

17<sup>th</sup> May 2018

Director, Employment Policy and Systems  
The Department of Planning and Environment  
GPO Box 39  
SYDNEY NSW 2001

[www.planning.nsw.gov.au/retail](http://www.planning.nsw.gov.au/retail)

Dear Sir/Madam,

**Submission to the Planning for the Future of Retail Discussion Paper.**

AMP Capital Real Estate congratulates the Department of Planning in issuing the Planning for the Future of Retail Discussion Paper. Whilst we are supportive of a number of assertions made in the paper, we hold some reservations with respect to the future policy directions as outlined in the following sections of this paper.

**1. About AMP Capital Real Estate**

AMP Capital is a leading institutional investment house and is part of the ASX listed AMP Limited.

On the behalf of the owners, AMP Capital Real Estate is a long-term asset manager and developer of c. \$26 Billion of directly held retail, commercial and industrial property assets throughout the Asia Pacific<sup>1</sup>. We have over 50 years' experience in managing and investing in direct real estate and employ over 500 real estate professionals.

Within NSW, AMP Capital manages eight shopping centres assets (refer Table 1) that:

- directly employ over 6,500 people;
- have a combined gross lettable floor area of over 57 professional football fields;
- have a combined annual turnover greater than \$1.9 billion, that in turn has a multiplier effect on NSW's economic productivity;
- are visited by 48.4 million people annually (or the equivalent of 5,530 people going to these centres every hour of the day, 365 days per year!); and
- are valued in excess of \$3.1 Billion.

Alone, these stats are significant, but of themselves are a small portion of the total economic activity and jobs the shopping centre industry has created, in toto, throughout NSW.

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<sup>1</sup> <http://www.ampcapital.com.au/institutional-investors/investing-with-us/property>

Asset	GLA* (m <sup>2</sup> )	Valuation A\$ 2017 (m)	MAT inc GST A\$ Dec 17 (m)	No. of persons employed**	Annual Visitations (m)
Macquarie Centre	137,998.0	1,850.0	834.3	3,157	17.8
Northbridge Plaza	7,951.8	114.5	116.9	182	2.6
Royal Randwick	15,135.5	172.0	109.1	523	6.0
Marrickville Metro	21,988.3	227.8	230.6	373	5.4
Casula Mall	20,048.4	201.0	207.0	382	6.1
Crossroads	35,418.5	322.4	59.3	301	1.9
Dapto Mall	21,570.4	130.7	168.9	600	4.2
Marketown	26,835.8	163.5	189.1	1,080	4.5
<b>Total</b>	<b>286,947</b>	<b>3,182</b>	<b>1,915</b>	<b>6,598</b>	<b>48.4</b>

\* Gross Lettable Area

\*\* Approx across the whole centre

**Table 1 – Shopping Centres managed by AMP Capital in NSW**

An example of AMP Capital's approach to the long-term management and investment of its real estate assets is the Macquarie Shopping Centre, located in Macquarie Park and within the Greater Sydney Commission's North District.

First developed by AMP in the early 1980's, the Macquarie Centre been the subject of significant and extensive re-investment over the ensuing decades to become one of the nation's top retail destinations. Almost 40 years later, it is an established place for employment, learning and economic activity within Sydney's Global Arc. It is an essential community 'building block' and place for social and lifestyle interactions in Sydney's second largest business district.

Together with the other significant businesses in area, the Macquarie Centre has helped transform Macquarie Park from an industrial area to a high-tech business, retail and education cluster. In combination, this cluster underpins the sustained economic activity for this region as well as providing long term investment returns for its owners, many of which are superannuation funds that represent the interests of ordinary Australians.

## 2. Sustainable development and investment is a fundamental value of our sector.

The Planning for the Future of Retail Discussion Paper (PFRDP) provides a 'point in time' recommendation on planning for the future of retail based upon the findings of the Retail Expert Advisory Committee (REAC), a panel comprising of business people and consumers, who released a findings report in November 2017, known as the "REAC Report"<sup>2</sup>.

