

27 February 2009

Retail Policy Review
Department of Planning and Community Development
GPO BOX 2390
MELBOURNE VIC 3001

By Email: retailpolicy.review@dpcd.vic.gov.au

Dear Sir/Madam,

Submission to Retail Policy Review Discussion Paper – Urbis Pty Ltd

Urbis welcomes the opportunity make a submission to the Retail Policy Review Discussion Paper (October 2008), given the importance of retail development to vibrant and healthy urban communities.

Urbis has a unique knowledge, experience and understanding of the retail sector and activity centres through our work with commercial property owners, developers, retailers, and government agencies. With a number of disciplines including urban planning, retail economics, market and consumer research, urban design, and social planning, Urbis is well positioned to provide the Government with constructive feedback in relation to the Retail Policy Review Discussion Paper.

Below is a summary of key issues arising from our review of the Discussion Paper. These issues are discussed in further detail in our submission. We would be happy to expand on any of these further given the wide range of factors involved and the questions we raise in our submission.

Executive Summary

The Discussion Paper identifies numerous issues in relation to consistent and timely investment decisions regarding retail development in metropolitan Melbourne. Urbis' position includes:

- 1) Urbis supports the continuation of a policy approach based on an Activity Centre Policy framework. Melbourne has benefited from a sound policy framework that has guided informed investment decisions. Over time, the combination of a robust policy framework and investment has established the existing retail hierarchy.
- 2) Urbis believes that the proposal for improved retail monitoring has merit if used to inform strategic planning and to identify gaps in the health and vitality of the retail system.
- 3) Regional Retail Assessments should not be used as a top down policy approach to determine the distribution and location of retail floor space growth, particularly at a regional level.
- 4) Further details are required to reach an informed position on the merits of the Regional Retail Assessments proposed. These include:
 - o The differing and overlapping nature of activity centre and retail catchments, and how these would be handled;

- The responsibility for funding and implementing the initial and subsequent 5 yearly reviews of retail floorspace in the regions;
 - Interim arrangements for the assessment of major retail proposals;
 - The market's ability to deliver on desired regional retail objectives; and
 - More detail on what is proposed in relation to the allocation of retail floorspace and how it is proposed to be implemented.
- 5) Urbis supports the proposed removal of retail floorspace caps, subject to the clarification of policy implementation.
 - 6) Retail Policy must allow for the continued evolution of retailing opportunities and innovation in retailing. Innovation is driven by the market, not by policy.
 - 7) Retail policy should recognise the difference between retail hierarchy and Activity Centre Hierarchy. Clarification is required in regards to the role of the six new Central Activity Districts in relation to the retail network /hierarchy, and the Activity Centre Hierarchy.

Further discussion regarding each of these positions is provided below

Urbis key issues and responses

- 1) ***Urbis supports the continuation of a policy approach based on an Activity Centre Policy framework. Melbourne has benefited from a sound policy framework that has guided informed investment decisions. Over time, the combination of a robust policy framework and investment has established the existing retail hierarchy.***

This is the first Review of Retail policy in Victoria since 1996. There has been no dedicated retail policy since this time, with retail considerations largely dealt with through Activity Centre policy at a State level. At a local level, individual Council's have developed their own Municipal Strategic Statements (MSS) and local policies. These differ from Council to Council, and in some instances, differ from the retailing policies and objectives of the State.

It should be acknowledged that one of the strengths of existing framework policy has been its relative stability. Sudden changes in retail policy have not traditionally occurred which has provided the market with a reasonable degree of certainty and confidence and provided a strong platform for investment decisions to be made. In this regard, retail policy should recognise existing investment decisions which have been made based on existing retail policy. This can be achieved through working with the market and leveraging off the strengths of successful retail centres.

It should also be recognised that the combination of a robust policy framework and market investment has led to the establishment of a hierarchy of retail centres in relation to the role they perform. The Discussion Paper does not refer to a specific retail hierarchy, however policy should recognise that the retail hierarchy differs to the Activity Centre hierarchy. In this regard, it is evident that some Principal Activity Centres for example play a broader retail role than others. Retail policy should acknowledge existing retail investment, and how to leverage off such investment within Activity Centres, where this will deliver the best outcome for the community (net community benefit).

- 2) ***Urbis believes that the proposal for improved retail monitoring has merit, if used to inform strategic planning and to identify gaps in the health and vitality of the retail system.***

Urbis supports the proposal for improved retail monitoring. There is currently little available data on the health of activity centres and retail areas. Regional monitoring would enable better understanding of the impact of policy on centre vitality and viability, and inform strategic planning for the further development of retail and activity centre policy. Following an examination of the health of centres, it would be appropriate to review retail networks and hierarchies.

- 3) ***Regional Retail Assessments should not be used as a top down policy approach to determine the distribution and location of retail floor space growth, particularly at a regional level.***

Whilst we believe that there is merit in improved monitoring to provide information on retail health and vitality, we would be very concerned with a Regional Retail Assessment model that includes the determination and allocation of new retail floorspace, particularly for regional facilities. In our view, this approach will be counter productive to retailing objectives.

