

## SUBMISSION TO THE GREATER SYDNEY COMMISSION: *DRAFT SOUTH WEST DISTRICT PLAN*

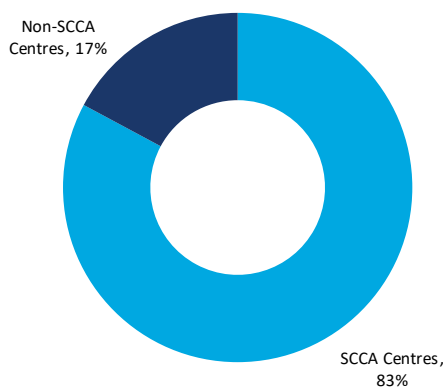
The Shopping Centre Council of Australia (SCCA) represents Australia's major owners, managers and developers of shopping centres (refer to [www.scca.org.au](http://www.scca.org.au)).

We appreciate the opportunity to provide comment and feedback on the *Draft South West District Plan* (the Plan), and welcome an opportunity to discuss this further.

As the only organisation which represents the interests of shopping centre owners, we are well placed to comment on retail investment and the centres hierarchy, as well other aspects the Plan which may affect our members' centres.

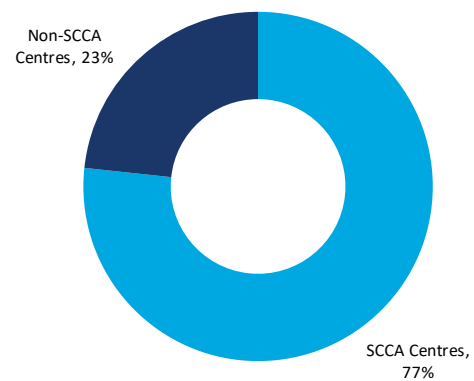
To provide a brief snapshot, our members' owned assets account for the majority of retail floorspace in shopping centres in greater Sydney and the South West District:

NSW Shopping Centre GLAR - Greater Sydney  
Percentage of SCCA vs. Non-SCCA by sq m



Source: SCCA Research

NSW Shopping Centre GLAR - South West District  
Percentage of SCCA vs. Non-SCCA by sq m



Source: SCCA Research

This submission summarises the critical issues we believe the Greater Sydney Commission (the Commission) needs to consider with regard to the South West District.

The SCCA supports the Commission's encouragement of retail development and **prioritisation of retail floor space in centres** in local planning decisions. We acknowledge the retail floor space targets set by the Commission. We are keen to ensure that this floorspace is delivered in the right locations (i.e. centres).

Whilst we broadly support the objectives of the Commission to grow **vibrant centres** and **increase retail capacity**, there are several issues we'd like to raise with the Commission to ensure that these overarching objectives are not inadvertently undermined:

1. There are vague references to the concept of '**competition**' in relation to retail markets. We have often found that this concept is selectively understood by some stakeholders, including government stakeholders, which face pressure from so-called 'new formats'. This can also come at the expense of due consideration being given to prevailing strategic plans. The Commission should reflect on the final recommendations of the Harper Competition Review.
2. Although the focus on retail is positive, we see a trend towards the consideration of concerning and costly development requirements, including an endorsement of the widespread use of so-called 'value capture'.
3. As first outlined in *Towards Our Greater Sydney 2056*, we acknowledge that the Commission has condensed the centres hierarchy into three tiers, being strategic, district and local centres. We are wary of possible implications of the restructuring of the centre types, particularly the centres who have been 'downgraded' in the process (i.e. Leppington has been 'downgraded' from a strategic to a district centre)

Further to this, the SCCA is still awaiting the outcome of the review being conducted by the **Retail Expert Advisory Committee** (REAC), including with regard to the nine key 'drivers' of retail in New South Wales it has identified. The relationship between the District Plans and the REAC deliberations remains unclear.

Please note that our members may possibly make their own submissions commenting on centres where their assets are located. For this reason, we will not be making comment on matters in individual centres.

