Retail Policy Review
Discussion Paper

October 2008

Department of Planning
and Community Development

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Authorised by Justin Madden, 8 Nicholson Street, East Melbourne.

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Victoria
The Place To Be
Department of Planning
and Community Development

MINISTER'S MESSAGE

Victoria's retail sector is critical to the State's economy and contributed more than $57 billion to our economy last year alone. The retail sector represents 12 per cent of all jobs in the State and is second only to manufacturing.

How we plan our retail developments plays a significant role in the success of the sector and particularly how it responds to current and future challenges. Over the last decade, Victoria has faced significant challenges. Our population is growing and aging, our households are getting smaller and more numerous, we are facing a climate changed future and increasing demand on our transport systems. All of these factors impact on the way we live, work and shop. That's why the Brumby Government has carried out this review of our retail planning policy – the first review of its kind in more than 12 years – to make sure our planning system supports the retail sector as it grows and changes.

Like our planning system overall, planning for our retail sector needs to be responsive not only to these present challenges, but to the challenges of the future. By doing so, it will yield not only the best results for the sector, but for the broader community. With Victoria's growth and change comes the need for more retail floor space – 40 per cent more than we currently have. This means we not only need more retail developments, we also need to be smarter about where these developments go.

In May this year, the Brumby Government released its response to the Audit of Melbourne 2030. One of the critical issues we have identified and are acting on is the need to improve planning and development approvals processes in and around our activity centres and strategic redevelopment sites. This is also an issue that has been highlighted by our retail policy review. And it's not surprising given this review, like Melbourne 2030, is part of the Brumby Government's broader commitment to reforming our planning system so it remains responsive to current and future challenges.

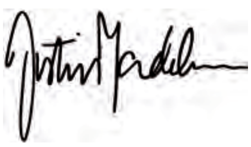
Our review has been guided by a set of principles that support the Brumby Government's commitments towards building Victoria's sustainability, liveability and prosperity. These principles are that retail policies need to:

- Be consistent with our commitment to streamlined and better development in activity centres;
- Allow for and support the growth and change of the retail sector;
- Be fair and not limit competition or favour one form of retailing over another, unless there is a compelling case to do so; and
- Make sure the design of retail developments is in keeping with the communities in which they are situated and contribute to a sense of place within those communities.

This review is the result of more than a year's work consulting with the industry and key stakeholders exploring critical issues facing the sector and the planning system overall.

I would like to thank the Reference Group and other stakeholders who have played a pivotal role in the development of this review.

I invite you to let us know what you think about our approach and the issues raised in this discussion paper. By working together, we can maintain a strong, adaptable retail sector for the benefit of all Victorians.



JUSTIN MADDEN MLC
MINISTER FOR PLANNING

The Department of Planning and Community Development
is seeking comment and feedback on the proposed
approaches and responses outlined in this Discussion Paper.

Refer to Part 5 – Next Steps for how you can make a submission.

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EXECUTIVE SUMMARY

The Victorian Government is committed to planning sustainable communities that offer a range of housing and employment opportunities supported by appropriate services, facilities and infrastructure.

Melbourne and Victoria are now experiencing the highest growth ever in the State's history. This growth presents significant challenges for how we plan, not just for our existing communities, but our future ones as well. How we plan for our communities into the future becomes even more challenging in the context of climate change, increasing petrol prices, a tightening of the financial sector and a need to provide significant supporting infrastructure.

The recent Australian Competition and Consumer Commission's inquiry into the grocery sector, and the Productivity Commission's inquiry earlier this year into the market for retail tenancy leases in Australia have highlighted issues of competition in the retail sector.

While both of these inquiries acknowledge that the availability of land for retail development in a particular location is influenced by the planning system – as it controls any other commercial or non-commercial land uses – they also highlighted there are many other factors influencing the competitiveness of the sector. The proposed responses outlined in this Discussion Paper around monitoring of retail development and better strategic planning for retail – both regionally and locally – should assist in identifying and supporting opportunities across the sector and help increase competition in the market.

This review (the Review) has identified there will be significant demand for additional retail floorspace across both metropolitan Melbourne and regional Victoria over the next 25 years. Overall, it is estimated that growth of approximately 40 per cent on current retail floor space will be required. For metropolitan Melbourne this demand for additional floorspace is equivalent to providing around 10 more Chadstone Shopping Centres. A large proportion of this growth will need to be located in existing suburbs and demand for around one fifth of this is likely to be for bulky goods type retailing.

The report of the Melbourne 2030 Audit Expert Group and the Victorian Government Response outlined in *Planning for all of Melbourne* highlights a number of challenges in relation to planning for our cities. Actions such as the development of a new Activity Centre Zone and the establishment of Development Assessment Committees will assist in planning for a number of key activity centres. However, other initiatives will still need to be explored to address concerns identified in this Review and in planning for our communities more broadly.

The Review has been guided by four key principles:

- **Principle 1** – Retail planning policy and controls should be consistent with and support activity centre policy and provide clarity and certainty on the appropriate location of retail facilities.
- **Principle 2** – Planning policies and controls should allow capacity for growth and change in retailing.
- **Principle 3** – Planning policies and controls should not limit retail competition or innovation, or distinguish between or favour particular forms of retailing unless there is a clear public policy case for doing so.
- **Principle 4** – Planning policies and controls should ensure retail development proposals pay particular attention to the public realm (both public and private spaces) and contribute to a sense of place and the role of the activity centre as a focus for the community.

Six key issues and challenges have been identified by the Review. In summary, they are:

- **Managing growth and the network of centres** – We need improved information to prioritise regional and local planning to manage and accommodate growth in retail floorspace likely to be required across the network.
- **Facilitating appropriate development in appropriate locations** – We need planning tools that are better aligned to achieving policy outcomes and support development when it is in appropriate locations.

- **Managing restricted retail premises** – We need to move toward a system that does not distinguish between or favour particular forms of retailing.
- **Managing retailing in industrial areas** – We need to ensure that retailing in industrial areas does not occur unless there is a sound strategic basis.
- **Managing new centres and major retail proposals** – We need to provide greater clarity about how or when we would consider retail in a new centre location and support development within the existing network of centres.
- **Improving design outcomes** – We need to ensure the design of new retail facilities and centres is well integrated and contributes to and enhances the public realm.

Local and international research has demonstrated the policy and regulatory framework operating within Victoria is reasonably robust and consistent with approaches taken in other jurisdictions. There is no need for any wholesale policy changes. However, there is an opportunity to refine the policy framework and provide greater clarity and certainty for retail development.

What has been highlighted throughout the course of the Review is that while overarching policies to guide retail development are reasonably sound – that is, retailing should be encouraged and supported to locate in centres that offer a range of services and are highly accessible – the expression of these policy objectives and the planning tools available to implement them are not always delivering the desired outcomes, and can be improved.

There are 17 responses proposed to address the six key issues and challenges identified through the Review. These proposed responses aim to improve how we approach planning, designing and locating future retail investments across Victoria and are discussed in greater detail at Part 4 of this Discussion Paper.

In summary, they are:

- **Managing growth and the network of centres**

  Proposed responses

  1. Undertake a program of improved monitoring and reporting on retail development.
  2. Work with councils and the industry to develop Regional Retail Assessments.
  3. Provide greater assistance to councils in preparing municipal strategies that provide for future retail growth.
  4. Work with councils to ensure structure planning for activity centres provides for adequate retail growth.

- **Facilitating appropriate development in appropriate locations**

  Proposed responses

  5. Refine planning policies to provide greater clarity and guidance for retail proposals.
  6. Undertake adjustments to the Business 1 Zone and schedule to allow better delivery of policy outcomes.
  7. Encourage councils to investigate and implement non-regulatory mechanisms as well as planning controls to deliver the desired outcomes for a centre.

- **Managing restricted retail premises**

  Proposed response

  8. Maintain the existing definition of ‘restricted retail premises’ in planning schemes and the VPP.

- **Managing retailing in industrial areas**

  Proposed responses

  9. Amend industrial zones so that restricted retail premises become a prohibited use.
  10. Develop transitional arrangements and work with councils to deal with restricted retail premises that are currently located within industrial areas.

- **Managing new centres and major retail proposals**

  Proposed responses

  11. Develop and implement Retail Assessment Criteria based on a sequential test approach.
  12. Develop criteria to be applied when considering a request for a new centre or to reclassify a centre.
  13. Continue to provide advice and assistance to councils in planning for major retail proposals.

- **Improving design outcomes**

  Proposed responses

  14. Finalise the *Interim Design Guidelines for Large Format Retail Premises*.
  15. Undertake a review of design guidelines for retail developments and where possible consolidate this advice, improve the content and minimise any duplication.
  16. Update the *Activity Centre Design Guidelines* to incorporate design objectives and guidance on the development of new activity centres.
  17. Continue to provide assistance and advice to developers and councils on the design of major retail development.

The proposed approach developed through the Review and outlined in this Discussion Paper seeks to provide greater clarity in relation to the policy and statutory framework around which retail development proposals are to be considered and assessed. A more pro-active approach to planning for retail is required so as to achieve better 'on-the-ground' outcomes with greater support and guidance.

This Discussion Paper has been released for a period of public feedback as part of the Review. Details about how to provide feedback or obtain more information about the Review are outlined in the Next Steps section.

PART 1
INTRODUCTION

> Next to the workplace and the home, the shop is probably the most important scene of human activity in the city. Nowhere else are the functions of the market and the meeting place so fused. As a site for distribution and consumption, the shop is an indispensable component of market capitalism. As a crowd-puller and a place for spontaneous human interaction, only the sporting stadium rivals it. How we plan, structure and regulate the retail trade of the city has large effects not only on economic efficiency and consumer satisfaction but on the quality of everyday life and the maintenance of a vital public sphere. It is not surprising that the transformation of shopping has come to be seen as a paradigm of how the modern city structures broader social relationships.
>
> *(Graeme Davison, 2006, p.1)*

1.1 The importance of retail

Retailing in our society is a major human activity. From small corner stores to larger regional shopping malls, shops act as the 'glue' for a range of social interactions and activities. Whether it is picking up the bread and paper, doing the weekly shop or buying a new couch, shopping involves everyone at some level. Increasingly, shopping is seen as a social or leisure activity rather than as a simple necessity.

The retail industry is one of Victoria's most important industry sectors in terms of its contribution to employment and economic activity. Almost 265,000 Victorians work in the retail trade sector (ABS, Census of Population and Housing 2006, Catalogue No. 2068.0). This represents approximately 12 per cent of all jobs in the state, and is second only to manufacturing.

In addition to providing job opportunities and wages income, the retail sector also generates considerable income for business owners and operators in the form of retail sales turnover. Data from the Retail Trade series (ABS, Catalogue No. 8501.0) shows total retail turnover in Victoria was approximately $57.5 billion (seasonally adjusted) in the year ended June 2008 – or approximately 24 per cent of national retail turnover – with strong growth over the last 10 years.

The retail sector also generates significant indirect economic effects as a result of the impact of employment and income multipliers. These effects are created through spending by people working in retailing and as a result of the manufacture of inputs and services to the retail sector.

It has been 12 years since the last major review of retail planning policy in Victoria. The release of *Retailing Victoria: The Report of the Retail Development Policy Review Panel (Retailing Victoria)* in 1996 coincided with a time of significant planning reform in Victoria – a transition from 'old-format' planning schemes to the Victoria Planning Provisions (VPP). As outlined in that report, "*retailing is a highly significant economic activity… and its fortunes impinge directly on the employment and lives of many citizens and indirectly on our collective welfare. Shifts in retail development can lead to obsolescence of existing public and private infrastructure and demands for new facilities at a cost borne by the community at large*." (1996, p.8).

How we plan for and manage retailing within our cities not only impacts on their economies, but also on the broader social structures and sustainability of cities.

Number of Victorians who work in the retail trade sector	265,000
Retail trade sector as a proportion of all jobs in Victoria	12%
Total retail turnover in Victoria 2007/08	$57.5 billion
Victorian retail turnover as a proportion of national retail turnover	24%

1.2 The Retail Policy Review

In May 2007 the Minister for Planning announced a review of retail planning policy (the Review) in Victoria.

The Terms of Reference for the Review set out its purpose, objectives and scope (refer to Appendix 1). As part of the Review, a Reference Group was established. The Reference Group comprises a range of industry peak bodies and key State and local government organisations with an interest in retail planning. Membership of the Reference Group is included within the Terms of Reference.

A number of background papers relating to retail development were commissioned by the Department of Planning and Community Development (DPCD) to inform the Review. These background papers helped identify issues, challenges and opportunities for retail development in Victoria, now and into the future and provided important background information relevant to this Discussion Paper. The background papers covered a range of topics and are listed in Appendix 2. To obtain copies of the background papers visit:

www.dpcd.vic.gov.au/retailpolicy

In addition, a series of workshops were conducted with Reference Group members and individual meetings were held with key industry stakeholders including retailers, developers and planning consultants. Issues and challenges identified through this process helped inform development of this Discussion Paper.