Today, the benefits of the sustained and sustainable development of shopping centres is measured by how well they 'connect' people to place, a proxy for which is the annual number of centre visitations. It is vitally important to note that since shopping centres were first established in NSW, they now trade 7 days a week, they contribute to both day and night time economies, they are places of leisure, entertainment and transactions, and that significantly, the number of visitations to them has increased irrespective of the retail formats and trends experienced by them at any particular point in time and we do not anticipate that trend changing in the foreseeable future.

The property industry widely recognises that sustainable development and investment (ie balanced economic, environmental and social outcomes) is achieved when people feel truly connected to 'place'. Indeed, it is every landowners' aspiration to provide facilities and environments that allow people to feel truly connected to their communities.

It is in this light that AMP Capital could be led to conclude that the panel's approach may over look, or take for granted, the significant investments made in shopping centres, over decades, that has made them vibrant

<sup>2</sup> AMP Capital is disappointed that the activities of the REAC, and the submissions made to it, have not been made public by the Department of Planning and Environment (DPE).

community meeting and interaction places made only possible through the former draft Centre's Policy (the old Draft SEPP 66) given the REAC recommendations:

- Recognised the special places that shopping centre owners have created, through their sustained investment over decades; but
- Perhaps failed to reinforce the nexus between planning and the creation of 'places', over decades, that the former Draft Centres Policy encouraged.

It is within this context that we make the following observation, comments and recommendations in respect of the PFRDP.

### **3. Comments, Observations and Recommendations on the Planning for Future Retailing Discussion Paper**

#### **3.1 Importance of the Centres Hierarchy**

The PFRDP highlights that the retail sector is rapidly changing and that this rapid growth, and the industry's subsequent transformation, are new phenomena that challenges NSW's existing planning framework, identifying the growing demand for 'last mile distribution centres' and the emerging showroom nature of bulky goods premises as examples of this.

More importantly, it is AMP Capital's position that there should be a greater recognition of the nature of new diverse and vibrant uses that must be facilitated in future centres policy as well as planning frameworks which, as a minimum, should include residential dwellings, accommodation, as well as provisioning for lifestyle amenity that supports the night time economy.

Notwithstanding the above, the shopping centre sector has been the subject of disruption for decades. Originally constructed as 4 walled fortress islands of concrete and carparks in the 1950's and early 1960's, shopping centres experienced a renaissance from the 1990's where they began to 'tear down' those walls and integrate the shopping centres more fully with their surrounds. In turn, this blurred the boundaries between the shopping centres and the community facilities provided within and around them.

Today, large shopping centres are integrated into transport hubs and are connectors to other community facilities including non-commercial community spaces/facilities, libraries, child care centres, etc, as well as places of employment and learning and transport interchanges (eg the Macquarie Centre). We anticipate that these centres will also provide opportunities for the creation of dwellings to sustainably meet Sydney's growing population.

Due to the diversifying nature of retail sector and it's specialised planning considerations, it is important to note that the terms 'retail policy' and 'centres policy' can no longer be used interchangeably. It is AMP Capital's view that a strong policy position for maintaining a centres hierarchy will be vital for 'placemaking' and the economic performance of existing centres. The introduction of more flexible land use definitions may have unforeseen consequences and may dilute the centres hierarchy.

AMP Capital strongly endorses the centres-based approach, which in turn supports broader productivity, employment and accessibility outcomes, as endorsed under The Greater Sydney Regional Plan 'A Metropolis of Three Cities' and the District Plans. A centres-based approach optimises public transport investment and supports the Government's objective for a 30-minute city.

A clearly defined centres hierarchy is also vital for providing certainty for investors who fund the continued investment in shopping centres upgrades and expansions which has a significant flow-on effect, encouraging and providing certainty for further investment within the broader centre, inclusive of public and private domains, and in turn growing and enhancing local social capital.

In order to address these matters, AMP Capital makes the following six recommendations.

