SHOPPING CENTRE
COUNCIL OF AUSTRALIA

Plan Melbourne: Metropolitan Planning Strategy

A submission by the

Shopping Centre Council of Australia

6 December 2013

Executive Summary

The Shopping Centre Council of Australia (SCCA) welcomes the opportunity to provide this submission on *Plan Melbourne: Metropolitan Planning Strategy*.

Our members own, manage and develop a range of shopping centres across the Melbourne metropolitan area. This submission focuses on two key strategic aspects of the Draft Plan:

1. The new <u>Structure Plan</u>, which re-defines the current Activity Centres framework, appears to downgrade some areas to less significant destinations. A number of 'Principal Activity Centres' are being re-defined as 'Activity Centres', including some locations which include the city's largest shopping centres.

   This re-definition could inhibit growth and investment opportunities for some areas even where strong market fundamentals and location characteristics (e.g. public transport) exist. With the positive establishment of the Metropolitan Planning Authority (MPA), our concern extends to the planning of such locations by local councils, which could be averse to growth and densification. Any limitation on further state government investment in such areas would also be a concern.

   This clarification that such centres will not be 'locked in' could be provided in the final Plan and/or the proposed incorporation of the new Structure Plan under the *State Planning Policy Framework*.

2. We have serious concerns that the proposed investigation of new <u>'value-capture' funding mechanisms</u> could result in a new property levy. Proposed design attributes, such as 'fairness and equity', give us little comfort given the Government's newest tax, the *Fire Services Property Levy*, has resulted in massive increases for shopping centres; despite the fact that the Government considers that tax to be 'fair and equitable'. The Government should, in any case, investigate alternative funding mechanisms such as the sale of surplus assets or broadening the land tax base to include residential property.

   The Department of Treasury and Finance's investigations should be amended to guarantee industry consultation. 'Value-capture' is theoretical and there needs to be an open and transparent approach including (unlike the London Crossrail Levy/Business Rate Supplement) a broad levy base.

Broadly, we congratulate the Government on the *Plan Melbourne* initiative. However, experience with various metropolitan strategies always highlights the need for effective oversight and implementation.

We strongly support the need for a Strategy to guide and manage Melbourne's growth to 2050. We broadly support the Plan's clear vision and direction for population growth, residential growth, economic and employment growth and infrastructure provision and productivity.

We welcome the Plan's acknowledgement of retail floorspace growth with a projected demand of an additional 5.5 million square metres of retail space to 2051

This includes related *Initiatives* to facilitate growth within Metropolitan Activity Centres and Activity Centres, and the commitment to remove retail floor space caps in Activity Centres. These largely reflect the Government's response in May this year to the recommendations of the *Reformed Zones Ministerial Advisory Committee Commercial and Industrial Zones Report* to remove certain caps by 31 December 2013.

We provided a submission on the *Melbourne Let's Talk About Our Future* paper earlier this year and are pleased to see some of our recommendations incorporated into the Plan. This includes the acknowledgement through the proposed Structure Plan (based on the 'polycentric city' approach) that productivity and employment benefits flow from development around major employment precincts, transport interchanges and centres of activity.

We would welcome the opportunity to discuss this submission with the Government to help achieve the *Plan Melbourne* objectives.

1. Structure Plan/City Structure

We welcome the proposed new Structure Plan (or City Structure), which re-defines the previous Activity Centres framework under *Melbourne 2030*. We support the primacy of the Melbourne CBD as part of the new Structure Plan. Broadly, the Structure Plan has attempted to better define areas based on their strategic significance, core purpose and proposed land-uses (e.g. CBD, Transport Gateways, Health and Education Precincts). The Plan also identifies National Employment Clusters, some of which are co-located with Activity Centres.

We support the intention to include the new Structure Plan in the *State Planning Policy Framework* and that boundaries will be identified (by DTPLI) for certain locations such as Dandenong South (as a National Employment Cluster) and (as Metropolitan Activity Centres) Dandenong, Fountain Gate, Ringwood, Sunshine and Broadmeadows.

Our individual members may make submissions in relation to specific locations.