PART 2
RETAIL POLICIES

2.1 Past policy settings for retail

Over the last 50 years, retail policy at the State and metropolitan level has largely been included within an activity centre policy and regulatory framework. Policies since the 1950s have generally encouraged aggregation of uses within a fairly prescriptive hierarchy of activity centres with preference given to the Melbourne CBD and designated regional and sub-regional centres.

Key documents that have provided policy directions for retail planning over the last 50 years include:

- *Melbourne Metropolitan Planning Scheme* – 1954
- *Report of the Technical Advisory Committee on Retailing* – 1980
- *Metropolitan Activity Centres* – 1989
- *Retailing Victoria: The Report of the Retail Development Policy Review Panel* – 1996
- *Melbourne 2030: planning for sustainable growth* – 2002.

2.2 Current policy framework for retail

The Victorian Government is committed to sustainable development. To achieve this, the Government seeks to encourage development at those locations best able to accommodate growth and change, offering a wide range of services and facilities and that are well served by public transport. This approach is given effect principally through an activity centre policy – a policy which is central to the structure, functioning and sustainability of our cities.

In Victoria, State strategic land use policy is contained within the State Planning Policy Framework (SPPF) that is part of every planning scheme.

The SPPF identifies issues of State strategic importance and sets out general principles for land use and development in Victoria and specific policies dealing with settlement, environment, housing, economic development, infrastructure, and particular uses and development. State and Local Planning Policy Frameworks contain the long-term directions and outcomes sought by planning schemes. These are then implemented through zoning and overlay provisions in planning schemes.

Greater detail on the planning system framework for retail development is provided at Appendix 3.

2.3 Why do we need a new retail policy?

While there is no specific policy for retail development in the SPPF, guidance and direction is provided through the Economic Development policies at Clause 17 relating to activity centres, business and industry. In addition, Clause 12 provides specific policies for metropolitan development.

Policies generally seek to support commercial development that meets community needs and consolidates activities – including major retail developments – within established or planned activity centres that provide a variety of land uses and are highly accessible.

Commercial facilities, including retail, are discouraged in out-of-centre locations and should be located in existing or planned activity centres unless they are:

- in new residential areas with extensive potential for population growth
- new convenience shopping facilities providing for the needs of the local population, or
- outlets of trade-related goods or services directly serving, or ancillary to, industry.

These policy objectives are generally accepted and supported by stakeholders.

What has become apparent from this Review is that while overarching policies to guide retail development are reasonably sound – that is, retailing should be encouraged and supported to locate in centres and out-of-centre retailing should be discouraged – the expression of these policy objectives and the planning tools available to implement them often act as a barrier to delivering appropriate outcomes.

PART 2
RETAIL POLICIES

Overall there is general agreement among stakeholders that the policy framework operating within Victoria is not 'broken' and there is no need for any wholesale changes. However, there is a strong desire for a clearer policy framework and controls that provide greater clarity and certainty for retail development. In particular clarity is sought around the type of retailing that may be appropriate in particular locations and the circumstances under which such locations would be considered.

Greater guidance and direction is sought on how policy objectives are to be achieved on the ground in the context of retail development. The review of the SPPF provides an opportunity to more clearly express the State's policy framework and objectives in relation to retail development.

However, current planning controls – such as zones – need to be improved to provide stronger support for retail policy objectives.

PART 3
KEY FINDINGS

3.1 Principles to guide our approach to retail planning

This Review has been guided by a number of principles that underpin the analysis of challenges and the framing of proposed responses. These principles are:

- **Principle 1** – Retail planning policy and controls should be consistent with and support activity centre policy and provide clarity and certainty on the appropriate location of retail facilities.
- **Principle 2** – Planning policies and controls should allow capacity for growth and change in retailing.
- **Principle 3** – Planning policies and controls should not limit retail competition or innovation and should not distinguish between or favour particular forms of retailing unless there is a clear public policy case for doing so.
- **Principle 4** – Planning policies and controls should ensure retail development proposals pay particular attention to the public realm (both public and private spaces) to ensure they contribute to a sense of place and the role of the activity centre as a focus for the community.

Principle 1 – Support activity centre policy

The *Melbourne 2030 Audit: Analysis of Progress and Findings from the 2006 Census (2007)* report emphasised that "*A major element of Melbourne 2030 is a network of activity centres (both existing and new) connected by a high quality public transport network. This objective provides an important context for the retail review expected to conclude in 2008*".

Activity centres provide a wide range of services and facilities to the community in a central place. The key objectives for the development of activity centres are set out in *Melbourne 2030*, where at Policy 1.1 the stated objectives are to:

- reduce the number of private motorised vehicle trips by concentrating activities that generate high numbers of (non-freight) trips in highly accessible locations
- encourage economic activity and business synergies
- broaden the mix of uses appropriate to the type of centre and the needs of the population served
- provide focal points for the community at different geographic scales
- improve access by walking, cycling and public transport to services and facilities for local and regional populations
- support the development of the Principal Public Transport Network.

Retailing is a critical element of activity centre policy particularly with respect to the 'mix of uses' required in centres. Retail shopping is often the most important attractor to a centre and, when complemented by other social, community and economic functions, enables centres to become the hub of community life in an area.

Different activity centres have different functions depending on their scale and the catchments they serve. The mix of retailing will vary from centre to centre. Not all centres need or should have all types of retailing. However, it is important the network of centres as a whole provides for all types and scales of retailing to meet the objectives set out above. This can be done by ensuring appropriate opportunities are available across the network for a range of retailing to establish.

Principle 2 – Provide for growth and change

As the population and wealth of our cities and regions grow there will be a need to provide for a substantial increase in the total amount of retail floor space.

In accommodating growth, planning policies and controls should focus on those aspects of the location and design of retail development which are important in terms of the community role of activity centres and the achievement of sustainable transport outcomes.

Principle 3 – Policies should not favour particular forms of retailing

Competition and innovation in the retail sector are vital to ensure the community benefits from access to competitive prices, quality products and the widest range of goods and services.

There is a clear public policy rationale for supporting competition and innovation in retailing and, subject to meeting appropriate locational and design criteria, no commensurate public policy case for restricting or favouring particular types of retailing. Innovation and change in retailing should be driven by consumer preferences and not by planning policies which favour or limit particular types of retail development.

Planning policies and controls should as far as possible not distinguish arbitrarily on the basis of goods sold and support a level playing field that allows for innovation across the retail sector. This will help ensure the community gains the economic benefits of competition while also enjoying the social and environmental benefits of convenient, lively and attractive centres and a sustainable transport system.

Where a public policy case can be made for planning policies to distinguish between particular forms of retailing this should be accompanied by planning controls and requirements that are tightly targeted and clearly and explicitly related to the rationale for the distinction. A desire to protect existing retailers from competition is not in itself a valid basis for restricting retail investment or innovation.

Principle 4 – Proposals should contribute to a sense of place and the role of the activity centre as a focus for the community

The quality of the public realm – both public and private – plays a critical role in how people experience activity centres. The public realm includes public spaces such as streets, squares and parks within the centre. It also includes the interface that 'private' spaces have with these public spaces such as shop fronts and malls. These are areas where people meet and mix and where local community events and activities take place. An activity centre with a safe, attractive and vibrant public realm is likely to be valued and used by the local community and more commercially successful.

Given the significance of retail developments as a 'driver' of visits to activity centres it is important that their design contributes to the improvement of the public realm and effectively link the retail development to the wider centre and its surrounds. Retail developments which turn blank facades to the street, ignore their surrounds or are separated from the balance of an activity centre by an expanse of car parking make no contribution to the safety, attractiveness and vibrancy of the public realm or to the community role of the activity centre in which they are located.

3.2 The challenges

Managing growth and the network of centres

Research commissioned by DPCD indicates there will be a significant demand for retail floorspace both in metropolitan Melbourne and regional Victoria over the next 25 years.

Stakeholders have emphasised both a lack of capacity for growth within activity centres and the cost and difficulty in obtaining approvals for development within centres as being key contributors to the scale of out-of-centre development in Melbourne over recent years. Many believe the centre boundaries applied through structure plans are not extensive enough to adequately accommodate likely future retail demand. This is further amplified by pressure on activity centres to accommodate other uses such as housing and community facilities.

Concern has also been raised about an inadequate understanding of the demand for and supply of land for retail purposes and the implications of this for the spatial structure of our cities and towns. A more regionally focussed approach to major retail proposals – particularly for those with catchments that cross municipal boundaries – has been suggested.

Prioritising planning to manage and accommodate the likely growth in retail floorspace required across the network and in appropriate locations will be critical to maintain a competitive retail sector.

Facilitating appropriate development in appropriate locations

Melbourne 2030 identifies a network of 120 Principal Activity Centres (PACs) and Major Activity Centres (MACs) connected to a Principal Public Transport Network (PPTN). These centres are intended to provide opportunities for the clustering of employment, services and community facilities. In addition, a number of Specialised Activity Centres (SACs) with specialised economic functions are identified – usually focussed around health and education institutions – along with more than 900 Neighbourhood Activity Centres (NACs) generally providing for small businesses and local shopping needs. PACs and MACs have been identified as preferred locations for change and growth, including retail development.

Activity centres and the PPTN will play a significant role in facilitating a more sustainable urban form. This is achieved by focusing a range of goods and services (including retail activity), jobs and housing in highly accessible locations to support multi-purpose trips and investment – both public and private – in these locations.

It has become apparent the existing planning framework does not always offer appropriate tools to support outcomes sought for activity centres. In some instances it can act as a barrier to development in centres requiring lengthy approval or amendment processes. The use of floorspace limits - particularly in PACs and MACs – often restrict or impose unnecessary and additional requirements on proposals, even though they are consistent with activity centre policy objectives. The Review has also found the existing business zones do not always provide enough flexibility or control to allow councils to plan for and support their network of centres and in particular, the network of neighbourhood centres.

Planning controls need to be reviewed to ensure they are better aligned with policy outcomes and support development when it is in appropriate locations.

Managing restricted retail premises

The policy approach towards restricted retail premises, or 'bulky goods retailing' as it is widely referred to, is a contentious issue.

Amendment VC45 to the VPP (September 2007) made changes to the definition of 'restricted retail premises' in the light of legal challenges to the operation of some retailers in the Business 4 Zone.

There are still fundamental differences of opinion among stakeholder groups on how restricted retailing should be defined and planned for. Bulky goods retailers continue to push for further widening of the range of goods permitted to be sold at restricted retail premises while other stakeholders continue to argue for tighter controls and more consistent treatment of 'general' and 'restricted' retailing. Some view the new definition as offering no greater certainty to the sector and believe it will continue to lead to disagreement over interpretation and enforcement.

Managing retailing in industrial areas

Despite the policy objectives of locating retail activities in activity centres and discouraging it in industrial areas, the current industrial zones allow for restricted retail premises to locate out-of-centre subject to a planning permit. In these instances, contrary to policy objectives, it has become easier for 'restricted' retailers to acquire sites and develop in out-of-centre locations rather than in or on the edge of existing centres.

There is a need to ensure new major retail facilities in industrial areas do not occur unless there has been adequate strategic assessment of the need for and appropriateness of the proposal relative to the broader network of centres.

Managing new centres and major retail proposals

Concern has been raised that assessment requirements for some retail proposals are different dependant on the location and type of retailing proposed. These different assessment approaches can make it easier for some retailing to locate in out-of-centre locations contrary to policy objectives and harder to locate in activity centres, even though policy supports this occurring.

There is a need for greater consistency in the way major retail proposals are assessed. Greater certainty and clarity would be provided to the industry if a set of consistent assessment guidelines were developed – particularly ones that focus on how or when retail in new locations would be considered. There is general support for a sequential test model similar to that applied in the United Kingdom.

In addition, there also needs to be greater certainty and support for proposals that are locating in-centre and delivering on outcomes sought as part of activity centres policies.

Improving design outcomes

Given the significance of retail developments as a 'driver' of visits to activity centres, it is important for the design of such facilities to contribute to the improvement of the public realm and effectively link the retail development to the wider centre and its surrounds.

Concern has been expressed about retail developments that turn blank facades to the street, ignore their surrounds or are separated from the balance of an activity centre by an expanse of car parking. This form of development makes no contribution to the safety, attractiveness and vibrancy of the public realm or to the community role of the activity centre in which they are located, and ultimately imposes costs on the community through a need to undertake additional public realm improvements.

3.3 Proposed responses

A total of 17 responses are proposed to address the key issues and challenges identified by the Review. Full discussion and details of issues and challenges as well as the proposed approach are set out in Part 4.

