

Draft LGNSW Submission on Department of Planning & Environment Discussion Paper: Planning for the future of retail

June 2018

Table of contents

Opening	3
Background	3
Response to the Discussion Paper	4
Conclusion	7
Recommendations	8
Appendix 1: LGNSW's response to REAC's report	10
Appendix 2: Local Government Retail Planning: Background Paper	13

Opening

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing all NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community based system of local government in the State.

LGNSW welcomes the opportunity to provide a submission in response to the *Discussion Paper: Planning for the future of retail*.

This is a draft submission awaiting review by LGNSW's Board. Any amendments will be forwarded in due course.

About the Discussion Paper

The Department of Planning and the Environment (DP&E) is preparing a NSW Retail Strategy that will provide guidance to councils on the planning for, and assessment of, retail activities going forward. This work is informed by the recommendations of the Retail Expert Advisory Committee (REAC), with which LGNSW has fundamental concerns. These concerns are outlined in the next section of this submission.

DP&E prepared a *Discussion Paper: Planning for the future of retail, April 2018*, which is on public exhibition until 18 June 2018.

The Discussion Paper outlines three Directions:

- Direction 1: Better local Strategic planning for retail;
- Direction 2: A modern approach to retail development that reflects a range of retail formats in centres; and
- Direction 3: Adaptability and certainty for retail.

This submission provides a response to this Discussion Paper that is informed by LGNSW's policy positions and detailed consultation with councils. LGNSW also held a LGNSW Retail Planning Forum on 1 May 2018 to obtain detailed feedback from council experts.

The LGNSW Background Paper on Local Government Retail Planning is also provided in **Appendix 2**.

This submission should be read in conjunction with the two Appendices.

Background

LGNSW concerns about Retail Expert Advisory Committee's recommendations

Last year, REAC reported to the Planning Minister on planning issues associated with the retail and bulky goods industry. This Committee comprised Gary White, Chief Planner, Department of Planning and Environment (DP&E) (Chair); the Hon. Patricia Forsythe, Sydney Business Chamber; and Dan Keary, of Dan Keary Urban Planning.

Its *Independent Recommendations Report*, June 2017 concluded that the retail sector is undergoing considerable disruption and recommended changes that would introduce more flexible planning controls to make it easier for retail development to be approved in more locations.

LGNSW has concerns with REAC's recommendations for the following reasons:

- We support a strategic, place-based approach to planning rather than a general 'loosening of planning controls' everywhere. We believe a place-based approach will be more productive and reinforce the social value of centres (existing and planned); and
- REAC's recommendations are likely to undermine centres policy.
- **Appendix 1** provides a comprehensive critique of this initial REAC report.

Response to the Discussion Paper

The *Discussion Paper: Planning for the future of retail* presents three Directions that loosely follow a set of planning principles that emphasise different priorities and perspectives to manage future retail development. These Directions present a range of approaches to resolve a series of complex issues, rather than a set of mutually exclusive options.

LGNSW agrees the issues around retail planning are complex and that any simplistic solutions are likely to be inappropriate. Therefore, we accept there something to learn and apply from all three Directions.

We strongly support Direction 1 which focusses on better strategic planning, as this approach addresses the causes, and not just the symptoms, of a disrupted retail industry.

However, LGNSW agrees that value insight and some application can be learnt from Direction 2 and to a lesser extent from Direction 3.