## SUMMARY OF RECOMMENDATIONS

We respectfully request that the Greater Sydney Commission considers the following recommendations in its ongoing review of the *Draft South West District Plan*:

1. The final Plan should expressly detail under *section 3.4.1 Plan for the growth of centres*:
  - a. that 'lower order' activity centres (i.e. 'local' or 'district') will not be limited in future growth and investment opportunities, and,
  - b. that growing activity centres will have the opportunity to be re-designated to a higher order centre (e.g. 'local' re-designated to 'district').
2. If not abandoned completely as a policy option, the final Plan in relation to *section 1.2.3 Infrastructure funding and delivery* should:
  - a. be amended to provide guaranteed industry consultation on the proposed use of 'value capture' as a funding method, and,
  - b. consider and detail other mechanisms for infrastructure funding other than the 'value capture' model.
3. The final Plan under *section 4.4.6 Facilitate integrated infrastructure planning* should provide further detail on the Commission's Annual Infrastructure Priority list and the possible expansion of the application of Special Infrastructure Contributions.
4. To guarantee that activity centre planning is not undermined by vague references to 'competitive markets' in *Productivity Priority 2: Manage growth and change in strategic and district centres and, as relevant, local centres*, the Commission should:
  - a. ensure any use of the premise of 'competition' with regard to retail is contextualised with regard to the principles of competitive neutrality and a public interest test (as recommended by the Harper Competition Policy Review), and,
  - b. invite the SCCA to meet with the Greater Sydney Commission to discuss 'competition' and our views on the Harper Competition Policy recommendations.
5. Encourage the Commission to work with the SCCA's members to meet future demand for retail floor space in line with the Department of Planning and Environment's medium population growth scenario under *Productivity Priority 3: Prioritise the provision of retail floor space in centres*.
6. In relation to *Productivity Priority 4: Protect and support employment and urban services land* and *Action P22: Develop a better understanding of the value and operation of employment and urban services land*, we encourage the Commission to:
  - a. at the very least, affirm the 'precautionary principle' as a guiding principle with regard to the future use of *employment and urban services land*, and,
  - b. invite the SCCA to be involved in the Commission's research and consultation on the role of the District's employment and urban services land.
7. The directions set and references under the draft Plan to, for example, possible 'public amenity' development requirements (e.g. meeting places, playgrounds, improved integration) should be appropriately contextualised with regard to demand generated and existing contributions.
8. In relation to *Action S12: Embed the NSW Climate Change Policy framework into local planning decisions* and *Action S14: Support the development of environmental performance targets and benchmarks*, the Commission:
  - a. should refer to the SCCA's submission to the NSW Government's *Draft Plan to Save NSW Money and Energy*,
  - b. should not place, or recommend the development of, any environment performance targets or benchmarks with regard to shopping centres in the final Plan,
  - c. any standardised approach to electric vehicle charging stations should not require mandatory shopping centre involvement in the final Plan, and,
  - d. should Recommendation 8c not be adopted, the Commission commit to consultation with the SCCA and its members with regard to electric vehicle charging stations and their treatment with regard to, for example, the *Parking Space Levy Act 2009*.

9. In relation to the Retail Expert Advisory Committee, the Commission, in conjunction with the NSW Government, should:
  - a. detail a timeline for the release of the REAC's deliberations, and detail as to subsequent stakeholder consultation on its findings, and,
  - b. The Commission should review the REAC's final recommendations and consider their utility and relevance to the District planning process and decide whether, or not, the recommendations will be adopted or reflected in the final District Plans.

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## CENTRES HIERARCHY

We support the Commission's focus on activity centres and desire for a **productive, sustainable and liveable** city. The draft South West Plan highlights the need for the prioritisation of activity centres, to locate jobs and services close to home.

Successful centres rely on shopping centres to provide an important retail and employment function, and also act as valuable community hubs and meeting places.

We understand that the Commission has moved to a new approach to centres classification, moving away from the strategy outlined in *A Plan for Growing Sydney*. The new approach utilises three levels of designated centres: strategic, district and local. We understand the variance between each type of centre, including the employment, retail and services functions and characteristics at each level.

It is important that lower order centres (i.e. 'local' and, potentially, 'district') are not limited in their capacity for further investment and growth opportunities by the Government.

We draw attention to *section 3.4.1 Plan for the growth of centres*, discussing the centre hierarchy of the Plans:

*"The differentiation does not intend to impact on the ability for either a strategic or district centre to attract retail or commercial activity (including office development) of any scale, subject to the normal local planning and development assessment process." (pg. 54)*

We note that local centres are not mentioned in this regards. We believe a similar principle should also apply to local centres.