In summary, the proposed responses are:

Managing growth and the network of centres

Proposed responses

1. Undertake a program of improved monitoring and reporting on retail development.
2. Work with councils and the industry to develop Regional Retail Assessments.
3. Provide greater assistance to councils in preparing municipal strategies that provide for future retail growth.
4. Work with councils to ensure structure planning for activity centres provides for adequate retail growth.

Facilitating appropriate development in appropriate locations

Proposed responses

5. Refine planning policies to provide greater clarity and guidance for retail proposals.
6. Undertake adjustments to the Business 1 Zone and schedule to allow better delivery of policy outcomes.
7. Encourage councils to investigate and implement non-regulatory mechanisms as well as planning controls to deliver the desired outcomes for a centre.

Managing restricted retail premises

Proposed response

8. Maintain the existing definition of ‘restricted retail premises’ in planning schemes and the VPP.

Managing retailing in industrial areas

Proposed responses

9. Amend industrial zones so that restricted retail premises become a prohibited use.
10. Develop transitional arrangements and work with councils to deal with restricted retail premises that are currently located within industrial areas.

Managing new centres and major retail proposals

Proposed responses

11. Develop and implement Retail Assessment Criteria based on a sequential test approach.
12. Develop criteria to be applied when considering a request for a new centre or to reclassify a centre.
13. Continue to provide advice and assistance to councils in planning for major retail proposals.

Improving design outcomes

Proposed responses

14. Finalise the *Interim Design Guidelines for Large Format Retail Premises*.
15. Undertake a review of design guidelines for retail developments and where possible consolidate this advice, improve the content and minimise any duplication.
16. Update the *Activity Centre Design Guidelines* to incorporate design objectives and guidance on the development of new activity centres.
17. Continue to provide assistance and advice to developers and councils on the design of major retail development.

PART 4
CHALLENGES AND RESPONSES

4.1 Managing growth and the network of centres

What have we learned?

Supply and demand

Throughout the course of this Review what has become apparent is a lack of information in relation to retail supply and demand to assist decisions on retail proposals.

Stakeholder consultations have revealed a need for planners to have a better understanding of the factors behind supply and demand of land for retail purposes, a greater understanding of how the retail industry operates and the implications of this for the spatial structure of our cities and towns.

Anticipated level of demand

Research commissioned by DPCD indicates there will be a growing demand for retail floorspace both in metropolitan Melbourne and regional Victoria over the next 25 years.

Metropolitan Melbourne is estimated to require around three million square metres of additional retail floorspace over the next 25 years, and regional Victoria an estimated one million square metres. This represents growth of approximately 40 per cent in the current amount of retail floorspace.

For metropolitan Melbourne, trends suggest that of this floorspace, approximately two thirds will be serving regional or sub-regional catchments, and should be located at PACs and MACs. However, current indications are that planning for these centres will not provide the opportunities to meet the scale of the demand.

Supply and demand assessments

A number of stakeholders raised concerns in relation to the overall supply of land zoned for retail purposes and the costs of acquiring suitable sites for development. Increased development costs are passed on to the retailer through higher rent and ultimately to the consumer in the price of goods and services.

KEY MESSAGE

We need to prioritise regional and local planning to manage and accommodate growth in retail floorspace likely to be required across the network.

PROPOSED RESPONSES

1. Undertake a program of improved monitoring and reporting on retail development.
2. Work with councils and the industry to develop Regional Retail Assessments.
3. Provide greater assistance to councils in preparing municipal strategies that provide for future retail growth.
4. Work with councils to ensure structure planning for activity centres provides for adequate retail growth.

While DPCD has an extensive land monitoring program for the supply and demand of residential and industrial land, there is no comparative program for retail or broader commercial uses. The last audit of retail space available for Victoria was undertaken by the Australian Bureau of Statistics (ABS) in 1991.

Proponents for a retail proposal generally rely on specialist retail planners to provide a case-by-case analysis of likely supply and demand for retailing in support of a particular development. This often results in lengthy and costly tribunal and panel hearings arguing likely impacts and benefits of proposals.

Some stakeholders have suggested there should be a centralised audit of retail space in Victoria as this would establish a sound basis for strategic decisions and streamlining assessment processes.

Identification of the supply of retail land is difficult, time consuming and costly. Such a process essentially requires a site-by-site assessment and classification of use to be undertaken. The South Australian State Government undertook three such audits of retail space in 1993, 1999 and most recently in 2007.

The audit involves an 18-month program of collecting information about the location, size and activity mix of retail outlets throughout the metropolitan Adelaide region and major nearby townships. Data is gathered for some 18,400 individual shops, and while no demand forecasting is undertaken, the supply information assists in decision making about proposed retail developments.

Local versus regional considerations

Concern has been raised about the way some larger retail proposals are dealt with. In particular, some see a fundamental issue around retail proposals that have regional catchments being cosidered at a local level in isolation of other centre catchments and other municipalities. It has been suggested that a more regionally focussed approach to planning for and assessing major retail proposals could be implemented – particularly for proposals with catchments that cross municipal boundaries.

Regional Victoria

There are a range of differences in regional Victoria which need to be considered when planning for growth including:

- the hierarchy of centres in regional Victoria differs to that in metropolitan Melbourne
- the wider range of community functions a regional town centre provides
- the different levels in demand and growth for new retail facilities, which in some cases means there may be infrequent but major proposals put forward.

Structure planning

The Audit of *Melbourne 2030* identified that a large number of structure plans prepared to date for PACs and MACs make only limited provision for growth in retail floorspace.

Stakeholders acknowledge the important role that structure planning can play in identifying land for development and thus creating supply through subsequent rezonings. However they have also emphasised a lack of capacity for growth within the structure plan boundaries applied to many activity centres.

Many believe the applied activity centre structure plan boundaries are not extensive enough to adequately accommodate likely future retail demand. This is further amplified by pressure on land within activity centres to accommodate other uses such as housing, offices and community facilities. This, together with the cost and difficulty in obtaining approvals for development in centre locations, has been highlighted as a key contributor to the extent of out-of-centre developments, particularly in metropolitan Melbourne. It has been suggested that greater clarity and consistency is needed in undertaking structure planning. Stakeholders have also identified a need for greater assistance and incentives in relation to land assembly and site consolidation to achieve objectives for key activity centres.

Proposed approach

DPCD is currently in the process of finalising new population projections for Victoria. As a result largely of increased immigration, preliminary assessments indicate that new projections will show a much higher growth than previous projections indicated. Given higher growth is now likely, the required growth in retail floorspace is also likely to be higher. Once new population projections are available, DPCD will prioritise updating floorspace demand projections to guide planning for retail across the state.

The Review has identified that one of the most significant barriers to delivery of the activity centre outcomes envisaged by *Melbourne 2030* and previous Government policies is a lack of proactive actions directed to facilitating land supply for a range of commercial uses, including retail, in and around activity centres. A number of suggested approaches are proposed in this paper, including Regional Retail Assessments and municipal strategies.

The successful implementation of these approaches is also linked to a number of existing related programs and initiatives either undertaken, or underway. These provide an important context for this Review and include:

- **Practice note on *Strategic Assessment Guidelines for Preparing and Evaluating Planning Scheme Amendments*** – This practice note has recently been amended to provide greater detail and clarity around the information requirements to support a planning scheme amendment proposal.
- **Practice note on *Structure Planning for Activity Centres*** – This practice note provides guidance and advice on structure planning for activity centres. Consultation with key stakeholders has resulted in development of a revised practice note which is currently being finalised for release.
- **Transit Cities** – This is a major Victorian Government urban renewal program focused on nine PACs in metropolitan Melbourne and four PACs in regional Victoria.
- **The Expert Assistance Program** – This program provides direct assistance to councils to finalise structure plans for PACs and MACs.
- **Creating Better Places** – This is a grants program that supports *Melbourne 2030* initiatives by funding urban improvement projects in PACs or MACs.
- **Precinct Structure Plans** – Revised Precinct Structure Plan guidelines will include a framework for development of a network of activity centres in growth areas.
- ***Planning for all of Melbourne*** - A number of actions outlined in *Planning for all of Melbourne* will directly impact on planning for activity centres – in particular, the development of a new Activity Centre Zone and the establishment of Development Assessment Committees.

Proposed response

It is proposed to:

1. **Undertake a program of improved monitoring and reporting on retail development** to provide a greater understanding of the supply and demand for retailing and regular monitoring of retail proposals and activity. Such a program would:
   - provide a greater understanding of the supply and demand for retail activity into the future
   - inform regional planning for retail and ongoing policy reviews
   - assist in improved planning at a municipal level, including the assessment of development proposals as appropriate
   - initially be undertaken for metropolitan Melbourne, then across major regional centres as required
   - ideally be undertaken every five years to coincide with ABS census findings.

   In addition, on a more regular basis the program would:
   - monitor decisions on retail development to inform any future changes or reviews which may be required in relation to definitions and identify instances where decisions for major proposals are not being made in a timely and efficient manner
   - identify areas where improvements are required or should be made.
2. **Work with councils and the industry to develop Regional Retail Assessments**, which would:
   - provide an overview of retail development trends for the region including the extent of expected population and employment growth and change
   - potentially reflect those regions utilised for Regional Housing Statements for metropolitan Melbourne, and be developed on a case by case basis for regional Victoria

- identify the likely scale of future retail growth that will need to be accommodated within the region over the ensuing 15 plus years together with any key market and development trends that are likely to influence the form and distribution of that growth
- provide a high level overview of the activity centres network for the region and the capacity for the network to accommodate the anticipated scale of growth
- identify, where necessary, the nature of any change required to the activity centres network including both changes in centre classifications and any need for the network to be supplemented with new centres over the period covered by the strategy
- identify, where necessary, any priority actions of government (State and local) required to ensure the regional activity centres network is able to provide adequately for expected retail investment, particularly in areas of metropolitan significance
- for each local government area within the region, flag any issues that will require attention by individual councils through the implementation of local activity centres policies
- provide opportunity for input and comment by councils and the community as well as retail and development industry organisations
- be reviewed approximately every five years to coincide with the monitoring and reporting program.

3. **Provide greater assistance to councils in preparing municipal strategies that provide for future retail growth** across the network of activity centres to ensure they:

   - provide a strategic basis for the distribution of future retail development across the municipality
   - identify the expected role and function of all centres including their retail role
   - respond to and are consistent with any Regional Retail Assessment, where available
   - inform a prioritised approach to structure planning for the municipality
   - include an assessment of opportunities for retail floorspace growth to be accommodated in individual centres, with the explicit objective of determining the need for any new centres and identifying preferred locations and conditions under which such proposals would be considered
   - provide sufficient flexibility in allocation of future floorspace to ensure that changes in demand can easily be accommodated and addressed
   - identify any specific plan for action required by a council to rezone land at in-centre and edge-of-centre locations or to designate new centres, where necessary, to provide for growth
   - provide guidance to the investment sector and the community on development opportunities across the municipality
   - demonstrate how projected retail demand will be accommodated
   - reduce the need for economic impact assessments on a case-by-case basis where proposals are consistent with and support implementation of regional and municipal requirements to accommodate identified demand
   - be reviewed in line with municipal strategic statement reviews.

4. **Work with councils to ensure structure planning for activity centres provides for adequate retail growth** and better supports appropriate in-centre proposals by identifying opportunities to support and facilitate proposals that are consistent with the intent of an approved structure plan.

4.2 Facilitating appropriate development in appropriate locations

What have we learned?

The retail hierarchy

A consistent comment from some stakeholders has been the perceived mismatch between how the designation of an activity centre is categorised – particularly in *Melbourne 2030* – compared to the retail hierarchy generally used and referred to in the retail industry. Some believe that activity centre policy and subsequent classification of centres should be modified to align with and recognise the retail hierarchy.

The retail hierarchy is an important tool that can assist in describing and evaluating retail proposals. However as retailing is generally only one of a range of uses in an activity centre, the retail hierarchy alone is not the appropriate tool to classify the role of the centre.

Retail mix

Stakeholders have highlighted two key issues in relation to the mix of retailing in activity centres. Firstly, an inability to retain key retailing activities, such as a supermarket together with convenience retailing, as an anchor for a centre. Secondly, a need to be able to limit or more easily control the development of certain types of shops, such as discount department stores, where such retailing has potential to undermine the broader network of centres.

Concern has been expressed regarding the loss of the 'retail mix' in some smaller neighbourhood centres and the inability through available planning tools to achieve outcomes sought for particular centres. Some local strips are perceived to have become 'over-specialised' in one area (e.g. restaurants, fashion stores, cake shops), or have lost core retail anchors such as supermarkets. This loss of retail mix and variety can result in local residents having to travel further to other centres for basic needs.

There is general consensus that activity centres should allow for a mix of uses to meet community needs, and that different centres do, and should, play different roles. For example not all neighbourhood or major centres should be expected to have the same scale or range of retail or community facilities.