In summary, LGNSW's response to the proposed Directions is as follows:

Direction 1: Better local strategic planning for retail - **LGNSW strongly supports;**

Direction 2: A modern approach to retail development that reflects a range of retail formats in centres – **LGNSW supports in part;** and

Direction 3: Adaptability and certainty for retail – **LGNSW generally opposes open zones.**

LGNSW's specific response to the 3 Directions is outlined in the tables below:

Direction 1: Better local strategic planning for retail		
Key elements	Details	LGNSW Position/Comment
Long-term place based outcomes - consistent with	Local Strategic Planning Statements (LSPS) to include a centres policy that	Supported

the local strategic planning statements (LSPS) <i>'Tailor the narrative to local circumstances'</i>	describes the local retail narrative.	
	Identify new retail centres that have good public infrastructure, access to jobs and transport, to develop an economic and socially vibrant centre.	Supported
	Strategically assess the longer-term appropriateness of retail in employment, manufacturing, industrial and service areas.	Supported
Update local retail studies		<p>Updating retail strategies will have resource implications for councils. Councils should target the areas that need review.</p> <p>The challenge will be to develop more rigorous practice around preparing retail studies that considers the implications of the global reach of online retail industry.</p> <p>Councils will need to be upskilled to undertake this work.</p> <p>Educational seminars and guidance from the DP&E would be of assistance to councils.</p>
Align strategic narrative and planning controls		<p>Better practice that enables planning controls to provide flexibility and certainty is supported.</p> <p>Councils support the principle that the strategic narrative should guide the subsequent controls. LGNSW requests that DP&E provides an example to demonstrate this principle for a specific case study.</p> <p>Councils support shifting to a more outcome-based planning system. LGNSW requests an example to demonstrate what is meant for clarity.</p>

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

Key elements	Details	LGNSW Position/Comment
Transitioning clusters of retail into emerging centres/ new centres		<p>This Direction requires further clarity around the purpose of defining clusters of retail activities as 'new, emerging or renewing centres'. The GSC's three level hierarchy provides a high-level approach to hierarchy of centres, however the debate is more focussed on precincts and/or clusters of retail activities and whether or how they fit within the retail network. Is the purpose of identifying a retail cluster as an 'emerging centre' so that council can apply s. 94 contributions? Can't councils do this anyway?</p> <p>The trend to co-locate retail and manufacturing uses generally applies to inner city councils and requires a place-based response to these issues. Many factories include a showroom that provides the appropriate level of retail activity.</p>
Determining a new retail centre		It is unclear what the purpose is for identifying a 'new centre'. The 5 criteria mentioned on page 32 are self-evident as attributes for centres, but not necessarily requirements. It is not clear how the proposed centre would be judged.
Renew main streets		The Discussion Paper fails to address the reasons why main streets are in decline. A place making approach has value but it is more effective to address the causes of decline directly.
Guidance for councils		Toolkits and workshops are welcome. LGNSW recommends that the material be prepared in consultation with councils so it reflects what they need.

Direction 3: Adaptability and certainty for retail

Key elements	Details	LGNSW Position/Comment
Introduce new definitions		As an interim step DP&E recommends new definitions. LGNSW has provided feedback

		on the draft definitions in separate correspondence.
New zoning framework	The longer-term proposal is to consolidate zones and align them to the strategic plan.	LGNSW opposes the general supposition that consolidating zones resolves problems with how to plan for retail development. Consolidating zones will undermine council capacity to undertake place-based planning for industrial zoned areas, for example.
Introducing open zones		LGNSW questions the need for open zones. In general, LGNSW is opposed to open zones. We acknowledge that there may be rare locations where this may be a suitable approach, for example, where the development potential of the land is seriously compromised by certain forms of land degradation or adverse impact. However, even if this approach is supported council staff need to be highly trained to provide the relevant advice to direct applications for development. In practice, this approach to assessment can be arbitrary and subject to the judgement of the council officer and therefore not considered to be a measured view of council.
New definitions		There is benefit in not having ever more definitions as this process will be endless and unwieldy. It is better to have wider classifications that encompass a wider number of activity types.
'Innovation in retail' provision	An interim measure is recommended to allow an undefined use to be permitted on its merits. It is an open definition.	Refer comment on open zones.
New zoning framework	What is new here – more clarity needed	The proposed new zoning framework looks like the current one? Please clarify.