Even as an 'unintended' consequence, the move to a 'flat' structure may impact development in local centres, with the Commission not giving a clear indication of any government investment or priority for these centres. Without a 'green light' which signals that investment is encouraged, including from the private sector, it is easy to see how investors may be discouraged from investing in these areas.

It should also be noted that throughout the greater Sydney region, there are several locations under the 'local' centre type, that could, arguably, be listed as a 'district' centre, as they meet what we understand to be the requirements for over 50,000 square metres of retail floor space, health and education facilities and diverse transport offerings (i.e. Wetherill Park, Merrylands, Ryde).

For example, Wetherill Park is in this category, with over 65,000 square metres of Gross Lettable Area Retail (GLAR), Braeside Hospital and a TAFE campus in the area as well as the Prairiewood T-Way station, it could be argued that it fits the criteria for a 'district' centre.

It would be beneficial for growing centres to be afforded the opportunity to be re-designated to a higher order centre, should they meet the requirements and demonstrate capacity for growth and investment.

## RECOMMENDATIONS: CENTRES HIERARCHY

1. The final Plan should expressly detail under *section 3.4.1 Plan for the growth of centres*:
  - a. that 'lower order' activity centres (i.e. 'local' or 'district') will not be limited in future growth and investment opportunities, and,
  - b. that growing activity centres will have the opportunity to be re-designated to a higher order centre (e.g. 'local' re-designated to 'district').

## INFRASTRUCTURE FUNDING

### **Value capture**

The SCCA has been actively engaged in the national debate about whether the concept of 'value capture' is a credible infrastructure funding source. We have a number of serious concerns with the concept, and have made these well-known to government officials, including with our recent submission to the Federal Government's Discussion Paper: *Using Value Capture to Help Deliver Major Land Transport Infrastructure: Roles for the Australian Government*.

With respect to the Commission and NSW Government, the idea is characterised by frighteningly simplistic assumptions that transport and other infrastructure almost inevitably delivers asset value uplift, and that it comes without risk.

'Benefit streams' such as reduced travel times, reduced congestion and lower fuel consumption, are not just 'unlocked' because the government wishes it to, just to recoup additional contributions from land owners or developers.

Statements like the following *at section 1.2.3 Infrastructure funding and delivery* of the Plan, showcase the Commission's naïve view on the concept, in particular, assuming that the market is willing to pay for the unrealised 'benefits', just for the sole purpose of the government offsetting its costs:

*"When new or upgraded infrastructure is provided in an area, many of these benefits are effectively monetised because local land values increase, reflecting the market's willingness to pay for these benefits. Value sharing enables the funder of the infrastructure — for example, the NSW Government or a local council — to participate in the market uplift and offset some of its costs." (pg. 17)*

The most fundamental issue regarding 'value sharing mechanisms', is that there is no credible method to properly isolate and quantify the contribution made by an infrastructure project, let alone a proposed future infrastructure project, to an asset's land value. This method is merely an outlet to, as quoted by the Commission above, 'offset some of its costs'.

Value is driven by many factors beyond the mere presence of a piece of infrastructure. For example, we can point to a number of shopping centres within the greater Sydney region which have struggled in recent years due to the factors such as the changing demographics of its catchment, which itself relates to factors such as household income, household ownership and savings rates.

### **Special Infrastructure Contributions**

The SCCA requests the Commission provide more detail about the Commission's Annual Infrastructure Priority List, as well as the update and review of Special Infrastructure Contributions (SICs) as outlined in *section 4.4.6 Facilitate integrated infrastructure planning*.

We are concerned about the consideration of broadening the use of Special Infrastructure Contribution's (SICs), including the possibility of these being introduced in existing centres (e.g. Macquarie Park and St Leonards in the North District).

All contributions for infrastructure should be tied to the demand generated for that infrastructure, and the final Plan should reflect this in any further commentary on the use of SICs.

## RECOMMENDATIONS: INFRASTRUCTURE FUNDING

2. **If not abandoned completely as a policy option, the final Plan in relation to *section 1.2.3 Infrastructure funding and delivery* should:**
  - a. **be amended to provide guaranteed industry consultation on the proposed use of 'value capture' as a funding method,**
  - b. **consider and detail other mechanisms for infrastructure funding other than the 'value capture' model.**
3. **The final Plan under *section 4.4.6 Facilitate Integrated infrastructure planning – managing growth* should provide further detail on the Commission's Annual Infrastructure Priority list and commit to specific industry consultation to expand the use of Special Infrastructure Contributions.**

**LAND USE**

**Competition**

Referencing the concept of ‘competition’ or ‘competitive markets’ when discussing retail and centres is a very ‘loaded’ concept and can (depending on the author) imply that ‘activity centre’ approaches to land use planning is ‘anti-competitive’.