<b>Recommendation 1:</b>	That the Department of Planning and Environment progress the preparation of the NSW Retail Strategy, which is to reinforce the importance of a centres hierarchy as articulated in all NSW Regional Plans, including the Greater Sydney Region Plan – ‘A Metropolis of Three Cities’, the District Plans, in consultation with the retail industry and its representatives.
<b>Recommendation 2:</b>	The GSC and the Department of Planning have a consistent and harmonised approach to the planning of all commercial activities within the hierarchy of Cities and Centres as established by the GSC.
<b>Recommendation 3:</b>	The Department of Planning and the GSC is responsible for safeguarding that Councils, or the various agencies of Government, deliver against the priorities in the NSW Regional Plans and District Plans and the future NSW Retail Strategy, in particularly the development of Local Retail Policies.
<b>Recommendation 4:</b>	Ensure that the NSW Retail Strategy “will align with the regional and district planning objectives” recognising the primacy of the Regional and District Plans within the NSW planning framework.
<b>Recommendation 5:</b>	Ensure that the NSW Retail Strategy encourages mixed use development which is complementary to the primary commercial purpose of established centres.
<b>Recommendation 6:</b>	The NSW Retail Strategy must acknowledge the vital role of centres for placemaking and facilitating social interactions. Policy directions should focus on creating vibrancy, diversity and accommodation as well as including support for the night-time economy.

### 3.2 Set the Retail Policy Framework prior to introducing new land uses

Innovation is not a new phenomenon to the retail sector. The shopping centre industry has been constantly innovating itself and has been open to, and has encouraged, new market entrants and retailing formats without any special interventions in the planning system.

Since its establishment in Australia (late 1950's/early 1960's), the shopping centre industry has also heavily invested in understanding its customer base as well as in identifying and ‘bringing to life’ new retail formats and offers to offer new, relevant and tailored services and experiences to its customers.

Whilst there is no doubt that the competitive pressures on this industry sector continues to mount, there is a growing recognition and appreciation from our customers and key stakeholders that shopping centres have a unique and ‘place based’ role to play in providing places for leisure and lifestyle activities across the whole range of life stages, and as well as being places from which to seek out information and to buy goods and services.

Accordingly, we remain:

- i. Unconvinced that amended and new land use definitions under the SILEP for Artisan Premises, Garden Centres, Local Distribution Centres, Neighbourhood Supermarkets and Specialised Retail Premises, initiated by DPE are now necessary to facilitate innovation in this sector; and
- ii. Disappointed that REAC's independent report, inclusive of its five planning recommendations, was adopted by the NSW Government in November 2017 without industry consultation and that submissions made to it were not released for public scrutiny.

Perhaps in response to REAC's findings, the PFRDP calls for better local strategic planning for retail uses, including the preparation of local strategic narratives for retail centres and evidence-based retail demand studies. In the Discussion Paper, these are linked to Local Strategic Planning Statements which are to set a 20-year vision for all LGAs. It is AMP Capital's position that:

- The local strategic vision statements must be aligned to the District Plans and be refreshed every five years if they are to set out the 20-year vision for land-use in the local area; and
- The GSC District Plans and the PFRDP do not identify how the strategic vision statements and narratives will be vetted, and 'signed off' by the GSC to ensure they are completely aligned with the District Plans.

Whilst the initial proposed SILEP amendments seem benign (limiting permissibility to certain zones) there is no state-wide policy to guide the consideration of planning proposals (Council or developer led) that seek to further amend land use tables or permissibility on a site-specific basis.

Without the introduction of additional and/or amended land use definitions, this may have unforeseen and unintended consequences on the economic performance and long-term viability of established centres. In turn, this has the potential to undermine the billions of dollars invested in NSW shopping centres by Australian superannuation funds.

It is AMP Capital's view that there is a risk that such planning proposals will be considered prior to the release of mandatory considerations for out-of-centre retail, such as the updating of Local Retail Strategies (strategic narratives and retail demand studies) and/or the introduction of the yet to be detailed or documented 'Net Community Benefit Test'.