We have a number of concerns, however, where the re-definition could downgrade certain locations which could have a subsequent adverse impact on growth and investment opportunities. This is the case for some Principal Activity Centres and Major Activity Centres (current) being re-defined as Activity Centres (proposed).

As an example, some existing <u>Central Activities Districts (CADs)</u> (e.g. Box Hill, Dandenong, Ringwood) have been maintained in the higher order <u>Metropolitan Activity Centres (MACs)</u> designation, and some former <u>Principal Activity Centres (PACs)</u> have also been elevated into this category (e.g. Epping, Narre Warren/Fountain Gate, Sunshine). These 'higher-order' areas will benefit from state government investment as well as planning activities undertaken by the MPA.

However we are concerned that other PACs have been downgraded to the new category of <u>Activity Centres (ACs)</u> (e.g. Airport West, Chadstone, Cheltenham / Southland, Doncaster Hill, Glen Waverley, Greensborough, Maribyrnong/Highpoint, Moonee Ponds, Preston / Northland, Wantirna South / Knox Central). Some of these areas are home to some of Melbourne's largest shopping centres and have access to significant urban infrastructure.

While the re-definition may not be harmful at face value, it appears that the rationale for such locations has been changed significantly from "large centres with a mix of activities well serviced by public transport" to being smaller, less strategically significant locations. Where such areas service a growing population within the catchment or trade area, we are keen to ensure their new designation does not result in an artificial limit on growth and investment. This is particularly the case given 'out-of-centre' locations that can deliver retail development, enabled through the recent commercial zone reforms, do not appear to have similar constraints.

Currently, PACs are defined as having strategic characteristics such as "a very large catchment covering several suburbs" whereas the proposed ACs definition suggests a focus at a more "local" economy and service level.

The lower-order designation of these areas could also indicate a lower commitment to state government investment particularly in those areas not serviced by transport and public transport infrastructure. We are also concerned that these areas will be the subject of local council planning activities (*Initiative 1.5.3*) where councils do not support increased growth and densification.

We acknowledge a number of positive initiatives including that proposal that DTPLI will work with councils to review planning controls and "streamline them where possible". We also acknowledge that some ACs are aligned with other strategic locations (e.g. the emerging La Trobe National Employment Cluster – identified at *Initiative 1.5.4*); others are not.

We also acknowledge and support related actions (e.g. *Initiative 1.2.3*) whereby retail floor space caps will be removed in the short-term.

We support *Initiative 1.5.2 – Support Development of Metropolitan Activity Centres* and *Initiative 1.5.3 – Support Planning of Activity Centres,* and we welcome that the MPA will work with local councils in the medium-term to update planning provisions to ensure MACs are "investment ready". We also note that Neighbourhood Centres will be separately designated (*Initiative 4.1.1*) including through an update to the *State Planning Policy Framework*.

Recommendations

- *The final Plan should be amended and/or the State Planning Policy Framework (SPPF) should expressly provide:*
    - *that lower order Activity Centres will not be 'locked in' or limited by future growth and investment opportunities,*
    - *that growing Activity Centres will have the opportunity to be re-designated to a higher-order location (e.g. Metropolitan Activity Centre).*
- *Initiative 1.2.3 should be amended to provide that retail floor-space caps will be removed in line with the Government's response to the Underwood Committee report on commercial zoning reform, and not be limited to Precinct Structure Plans.*

2. Infrastructure funding: value capture

While we welcome the proposed new development contributions framework, which has a focus on cost savings, we have major concerns with the proposal to investigate value capture funding mechanisms (*Initiative 7.4.2 – Use Value Capture to Change The Way City-Shaping Infrastructure Is Funded*). This includes the Department of Treasury and Finance's (DTF) investigations "to determine opportunities and implementation issues of different value-capture mechanism".

We have five broad comments on this proposal.

1. Other taxation options

First and foremost, we are concerned that this funding mechanism has been proposed in the absence of considering other funding and taxation approaches and options, including investigating broadening existing tax bases such as land tax. The Government should commit to investigating other tax approaches, such as broadening land tax, as a funding mechanism. If not, the Government should provide an explanation as to why other approaches are not being considered.

