively plans to increase Large Format Retail floorspace within local council areas.
- Altis **supports** the idea of a future Local Environmental Plan (LEP) provision of 'emerging retail' that is not otherwise defined. Some retailers face significant hurdles entering the NSW market with far greater risk in developing new stores in NSW when compared to other states.
- The concept of emerging retail would assist new entrants in reducing risk and therefore facilitating investment in NSW.
- Altis **strongly does not support** any move to use floor space caps in 'LEPs'

The proposed amendments to the Standard Instrument LEP in relation to retail land use definitions should also be acknowledged. We strongly support these proposed amendments. These amendments, combined with the findings of the Discussion Paper have revealed a more in-depth understanding of the evolving and diverse retail sector, and how the NSW planning system can evolve to better meet the needs of the sector, retailers and the community.

The remainder of this submission:

- identifies the key challenges faced by Large Format Retailers and how the planning system can best respond to the dynamic and changing retail sector; and
- responds to the three directions identified in the Discussion Paper.

About Altis

Altis is an Australian based private equity real estate investment group. Our driving philosophy is to engage in genuine partnerships with our investors and customers to deliver outstanding returns from real estate investments. Our portfolio comprises a range of office, industrial, commercial and Large Format Retail assets across Australia, including a number of key Large Format Retail centres in metropolitan Sydney.

Our current Large Format Retail holdings in metropolitan Sydney include:

- Greenway Homemaker Centre
- Lake Haven Homemaker Centre
- 300 Parramatta Road, Auburn
- Prospect Homemaker Centre

Background and Context

As stated above the Large Format Retail sector in NSW is in much need of planning reform. It currently suffers from two main issues:

- A lack of understanding if a retailer 'fits' within the available land use definitions; and
- A lack of sufficient appropriately zoned, sized and configured land to support new development.

These issues are explained in further detail below.

In our experience the Large Format Retail sector suffers from a lack of clarity in relation to the NSW planning definitions with the current legislation causing confusion as to what is and what is not permissible under the '*Bulky Goods Premises*' definition, due to inconsistent application of the definition across the various LEP's and each local council's own interpretation.

The proposed amendment to the '*Bulky Goods Premises*' definition within the '*Standard Instrument LEP*' is **strongly welcomed** by Altis as the definition of '*Specialised Retail Premises*' will allow further flexibility and certainty in the planning process.

The B5 Business Development zone is intended to specifically support Large Format Retail premises and we note that the objective of the zone is:

'...to enable a mix of business and warehouse uses, and 'Bulky Goods Premises' that require a larger floor area, in locations that are close to, and that support the viability of centres...'

Should the '*Specialised Retail Premises*' definition be gazetted it will be a mandatory permitted use in this zone, however, consent for new Large Format Retail will still be required. Although the objective seeks to encourage Large Format Retail that supports the viability of centres, an analysis undertaken by the LFRA¹ found that 49% of metropolitan councils do not have a B5 zone. A similar pattern emerged for the B6 zone, in which '*Hardware and Building Supplies*' and '*Garden Supplies*' – but not '*Bulky Goods Premises*' is a mandatory permitted use. The same LFRA analysis showed that of the 21 (57%) of Sydney Metropolitan Councils with a 'B6' zone, 19% of councils do not permit '*Bulky Goods Premises*' at all within this zone. Therefore, these councils do not have a zone that specifically allows Large Format Retail uses.

The LFRA Large Format Directory 2017/18 also notes that vacancy rates for Large Format Retail have been declining over the last six years, being below the national average since 2013/2014. This further demonstrates that there is a shortfall in the supply of suitable land for new Large Format Retail development in NSW. Combined with an anticipated growth rate of 1.1%, it is clear that there is simply not enough appropriately zoned land to meet the required demand, and therefore due to this undersupply many retailers are forced to undertake spot rezoning which carries with it significant risk, difficulty and uncertainty.

These rezonings require demonstration of alignment with strategic planning documents. It is noted that the Greater Sydney Commission (GSC) has identified within the '*Principles for Greater Sydney's Centres*' set out within '*A Metropolis of Three Cities - The Greater Sydney Region Plan*' (the '*Regional Plan*') and the '*District Plans*', that clusters of Large Format Retail are to be treated as part of the retail network, and planning for new clusters of Large Format Retail should be done in the same way as other '*new*' centres.

However, the GSC does not provide any further guidance on how the Large Format Retail clusters are to be treated within the retail network or the centres hierarchy. Neither the '*Regional Plan*' nor the '*District Plans*' reference any existing and established Large Format Retail centres within the '*centre hierarchy*'.

In addition, it is quite clear that new Large Format Retail centres will generally not be able to meet the '*tests*' for new centres, which are repeated within the Discussion Paper (page 32). Therefore, unless the new '*Retail Planning Policy*' provides clear guidance to councils that explains the role of Large Format Retail centres within the hierarchy and pushes them to proactively plan to allocate sufficient land to accommodate the increasing demand, there will be stagnation and possibly decline in the NSW Large Format Retail market.