<b>Recommendation 7:</b>	The REAC Report is to be subject to broader industry consultation and input before responsibility for its implementation is accepted by the GSC and the DPE.
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<b>Recommendation 8:</b>	The DPE must ensure that: <ul style="list-style-type: none"><li>(a) the Strategic Vision Statements are aligned with the District Plans;</li><li>(b) they are refreshed more frequently (say every 5 years); and</li><li>(c) the GSC 'signs off' these statements for consistency with the District Plans</li></ul>
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<b>Recommendation 9:</b>	The DPE and the Minister must not progress the draft amendments to the SILEP retail definitions ahead of broader community consultation on the following key retail reforms, including: <ul style="list-style-type: none"><li>(d) the NSW Retail Strategy;</li><li>(e) that clear directions are set for local government to establish placed based retail narratives and retail demand studies in local strategic vision; and not prior to</li><li>(f) the introduction of the yet to be detailed or documented 'Net Community Benefit Test'.</li></ul>
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### 3.3 Planning for New Retail Centres – the Net Community Benefit Test

The Discussion Paper notes the types of emerging retail centres outside of tradition retail / shopping centres which include:

- Cluster/s of large-format retail
- Greater types of retail within homemaker centres
- Co-located retail and manufacturing uses; and
- Expanding companion uses.

It is AMP Capital's view that the ad-hoc growth of 'emerging centres' could compete with the traditional centres, and result in the shopping centre industry being subject to the unintended consequences identified in Section 3.2 of this report. Accordingly, managing and monitoring the growth of such centres is vital to ensure the impacts on existing centres are minimised.

Consistent with the GSC's Regional Plan and District Plans, The PFRDP notes that a Net Community Benefit Test is to be required when considering the need for a new centre. The Discussion Paper notes that Local Councils will prepare strategic reviews for new centres and they should be endorsed by the GSC. The discussion paper notes that any new centre should be:

- Located where public transport services are commensurate with the scale of the centre;
- Directly opposite a residential catchment accessible by a controlled pedestrian crossing;
- More than a standalone supermarket;
- Exhibit quality urban design with amenity, informed by a masterplan;
- Supported by planned and funded infrastructure commensurate with the needs of the centre.

Whilst AMP Capital acknowledges that Councils have a significant role to play in this regard, it is owners, property owners and investors that have firsthand experience for the demand for these facilities. Accordingly, it is our view that demand studies should be contestable and undertaken by local Councils **in conjunction with industry** and that the following matters should be considered to inform retail and commercial planning strategies:

- Existing and future supply and demand for retail floor space within the District, based on the GSC's growth forecasts;
- The accessibility of different types of retail and commercial floor space to communities;
- Opportunities to allow retail and commercial activities to innovate;
- The impacts of new retail and commercial proposals to enhance the viability and vitality of existing and planned centres;
- The need for new retail development to reinforce and enhance the public domain; and
- The net social, economic and environmental implications of new supply within different locations through a Net Community Benefit Test.

#### **AMP Capital's support of such an approach recognises the need to establish:**

- An agreed template and standard method (between Government and its agencies as well as the business sectors) around which the net social, economic and environmental benefits are consistently reported and measured against;
  - That the Net community Benefit Test is prepared by an appropriately qualified independent expert;
  - That the Net Community Benefit Tests are contestable; and
- That the Net Community Benefit Test be applied to **all** proposals to grow commercial and retail floorspace in all out of centre areas, not just for proposals that result in a loss of industrial or business zoned floor space.

Such an approach would then ensure that broader GSC objective of the hierarchy of centres within the 'Metropolis of Three Cities' and the District Plans is met. In turn, this will deliver increased certainty for communities and investors as well as streamlined and efficient investment in which will generate sustainable development outcomes including:

- Safe places people actually want to visit;
- Positively contributing to the night time economy; and
- Increased economic activity for the centre and its region that lead to the opportunities for more jobs and employment training.

<b>Recommendation 10:</b>	<ul style="list-style-type: none"> <li>a) That a standard template for the Net Community Benefit Test is designed by an independent expert with input from all stakeholders including local authorities, landowners and business;</li> <li>b) That Net Community Benefit tests are analysed and assessed around standard templates to an agreed brief with input from all stakeholders including local authorities, landowners and business;</li> </ul>
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- c) That the Net Community benefit test applies to all out of centre retail and commercial floorspace proposals;
- d) That the Net Community Benefit Test is contestable and must respond to current supply and demand studies.

We look forward to discussing the issues raised in this submission with the DPE in the near future. In the interim, please do not hesitate to contact me on 0411 660 007 or [lino.caccavo@ampcapital.com](mailto:lino.caccavo@ampcapital.com) should you require any additional information.

Yours sincerely



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