Conclusion

The Discussion Paper presents proposed Directions to address perceived problems with the current planning framework when it comes to dealing with future retail. It is important however, to review the evidence before coming up with solutions to perceived problems. The proposed solutions need to be measured against the real problems and evidence, rather than against the perceptions of any one stakeholder.

In dealing with change, which is the very purpose of the planning process, much is unknown about the emerging needs and demand for retail activities, partly because of the displacement within the industry arising from globalisation and the unknown implications of changing retail shopping habits.

While we recognise the need for more flexibility at the DA stage and difficulties that result from a highly technical and overtly legal assessment process, it would be foolhardy if the desire for more flexibility resulted in an 'open door' approach to approve more retail outlets in more places, without due regard to where and when this development should be supported.

Councils therefore overwhelmingly support a centres policy, ranging from strategic to neighbourhood centres and everything in between. Councils use this framework to manage the majority of their day to day decisions on retail activities. These centres are much more than retail outlets - they are the social and recreational hub of communities, as well as providing the focus for public and private infrastructure investment.

Existing and planned centres do not constitute a 'planning problem' that needs to be addressed by a NSW retail policy. The current challenges associated with these centres are around expected rate of growth and increasingly, competing conflicts between commercial and residential development. These conflicts are likely to become more acute in the future, especially where the NSW Government has introduced planned precincts at centres, with an emphasis on housing supply, rather than on employment growth.

The planning issues in the Discussion Paper are primarily associated with 'quasi centres', that is, precincts that incorporate retail outlets but are not centres. These home centres and other forms of mixed precincts, are more likely than not to have impacts on existing centres. Also, they can be a 'threat' to the viability of the traditional industrial and warehouse uses, important for maintaining a more diversified workforce.

LGNSW maintains that these planning issues are far easier to resolve at a local level than at a state level. Local precinct planning allows for a place-based approach to develop a future land use plan. Local government is the appropriate level of government to develop a masterplan for assessing the protection of employment land, or deciding whether or not the land should be transitioned to permit bulky goods outlets and other uses. The local plan making process is by far the preferable process as it is able to readily take into account the local strategic plan when determining the desired future character of the area, in context with surrounding land uses. This masterplan process is the most robust method of dealing with land use conflicts of this nature.

Recommendations

LGNSW opposes having a state-wide NSW retail strategy as recommended by REAC and which is now under consideration by the DP&E. More specifically, we oppose the use of a State Environmental Planning Policy for this purpose. This would unreasonably limit councils from undertaking their planning responsibilities and more particularly, adopting a local place-based approach. This 'blanket reform' is likely to have unintended consequences for existing and emerging centres, business parks and the other wide range of contexts that already permit retail activities.

LGNSW recognises that planning for centres of all types will raise conflicting land use objectives, between retail, bulky goods and more generally industrial, urban service activities

and housing projects. While the current disruption within the retail industry has highlighted these conflicts, this is not a new issue for councils.

Our response to the Discussion Paper is as follows:

Direction 1: Better local strategic planning for retail - **LGNSW strongly supports;**

Direction 2: A modern approach to retail development that reflects a range of retail formats in centres – **LGNSW supports in part;** and

Direction 3: Adaptability and certainty for retail – **LGNSW generally opposes open zones.**

LGNSW recommends a more measured response that we believe will target the issues at a more local level. As many councils will be reviewing their strategic plans over the next few years this will be the ideal opportunity for councils to update their local centres policies and associated planning provisions to stimulate a wide range of retail developments within their LGAs.

Therefore, LGNSW recommends that when councils are updating their LEPs and/or where appropriate, they undertake the following actions:

- update their current centres policy for existing and emerging centres, retail precincts and other locations for retail development and correspondingly update the local planning controls for these areas;
- review whether there is a need to zone more land for bulky goods outlets;
- adopt a 'place-based' planning approach for relevant precincts that are undergoing change to ensure that a strategic planning decision is made to either protect the existing manufacturing/ warehouse activities or whether a more mixed type of development is warranted in the local context;
- adopt a consultation strategy that will ensure that all stakeholders including all sectors of the retail industry are involved in the above plan making process; and
- reinforce council's centres policy framework within the Local Strategic Planning Statement to identify council's strategic intent, as quickly as possible.

