

18 May 2018

Department of Planning and Environment
Retail in NSW
GPO Box 39,
Sydney NSW 2001

Dear Sir/Madam,

SUBMISSION TO NSW DEPARTMENT OF PLANNING AND ENVIRONMENT ON “PLANNING FOR THE FUTURE OF RETAIL” DISCUSSION PAPER AND PROPOSED RETAIL DEFINITION AMENDMENTS TO THE SILEP

1. Introduction

Thank you for the opportunity to make this submission in response to the exhibition of the above documents.

Scentre Group is a leading shopping centre owner and operator across Australia and New Zealand. Each of our shopping centres operates under the Westfield brand and play an essential part of the community's social and economic fabric. Our centres are concentrated in well-connected town centres, contributing to their vitality and energy. As a consequence of this, in 2016, over 525 million customers visited a Westfield shopping centre, spending more than \$22 billion across the Australian and New Zealand portfolio of 39 shopping centres. Thirteen (13) of the Westfield centres, or 33% of its current portfolio is located within Metropolitan Sydney, its largest market.

Given this market presence within Sydney, Scentre Group have a long history of participation and engagement in land use planning matters that affect its property and business interests in serving the community and again is pleased to be making this submission.

2. Overview

Scentre Group broadly supports any work by Government that seeks to clarify planning policy relating to retail in NSW. Clarity of Retail Planning Policy in NSW is long overdue. Scentre Group's submissions to the Draft Metropolitan Planning Strategy and Draft District Plans in 2017 called for such a policy. In our opinion the Final District Plans endorsed by Government earlier this year provides this policy clarity. We therefore question the need for the Discussion Paper, other than to provide consistent land use planning guidance for retail activities across NSW.

The Greater Sydney Region Plan – ‘A Metropolis of Three Cities’ and the District Plans, all have a strong emphasis on supporting investment in existing centres and clustering of retail

activity in locations that are supported by both substantial public and private transport connections. Similarly, Scentre Group acknowledges the significant population growth forecast for Sydney in the Regional Plan, which provides opportunity for the creation of new centres. The District Plans provide clear guidance for a consistent approach in the assessment of new centres. This approach should be replicated state-wide where similar Regional Plans exist, notably Greater Newcastle and the Central Coast where Scentre Group also holds and manages assets.

This submission provides Scentre Group's response to the Discussion Paper. Our submission should be read in conjunction with the submission made by the Shopping Centre Council of Australia, of which Scentre Group is a key member. Both this and the SCCA submission make recommendations for DPE consider in the refinement of the NSW Retail Policy

3. Support for strong centres based approach

3.1 The Vital role of centres and maintaining a Clearly defined centres hierarchy

The broad principle of aligning metropolitan growth around a network of centres connected by existing and planned public transport infrastructure is sound planning logic. This is articulated in the Greater Sydney Commission's District Plans and Greater Sydney Region Plan and was a key point emphasised in Scentre Group's submission to the (then) draft metropolitan planning documents in 2017. A centres-based approach to planning has shaped a strong and vibrant Sydney and this should continue.

The Discussion Paper highlights that the retail sector is rapidly changing and poses challenges to the existing planning framework. This is not disputed. However, last year's REAC report, which was a precursor to the Discussion Paper, appeared to de-couple the often-interchangeable terms of 'retail policy' and 'centres policy'. We again see signs of this divergence in the Discussion Paper and this has the potential to create policy confusion, particularly when considered against the clarity provided by the Regional Plan/District Plans

The Discussion Paper should clearly articulate precisely what it is trying to achieve. In our opinion, the policy position is quite simple: ***that Planning policy focus on creating a coherent framework that enables the industry to innovate and grow across NSW in a land use context of well-connected existing and planned centres and clusters.***

We therefore submit that a strong policy position for maintaining a centres-based approach will be vital for placemaking and maintaining the economic contribution of existing and planned centres. By doing so, it will support broader productivity, employment and accessibility outcomes endorsed under The Greater Sydney Region Plan, District Plans and other Regional Plans **state-wide**.

