

30 June 2021

Director Employment Zones
NSW Department of Planning, Industry and Environment
Locked Bag 5022
Parramatta
NSW 2124

Attention: Aoife Wynter

Dear Ms Wynter,

RE: Submission on Employment Zone Reforms

Aventus Group would like to thank the Department of Planning, Industry and Environment (the Department) for this opportunity to make a submission on the proposed Employment Zone reforms. Aventus Group is Australia's largest fully-integrated owner, manager and developer of large format retail centres (commonly known as 'homemaker centres') in Australia with a portfolio of 19 centres valued at \$2.2 billion. The Employment Zones Reform and proposed changes to employment zones throughout the State will have a significant influence on how we create new jobs within Greater Sydney and NSW. For this reason, we have prepared this submission and would welcome the opportunity for any further targeted stakeholder engagement in the future. The Aventus Group portfolio spans 536,000m² in gross leasable area and features a diverse tenant base of 589 quality tenancies, with 10 centres located in NSW including the Belrose Super Centre, Hills Super Centre, Caringbah Super Centre and Marsden Park Home which include some of Australia's largest retailers including JB Hi Fi, Officeworks, The Good Guys and Harvey Norman. Aventus Group specialises in large format retail premises and a significant proportion of our leased tenancies in NSW currently operate under the land use definition of "Specialised Retail Premises". Aventus Group is proud to support the large format retail industry sector that operates in NSW which generates \$30.5 Billion dollars in large format retail sales in past year which directly employed 60,196 people in NSW¹.

In February 2015, the Large Format Retail Association (LFRA) released the evidence-based report entitled "Investment + Competition = Jobs". This outlined many of the challenges facing the large format retail sector in NSW and highlighted that the sector principally suffers from:

¹ Large Format Retail Association – Submission – NSW Building Business Back Better – 9 May 2021

- A lack of clarity in determining whether its retailers ‘fit’ within the current available land use definitions; and
- A lack of sufficient appropriately zoned, sized and configured land to support new development.

Aventus Group notes the definitional changes made by the NSW Government in 2018 to the definition of “Specialised Retail Premises” was of assistance in determining what could be sold by large format retailers in NSW.

Fewer and Broader zones

One of the major reforms proposed by the Department involves the creation of fewer but broader employment zones. Specifically, we support the creation of a singular edge/out of centre zone to be known as the E3 Productivity Support zone, particularly noting that Specialised Retail Premises will be a mandated permissible use in this new E3 zone. These reforms will result in an increase of the areas of land in which Specialised Retail Premises will be made a permissible use, with the E3 zone proposed to replace existing B5 Business Development, B6 Enterprise Corridor, some B7 Business Parks and some IN2 zoned land.

Such reform is particularly welcome as historically, the lack of suitably zoned and viable land for Specialised Retail Premises has been of concern to both Aventus Group and other large format retailers. We welcome zoning reform which seeks to increase the amount the land on which large format retail uses can be carried out on as we support the growth of homeowners in NSW.

We understand that local Councils will work with the Department to translate their existing zones into the new employment zones. Whilst we understand that the Department will offer guidance in this translation of zones, it is imperative that the Department ensures that there is real and substantial growth in the amount of E3 zoned land available within local government areas that are currently under supplied with appropriately zoned B5 Business Development land.

For Aventus Group, the creation of fewer and broader employment zones will only be judged as a success if there is a meaningful and significant increase in the amount of appropriate and viable land that is zoned appropriate for large format retail centres.

We are also concerned that some Councils may seek to thwart or undermine any increase in zoned land for Specialised Retail Premises by imposing floor space restrictions for Specialised Retail similar to those contained in Clause 7.23 of the Liverpool Local Environmental Plan 2008. The Department needs to be vigilant to ensure that this does

not occur for the benefits of Employment Zone reform to be fully realised. Therefore, whilst this reform is welcome, its implementation at both State and local level needs to translate to sufficient land and subsequent floorspace for the Large Format Retail sector to develop and grow into the 21st Century.

Definition of Home Improvement Retail Premise

Through these reforms, the Department is also seeking feedback on the creation of a new land use definition entitled “Home Improvement Retail Premises”. Whilst the Department has not set out a draft of this definition in its position paper, it suggested that the new definition will be composite of the following existing definitions:

***hardware and building supplies** means a building or place the principal purpose of which is the sale or hire of goods or materials, such as household fixtures, timber, tools, paint, wallpaper, plumbing supplies and the like, that are used in the construction and maintenance of buildings and adjacent outdoor areas*

***garden centre** means a building or place the principal purpose of which is the retail sale of plants and landscaping and gardening supplies and equipment. It may include a restaurant or cafe and the sale of any of the following—*

- (a) outdoor furniture and furnishings, barbecues, shading and awnings, pools, spas and associated supplies, and items associated with the construction and maintenance of outdoor areas,*
- (b) pets and pet supplies,*
- (c) fresh produce.*

In our opinion, the combining of these two existing definitions together to create a new definition of “Home Improvement Retail Premises” will do little to advance growth in large format retailing. Specifically, the new definition may confuse the public and retailers in their understanding of what Home Improvement Retailing involves.