KEY MESSAGE

We need planning tools that are better aligned to achieving policy outcomes and support development when it is in appropriate locations.

PROPOSED RESPONSES

5. Refine planning policies to provide greater clarity and guidance for retail proposals.
6. Undertake adjustments to the Business 1 Zone and schedule to allow better delivery of policy outcomes.
7. Encourage councils to investigate and implement non-regulatory mechanisms as well as planning controls to deliver the desired outcomes for a centre.

The issue of retail mix needs to consider that:

- the retail sector is very dynamic and generally responsive to consumer needs
- planning authorities are unlikely to have the knowledge or be sufficiently responsive to determine an optimal mix for particular centres which can change over time
- centres will differ and a degree of variety and specialisation in centres is desirable as it helps increase the choices available to consumers
- planning policies and controls should not be used to limit innovation unless there is a public policy impact – centres need to be able to respond where market or consumer preferences change
- a range of non-regulatory options are also available to councils to influence retail outcomes.

The ability to control retail mix has been identified as being of particular relevance in regional cities and towns. Regional city or town centre based retail, services and community facilities can come under pressure from new retail facilities that have the potential to undermine the role and function of the city or town centre. The impact of such development is often more significant and long-term in regional centres than in metropolitan areas as such developments can divert community activity away from the town centre and result in adverse impacts on the retail and community function of the traditional town centre.

Role of centres

The issue of retail mix is closely associated with the role and function of various centres in the network.

Some councils have raised concern that in some instances the existing planning framework does not offer appropriate tools to adequately plan for and support a centre's particular role – especially for neighbourhood centres. Councils have sought to incorporate additional provisions to enable them to better control certain types of retailing at specific locations. In the absence of other mechanisms, some councils have responded to these issues by imposing floorspace limits within centres, enabling them to control the retail mix within a centre.

There is also concern that 'lower-order' centres might expand and take on greater importance at the expense of other, 'higher-order' centres, contrary to policy objectives, or that the excessive growth of larger centres will preclude the establishment or maintenance of an adequate network of neighbourhood centres.

While the development industry generally accepts the notion of limits on retail floorspace where a clear case can be made for this in terms of public policy objectives, it argues the mix of retail uses within activity centres should be able to evolve over time and reflect market demand. While planning policies are an important way of defining a centre's role and function, they should not be so prescriptive as to seek to impose restrictions on retail mix or inhibit evolution in the market.

Conversely, councils are seeking greater control through the schedule to the business zone. In particular, they are seeking to allow greater control over 'anchor' tenants such as department stores (including discount ones) and in some instances supermarkets, where they feel this is strategically justified to protect and deliver on the network of activity centres. Once again, this is an issue that is of particular relevance in regional cities and towns.

Walkability

Achieving a healthy community is a policy objective that has increased in importance in recent years. Delivering walkable communities is part of that policy agenda. Stakeholders have indicated a range of impediments to delivering walkable communities:

- In growth areas, in the short term, the ability to deliver a finer grain of centres can be constrained by retail expenditure patterns – biased away from discretionary spending in the short term. This can affect a local centre's viability, together with planning controls which may favour certain formats of convenience stores over others.
- In established communities where a finer grain of centres already exist it is sometimes difficult to find appropriate sites to introduce new convenience and weekly shopping formats such as small grocery stores.

Proposed approach

While planning policies can set out a desired future retailing role for a centre, ultimately the industry is responsible for the delivery of retailing in that centre.

The industry view – that the retail mix within centres is best left to market forces – is generally supported. However, a planning system which allows councils greater ability to achieve certain outcomes for a centre and the broader network of centres is equally supported.

To balance these potentially conflicting objectives it is proposed that as far as practical the market should be able to operate unencumbered in a centre. However, where necessary, mechanisms and tools should be available to ensure stated policy objectives and outcomes are achieved.

There are two key instances where a greater level of control through planning controls may be appropriate:

Instance 1

› In newly developing areas where there is concern that 'lower-order' centres might expand and take on greater importance at the expense of other 'higher-order' centres, and contrary to policy objectives. In these instances, a council may have a policy of supporting increased retail development in a centre as an 'anchor' tenant to support a broader range of public infrastructure in that centre such as a local library or improved transport interchange. If the 'anchor' tenant is able to establish in a 'lower-order', newly establishing centre this may limit the ability to achieve the policy outcomes sought for the 'higher-order' centre, and ultimately undermine broader objectives. The impact of such development is often more significant and long-term in regional areas than in metropolitan areas as such developments can divert community activity away from the town centre and result in adverse trading impacts for retailing in that centre and subsequently co-located services.

Instance 2

› Unrestrained growth of a large regional centre, such as a PAC, may prevent the growth of neighbouring MACs to the detriment of decisions by governments to invest in public infrastructure or deliver local employment opportunities. In these instances, it may be necessary to limit the overall amount of retailing.

As a whole, controls should not seek to restrict or limit a centre's ability to evolve over time – including a change of predominant uses – consistent with the intended role of the centre in the network. Floorspace limits should not be used to impose 'across the board' limits on the amount of retail development permitted and should only be used where necessary to protect the function of a particular centre or group of centres within the adopted activity centres network.

If local strategic planning identifies a perceived 'gap' in the retail mix for a centre, the market will generally respond. However, if from a business case perspective a proposal doesn't 'stack up', there is limited opportunity for policy and controls to 'make it happen'. If councils believe that objectives for a centre are not able to be delivered through policies and controls, they should investigate other ways in which they are able to leverage specific development outcomes. One way in which this can be achieved is the use of a council asset (such as a car park) which can be leveraged as part of a redevelopment in conjunction with the private sector to achieve a desired development outcome.

The report of the Melbourne 2030 Audit Expert Group and the Victorian Government Response outlined in *Planning for all of Melbourne* highlights a number of challenges in relation to planning for activity centres. Many of those are similar to those identified in this Review.

A number of actions outlined in *Planning for all of Melbourne* will directly impact on planning for activity centres – in particular, the development of a new Activity Centre Zone and the establishment of Development Assessment Committees. The 26 PACs in metropolitan Melbourne will be given priority for introduction of the new Activity Centre Zone. Development Assessment Committees will initially be introduced to make planning permit decisions in a number of 'market ready' activity centres.

While these recent announcements will assist in planning for a number of key activity centres, other initiatives will still need to be explored to address concerns identified in this Review.

Proposed response

It is proposed to:

5. **Refine planning policies to provide greater clarity and guidance for retail proposals.** Refined policies would:
   - emphasise that decisions regarding retail development need to take account of the broader network of centres and the identified role and function of individual centres

- enable a range of retail activities that support the function of the centre having regard to its role within the broader network of centres
- emphasise that the use of floorspace caps and related controls should be limited to circumstances where it can be demonstrated they are required to protect the effective functioning of the network of centres planned for the region
- ensure competition and evolution of retailing within a centre is not limited unless there is a sound public policy basis for doing so. In such instances, the reason for intervention should be made clear and the extent of the intervention limited to that needed to achieve the particular strategic outcome sought for that centre
- deliver walkable communities by:
    - recognising this as an objective of metropolitan significance
    - ensuring the planning of new communities provides an opportunity for a finer grain of walkable centres into the long term.

6. **Undertake adjustments to the Business 1 Zone and schedule to allow better delivery of policy outcomes** and investigate opportunities through the planning system to allow planning authorities to better manage and achieve outcomes sought for activity centres where it can be demonstrated that such an approach is required.
7. **Encourage councils to investigate and implement non-regulatory mechanisms as well as planning controls to deliver the desired outcomes for a centre** and, where appropriate, leverage public assets to facilitate and deliver on particluar development outcomes sought for a centre.

4.3 Managing restricted retail premises

What have we learned?

One of the most frequently raised issues by stakeholders was the need to ensure the policy and planning system provides a framework that is fair and equitable across the sector. At the heart of this debate is the distinction between 'restricted' retailing and 'general' retailing. This was a key issue during the Review and the one with perhaps the most entrenched and divergent views.

KEY MESSAGE

We need to move toward a system that does not distinguish between or favour particular forms of retailing.

PROPOSED RESPONSE

8. Maintain the existing definition of 'restricted retail premises' in planning schemes and the VPP.

While stakeholders feel greater clarity is needed about what can and cannot be sold at restricted retail premises, opinions differ as to how such clarity should be provided. Some argue for a more detailed list of goods able to be sold in restricted retail premises while others suggest a definition that reflects the 'characteristics' of the goods sold rather than specifying the goods. Some have suggested making distinctions based on 'core' and 'non-core' retailing activities while others have suggested a single definition that encompasses 'general' retailing and 'restricted' retailing could be adopted.

Feedback from stakeholders has included reference to definitions used in other states and territories, definitions applied by the retailing industry, or proposals for categorising retail premises based on frequency of visit to particular shops.

Support for two retail categories

The restricted retail premises definition has its genesis in furniture and floor covering stores and the former 'peripheral sales' definition. Originally, these stores were genuinely selling bulky goods – such as furniture, lighting equipment, carpet and floor coverings – and they required larger floor areas for display of goods and vehicle access for loading and unloading of goods. There was logic in being able to locate such uses on the 'periphery' of existing centres and not impact on the 'core' retailing within the centre. These peripheral locations also tended to offer lower site costs offsetting lower retail turnovers relative to floor area.

Many of the arguments put forward in the past in favour of such a distinction – such as requiring larger floor areas for display of goods, needing easy vehicle access for loading and unloading of goods and the requirement for locations that offered lower site costs offsetting lower retail turnovers relative to floor area – continue to be put forward today as justification for distinguishing between the two different types of retailing.

There is strong support for maintaining a distinction between the two different types of retailing as it assists in providing clarity around role and function. However, the issue still remains as to how to make that distinction. There is concern that a 'merchandise' based definition will continue to present issues for the system. As the industry continues to evolve, such definitions can become obsolete.

Continued blurring of definitions

Although there is general agreement among stakeholders that there should be a distinction made between 'general' and 'restricted' retailing, and that broader community benefits could result from this approach, there is significant concern about the increasing number of 'non bulky', high-value goods on sale at restricted retail premises (such as small household electrical goods) which were traditionally sold from in-centre locations. According to BIS Shrapnel (2008), audio-visual and data processing equipment now accounts for the greatest expenditure in 'bulky goods retailing', outselling furnishings, floor coverings and household appliances. This adds to confusion about the role and relevance of the restricted retail premises definition.

Remaining tensions

There are still fundamental differences of opinion among stakeholders on this issue. Restricted retailers continue to push for further widening of the range of goods permitted to be sold at restricted retail premises while other stakeholders continue to argue for tighter controls and more consistent treatment of 'general' and 'restricted' retailing arguing that the new definition will become increasingly difficult to interpret and enforce.

During the Review a strong view was put by many stakeholders that retailing should not be permitted in out-of-centre locations – and in particular industrial zones – without adequate testing. Alternately, the view was put that restricted retailing is well suited to land in some industrial zone locations and should be encouraged, particularly on industrial land that is under-utilised.

It is generally accepted there needs to be greater equity between retail development that occurs in-centre and out-of-centre and that investment, both public and private, within centres is not undermined by out-of-centre development in industrial areas that are isolated from public transport and other services. While such locations generally offer lower land costs, they also tend to offer limited access by public transport and result in increased private motor vehicle usage by employees as well as customers.

Many industry stakeholders argue that consistent policies and assessment processes should apply to 'general' and 'restricted' retailing regardless of location. That is, if a restricted retail premises is proposed within an industrial zone, it should be subject to the same assessment criteria as other 'general' retail uses. In these situations, a rezoning is generally required.

Proposed approach

Over the last couple of decades there has been significant leakage of certain retail activity to out-of-centre locations. Initially this change focused on allowing certain retail activities – such as carpet and furniture retailers – to locate at the periphery of centres. This has since evolved into a much more sophisticated form of retailing whereby large stand-alone 'restricted' retail centres are being developed away from traditional activity centres and often in industrial zones. In part, this change has been driven by changing retail formats and a desire to access cheaper land, convenient vehicle access and sites that offer high exposure – generally preferring main road locations. Consumer purchases are generally less frequent and involve comparison shopping for goods that do not require regular replacement or updating. The consumer benefits from having access to specialised retailers in one location and generally at very competitive prices.

The current restricted retail premises definition generally allows for a range of homeware goods and appliances. While perhaps not an ideal way to distinguish between the two types of retailing, it is likely that any alternate definition will bring with it another set of issues similar to those that currently exist.

Ultimately, an approach that makes no distinction on the basis of goods is desirable. It would remove much of the confusion that exists about goods able to be sold at restricted retail premises, simplify enforcement, eliminate any need to distinguish between retailing on the basis of goods offered for sale and provide a more equitable system. However, such an approach may have implications for the industry and the way in which our urban systems currently operate – particularly in regional areas.