A clearly defined centres hierarchy is vital:

- To support the Government's objective for a 30-minute city. In turn this encourages use of public transport and multi-purpose trips, contributing to a reduction in private motor vehicle usage.
- To provide certainty for investors who fund the delivery of shopping centre renewals that typically anchor strategic centres and provide the catalyst for broader activation of such centres, including the public transport invested in connecting those centres.

- To drive economic growth, attract investment, business activity and jobs in centres by increasing the range of supported services and facilities that typically agglomerate in centres where high levels of accessibility are critical for business success.
- To create a sense of place and identity with which local communities can relate to.

Scentre Group assets, located throughout Sydney, Newcastle and the Central Coast are well positioned to contribute to the above objectives which are very much aligned to the Government's priorities. This ensures future transformation of centres are retail/commercial (i.e jobs) led. The extent to which this is facilitated in the short to medium term will be partly a function of the current zoning and the restrictions or otherwise placed on such by local development controls.

We consider that the Discussion Paper should provide clearer guidance on the pro-active fostering of investment in Centres. This should be a focus for any future Retail Centres Policy. Such could be achieved by the advocating for the inclusion of FSR and Height controls into DCPs rather than LEPs. This issue is discussed further below.

RECOMMENDATIONS:

1. That Retail Policy contain Land Use Planning Guidance consistent with the Metropolitan Plan/District Plans for uniform application across NSW
2. That Centres Policy call for the removal of FSR and Height Controls from LEPs with a move to place-based outcomes aligned to the role and function of existing and planned centres

3.2 Ability for renewal of existing Centres under current planning framework

Existing Centres must maintain the ability to redevelop and expand under existing planning frameworks in a timely manner. There is a risk in advocating for local retail strategies, that unnecessary planning process will act as a disincentive and stifle development. This approach appears to mirror the proposed Floor Space Demand Assessments advocated by the Department in past years.

The Discussion Paper has publicly highlighted the pace of change in the retail sector. However, there remains the challenge that the Planning system may not be capable of managing such change effectively. For example, the forecast population growth for Metropolitan Sydney out to 2036 of 6 million means that there is a risk that a typical 5-7 year process of studies leading to new LEPs cannot practically deal with this pace of change. There is a risk that centres, particularly strategic centres where jobs creation is focussed, are not unnecessarily disadvantaged by local Retail Strategy processes.

As is currently stands, many existing centres are effectively "bubble-wrapped" under current FSR and Height controls in LEPs. When coupled with the inevitable value uplift trade-off when amending FSRs, creates situations where planning authorities are as equally focussed on the commercial deal as much as the planning outcome.

RECOMMENDATIONS:

3. That Strategic Centres be prioritised in the development of Local Retail Strategies.
4. That Local Retail Strategies be endorsed by DPE/GSC to ensure alignment with relevant regional planning overlay prior to consideration as part of LEP processes.

4. Recognise the need for new, emerging centres but with clear guidelines

District Plans have new prescribed tests for new centres and emerging centres and these are reiterated in the Discussion Paper. This is supported, particularly noting that the Discussion Paper effectively opens the door to allow for Homemaker Centres to morph in retail centres, presumably by allowing supermarkets to ultimately co-locate on such sites. This issue is discussed further under 5 below.

Any proposition to transition Homemaker Centres should only occur based on sound strategic planning with the key caveats of infrastructure provision and transport accessibility, especially public transport. This has been lacking in the past and is pleasing to see references to public transport accessibility and infrastructure funding in the Discussion Paper. These must be essential ingredients to any new centre.

The Discussion Paper notes that 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*

To facilitate new centres, the Discussion Paper suggests an “Open zone” approach be taken, i.e. by not defining prohibited uses. This requires careful consideration if the Centres based approach to planning is to remain the priority and particularly given the objectives of all zones under the SILEP. Any relaxation of permissible uses in say B5, B6 and B7 zones must be predicated on an assessment of net community benefit. This would include alignment with underlying zone objectives.

Finally, clarity must be provided on the expectations for masterplans. There is no statutory recognition of such under the Act.