To support the above actions, LGNSW would welcome the opportunity to work with the Department in developing a series of educational seminars on planning for retail premises. We believe this would be a more effective way of addressing the issues raised in the Discussion Paper and developing a collaborative and strategic response.

For further information contact LGNSW's planning officer at Jennifer.Dennis@lgnsw.org.au or 9242 4094.

Appendix 1: LGNSW's response to REAC's report

The REAC Independent Report made five recommendations to the NSW Government on how the planning system can be improved to support retail in NSW, including:

- Develop a state-wide retail planning policy
- Consider retail supply and demand in strategic plans
- Change the Standard Instrument Local Environmental Plan
- Improve assessment processes and
- Provide clearer planning guidance

This report identified many the following themes:

- The supply of suitable land was singularly the biggest issue
- The retail sector is experiencing significant change
- The planning system creates unnecessary barriers to business
- Higher density development has different needs for retail provision and
- The retail sector provides a significant employment base supporting the service sector economy whilst manufacturing decreases

LGNSW questions the generality of some of the above findings and resulting conclusions for the following reasons:

- The supply and demand for retail activities is location based and extrapolating information to apply more generally can be misleading and inappropriate;
- There is strong evidence from overseas and increasingly within Australia that the shift to online shopping will significantly reduce the growth in demand for retail floorspace;
- Shortages in the supply of land are not absolute, but are price-based, and vary according to place and the specific type of retailing proposed;
- A considerable amount of evidence before the REAC was provided by the retail sector, which has an interest in increasing opportunities for retail activities, and should be evaluated in this light;
- The REAC's consultation process lacked transparency and hence it is unclear what level of feedback was provided by councils who are better able to give impartial advice on retail issues; and
- The lack of supply of suitable land is a common problem for most activities seeking entry in Sydney because of the growth in population and pressure for more housing and employment land. Retail activity needs to be considered in context with the overall land use needs of the community and not in isolation. It should not be privileged over other forms of land use.

LGNSW is concerned that the recommendations appear to overly support a more flexible zoning system that is intended to favour new entrants for the retail industry that purportedly

find available land hard to find. While local government appreciates the hurdles new entrants face in obtaining suitable sites, this problem applies to existing operators and other competing businesses too. Further, there is no guarantee that more flexibility in site location for retail would result in benefits for new entrants – there is nothing to stop incumbent chains from “land banking” suitable sites as they become available.

The only way council can resolve these conflicts of interest is to assess the situation from the perspective of the public benefit rather than the individual interest. Clear and robust guidelines about maximising the public benefit are required to assist local government.

Therefore, it is very important in this debate that any proposed changes to current zonings be considered in light of the implications on other, wider land use activities and not be limited to the retail sector. For example, liberalising the location of supermarkets will have serious implications on not only other retail activities that group around this anchor activity, but more importantly because they provide the ‘step change’ of a business or industrial precinct to that of a new centre. The standing of existing centres and the future character and function of proposed precincts where they are permitted should all be part of the wider considerations.

The following table outlines questions LGNSW has with the 5 recommendations of the REAC report.