2. Existing revenue from 'value uplift' and shopping centres

The DTF's investigations should acknowledge that the Government already benefits from private investment through the taxation system and there is already a 'sharing', so to speak, in value uplift where it occurs. The Government (and local councils) already have various income streams from land and property value, including through the Capital Improved Value (CIV) basis of valuation issued by the *Valuer-General Victoria*, which is used for council rates and the recently commenced Fire Services Property Levy (FSPL). In the case of shopping centres, these help generate significant retail sales which, in turn, translate to significant GST revenue for the state.

3. Value capture attributes

While we agree with the statements at *Initiative 7.4.3* that "effective value capture mechanisms" need certain attributes such as being "fair and equitable", we are cautious given the Government's recent FSPL which has imposed massive cost increases on some commercial properties but this has been promoted by the Government as 'fair and equitable'.

4. London Crossrail Levy/Business Rates Supplement: a narrow levy base

We would have concerns if the London Crossrail Levy (LCL) is used as a benchmark particularly given it is not a broad based levy. It only applies to non-residential properties and only properties with an annual rental value (as issued by the Valuation Office Agency) of £55,000 which excludes a vast range of properties. As a result, "less than 1 in 5 properties" pay the levy.

The official literature on the LCL suggests that the levy, which commenced in April 2010 and runs until 2037-38, will contribute around $4.1 billion pounds towards the $15.9 billion project. When applying this proportion to the 'city shaping' infrastructure referenced in the strategy, which includes the $6-$8 billion East-West Link, $9-$11 billion Melbourne Metro and the Port of Hastings, the potential levied amount could be a significant impost on commercial property.

5. Industry consultation / value uplift assumptions

It is critical that the DTF's investigations include a guarantee of industry consultation and an open and transparent approach.

Given value capture is theoretical, we are also cautious about the assumptions that could be applied by the government. This includes areas where government believes that additional value can be, or is, created through infrastructure investment. This includes a related assumption that such value can be created without any market or even regulatory risk.

As an example, there could be an assumption that an item of transport infrastructure could increase foot traffic within a shopping centre and therefore translate to additional value to the centre through sales and rent. The ultimate test of such an assumption, however, is whether foot traffic actually increases; whether that traffic translates into increased sales (and rent); and the extent to which the increase came from the infrastructure. The question then has to be asked whether the Government would provide compensation if the foot traffic increase is not realised.

We make a similar point in relation to general valuation. We would be concerned if the general or mass valuation assessment of residential property was applied to commercial property. Commercial property, including shopping centres, has a significantly different set of value factors and drivers than residential property. It is for this reason, for instance, why the *Valuer-General Victoria* treats shopping centres separately to residential properties for rating and taxation purposes, including through a *Specialist Property Guideline for Shopping Centres*.

Recommendations

- *The final Plan should be amended to provide guaranteed industry consultation on the proposed investigation of value capture funding mechanisms.*
- *The Government should provide a commitment to an open and transparent approach on the proposed investigation of value capture funding mechanisms.*
- *The Government should investigate other funding mechanisms including asset sales and broadening existing taxes, including the land tax base.*
- *The Government should acknowledge that it already benefits from private investment through the taxation system and there is already a sharing in value uplift, where it occurs.*

Shopping Centre Council of Australia

The Shopping Centre Council of Australia represents Australia's major owners, managers and developers of shopping centres. Our members are major owners, managers and developers of retail property across metropolitan, regional and rural Victoria, covering almost 90 shopping centres, comprising almost 2.9 million square metres of retail space and 9,000 retailers.

Our members are AMP Capital Investors, Brookfield Office Properties, Charter Hall Retail REIT, Colonial First State Global Asset Management, DEXUS Property Group, Eureka Funds Management, Federation Centres, GPT Group, ISPT, Ipoh Management Services, Jen Retail Properties, Jones Lang LaSalle, Lend Lease Retail, McConaghy Group, McConaghy Properties, Mirvac, Perron Group, Precision Group, QIC, Savills, Stockland, Westfield Group and Westfield Retail Trust.

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