Although we do not think this is the case with regard to the Commission, we will take the opportunity to reinforce that retail competition is at its highest when competitors have equal planning terms and conditions imposed.

We encourage the Commission to continue its support for activity centres, ensuring that good policy is not undermined by ‘special interests’.

Whilst facilitating competition is an important aspect of planning, it should not be the only determining factor. There are numerous things to take into account, including balancing the various public goods to be required by the planning system, including transport/infrastructure efficiency and productivity, environmental and heritage protection, resource protection, employment growth and minimisation of land use conflict.

The SCCA is an active participant in the national debate regarding competition policy and law, including involvement in every relevant review since 2007. We provided three submissions to the most recent Harper Competition Policy Review which was conducted throughout 2014-16.

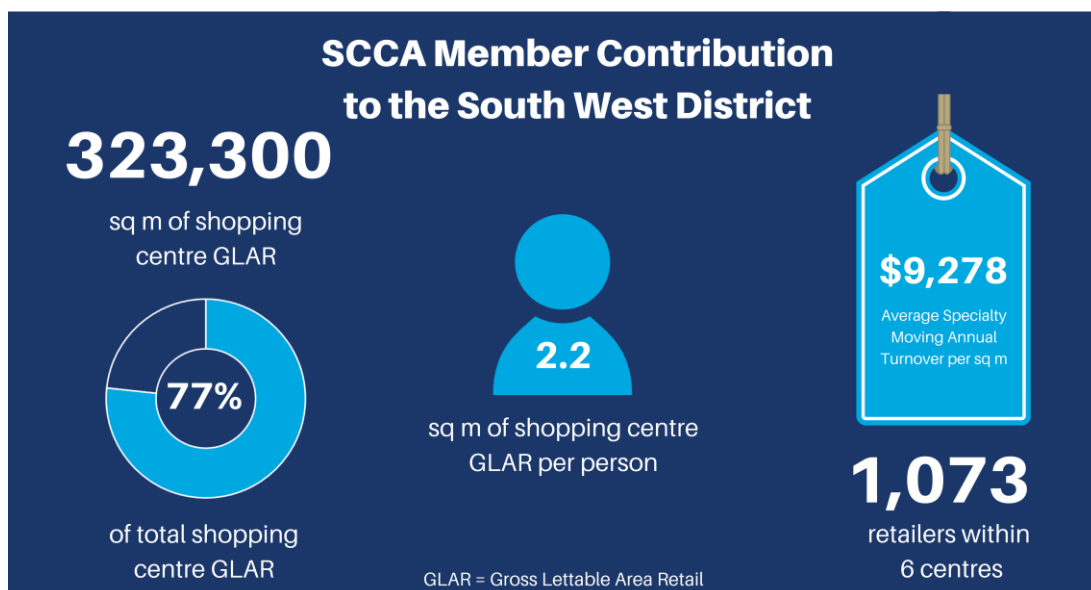
We support the findings of the Harper Review and believe that this should be the final word on competition in the planning system, particularly since the Federal Government accepted these recommendations, including the application of a ‘public interest test’.

**Retail floor space**

The SCCA supports the Commission’s encouragement of retail development and prioritisation of retail floor space in local planning decisions. We acknowledge the retail floor space targets set by the Commission. We are keen to ensure that this floorspace is delivered in the right locations (i.e. centres).

SCCA member owned assets account for 83% of shopping centre Gross Lettable Area Retail (GLAR) of the greater Sydney region (covering all 6 Districts), and 77% of shopping centre GLAR in the South West District. We have in-house research capabilities which allow us to provide governments and other stakeholders with a unique and detailed snapshot of the ‘functionality’ of centres, including with regard to prevailing demographics and local (and district) economies.

A snapshot of our members’ presence in the South West District is provided below:



Source: SCCA Research

### **Urban services land**

The SCCA acknowledges the Commission's proposed 'precautionary approach' to rezoning 'employment and urban services lands'.