Response to the Discussion Paper Directions

Like the LFRA, we fully support the release of the Discussion Paper. It is considered a positive step in recognising the need for planning reform within the NSW retail sector.

The Discussion Paper proposes three (3) potential directions the NSW Planning System can consider to appropriately support key retail trends. Each direction, and the position of Altis in relation to each direction, is detailed below.

¹ Investment+Competition=Jobs, LFRA, 2015

Direction 1: Better local strategic planning for retail.

The Greater Sydney Commission's (GSC) Regional and District Plans has a centre focused approach to retail planning which does not support Large Format Retail. Current strategic planning documents do little to recognise and plan for Large Format Retail floorspace within local government areas.

The Regional and District Plans and their centres hierarchy, do not recognise Large Format Retail centres and the substantial jobs they provide. Job growth is recognised only in strategic centres and precincts; in which Large Format Retail centres are not located. This is a clear dismissal of the associated economic benefits generated from Large Format Retail centres and therefore, if Large Format Retail is not clearly considered in strategic planning, NSW will continue to forego economic investment and subsequent jobs.

The GSC does not plan for the future growth of Large Format Retail floor space. The Regional and District Plans do not identify or protect land for large format. This is concerning given 1.74 - 2.2 million square metres of Large Format Retail floorspace is needed to accommodate demand until 2031.

The limited availability of land for Large Format Retail largely results in the need for retailers to undertake a Planning Proposal (rezoning) to make it suitable for Large Format Retail. Strategically justifying these proposals requires justification similar to other retail premises which does not recognise the key differences in the Large Format Retail sector.

The above points demonstrate the GSC has done little to engage with the Large Format Retail sector during the consultation and finalisation of the Regional and District Plans. The items raised above could have been addressed during this period.

Direction 2: A modern approach to retail development which reflects a range of retail formats in centres.

A modern approach to retail development is supported by Altis. A potential future LEP provision relating to emerging retail is more reflective of emerging forms of Large Format Retail Altis is aware of.

The Discussion Paper recognises increasing trends towards Large Format Retail sites and the need to nurture Large Format Retail sites outside the centres identified in the Regional and District Plans. New Large Format Retailers with new or different formats and retail models, are not currently recognised in the planning system. This makes establishment in NSW difficult and uncertain. The concept of emerging retail would reduce risk to such retailers and subsequently stimulate further jobs and investment.

Direction 3: Adaptability and certainty in development.

Altis supports the notion of simplifying the business zones within the Standard Instrument and introducing more open and flexible zones. This will cater to the dynamic Large Format Retail sector, enabling it to provide a combination of flexible uses, and accommodate to changes from market and consumer expectations.

It is noted that the 'Discussion Paper' proposes that councils use a strategic planning framework to control permissibility and the Development Control Plans can be aligned with this intent by setting place-based controls. LFRA research² investigated the use of fine grained controls such as floorspace restrictions to limit or control development. The research found that some NSW councils still apply a minimum tenancy size to large format tenants, or a maximum floorspace limit. The application of floorspace restrictions on retail uses, and in particular Large Format Retail uses is considered anti-competitive. In short, they date easily and can result in poor design outcomes. It should also be noted that in Victoria, floorspace restrictions that were previously put in place, were lifted in 2012.

Altis **strongly does not support** the use of floor space caps in 'LEPs' or the imposition of other restrictive controls to control permissibility. The economic impacts, level of job creation and capital expenditure, amongst other things, should be at the forefront in determining the suitability of Large Format Retail.

Conclusion

Altis welcomes this opportunity to provide this submission to the DPE for the Planning for the Future of Retail: Discussion Paper.

Altis seeks to ensure Large Format Retail and the retailers operating under their assets are recognised, and are given an appropriate opportunity to grow inline with new retail trends, and the increasing demand for Large Format Retail floorspace.

This submission seeks to reiterate the significant contribution Large Format Retail makes to the broader retail economy of NSW. The proposed amendments to the Standard Instrument LEP for retail land use definitions is positive and will better recognise the diversity of Large Format Retail. As such, these amendments are fully supported.

The Discussion Paper demonstrates suitable directions for retail policy to support the proposed amendments to the Standard Instrument LEP. Although largely positive, deficiencies for the Large Format Retail sector lies in its unrepresentation

² Investment+Competition=Jobs, LFRA, 2015

in key strategic planning documents, in particular the GSC's Regional and District Plans. Large Format Retail should not be considered as part of the broader retail network or planned similar to other retail clusters without recognition of its individual needs. The scale and function of Large Format Retail can make it incompatible with the centres envisioned by the GSC. This can lead to barriers in the delivery of Large Format Retail and the floorspace needed to accommodate expected future demand.

Inline with the views of the LFRA, Altis encourages the Department of Planning and Environment to strengthen the planning of Large Format Retail at the strategic level, and proactively plan for the delivery of Large Format Retail floorspace in any future retail policy.

Yours sincerely,



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