REAC recommendations	LGNSW comment
1. Develop a state-wide retail planning policy	How will such a high- level document provide clear guidance? How will it be applied to local planning making and development assessment practice by councils? How will it account for the differences between metropolitan and regional areas?
2. Identify retail supply and demand and articulate objectives in strategic plans	How will the ‘adequate supply’ of land available for retail uses be measured and monitored given the current disruption to the market referred to in the report? What does “adequate supply” mean, in the context of price? How will the State Government ‘work with local councils’ to ensure that adequate supply is provided through planning instruments?
3. Amend the standard instrument LEP to introduce broader zones, mandate permissible uses; standardise definitions; review application of industrial zones.	Will broadening the zoning framework undermine a strategic place -based approach to planning for centres? Will the proposed changes to the zoning system be able to protect main streets of country towns and other existing centres that are likely to be downgraded as a community hub by the approval of a rival centre near the existing centre? Will councils have adequate planning tools to protect employment land from being overtaken by various forms of retail/ bulky goods premises irrespective of the definitions of these activities? This is of concern in urban areas where IN-zoned land suitable for a wide range of city support service activities such as waste handling and concrete batching, is under significant pressure for other uses.

<p>4. Improve clarity and consistency in the assessment process</p>	<p>Will this mean that councils consent powers to approve retail development be constrained? If so, in what ways?</p> <p>Will supermarkets be permissible in more locations and will the scale of supermarkets remain a planning consideration?</p> <p>Will car parking and delivery requirements be standardised? If so how will this be applied? How would this cater for inner-city locations which may have completely different patterns of use, including a lower car-based focus?</p> <p>How will local context be considered under the new rules?</p>
<p>5. Provide clear planning guidance</p>	<p>Will the guidelines rely on performance- based approach to planning or be more prescriptive?</p> <p>Will the guidance material cover design outcomes?</p> <p>Will the guidance material address funding models to upgrade centres?</p>

Appendix 2: Local Government Retail Planning: Background Paper

Introduction

Retail planning is a central component of local government plan making responsibilities. Councils are continually planning for deliver new retail opportunities and adapting current plans. This practice is not always obvious and there are many challenges in how to plan for retail development, without over engineering the market or ignoring it.

Local government's task is to focus on the long term strategic outcomes without overlooking the immediate needs of the market. There are many long-term plans for centres, such as Parramatta, Penrith and Gosford centres that have been in the pipeline for many decades before development has occurred of any significance. While industry may identify some of these examples as failures of the planning system, local government planners may think the opposite by appreciating there is benefit in identifying a centre in the long term as the more efficient way of managing investment even though timing can be uncertain. The challenge for councils is how to manage the lag in growth of identified centres, and whether therefore, alternative centres should be supported – and if so where and when. This debate is further complicated by the challenge around the number of different sorts of precincts and quasi centres that are emerging to deliver retail and associated activities.

In the rush to resolve current problems it is easy to overlook what is already 'planned in the system' to address the issues raised in the REAC report.

Therefore, it is recommended that DP&E apply the precautionary principle to this area of land use planning. This means that any policy shift that has the potential to seriously impact on current centres must be able to demonstrate what will be the social, economic and environmental benefits for the wider community. LGNSW is concerned that the Department is not applying this approach.

1. Local Government retail planning issues

This paper provides an overview of the planning issues that arise when councils plan for retail activities. The first set of issues are around strategic plan making and the second are area specific development types.

A. Importance of local Strategic Planning

A key goal of the planning system is to facilitate the most efficient and economic use of the land for a region, district, city or town. A pivotal part of every local strategic plan is the centres policy that identifies clusters of compatible uses (such as retail, business and community activities) that are located or take advantage of key transport nodes. This practice is fundamental to a sound city/town plan and occurs at every level of plan making in NSW. Every council adopts this approach to planning for centres.

Land use and transport planning requires integration at every level. While this principle is generally accepted it is too commonly not achieved. Councils are often required to provide for

a centre before public transport is in place. The delay or failure to deliver the expected transport system can have serious negative consequences on communities – both retail, business and local communities.

The Hills Council – Rouse Hill Strategic Centre. Rouse Hill Town Centre is a well- designed innovative strategic centre that is based on rectangular street grid featuring 4 squares that maximising pedestrian movement and provide high quality public outdoor space. It is circled by high to medium density development that is within a walkable distance from the centre. The centre was planned to be located on the Sydney Metro North West Railway line and the Rouse Hill Station, while anticipated to be delivered earlier will be opened in 2019.