We note that under *section 3.8.4 Protect and manage employment and urban services land – A pipeline of employment*, the Commission states:

*"Such rezonings have the potential to have longer term growth and productivity implications for Greater Sydney." (pg. 79)*

We commend the Commission for taking this approach and share their concerns on potential rezoning. We also support their commitment for further assessment and research on this topic.

We respectfully request that the SCCA be invited to be involved in the Commission's research and consultation on the role of the District's employment and urban services land. As discussed further below, we expect this will also have a relevance to the deliberations of the REAC.

### **Liverpool Collaboration Area**

We note the Commission's vision for a Collaboration area for the Liverpool strategic centre.

The SCCA has an interest in this centre, with SCCA member – Scentre Group, owning a major shopping centre in this area - Westfield Liverpool.

To the extent appropriate, we would be pleased to discuss with the Commission research or data that we may have available to assist inform their understanding of the current dynamics of the Liverpool strategic centres.

The SCCA also encourages the Commission to commit to industry consultation, including with relevant retail investors, on the future planning and infrastructure development in Liverpool.

### **Campbelltown-Macarthur strategic centre**

We welcome the Commission's support for the development and delivery for a CBD transformation plan for the Campbelltown-Macarthur strategic centre.

Retail plays a key role in this centre, with two major shopping centres in the area, being Macarthur Square (co-owned by SCCA members', Lend Lease and GPT group) and Campbelltown Mall (owned by SCCA member, Charter Hall). These two centres not only act as important retail and employment hubs, they serve as valuable community and place making spaces for the region.

The SCCA encourages the Commission to commit to industry consultation, including with relevant retail investors on the role and delivery of the CBD transformation plan.

## **RECOMMENDATIONS: LAND USE**

4. To guarantee that activity centre planning is not undermined by vague references to 'competition' in *Productivity Priority 2: Manage growth and change in strategic and district centres and, as relevant, local centres*, the Commission should:
  - a. ensure any use of the term 'competition' is contextualised with regard to the principles of competitive neutrality and the public interest test (as recommended by the Harper Competition Policy Review), and,
  - b. invite the SCCA to meet with the Greater Sydney Commission to discuss the role of 'competition' in centres in relation to the above principles.
5. Encourage the Commission to work with the SCCA's members to meet future demand for retail floor space in line with the Department of Planning and Environment's medium population growth scenario under *Productivity Priority 3: Prioritise the provision of retail floor space in centres*.
6. In relation to *Productivity Priority 4: Protect and support employment and urban services land* and *Action P22: Develop a better understanding of the value and operation of employment and urban services land*, we encourage the Commission to:
  - a. at the very least, affirm the 'precautionary principle' as a guiding principle with regard to the future use of *employment and urban services land*, and,
  - b. invite the SCCA to be involved in the Commission's research and consultation on the role of the District's employment and urban services land.

## DEVELOPMENT REQUIREMENTS

Our members are committed to working with government on producing vibrant centres through revitalisation of existing centres, or the development of appropriately identified new centres. As stated under the 'Infrastructure Funding' section, costs for development are already substantial, with the onus falling on the private sector to 'foot the bill' for some government preferred initiatives or conditions.

Our members often already contribute various public good through their developments, including improvements to public spaces, upgrades to roads and footpaths, and often public transport infrastructure. They also make consideration contributions via existing taxation and rating frameworks:

### TYPICAL LARGE SHOPPING CENTRE



(Source: SCCA Research, Flaticon.com)

### SNAPSHOT: VALUE ALREADY TAXED

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**Land value: \$44 MILLION**

Land tax: \$970,000

Council rates: \$2.7 million

Fire Services Levy: \$190,000



**Moving Annual Turnover (Retail Sales): \$465 million**

GST estimation: \$18 million

In this regard, the directions set and references under the draft Plan to, for example, possible 'public amenity' development requirements (e.g. meeting places, playgrounds, improved integration) should be appropriately contextualised with regard to demand generated and existing direct and indirect contributions made by shopping centre investors.

### Energy efficiency and environmental benchmarks

The SCCA has provided the Government with a comprehensive overview of our position on the *NSW Climate Change Policy Framework* in our response to the *Draft Plan to Save NSW Energy and Money* and refer the Commission to this in response to *Action S12: Embed the NSW Climate Change Policy framework into local planning decisions*.