Ultimately, the goal for Retail Policy should be to facilitate retail opportunities which best serve community. A utilitarian approach, particularly at the higher order, regional retail level may pose potential constraints on innovation, diversity and growth. We encourage the Government to work closely with the retail industry with regards to any floorspace allocations. If the market is to deliver retail development in appropriate locations to meet consumer needs of a growing population, then allocations must be commercially viability propositions and align with retail owners' plans for growth.

In our view, a retail hierarchy within the network of activity centres should be recognised and acknowledged within Planning policy. The retail hierarchy will differ from the Activity Centre hierarchy, particularly at the higher order regional retail level. When considering regional retail facilities it is critically important to consider the extent of catchment that such facilities will be providing for. These often transcend municipal boundaries. It is therefore critical to consider what is required to meet the needs of specific retailers and what would best facilitate the evolution of and innovation within the retail sector.

- 4) ***Further details are required to make an informed assessment of the merits of the implementation measures relating to the Regional Retail Assessments. Further clarity is also required to understand and make an assessment of the relationship between proposed Regional Retail Assessments and Structure Plans.***

The supporting documentation of the Essential Economics report estimates that 1,764,540 square metres of retail floor area is supportable to meet the needs of Melbourne to 2020. Further the report estimates that around 61% of this floor area is to be accommodated within established urban areas. This estimate is likely to be conservative given revised population estimates. We note that the Retail Policy Review suggests a Regional Retail Assessment model similar to that used for the preparation of Regional Housing Statements. If Regional Retail Assessments are to be successful, State Government must find a mechanism by which targets take account of regional circumstances, can be agreed with key stakeholders, and can be specified within Planning Schemes.

In many cases, retail catchments overlap. Regions which are to be defined for the purpose of preparing Regional Retail Assessments should therefore not be confined to municipal boundaries or over small groups of municipalities. This assessment must start at a metropolitan level.

It should also be acknowledged that there are different types of challenges to managing growth in the established metropolitan area compared with Growth Areas.

Further details are required to reach make an informed position on the merits of the Regional Retail Assessments proposed. These include:

- The differing and overlapping nature of activity centre and retail catchments and how these would be handled;
- The responsibility for funding and implementing the initial and subsequent 5 yearly reviews of retail floorspace in the regions;
- Interim arrangements for the assessment of major retail proposals;
- The market's ability to deliver on desired regional retail objectives; and
- More detail on what is proposed in relation to the allocation of retail floorspace and how it is proposed to be implemented.

5) *Urbis supports the proposed removal of Retail floorspace caps, subject to the clarification of policy implementation.*

We note that adjustments to the Business 1 Zone are proposed to allow better delivery of policy outcomes. We recommend that that Government also consider:

- a) Providing clarity regarding the situations where it considers it appropriate to *retain* retail floorspace caps, as it will be important to understand when floorspace caps would apply so as to allow for informed commercial investment decisions.
- b) Extending the limitation of the use of floorspace caps to also include other zone and overlay controls, including the Comprehensive Development Zones and Priority Development Zones in Principal and Major Activity Centres within established urban areas in Melbourne. There is further potential to remove retail caps set out in Development Plan Overlays and Incorporated Plan Overlays.
- c) Ensuring that structure plans do not contain retail floorspace caps.

6) *Retail Policy must allow for the continued evolution of retailing opportunities and innovation in retailing. Innovation is driven by the market, not by policy.*

It is critical that Retail Policy provides scope to allow for innovation and long-term opportunities for retail growth and change. Care should be taken to ensure that the planning policy framework does not inadvertently stifle innovation in retailing. Where restrictions are applied, these should only be implemented in consultation with the market with a full understanding of impacts on retailing health, vitality and evolution, and should be regularly reviewed to ensure market competitiveness.

7) *Retail policy should recognise the difference between retail hierarchy and Activity Centre Hierarchy. Clarification is required in regards to the role of the six new Central Activity Districts in relation to the retail network /hierarchy, and the Activity Centre Hierarchy.*

Retail policy should recognise the difference between the retail hierarchy and Activity Centre Hierarchy. It is not appropriate for example, for the six new CADs to have primacy from a retail perspective and be the target for a greater focus for retail growth than other Principal Activity Centres. This does not reflect the current and likely future investment, or how consumers access and use these centres, particularly at a metropolitan level.

The Retail Policy Review should recognise that there will be circumstances where:

- It is not practical for the retail market to deliver outcomes in CAD locations.
- The community may be better served by providing retailing opportunities elsewhere in the Activity Centre network.

Ultimately, the retail policy should seek to deliver retailing outcomes which provide a net community benefit. The Retail Review proposes that Municipal Strategic Statements (MSS) should identify centres for growth and demonstrate how projected retail demand will be accommodated. In this regard, retail owners and developers should be closely involved in this process to ensure that there is an understanding of commercial considerations and that outcomes sought are achievable from a market perspective.

We would be happy to provide further input or expand on any issue and request that we be kept informed of the progress of this review.

Yours Sincerely,



Brendan Rogers

Director – Planning & Design



Simon Rumbold

Director – Property Economics