In a policy sense what is of importance is not so much the goods on offer but accessibility to the location having regard to broader policy objectives around activity centres and transport. If these objectives can be achieved through a more strategic approach, then over time the need for any distinction may become less relevant. However, for this approach to be feasible it is essential that planning of activity centres provides adequate scope for growth of retail investment and allows for a range of retailing to occur, including provisions for large format retail and lower margin retail developments, where appropriate. In some instances this approach may not be appropriate or desirable and in these situations alternative locations may need to be considered.

The proposed approach to managing retail definitions is based on the following:

- There continues to be a broader community benefit in distinguishing between the two types of retailing, and for this reason, the existing definition of restricted retail premises should be maintained.
- Any alternate definition of restricted retail will bring with it another set of issues similar to those that currently exist.
- Distinctions between classes of retailing should only be made to support fair and orderly planning and should be clear and, as much as possible, limit ambiguity around the goods which may be sold.

Proposed response

It is proposed to:

8. **Maintain the existing definition of 'restricted retail premises' in planning schemes and the VPP** and limit any future changes that would broaden the range of goods able to be sold at such premises.

4.4 Managing retailing in industrial areas

What have we learned?

It is broadly agreed that out-of-centre development is undesirable and undermines the objectives of activity centres policy. A policy approach that is better able to focus on and deliver development at activity centres is supported.

The general trend for out-of-centre retailing

In recent years there has been an increased tendency for retail developments, particularly restricted retail premises serving regional or sub-regional catchments, to locate out-of-centre. There are a number of driving forces behind this occurring, particularly access to cheaper land.

Some stakeholders maintain it is inappropriate to require restricted retail premises to locate within centres and express a strong preference for such retailing to locate at either edge or out-of-centre locations.

This view is driven both by the greater availability and lower cost of land outside activity centres and the belief that the large floor areas required for restricted retail premises, together with the need for heavy vehicle access, means locating such uses within a centre would adversely affect the amenity of the centre. However, similar arguments could also be made for other forms of large format retailing such as supermarkets, which under the current planning provisions are generally required to locate in Business 1 Zones or seek a rezoning to allow their use.

The availability, or lack thereof, of suitable sites for large format retailing (such as restricted retail premises) in and around activity centres leads to such retailers looking for alternate sites, often in industrial areas. Such retailers seek large and generally flat sites with main road access offering high exposure and ease of access for both delivery and customer vehicles. Sites in industrial areas often offer these attributes and can generally be acquired at a much lower cost and more easily than land in or adjacent to activity centres. In addition, while the policy objectives of locating commercial uses (including restricted retail premises) in activity centres is clear, the industrial zone provisions allow certain forms of retailing to occur in out-of-centre locations subject to a planning permit.

KEY MESSAGE

We need to ensure retailing in industrial areas does not occur unless there is a sound strategic basis.

PROPOSED RESPONSE

9. Amend industrial zones so that restricted retail premises become a prohibited use.
10. Develop transitional arrangements and work with councils to deal with restricted retail premises that are currently located within industrial areas.

While some stakeholders believe that industrial land should continue to be made available for other uses such as retailing – particularly where it is considered redundant – others believe that any designation of such land for retailing should be subject to strategic assessment and be required to ensure it does not undermine the network of activity centres – either existing or proposed.

It is also evident that inconsistent and poor enforcement of planning controls has not assisted perceptions of a level playing field with regard to development approval.

Current planning position

Currently the planning system deals very differently with restricted retail premises and other shop uses. Restricted retail premises are able to locate within a range of business and industrial zones either as-of-right or subject to a planning permit. All other shops are generally prohibited and require a planning scheme amendment to rezone land in industrial areas.

Table 1 shows how selected retailing uses are dealt with in business and industrial zones. Restricted retail premises are permissible uses in Business 3 and 4 Zones and Industrial 1 and 3 Zones either as-of-right or subject to a planning permit. All other ‘shop’ uses are generally prohibited in such zones.

Table 1 – Selected retail categories allowable in key zones

	Business Zones					Industrial Zones		
	B1	B2	B3	B4	B5	IN1	IN2	IN3
Retail Premises	✓	✓	✓	✓	✓	✓	✓	✓
Shop	✔1	✓1	✗	✗	✗	✗	✗	✗
Restricted Retail Premises	✔1	✓1	✓3	✔1,3	✗	✓3	✗	✓3
Lighting Shop	✔1	✓1	✓2	✔1,2	✗	✓2	✗	✓2
Equestrian Supplies	✔1	✓1	✓	✔1	✗	✓	✓	✓
Party Supplies	✔1	✓1	✓	✔1	✗	✓	✓	✓
Convenience Shop	✔1	✓1	✓	✓	✓	✓	✓	✓
Trade Supplies	✔1	✓	✓	✔1	✗	✓	✓	✓

✔ No planning permit required for use in zone (conditions may apply - refer to notes)
✓ Planning permit required for use in zone (conditions may apply - refer to notes)
✗ Prohibited use in zone

NOTES
1 The combined leasable floor area for all (shops/restricted retail premises/trade supplies) must not exceed any amount specified in the schedule to this zone.
2 Must be in one occupation with a leaseable floor area of at least the amount specified in the schedule to this zone. If no amount is specified, the leaseable floor area must be at least 500 square metres.
3 Must be in one occupation with a leaseable floor area of at least the amount specified in the schedule to this zone. If no amount is specified, the leaseable floor area must be at least 1000 square metres.

The SPPF generally seeks to protect industrial land from encroachment of unplanned non-industrial uses. Combined with other policies around business development and activity centres, new commercial facilities – including retail – should be located in activity centres unless specified criteria are met.

Incremental changes to the planning system and the evolution of retailing have led to the current system that offers benefit to particular retailers and undermines activity centre policy objectives by allowing such development in industrial areas.

Proposed approach

The principles for managing retailing in industrial areas are:

- Ensure that if large retail facilities are proposed in locations that have not been designated as activity centres, they should be required to undertake a strategic assessment and require rezoning to an appropriate zone.
- Recognise that some existing industrial areas may be appropriate to convert to other uses. In these cases there needs to be greater consistency in procedures and requirements for approval of retail development regardless of the retail format.

- Ensure that when a proposal is consistent with demand assessments undertaken at a regional and municipal level – and there is general recognition of the need to accommodate floorspace outside the existing designated activity centre network – the process of approval is managed efficiently.
- Recognise this approach will have implications for restricted retail premises currently located within industrial areas. It is proposed that DPCD work with councils to deal with such premises – either by rezoning sites to an appropriate business zone or by retaining an industrial zoning where future industrial uses are desirable or where the site is unable to meet accessibility criteria. In these instances, sites would be able to continue to operate under existing use right provisions.

Combined with other proposed changes outlined in this Discussion Paper, this approach will allow for a clearer and more equitable process of assessment. When requiring a rezoning for restricted retail premises in industrial areas, it is essential that clear and consistent assessment criteria are developed and that appropriate transitional arrangements are put in place to deal with retailing that is currently located within industrial areas.

On balance DPCD supports this as a way forward consistent with achieving more sustainable patterns of long-term development.

Proposed response

It is proposed to:

9. **Amend industrial zones so that restricted retail premises become a prohibited use** and be required to undertake an amendment process. This approach will allow for greater analysis and strategic assessment of demand and need at the outset and an assessment of the likely impact of the development across the network of centres having regard to broader regional and municipal objectives.

10. **Develop transitional arrangements and work with councils to deal with restricted retail premises that are currently located within industrial areas** either by rezoning sites to an appropriate business zone or by retaining an industrial zoning where it is determined that it is desirable to retain the land for possible future industrial uses or where the site is unable to meet accessibility criteria.

4.5 Managing new centres and major retail proposals

KEY MESSAGE

We need to provide greater clarity about how or when we would consider retail in a new centre location and support development within the existing network of centres.

PROPOSED RESPONSE

11. Develop and implement Retail Assessment Criteria based on a sequential test approach.
12. Develop criteria to be applied when considering a request for a new centre or to reclassify a centre.
13. Continue to provide advice and assistance to councils in planning for major retail proposals.

What have we learned?

Melbourne 2030 acknowledged that Melbourne's network of activity centres would not remain static. Centres would move between categories and new centres would emerge over time – particularly in growth areas. However, *Melbourne 2030* did not deal clearly with how new centres or centres moving between categories would be assessed. It is becoming increasingly clear this is a shortcoming and needs to be addressed.

Many stakeholders raised concerns about the way different retail proposals are assessed, depending on the location and type of retailing proposed.

There is a view that in-centre and edge-of-centre proposals are often subjected to a more rigorous assessment process than some out-of-centre retailing and that this approach leads to an inequity of assessment. This usually occurs where approved development plans or floorspace limits require a subsequent planning approval or planning scheme amendment. These processes can add considerable cost and uncertainty for proponents in gaining approval even though they may comply with policy objectives.

At the other end of the spectrum, large restricted retail premises locating within industrial zones require only a planning permit approval, and opportunities to look at broader strategic objectives around activity centres policy and its benefits are generally not able to be taken into account. This difference in assessment approaches ultimately supports certain retail developments in out-of-centre locations and undermines the implementation of activity centres policy by making it harder to develop in or at the edge of activity centres.

There is a desire by the majority of stakeholders for greater consistency in the way in which major retail proposals are assessed. They believe greater certainty and clarity would be provided to the industry if a set of consistent assessment guidelines were developed for major retail proposals to provide a more level playing field for development.

Some stakeholders also raised concern about councils being the decision making authority for major strategic retail proposals, particularly where catchments are regional in nature and extend beyond a municipal boundary. These types of applications are infrequent but when they do arise councils are sometimes not well resourced or able to easily draw on the necessary expertise to assess them.

While some stakeholders will be concerned about having to undertake a more detailed planning approval process – in particular, those that operate restricted retail premises – there is broader benefit in developing a policy framework that provides greater certainty and clarity across the board. With few exceptions, it is generally agreed the approach to assessing major retail proposals needs to be more consistent and equitable and be strategically assessed through an amendment process, particularly where the proposal is likely to draw from a large catchment area.

In addition, controls for proposals that are supportive of and consistent with policy should be enabling and offer more efficient approval processes than those that are contrary to policy.

There needs to be greater consistency in procedures and requirements for approval of retail development regardless of the retail format.

Proposed approach

Managing new centres or out-of-centre proposals

Direction No. 11 (Strategic Assessment of Amendments) and the General Practice Note – *Strategic Assessment Guidelines for Preparing and Evaluating Planning Scheme Amendments* set out the level of assessment required to determine whether an amendment implements planning objectives and addresses environmental, social and economic effects.

In addition to the Strategic Assessment Guidelines, an approach to manage the development of new centres that are proposed outside the existing network of activity centres could include:

- recognition that the difficulty of locating large format retail premises at in-centre locations is acknowledged as a challenge and will continue to be a challenge in the near future while the proposed regional and municipal assessments as discussed earlier in this Discussion Paper are being undertaken
- general support for such proposals being able to locate at edge-of-centre locations, particularly convenience retail additions to local centres
- a clear position that stand-alone, out-of-centre developments should not be supported unless the proposal has been subject to adequate strategic assessment and it can be demonstrated the development is unable to be accommodated

elsewhere in the region

- recognition that most stakeholders support a model similar to that in the UK where a 'sequential test' is applied to new retail proposals by local planning authorities when considering proposals for new retail developments. The sequential test requires a proposed retail development to first be tested against locations within existing centres. Where a suitable location for development cannot be identified within a centre, edge-of-centre locations may be considered. If it can be demonstrated that an appropriate in-centre or edge-of-centre site cannot be found, then an out-of-centre (or new centre) location may be considered
- policy and criteria established for assessment of such proposals that ensures the proposal does not undermine the existing network of centres. This should be tested through a planning scheme amendment process which allows broader planning objectives to be reasonably considered.

Managing proposals within activity centres

It will also be critical to clearly recognise the importance of retail development to activity centres and ensure that structure plans and urban design frameworks make adequate provision for retail growth in activity centres. Opportunities to facilitate approval processes for retail developments within centres where they comply with the relevant structure plan should be investigated.

In addition, the recently released *Planning for all of Melbourne* allows for a new Activity Centre Zone and Development Frameworks and will provide for alternative decision making processes in select activity centres and key strategic sites through Development Assessment Committees. These measures, in addition to DPCD's Transit Cities Program and Development Facilitation Unit, provide an opportunity to assist in facilitating improved and more efficient decision making for major retail proposals and will provide greater certainty to the industry.

In conjunction with these measures, consideration will also be given to further improvements as a part of any adjustments to the business zones that will allow for more efficient decision making processes for development, especially where it is in accordance with and consistent with a State policy, local policy or a structure plan that has been approved and implemented into the relevant planning scheme. Decision making for major retail proposals can be monitored as a way of identifying where attention or improvements could be made.