In Table 3 on page 9 of the *Draft Plan to Save NSW Energy and Money*, one of the options on the 'pathway' to meet the energy savings targets is to "investigate the introduction of energy standards for retail tenancies". This area of investigation is reinforced on page 17 of the *Energy Efficient Business – Commercial Buildings Detailed Analysis*, with a specific heading (1.7.1) referencing this area of investigation.

As outlined in our submission to the Office of Environment and Heritage, a retail tenancy is not synonymous with a 'large tenanted building in the retail sector' or a 'large shopping mall'.

We have suggested that the Government is unaware of the lengths that it, and the sector, would need to go to, and considerable resources that would be required, to implement such recommendations.

In relation to a standardised approach to electric vehicle charging stations, any involvement for shopping centres should not be mandatory. Should this recommendation not be adopted, we would request the Commission commit to consultation with the SCCA and its members with regard to electric vehicle charging stations and their treatment with regard to, for example, the *Parking Space Levy Act 2009*.

## RECOMMENDATIONS: DEVELOPMENT REQUIREMENTS

7. Development requirements should be removed where they relate to public amenity (e.g. meeting places and playgrounds).
8. In relation to *Action S12: Embed the NSW Climate Change Policy framework into local planning decisions* and *Action S14: Support the development of environmental performance targets and benchmarks*, the Commission should:
  - a. refer to the SCCA's submission to the NSW Government's *Draft Plan to Save NSW Money and Energy*,
  - b. do not place any environment performance benchmarks on shopping centre landlords in the final Plan,
  - c. any standardised approach to electric vehicle charging stations should not enforce mandatory shopping centre involvement in the final Plan, and,

- d. should Recommendation 8c not be adopted, we would request that for any spaces utilised for mandatory electric vehicles parking stations on shopping centre property to be considered an 'exempt parking space' under an amendment to the *Parking Space Levy Act 2009*.

## RETAIL EXPERT ADVISORY COMMITTEE

The SCCA is still awaiting the outcome of the **Retail Expert Advisory Committee's** (REAC) deliberations with regard to the planning system and retail investment. It remains unclear what the relationship between the District Plans and the REAC deliberations is, or will be, and if REAC's identified retail 'drivers' will be implemented or inform the District Plans.

Neither the Greater Sydney Commission nor the Department of Planning and Environment have made clear what the relationship between the District Plans and the REAC deliberations are and/or will be. There is no reference to the REAC in the draft Plan.

In our view, the Greater Sydney Commission is a credible independent organisation, with knowledge and understanding of the role of retail in centres in the greater Sydney region. We would support the Commission being responsible to, ultimately - and in collaboration with stakeholders - set the direction in terms of retail in centres.

We understand that the REAC is currently driving a separate piece of work, but we believe it is timely to raise this issue now and detail our support for a future role of the Commission.

## RECOMMENDATIONS: RETAIL EXPERT ADVISORY COMMITTEE

9. In relation to the Retail Expert Advisory Committee, the Commission, in conjunction with the NSW Government, should:
- provide a date for the findings of the REAC to be released to the SCCA,
  - review the REAC's final recommendations and consider their utility and relevance to the District Planning process and decide whether, or not, the recommendations will be adopted in the final District Plans.

## CONCLUSION

Thank you for the opportunity to provide this submission.

The SCCA supports the Greater Sydney Commission's encouragement of investment and development in activity centres. In particular, we support the retail floor space provisions, as well as the 'precautionary' approach to rezoning urban services land.

We would be pleased to discuss our submission with the Commission at any time, and would be happy to provide any further analysis at the Commission's request.

## ABOUT US

The SCCA represents Australia's major shopping centre owners, managers and developers. Our members own and manage shopping centres from the very largest ('super-regional') centres to the smallest ('neighbourhood') centres in cities and towns in every state and territory.

Our members are AMP Capital Investors, Blackstone Group, Brookfield, Charter Hall Retail REIT, DEXUS Property Group, Eureka Funds Management, GPT Group, ISPT, Ipoh Management Services, Jen Retail Properties, JLL, Lancini Group, Lendlease Retail, McConaghy Group, McConaghy Properties, Mirvac, Perron Group, Precision Group, QIC, Savills, SCA Property Group, Scentre Group, Stockland and Vicinity Centres.

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