1.1 The importance of protecting existing centres

Where the strategic planning principles identifies an existing centre, councils are required to service and support these centres. Apart from the providing practical services, such as garbage and car parking stations, councils invest in the social and community capita of that centre with local community centres, public realm improvements and beautification, libraries and the like. Councils use place making skills and plan tools to protect, reinvent and develop existing centres.

The Greater Sydney Commission supports a hierarchy of centres for Sydney. *A Metropolis of three cities* by the Greater Sydney Commission anticipates a level of growth for Sydney by 2056 that will be supported by new and emerging centres loosely ranked in scale and function from:

- Metropolitan City centres – Harbour CBD and Parramatta;
- Metropolitan City Cluster- around the Western Sydney Airport;
- Health and education precincts formerly (on occasion) called regional city centres
- Strategic centres- usually on key railway stations; and other broader growth precincts
- Urban renewal areas/ and transit orientated development – along the railway lines.

Some existing centres struggle to attract the level of growth ‘planned for’ under current planning controls and require government investment to instigate employment growth and improvement to design to maximise the liveability and functionality of the place.

Councils can revise planning controls to deliver more growth. However, growth can be stalled by many issues that cannot be addressed by a planning tool. The land ownership pattern can be highly fragmented, state agency requirements complex, or practical constraints such as lack of delivery access can impede re-development. In addition, there may be little confidence in the market to invest in the specific centre for unknown reasons.

The following case studies provide further insight into the planning issues.

Central Coast Council - NSW Government supports the revitalisation of the Gosford CBD revitalisation plan. Gosford CBD is identified as a regional centre in the Central Coast Regional Plan has been the subject to numerous planning studies to deliver growth within the CBD over the last decade. The approval of Erina Fair in 1987 (7 km east of Gosford) now the largest shopping centre on the Central Coast, deflected retail development away from the Gosford CBD. The NSW Government’s investment in a regional hospital and major office

development at Gosford CBD, has changed the climate for redevelopment of the Gosford CBD. Further plans by the NSW Architects to redesign the waterfront are planned to the revitalise the CBD as a regional town that also supports housing. Despite numerous plans to facilitate growth the timely investment by the NSW Government has been needed to overcome the local obstacles to redevelopment.

<http://www.planning.nsw.gov.au/News/2017/Government-Architect-to-assist-with-Gosford-CBD-revitalisation>

Liverpool Council - NSW Government plans transit oriented development while private sector pushes for non-consistent rezoning. A recent case in Liverpool Council saw Woolworths seek to develop a major supermarket on B6 land, on a site contrary to local and state government planning policy. A transit oriented town centre was planned by UrbanGrowth NSW which would have been severely undermined by a new supermarket in the location proposed. In addition, an existing neighbourhood centre would have been severely impacted by the proposal, potentially losing its anchor supermarket. A strong shift from walking based retail service to car based retail activity would have occurred. There was a lack of clear state government policy to reinforce the existing and planned hierarchy, which was put at risk by private sector investment decisions.

1.2 Supporting main street of regional and rural towns

The main street of most regional and rural towns in NSW constitute the historical hub and tourist value for the town. The protection of the retail activities on the Main street are critical in maintaining the pedestrian activation and consequently the economic viability of street.

It is important that the need for additional retail development for the town does not undermine the main street.

Most councils undertake considerable investment in enhancing the urban design of the main street to protect its economic viability and potential as a destination for tourists.