Proposed response

It is proposed to:

11. **Develop and implement Retail Assessment Criteria based on a sequential test approach** to manage proposals outside the designated network. The Retail Assessment Criteria are intended to be used in the assessment of rezoning proposals that allow for major retailing. For the purpose of applying the criteria, rezoning proposals to allow for major retailing is defined as proposals that allow for more than 2,000 square metres of retail floor space.
12. **Develop criteria to be applied when considering a request for a new centre** or to reclassify a centre within the metropolitan activity centres network (e.g. moving from a NAC classification to a MAC classification).
13. **Continue to provide advice and assistance to councils in planning for major retail proposals** through DPCD programs that support planning for activity centres.

DRAFT RETAIL ASSESSMENT CRITERIA[1]

The following Draft Assessment Criteria are proposed for use in the assessment of rezoning proposals to allow for retailing greater than 2,000 square metres.

These assessment criteria are to be applied in addition to requirements of the *General Practice Note – Strategic Assessment Guidelines for Preparing and Evaluating Planning Scheme Amendments* and any other provisions of the relevant planning scheme.

For the purpose of applying the criteria, rezoning proposals are divided into two categories:

- rezoning proposals within a designated activity centre boundary
- rezoning proposals outside of designated activity centre boundaries.

In each case the level of detail and analysis required should be proportionate to the scale and nature of the proposal.

Rezoning proposals within a designated activity centre boundary

Where a proposal for rezoning is in accordance with and consistent with a State policy, local policy and a structure plan that has been approved and implemented into the relevant planning scheme:

- no economic impact assessment is required
- proposals are required to demonstrate they have been designed to enhance the character and functioning of the centre and reinforce the public realm
- consideration should be given to using the provisions of section 20(4) of the *Planning and Environment Act 1987* where the proposed amendment will give effect to an outcome where the issues have been reasonably considered and the views of affected parties are known.

Rezoning proposals outside of designated activity centre boundaries

For this category the assessment process will proceed in three sequential steps:

- firstly, an assessment to determine whether a policy preferred in-centre or edge-of-centre location is available
- secondly, an assessment of the strategic merits of the proposal in its proposed location
- thirdly, an assessment of a range of local matters relating to the proposed site and development.

These assessments should be guided by the concepts of net community benefit and sustainability, where the objective is to balance economic sustainability with environmental and social-cultural sustainability.

The assessment criteria listed should be used to assist the discussion in these two areas.

Assessment of alternate locations

Where a proposal for rezoning is located in an edge-of-centre location or an out-of-centre location, require an assessment which demonstrates a sequential test has been applied to consider alternative locations for the proposal, in the following order:

a. first, look for locations in appropriate existing centres where suitable sites or buildings for conversion exist, or are likely to become available, taking account of an appropriate scale of development in relation to the role and function of the centre, and then if no sites are available
b. look for edge-of-centre locations, with preference given to sites that are or will be well-connected to the centre, and then if no sites are available
c. look for out-of-centre sites, with preference given to sites that are well served by a range of transport (including public transport) and are able to be linked to the existing network of centres.

This assessment needs to:

- demonstrate the development or centre is connected to appropriate public transport services and includes appropriate connectivity to adjacent pedestrian and road networks
- require all options in the centre to be thoroughly assessed before less central sites are considered for development
- demonstrate that an in or edge-of-centre location is not available, suitable and viable
- ideally demonstrate there is an appropriate sized residential catchment immediately available to the proposal.

Strategic assessment of the proposal

An assessment is required which examines the strategic context of the proposal. This strategic assessment is the overarching principle for decision making once the locational assessment has been undertaken. Specifically the strategic assessment needs to consider:

- consistency with relevant planning objectives
- the demonstrated need for the development, including how it will fill a gap in the network and/or meet increased demand for retail floor space. When a Regional Retail Assessment or a municipal strategy has been completed and implemented into the planning scheme a proponent need only demonstrate how their proposal fits within the conclusions of that assessment or strategy
- the extent to which the proposal would put at risk the spatial planning strategy for the area and the strategy for a particular centre or network of centres, or alter its role in the hierarchy of centres
- the likely effect on the existing and future public or private sector investment needed to safeguard the vitality and viability of the centre or centres
- changes to the range of services or opportunities provided by centres that could be affected
- potential changes to the quality, attractiveness, physical condition and character of the centre or centres and to its role in the economic and social life of the community.

[1]These criteria draw on the work of *Planning Policy Statement 6, Planning for Town Centres (PPS6),* Office of the Deputy Prime Minister, United Kingdom (2005) and *Out-of-Centre Retail Activity Assessment Criteria – Final Report,* Ratio Consultants and Associated Consultants (2005)

4.6 Improving design outcomes

What have we learned?

The design of retail developments can have a substantial impact on viability, amenity, safety and accessibility, as well as on adjacent residents and land uses.

The quality of the public realm is vital to the role that activity centres should play as a focus for their local community.

It is generally acknowledged the design and built form of activity centres needs attention, particularly where the built form is that of larger format stores or internal shopping malls with large adjacent areas devoted to car parking.

Design issues which have been raised during the course of the Review include:

- There is general agreement that new retail facilities need to integrate appropriately with a centre, should support walkability, permeability, interaction and safe and active public spaces (including public streets) and be of a scale and form appropriate to the centre.
- Greatest concerns were raised where large format retailers – such as restricted retail premises, supermarkets and shopping centres – developed isolated premises that were poorly connected to existing centres and pedestrian networks, and often flanked or surrounded by large expanses of car parking and areas devoted to loading areas, thus not contributing to the public realm or linking effectively to other parts of their activity centre and surrounding streets.
- There are a range of design guidelines to assist in safe design, activity centre development and development of large format retailing. Some stakeholders feel these guidelines sometimes overlap or contradict policy objectives. For example, the *Interim Design Guidelines for Large Format Retail Premises* provide additional guidance on 'best practice' design advice for large format retail premises and trade supplies premises, regardless of location.

KEY MESSAGE

We need to ensure the design of new retail facilities and centres is well integrated and contributes to and enhances the public realm.

PROPOSED RESPONSE

14. Finalise the Interim Design Guidelines for Large Format Retail Premises.
15. Undertake a review of design guidelines for retail developments and where possible consolidate this advice, improve the content and minimise any duplication.
16. Update the Activity Centre Design Guidelines to incorporate design objectives and guidance on the development of new activity centres.
17. Continue to provide assistance and advice to developers and councils on the design of major retail development.

- There is an opportunity for the Victorian Government to provide greater assistance, particularly for major retail developments, in providing design advice to councils.
- In planning for new activity centres there is a lack of clear guidance on the design parameters. For example, the extent to which internal malls should or should not be utilised. Providing an efficient planning system and ensuring there is clarity amongst developers and the community alike should remove ambiguity about design outcomes.
- The Victorian Government has a major commitment to improving the health of Victorians and the liveability of our communities. In a land use planning context these objectives are intertwined. A range of existing policies already provide direction in these areas.

New retail proposals, particularly large format retail premises, need to ensure they integrate with adjacent land uses and urban forms and contribute to and enhance the public realm.

Proposed approach

Design guidance for retailing and activity centres is provided in a number of documents:

- The **SPPF at Clause 19.03** sets out design considerations that must be taken into account in the design of urban spaces and buildings. To assist planners and designers in applying these design considerations a suite of design guidelines have progressively been developed and released by DPCD.
- The ***Activity Centre Design Guidelines*** and the ***Safer Design Guidelines for Victoria*** provide additional guidance in the design and development of activity centres.
- The ***Interim Design Guidelines for Large Format Retail Premises*** provide additional 'best practice' design advice for large format retail premises and trade supplies premises, regardless of location. These guidelines provide a valuable resource in the design and development of large format retail premises. They were released on an interim basis pending the outcomes of this Review and feedback from users of the guidelines, after which they will be finalised.

Proposed response

It is proposed to:

14. **Finalise the *Interim Design Guidelines for Large Format Retail Premises*** following feedback from users in conjunction with the Retail Policy Review.
15. **Undertake a review of design guidelines for retail developments and where possible consolidate this advice, improve the content and minimise any duplication** and ensure consistency with policy objectives.
16. **Update the *Activity Centre Design Guidelines* to incorporate design objectives and guidance on the development of new activity centres.** This should focus on:
    - the importance of a main street and block system as a basis for a centre's structure
    - the relationship between the centre structure (including internalised malls) and the main street and how the structure could reinforce the main street system
    - the relationship between carparks and the centre structure, particularly the main street system
    - the relationship between adjacent residential areas and the centre, particularly integration into the main street system of the centre and the number of connection points to access the centre
    - the quality of the pedestrian environment both within and around the centre, with the objective of enhancing the walkability of centres
    - integration of other activities including employment, services, education, recreation and open space in association with retail uses within centres
    - recognition that different types of retail activity have differing design responses.
17. **Continue to provide assistance and advice to developers and councils on the design of major retail development.** This advice will continue to achieve improved design outcomes that contribute positively to the public realm and promote safe, attractive and walkable environments. This design input would best be directed to major retail proposals in PACs and MACs, or in the development of new centres where there is a high level of relationship to the public realm.

PART 5
NEXT STEPS

While current policies are generally agreed to and supported by stakeholders, the Retail Policy Review has found that much greater guidance and direction is required on how policy objectives are to be achieved on the ground in the context of retail development.

This Discussion Paper has been released as part of the Retail Policy Review for public comment and feedback.

The proposed approaches seek to provide greater clarity about the policy and statutory framework on which retail development proposals are intended to be considered and assessed. They outline a more pro-active approach to planning for retail and seek to achieve better 'on-the-ground' outcomes with greater support and guidance.

Process

Comment and feedback on the proposed approaches and responses outlined in this Discussion Paper can be made to DPCD. Please refer to *How to make a submission*.

DPCD will consider submissions from all interested parties before developing a suite of recommendations for consideration by the Minister for Planning.

Key dates

The closing date for lodging submissions is 5.00pm Friday 27 February 2009.

How to make a submission

Submissions may be written or electronic and will be posted on the DPCD website, unless otherwise requested. To facilitate this, electronic submissions are preferred either on CD-ROM or via email.

Written submissions should be sent to:

Retail Policy Review
Department of Planning and Community Development
GPO Box 2392
Melbourne VIC 3001

Electronic versions of submissions should be emailed to: retailpolicy.review@dpcd.vic.gov.au

Publication of submissions

All submissions received will be published in full on the DPCD website. If there are particular reasons why you do not wish to have your submission or personal information published, please advise DPCD in writing stating your reasons. Please be aware that the ultimate discretion whether to publish or not on the DPCD website rests with DPCD. Furthermore, access to any unpublished submissions may still be granted pursuant to the provisions of the *Freedom of Information Act 1982*.

Contacts

For further information on the Retail Policy Review:

Phone: 1300 366 356 (8.30am-5pm Monday-Friday)

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

Website: www.dpcd.vic.gov.au/retailpolicy

PART 6
APPENDICES AND REFERENCE MATERIAL

Appendix 1 – Retail Policy Review Terms of Reference

Retail Policy Review 2007

Terms of Reference
(Updated September 2007)

PURPOSE

The purpose of the Retail Policy Review is to examine the existing policy and statutory framework in the Victoria Planning Provisions (VPP) and planning schemes guiding the planning, development and investment of retail activity in Victoria, and to make recommendations that focus on:

- providing clarity as to the outcomes sought by the government;
- revising the policy and statutory framework so it responds to current retail practices and can better adapt to future industry changes;
- improving the structure of retail policy to provide a new 'whole-of-retailing' policy for all of Victoria;
- providing a statutory framework for Victoria that implements the 'whole-of-retail' policy; and
- identifying what other delivery mechanisms may be required to deliver the desired outcomes.

The review will consider all aspects of the statutory framework that supports retail policy, including the land use definitions, zoning controls and other related provisions applying to retail use in planning schemes.

OBJECTIVES

The overarching objective of the Retail Policy Review is to inform a clearer whole-of-retailing policy and statutory framework for Victoria.

The specific objectives of the review are to consider how the policy and statutory framework:

- provides clarity as to the outcomes sought by government;
- supports activity centre policy;
- responds to differing outcomes that are suitable to the place (e.g. metropolitan Melbourne versus provincial cities and towns);
- is integrated to other relevant government policy objectives;
- responds to any relevant outcomes resulting from the Audit of Melbourne 2030;
- is 'robust' and hence able to respond to industry change over time;
- are clear and well aligned, so that the statutory provisions effectively implement policy;
- provide for clearer assessment of retail uses through planning schemes; and
- result in improved coordination between state-wide and regional strategic planning for retail development and local provisions in planning schemes.