As previously noted above, Aventus Group supports a wide range of retailers with a highly diverse range of product and services. For example, retailers such as JB Hi Fi, Harvey Norman, The Good Guys, Officeworks, The Accent Group and Spotlight are significant anchor tenants within our centres which do not strictly fit neatly under the proposed definition of ‘Home Improvement Retail’. These aforementioned retailers, and many others contained in our centres, are legitimately understood by the public as being for the purpose of Lifestyle and ‘home improvement’. Currently as proposed by these reforms, these retailers cannot be characterised as ‘Home Improvement Retail’.

This suggests that there is a potential disconnect between what the common understanding of what Home Improvements are, what products are sold as such and the narrow manner in which the Department is suggesting that the definition be drafted.

As such, we do not see any benefit in the creation of a new definition of “Home Improvement Retail Premises” as it appears to be combining two definitions together to form a land use that is already appropriately defined by two separate definitions. The Department is encouraged to revisit and consider more broadly about a definition of “Home Improvement Retail Premises” that would better encompass the type of goods that are commonly thought of and sold to the public as home improvement retail.

Supporting a variety of business uses within Large Format Retail Centres

Large Format Retail Centres have seen a 13% increase in sales for FY 2020-21. Alongside this, there is also a broader trend resulting in the increasing take-up of floorspace within established homemaker centres by uses other than traditional Large Format Retail uses. These include:

- Allied medical/ health and wellness (dental, radiology, blood donation centres);
- Automotive sales and servicing (sales, servicing, tyres, car washes);
- Business premises (financial services, government agencies, training services);
- Entertainment and recreation centres (play centres, bowling, climbing, gymnasiums); and
- Lifestyle centres (artisanal foods, food halls, small supermarkets, fresh produce markets).
- Complementary and experiential retail (Lifestyle brands, convenience retail, clearance stores)

Independent research commissioned by the LFRA indicated that over the last five (5) years Queensland, WA and Victoria have been the leaders in permitting non-Large Format Retail uses within homemaker centres whereas NSW has been the worst performer. This trend is considered to be directly linked to the responsiveness of the States respective planning and land use zoning regulations. If potential growth may be impacted by the planning system, this trend may prompt Aventus Group to reconsider future investment within NSW.

In the example of Victoria, their commercial zoning evolution and reform over the last 20 years and the fact that their *‘Restricted Retail Premises’* definition has continuously evolved over time means that their zoning matrix has been able to support new entrants and business formats within the Large Format Retail sector.

We envisage that this has not come about in NSW due to concerns that these non-traditional and periphery uses to the large format retail centre results in an increase of 'out-of-centre' growth of these businesses. However, the September 2020 Australian Government Productivity Commission paper *'Victoria's Commercial Land Use Zoning – Productivity Reform Case Study'*, has found that this is not the case. This study specifically looked at whether perceived adverse impacts of an increase in out-of-centre-growth arising from the Victoria zone reforms has occurred, and it was found that such impacts did not result. The study concludes that *"overall, it is difficult to find clear evidence that out-of-centre developments have had adverse impacts that warrant regulatory restriction"*. This evidence therefore indicates that the broadening of uses within the new E3 Productivity Support Zone to include uses that are not traditionally permitted in Large Format Retail centres, (as noted above) is unlikely to give rise to significant adverse impacts which conflict with current strategic planning objectives.

Conclusion

Aventus Group is encouraged that the Department is proposing the creation of fewer and broader employment zones and in particular mandating that Specialised Retail Premises will be a permissible use in a large singular edge/out of centre employment zone. The success of these new zones will not be in their creation, in and of itself, but in their implementation by Councils and the Department. Given the size of the Large Format Retail sector and its contribution to the NSW economy, the Department should ensure that there is a significant increase in viable land that is zoned for Specialised Retail Premises before the SEPPs are exhibited in early 2022. We also support a wider variety of business uses being permissible for Large Format centres in E3 Productivity Support zones where they are complementary. This can only serve to support NSW consumers and the NSW retail economy as it recovers from the disruption caused by COVID-19.

We thank you for the opportunity to make this submission and look forward to ongoing engagement with the NSW Government to ensure the growth of this sector continues to the benefit of NSW business and its consumers.

Yours sincerely,



Jason James
Head of Leasing and Development