Moree Plains Shire supports its CBD. In a regional context having a consolidated CBD reinforces the trading performance of the centre. This means that the centre can support higher order retailing than would be the case if fragmentation were the norm. This contributes to a pattern of primacy, or a hierarchy of centres, which results in the emergence of a regional centre of trade. A regional centre will bring in out of town customers from surrounding towns and villages making the centre a viable location for higher order government services such as base hospitals, schools, and universities as well as other government departments and agencies. Without strong regional centres both state and federal governments would need to maintain a much larger network of “branch” offices for the services they provide. Moree Plains has defended the CBD through careful control on the location of new retail development. Supermarkets support the CBD and there is scope provided for further retail development which will further consolidate the CBD. Vacant shops are below the 10% “level of concern” despite strong pressures on the retail sector through drought and a change to population patterns. A “country university” campus is proposed for the CBD to broaden the range of activities available.

Taree Town Centre. With the implementation of a bypass, the traditional “strip shops” lost much of their passing trade. The development of significant new centres away from the traditional “main street” led to high vacancies – up to 90% at one stage. While these shops did eventually fill, this is an example of over-supply that created major structural change in retailing in the town. It demonstrates that the timing of additional retail provision is critical in regional centres if significant damage is not to be caused to the small/independent business sector.

1.3 Promoting good urban design

Councils have an important role in designing centres- revitalising and upgrading the public domain to maximise the functionality and liveability of centres. Given that retail activities are a key part of the functionality of a centre, design must be appropriately embedded into the planning process for retail development.

With population expansion the density of areas is steadily increasing placing greater pressure on centres to provide a wider range of services.

Better Placed by the Government Architects NSW provides a framework for delivering better design outcomes for places. ¹With the increasing densification of Sydney’s suburbs centres of all scales and types will be increasingly providing a wider range of functions – broadly grouped under community and recreational needs.

City of Sydney Council and Green Square. Since 2001 Green Square has been identified as a new centre for the 287 ha of the Green Square Redevelopment Area covering Beaconsfield, Zetland and parts of Rosebery, Alexandra and Waterloo. This area will accommodate 61,000 people comprising 30,500 flats and 21,000 jobs. The City of Sydney is anticipating spending \$540 M over 10 years to develop the public infrastructure such as the aquatic centres, library, plaza and 15 parks. In addition, a \$18 m Community and Cultural precinct is under development.

Moree Plains Shire Council and Town Centre Renewal. Since the Moree Bypass opened, 1800 heavy vehicles per day have been removed from the Town Centre. With landscaping and shade through grape trellises, a “café culture” has developed, promoting an “eat street”.

¹ The design objectives outlined in Section 2.6.1 would be appropriate to apply to centres. They cover: Better fit, Better performance, better for community, better for people, Better working, Better value and Better look and feel. P 34 – 43.

2. Specific Planning Issues

2.1 Planning for bulky goods retail

LGNSW agrees that the location (zoning requirements) and definition for bulky goods retail (BGR) would benefit from revision, but they need to be done together – as one influences the other.

Councils acknowledge that the definition of BGR can be open to interpretation. This can also have ramifications on where such activities are permitted as council's interpretation is influenced as to whether the proposed activity is within the objectives of the zone. Generally, BGR is permissible in business zones and prohibited in industrial zones. While this objective is clear, more certainty may be needed to make these distinctions clearer to the market. In addition, there are bulky good uses such as St Vincent de Paul centres and similar which are not necessarily inappropriate in industrial zones.

LGNSW will provide further feedback from councils later, on the more technical debate around the location and definition of BGR. However, this report provides a common set of issues experienced by councils that are around the approval of BGR such as:

- Situation 1: The location of BGR is relatively straightforward for precincts that have been identified as home centres and zoned as a business zone². Many councils have areas clearly zoned for these types of activities that are suitable for the home improvements market. In such cases the permissibility of BGR is clear and the debate is more around what constitutes a BGR and for example, whether a large format retail premises can meet the definition of a BGR or not.
- Situation 2: Councils receive planning proposals for BGR on industrial land, where the land is cheaper and the lot sizes large enough to accommodate the larger format needed for a BGR. Where these re-zoning applications are supported the traditional light industrial³ activities are likely to be displaced and the provision of employment land diminished. This is important to protect employment land from BGR as it also in being 'lost' to accommodate large scale housing development.
- Situation 3: There are some precincts that are zoned for light industrial land, where many of the existing uses have already transitioned to become quasi retail activities, such as factories being converted to 'factory outlets'. Where this process is advanced it may be suitable to rezone the land to a business zone that permits BGR as the protection of land as employment land may now be academic.