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Appendix 1 – Retail Policy Review Terms of Reference

Retail Policy Review – Updated September 2007

SCOPE

The scope will consider all aspects of retailing including 'in-centre' and 'out-of-centre retailing', taking into account retailing based on strip / street, mall, car and large format environments in both urban, regional and rural locations.

To ensure the review takes account of wider metropolitan and provincial planning, economic and sustainability objectives of the government, consideration will be given to:

- identification of stakeholders in retail policy;
- development history of retailing in Victoria;
- policy history of retail / activity centres;
- current barriers to the implementation of policy, including economic, locational and statutory blockages;
- current trends / drivers in retailing;
- likely demand and style of retailing in the future and associated floor area requirements;
- locational (supply) considerations, particularly the differential considerations for established areas (strip centres, shopping malls, out-of-centre), growth areas and provincial towns;
- all aspects of the current statutory framework for retailing in Victoria;
- best practice, sourcing national and international examples; and
- any other matters that emerge through analysis and consultation that will improve outcomes.

METHOD

Process & Timing

- Refer Attachment 2

Establishing a Review Working Group

It is proposed that the development of the Policy and Statutory Framework be undertaken by a small group consisting of:

- Director, State Strategy (Chair);
- Director, Planning Systems;
- Director, Urban Design;
- Representative of Department of Innovation, Industry and Regional Development; and
- Specialist consultants as required.

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Department of Planning and Community Development

Appendix 1 – Retail Policy Review Terms of Reference

Reference Group

It is proposed that a Reference Group be established to provide an opportunity to test any critical issues and options during the course of the project. It is proposed the Reference Group include:

- General Manager, Planning, Heritage and Urban Design (Chair);
- Director, State Strategy (Project Director);
- Executive Director, Metropolitan Planning;
- Executive Director, Statutory Systems;
- Department of Innovation, Industry and Regional Development ;
- Department of Infrastructure;
- Property Council of Australia;
- Shopping Centre Council of Australia;
- Bulky Goods Retail Association;
- Municipal Association of Victoria;
- Community Business Centres Victoria;
- Victorian Planning and Environmental Law Association;
- Master Grocers Association;
- Planning Panels Victoria;
- Planning Institute of Australia (Vic);
- Melbourne Retail Advisory Board; and
- Australian Retailers Association.

Consultation

Consultation with councils, major industry stakeholders and other stakeholders identified in formulating and reviewing the policy and statutory framework (options), including the retail sector and local government; and in particular:

- Local councils
- Shopping Centre Council of Australia;
- Property Council of Australia;
- Bulky Goods Retailers Association;
- Municipal Association of Victoria;
- Planning Institute of Australia (VIC);
- Victorian Planning and Environmental Law Association; and
- Victorian Civil and Administrative Tribunal.

The consultation will include a call for submissions and series of stakeholder workshops.

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Department of Planning and Community Development

Appendix 1 – Retail Policy Review Terms of Reference

Retail Policy Review – Updated September 2007

Proposal

Prepare a final briefing containing recommendations that will form the basis for any changes to policy, the VPP and any accompanying planning practice or advisory notes.

TIMING

The review will be completed within the following timeframe:

- Stage 1 Background Research October 2007
- Stage 2 Draft Position Paper December 2007
- Stage 3 Consultation February/March 2008
- Stage 4 Final Position Paper June 2008

The review will run independently but parallel to the Audit of Melbourne 2030.

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PROJECT COSTS

The Department will meet the direct and relevant costs of the review within current budget allocations.

PROJECT MANAGER

The project manager for the review will be:

Halvard Dalheim

Director, State Strategy

Phone: 03 9637 9919

Fax: 03 9637 8333

Email: halvard.dalheim@dpcd.vic.gov.au

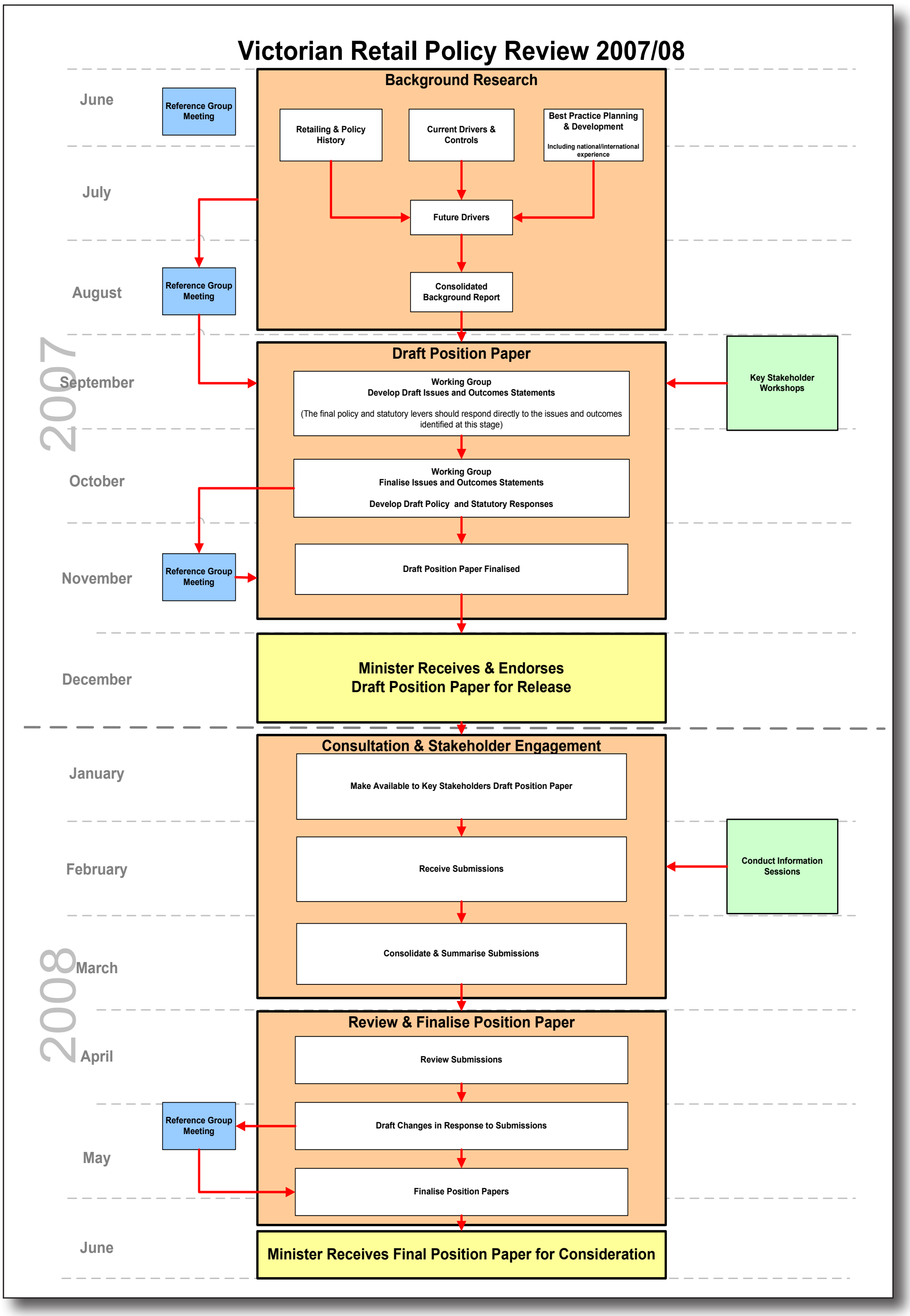
NOTE:

In September 2007 the Terms of Reference were updated to:

- Expand the Reference Group Membership to include: Master Grocers Association; Planning Panels Victoria; Planning Institute of Australia (Vic); Melbourne Retail Advisory Board; and Australian Retailers Association.
- Incorporate a revised Attachment 2;
- Include revised timing; and
- Incorporate Departmental changes.

Victoria The Place To Be Department of Planning and Community Development

Appendix 1 – Retail Policy Review Terms of Reference



Appendix 2 – Background research

Leading up to and following the announcement of the Retail Policy Review a number of background papers relating to retail development were commissioned by DPCD from specialist consultants and academics with in-depth knowledge relevant to the scope of the Retail Policy Review. The background papers covered a range of topics.

Historic retail planning and development context

Davison, Graeme, 2006, *From the Market to the Mall – A short history of shopping in Melbourne*.

Peter McNabb & Associates, 2006, *Past Policy Settings for Retailing.*

Ratio Consultants, 2006, *The changing retail scene in Australia (1950–2006)*.

MCPS Town Planning Services, *2007, Retail Policy Review – Past Reviews*.

Current retail planning practices

MCPS Town Planning Services, 2007, *Retail Policy Review – Summary of VCAT decisions, Planning Panel reports and PDP reports in respect to retail policy.*

Thomas Consultants, 2007, *Retail-Commercial Planning Policy Review.*

Future demands for retail

Essential Economics, 2007, *Retail Floorspace Forecasts for Metropolitan Melbourne 2006 to 2030.*

Essential Economics, 2007, *Retailing in Regional Victoria.*

Considerations for retail policy into the future

Buchan Group, 2006, *The future direction of retailing in Victoria.*

Essential Economics, 2006, *Retail Policy Futures.*

Ratio Consultants, 2005, *Out-of-Centre Retail Activity Assessment Criteria – Final Report.*

Ratio Consultants, 2006, *Policy Considerations for Sustainable Activity Centres.*

Ratio Consultants, 2007, *The Royal College Symposium Retail Futures.*

SGS Economics & Planning, 2006, *Retailing Futures and Activity Centres Planning.*

The views contained within these background papers are those of the authors and do not necessarily represent Victorian Government or Departmental views. However, these background papers have helped identify issues and challenges for retail development in Victoria now and into the future and provide important background information relevant to this Discussion Paper.

Background papers are available on the DPCD website: www.dpcd.vic.gov.au/retailpolicy

Appendix 3 – An overview of retailing in the planning system

Past policy settings for retail

Over the last 50 years, retail policy at the State and metropolitan level has largely been included within an activity centre policy and regulatory framework. Melbourne's past policy settings in relation to retail development are outlined in greater detail in a report prepared for DPCD by Peter McNabb and Associates (2006). As a rule, policies since the 1950s have encouraged aggregation of uses within a fairly prescribed hierarchy of activity centres with preference given to Central Melbourne and designated centres. Based on the report prepared by Peter McNabb and Associates (2006), some of the key and significant policy directions for retail of the last 50 years are summarised below.

Melbourne Metropolitan Planning Scheme – 1954

One of the first references to a centres or retail development policy was within the 1954 Melbourne Metropolitan Planning Scheme Report. This document referred to four categories of suburban shopping centres. For the policy to be effective it required that decentralised activities "should be grouped in centres which are not only well located geographically, but in which the existing physical conditions make it feasible to provide the necessary amenities and facilities by a program of progressive development" (Peter McNabb and Associates, 2006, p.2).

Report of the Technical Advisory Committee on Retailing – 1980

The Technical Advisory Committee's (TAC) report on retail released in 1980 was the first major review of retailing in Victoria. The report argued that retail policy "should be based on encouragement rather than constraint of competition. At the same time, it argued the merits of agglomeration of complementary uses into selected centres rather than widespread dispersal. It also indicated preferences for the encouragement of large integrated activity centres as well as the redevelopment or extension of existing centres prior to the establishment of major one-stop stores in freestanding locations. The report recommended the control of peripheral retailing uses away from industrial zones … [and] spelled out some objectives for retail planning policy" (Peter McNabb and Associates, 2006, p.4).

Metropolitan Activity Centres – 1989

The Metropolitan Activity Centres report released in 1989 provided policy statements for the development of activity centres, retail development, office development and technology precincts. The policies included within the report promoted the 'clustering' of activities so as to achieve fundamental objectives of efficiency and equity. For the first time it outlined a retail policy separate to activity centre policy and included a retail hierarchy based on catchment, floorspace and store type. In essence, the report supported the "maintenance and expansion of all existing retail centres, " innovative proposals", and peripheral sales in industrial zones, the latter being contrary to the recommendations in the 1980 TAC report … [and] tightened the policy relating to freestanding shopping centres in established areas" (Peter McNabb and Associates, 2006, p.7). It also outlined that retail developments should be supported by information outlined within a set of Retail Development Guidelines. These guidelines were subsequently introduced into the Metropolitan Regional Section of planning schemes in October 1989.

Retailing Victoria – 1996

The Retailing Victoria report is the most recent comprehensive review of retailing undertaken in Victoria. It addressed strategic land use policy as it applied to retail development and made a series of recommendations based around policy development, development guidance, processes for decision making, and relationships between activity centres and out-of-centre development.