RECOMMENDATIONS:

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| 5. A standard net community benefit methodology be included in final retail policy. |
| 6. Demand studies should only be undertaken by local Councils in conjunction with industry based on a standard methodology with agreed assumptions. |
| 7. Any amendment to SILEP to loosen prohibited use provisions must be based on evidence and must align with underlying zone objectives. |
| 8. Clarity of the expectations for masterplans must be provided. |

5. Need for strong guidance and support for local councils

The Discussion Paper calls for better local strategic planning for retail, including the preparation of local strategic narratives for retail centres, local place-based planning and evidence-based retail demand studies. These are to be linked to Local Strategic Planning

Statements which are to set a 20-year vision for an LGA. It is understood that the drafting of these statements is proposed for the second half of 2019. We make the following points on the development of a local retail strategy:

- Significant weight is placed on the role of local councils to 'get it right' and understand the local retail narrative and translation into statutory controls over time. The framework in the Paper has a strong reliance on local councils creating and implementing place making principles including shaping the future of their local area (including the retail landscape) as well as improving the amenity and liveability of places.
- Councils need strong guidance from DPE and industry to understand the ever-evolving retail models and shifts in retail economy as well as to deliver robust evidence-based demand studies, understand infrastructure requirements and the like. For example, industry players such as Bunnings, Aldi and other new entrants such as Costco, IKEA, Kaufland and Lidl can make and have been developing foot prints at great speed in the current system and that bulky goods is likely the most impacted by online given the they sell more standard items that encourage online purchases. As a consequence, their store formats anecdotally are getting smaller and there is a shift back into traditional retail centres. With this sort of change afoot, it is questionable that local governments can achieve the required 'local retail framework' especially in a reasonable timeframe. The "collaboration area" model of the GSC in connecting government with industry in the future planning of key centres is a model that should have wider application across all centres. This is a positive example where industry and government and the wider community can contribute to a more expeditious job generating environment.
- As per our submission of the Metropolitan Plan and District Plans, we recommend that DPE provide guidance for Councils to include a more strategic outlook based on role and function and resultant forecast floor space needs, rather than placing a weighting on demand, simply because of the pace of change. Statutory controls could be moved to DCPs which provide much more flexibility for centres to expand in a manner aligned to strategic intent for the centre in question.

RECOMMENDATIONS:

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| 9. DPE provide clear guidance to assist Council and also act as a gateway to ensure that local policies align with metropolitan priorities. |
| 10. That the "collaboration area" model be adopted in planning for the investment in existing and planned centres. |
| 11. That clarity be provided on roles and responsibilities of DPE and GSC in applying retail policy in metropolitan Sydney vs balance of NSW |

6. Comments on Draft amendments to SILEP

Scentre Group question the need for the proposed changes when it appears that many of these uses are already occurring on the ground. In other words, is there a market failure of such significant magnitude that warrants the inclusion of more prescription when the discussion paper has a focus on innovation? Added statutory prescription only adds to an already complicated planning system.

The concern is that the proposed amendments to the SILEP are proposed as "quick wins". However, they are effectively pre-empting the outcomes of the Discussion Paper and ultimate Policy response. Whilst there may be evidence to warrant such definitions, it appears to be based on largely anecdotal feedback gathered through earlier consultation processes conducted by EY on behalf of DPE. This also includes the earlier work of REAC. The submission provided by SCCA includes data that supports its position that the policy

proposition put forward by the DPE in both the Discussion Paper and through the proposed SILEP changes are lacking in evidence.

RECOMMENDATIONS:

12. Any amendments to the SILEP should be withheld until research-based evidence is produced which demonstrates a need for such as part of the broader policy review;

7. Conclusions

Thank you for the opportunity to make this submission. As said at the outset, Scentre Group is supportive of actions by Government to improve clarity of retail planning policy, and strongly believe the District Plans already achieve this. We are concerned that the Discussion Paper undermines the District Plans and this will result in further confusion for retail planning, leading to unintended consequences that have been evident in the past when a clear plan was not in place.

Our recommendations are intended to provide assistance to Government in supporting its District Plans as a solid foundation for planning and also to assist in providing further understanding of the issues raised in the Discussion Paper. Scentre Group looks forward to continuing its dialogue with the DPE on this matter and encourages the DPE to look closely at the SCCA submission which gives a fact-based response to the issues raised in the Discussion Paper and SILEP which was not robust enough its research. We reiterate our concern, the SILEP amendment is premature and should be put on hold until the Retail Policy review is complete. If you have any questions, please don't hesitate to contact the undersigned.



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