² Most home centres are zoned *B5 – Business Development Zone* that permits BGR.

³ Zone IN2 - *Light Industrial* under the LEP permits uses that protect traditional light industries, such as warehousing and distribution centres, hardware and building supplies. Bulky goods are prohibited in IN2 Zones as this is a type of retail activity that is likely to displace the more traditional light industrial activities.

2.2 Approving new supermarkets

The location of supermarkets can be highly critical to the viability of a centre, providing an anchor for supporting associated retail activities within its vicinity.

Supermarkets are permissible in all centres or emerging centres and prohibited in business zones or industrial areas under most LEPs.

The REAC report asserts that there is an undersupply of supermarkets in Sydney. While the distribution of supermarkets may be uneven across Sydney, the REAC report did not justify this assertion. It is noted the application for new supermarkets in areas that currently prohibit such an activity often occur in inner and middle ring suburbs where there seems to be an abundance of supermarkets. Caution should be exercised in assuming that the standard formats of the two major operators are the only way in which supermarkets can be provided.

The council areas where there is a greater need for supermarkets is in the western parts of Sydney which receive less applications. It may mean that the market for supermarkets is becoming more competitive, with the new entrants setting up in NSW, and the commercial advantage of establishing an outlet on the cheaper industrial zoned land is attractive.

This paper provides a common set of circumstances surrounding the approval of Development applications and more particularly planning proposals for supermarkets, which can be controversial, particularly, in the following circumstances:

- Situation 1: Council is required to assess a DA for supermarket on the edge of town that may be considered to compete with an existing supermarket and the associated retail activities. Where the activity is permissible council is required to approval the application subject to the activity providing adequate off- street car parking and being able to be appropriately serviced, and so undermine existing centre viability.
- Situation 2: Council is required to assess a Planning Proposal for a proposed supermarket that may negatively impact on the viability of the nearby existing centre. Council requires the applicant to undertake a 'net community benefit appraisal' to determine whether the PP is justified on planning grounds.
- Situation 3: The proposal for a supermarket in a neighbourhood shopping centre requires council to consider the application considering the objectives of the zone, local context and circumstances of the case. The scale and impact of the proposal on the amenity of the surrounding residential area is assessed about the potential noise of the delivery and garbage trucks and the level of provision of off- street car parking; and
- Situation 4: Council receive Planning Proposals to develop a supermarket on land zoned light industrial - an employment land. Where approved these applications substantially change the nature of the precinct to that a 'defacto centre'. Not only does this decision accelerate the demise of existing industrial activities that may provide a certain type of employment that supports key workers, it can also usurp the financial viability of surrounding planned centres. See case study over page.

City of Willoughby Council. A large supermarket operator (Woolworths) submitted a Planning Proposal to add “supermarket and liquor store” as an additional use in the IN2 zone in East Chatswood Industrial Area. Council refused the Planning Proposal, a decision endorsed by the then JRPP, as, amongst other reasons, the proposal failed to recognise the strategic importance of the Industrial Area and would impact on surrounding commercial centres. The proposal was subsequently approved by the Department of Planning under powers of delegation from the Greater Sydney Commission (GSC). The approval of a retail outlet such as a supermarket in the East Chatswood area has the potential to substantially alter the function and character of the Light Industrial area. It will reduce the limited supply of critically scarce industrial employment land and set a precedent for other retail uses which in turn will further erode sites currently available for more diverse employment opportunities in trades and urban services. It will reduce land available at cheaper rents in these industrial areas when a more appropriate location for a supermarket would be in or close to existing commercial centres, where it can better serve the local community and be on good transport links.