The release of Retailing Victoria coincided with a time of significant planning reform. While the report was never formally adopted by the Minister for Planning at the time, it would be unfair to say that its recommendations were ignored in the planning system which arose shortly thereafter. Many of the recommendations included within the report have subsequently been incorporated into the Victoria Planning Provisions (VPP), in particular through the State Planning Policy Framework (SPPF) and suite of business zones (Peter McNabb and Associates, 2006, p.11; MCPS Town Planning Services, 2007, p.6).

Melbourne 2030: planning for sustainable growth – 2002

Melbourne 2030 is the most recent Victorian Government planning document for metropolitan Melbourne.
A key focus of *Melbourne 2030* is to encourage a range of uses, including retail, across a network of activity centres of varying sizes and to discourage new out-of-centre developments unless it can be convincingly demonstrated that the proposed use or development is of net benefit to the community in the region served by the proposal. Although it does not include a specific policy for retail, it does provide a strategic framework and policies for the development of activity centres. It is within the activity centre framework that guidance and direction for retail planning is provided.

How retailing is currently dealt with in the planning system

In Victoria, the planning framework for land use and development is contained with the Victoria Planning Provisions (VPP). State and Local Planning Policy Frameworks contain the long-term directions and outcomes sought by a planning scheme. These are then implemented through zones, overlays and particular provisions requirements in planning schemes.

Every planning scheme includes the State Planning Policy Framework (SPPF) which covers strategic issues of State importance. The SPPF comprises general principles for land use and development in Victoria and specific policies dealing with settlement, environment, housing, economic development, infrastructure, and particular uses and development.

To ensure integrated decision making, planning authorities and responsible authorities must take account of and give effect to the general principles and specific policies contained in the SPPF. While there is no specific policy for retail use and development within the SPPF, there are numerous references to retail included within the other policies contained within the SPPF.

State principles for land use and development planning

The overarching objectives for planning in Victoria are set out at Section 4 of the *Planning and Environment Act 1987*. Among other things it provides for “the fair, orderly, economic and sustainable use, and development of land”. The introduction to Clause 11 of the VPP outlines the Victorian Government’s expectation “that planning and responsible authorities will endeavour to integrate the range of policies relevant to the issues to be determined and balance conflicting objectives in favour of net community benefit and sustainable development.” (VPP, Clause 11.01). This approach is further reinforced by the goal outlined at Clause 11.02 which builds on the objectives for planning as set out in Section 4 of the *Planning and Environment Act.*

Seven statements of general principle are imbedded within the SPPF covering areas of:

- Settlement (Clause 11.03-1)
- Environment (Clause 11.03-2)
- Management of resources (Clause 11.03-3)
- Infrastructure (Clause 11.03-4)
- Economic well-being (Clause 11.03-5)
- Social needs (Clause 11.03-6)
- Regional co-operation (Clause 11.03-7).

Planning and responsible authorities must consider these overarching and interlocking principles. In addition to other things, the principles require planning and responsible authorities to:

- anticipate and respond to the needs of existing and future communities through provision of zoned and serviced land for housing, employment, recreation and open space, commercial and community facilities and infrastructure
- recognise the need for, and contribute towards:
  - health and safety
  - diversity of choice
  - adaptation in response to changing technology
  - economic viability
  - a high standard of urban design and amenity
  - energy efficiency
  - prevention of pollution to land, water and air
  - protection of environmentally sensitive areas and natural resources
  - accessibility
  - land use and transport integration
- enable planning for development of urban physical and community infrastructure to be provided in a way that is efficient, equitable, accessible and timely and facilitate efficient use of existing urban infrastructure and human services
- contribute to the economic well-being of communities and the state by supporting and fostering economic growth and development – by providing land, facilitating decisions, and resolving land use conflicts, so that each district may build on its strengths and achieve its economic potential
- support the development and maintenance of communities with adequate and safe physical and social environments for their residents, through the appropriate location of uses and developments and quality of urban design
- identify the potential for regional impacts in their decision making and coordinate strategic planning with their neighbours and other public bodies to achieve sustainable development and effective and efficient use of resources.

Specific State policies

In addition to the general principles, specific policies are included in Clauses 14 to 19 of the SPPF. These specific State policies are:

- Settlement (Clause 14)
- Environment (Clause 15)
- Housing (Clause 16)
- Economic development (Clause 17)
- Infrastructure (Clause 18)
- Particular uses and development (Clause 19).

Planning and responsible authorities must take account of, and give effect to, the specific policies applicable to issues before them to ensure integrated decision making.

The specific policies most relevant to retail planning are those relating to Settlement and Economic Development, and to a lesser degree Infrastructure (car parking and transport). In addition, Clause 19.03 provides objectives and strategies for design and built form.

Generally, the SPPF seeks to consolidate retail activities within established or planned 'activity centres' which provide a variety of land uses and are highly accessible. Development in 'out-of-centre' locations is discouraged unless certain criteria or circumstances exist.

Settlement

The overall objective in planning for urban settlement is to ensure a sufficient supply of land is available for residential, commercial, industrial, recreational, institutional and other public uses, and to facilitate the orderly development of urban areas.

To achieve this planning authorities should:

- plan to accommodate projected population growth over at least a 10-year period, taking account of opportunities for redevelopment and intensification of existing urban areas as well as the limits of land capability and natural hazards, environmental quality and the costs of providing infrastructure
- encourage consolidation of existing urban areas while respecting neighbourhood character
- encourage higher density and mixed use development near public transport routes
- facilitate the orderly development of urban areas through the preparation of structure plans.

Economic development

Activity centres

In accordance with Clause 17.01-1, planning and responsible authorities are to "encourage the concentration of major retail … into activity centres (including strip shopping centres) which provide a variety of land uses and are highly accessible to the community". Furthermore, activity centres should be planned to:

- provide a range of shopping facilities in locations which are readily accessible to the community
- incorporate and integrate a variety of land uses, including retail, office, education, human services, community facilities, recreation, entertainment and residential uses, where appropriate

- provide good accessibility by all available modes of transport (particularly public transport) and safe pedestrian and cycling routes, and to encourage multi-purpose trip-making to such centres
- facilitate ease of pedestrian movement between components of centres, public transport interchanges and parking areas
- maximise opportunities for the co-location, multiple use and sharing of facilities
- provide child care facilities to a level consistent with the role of the centres
- minimise the effects of commercial development on the amenity of residential and parkland areas (e.g. as a result of traffic congestion, noise or overshadowing)
- provide attractive environments for community activities.

Business

In accordance with Clause 17.02-1, planning and responsible authorities are to "encourage developments which meet community's needs for retail, entertainment, office and other commercial services and provide net community benefit in relation to accessibility, efficient infrastructure use and the aggregation and sustainability of commercial facilities".

Commercial facilities should be located in existing or planned activity centres unless they are:

- new freestanding commercial developments in new residential areas which have extensive potential for population growth or will accommodate facilities that improve the overall level of accessibility for the community, particularly by public transport
- new convenience shopping facilities to provide for the needs of the local population in new residential areas and within, or immediately adjacent to, existing commercial centres
- outlets of trade-related goods or services directly serving, or ancillary to, industry and which have adequate on-site car parking.

Cinema-based entertainment facilities should be located within or on the periphery of existing or planned activity centres and should not require a permit for use in activity centre zones. Such facilities are not encouraged on freestanding sites.

A five-year time limit for commencement should be attached to the planning approval for all shopping centres or expansions of over 1,000 square metres in floorspace.

Industry

Clause 17.03 provides policy direction for industry. The overall objective of the clause is to "ensure availability of land for industry and to facilitate the sustainable development and operation of industry and research and development activity".

To achieve this, a range of implementation strategies are set out for industry. Some of these may be of relevance when considering particular classes of retail uses which are permissible within industrial zones subject to a planning permit. These may include:

- industrial activity in industrial zones should be protected from the encroachment of unplanned commercial, residential and other sensitive uses which would adversely affect industry viability
- responsible authorities should not approve non-industrial land uses which will prejudice the availability of land for future industrial requirements in industrial zones.

Design and built form

Clause 19.03 seeks to ensure development achieves high quality urban design and architecture and provides policy advice in relation to design and built form outcomes covering a range of principles including:

- context
- the public realm
- safety
- landmarks, views and vistas
- pedestrian spaces
- heritage
- consolidation of sites and empty sites
- light and shade
- energy and resource efficiency
- architectural quality
- landscape architecture.

All commercial proposals must have regard to these principles and should also have regard to a range of design guidelines included in the VPP as reference documents.

In addition, DPCD has released *Interim Design Guidelines for Large Format Retail Premises*. While not yet listed as a reference document, these guidelines assist in the design of large format retail developments.

Metropolitan development

Clause 12 of the SPPF provides specific policies for metropolitan development. These requirements are additional to the principles of land use and development planning in Clause 11 and the relevant specific objectives and strategies found in Clauses 14 to 19. Clause 12 applies primarily to metropolitan Melbourne, however some objectives and strategies may influence municipalities beyond metropolitan Melbourne and should be taken into account where relevant.

Of particular relevance to retail development are the objectives and strategies that relate to activity centres found at Clause 12.01. As specified by this clause, activity centres should be built up as a focus for high-quality development, activity and living for the whole community by:

- developing a network of activity centres that: differ in size and function; are a focus for business, shopping, working, leisure and community facilities; provide different types of housing, including forms of higher density housing; are connected by public transport; and maximise choice in services, employment and social interaction

- ensuring activity centres are developed in a way that: reduces the number of private motorised trips by concentrating activities that generate high numbers of (non-freight) trips in highly accessible locations; encourages economic activity and business synergies; broadens the mix of uses appropriate to the type of centre and needs of the population served; provides focal points for the community; improves access by walking, cycling and public transport to services and facilities for local and regional populations; and supports the development of the Principal Public Transport Network

- ensuring planning for activity centres: sets the strategic framework for the use and development of land in and around the centre and gives clear direction in relation to preferred locations for investment; supports the role and function of the centre given its classification, the policies for housing intensification, and development of the public transport network; improves the social, economic and environmental performance and amenity of the centre

- broadening the base of activity in centres that are currently dominated by shopping to include a wider range of services over longer hours by: locating significant new education, justice, community, administrative and health facilities that attract users from large geographic areas in or on the edge of Principal Activity Centres (PACs) or Major Activity Centres (MACs) with good public transport; locating new small-scale education, health and community facilities that meet local needs in or next to Neighbourhood Activity Centres
- defining the role and function of activity centres, preferred uses, scale of development and links to the public transport system based on five classifications of activity centres comprising the Central Activities District, PACs, MACs, Specialised Activity Centres (SACs) and Neighbourhood Activity Centres (NACs).

This policy is supported by an incorporated document within the VPP that identifies a network of activity centres and defines the Principal Public Transport Network (*Activity Centres and Principal Public Transport Network Plan, 2003*).

Policy guidance is provided for each of five classifications of activity centres and additional specific requirements for out-of-centre development are also provided as follows:

- ensuring proposals or expansion of single use retail, commercial and recreational facilities outside activity centres are discouraged by giving preference to locations in or on the border of an activity centre
- ensuring out-of-centre proposals are only considered where the proposed use or development is of net benefit to the community in the region served by the proposal
- discouraging large sports and entertainment facilities of metropolitan, State or national significance in out-of-centre locations unless they are on the Principal Public Transport Network and in locations that are highly accessible to their catchment of users.

Retail definitions

The VPP includes a set of standard definitions that apply to all planning schemes across the state. Land use definitions are set out in detail at Clause 74 as well as being represented diagrammatically in the nesting diagrams found at Clause 75.

Of relevance to retailing are the land use terms that fall within the Retail Premises group at Clause 75.11. This group includes: food and drink premises; gambling premises; landscape gardening supplies; manufacturing sales; market; motor vehicle, boat, or caravan sales; postal agency; shop; and trade supplies.

A ‘shop’ is defined as: land used to sell goods or services, or to hire goods. It includes the selling of bread, pastries, cakes or other products baked on the premises. It does not include food and drink premises, gambling premises, landscape gardening supplies, manufacturing sales, market, motor vehicle, boat, or caravan sales, postal agency, primary produce sales, or trade supplies.

Within the sub-group of ‘shop’, the following types of retailing are further defined: adult sex bookshop; beauty salon; bottle shop; convenience shop; department store; hairdresser; restricted retail premises; and supermarket.

- A ‘restricted retail premises’ is defined as: land used to sell or hire: a) automotive parts and accessories; b) camping equipment; c) electric light fittings; d) equestrian supplies; e) floor and window coverings; g) furniture, bedding, furnishings, fabric and manchester; h) household appliances, household electrical goods and home entertainment goods; i) party supplies; j) swimming pools; or k) office equipment and supplies. It includes equestrian supplies, lighting shop, and party supplies.

- A 'convenience shop' is defined as: a building with a leasable floor area of no more than 240 square metres, used to sell food, drinks, and other convenience goods. It may also be used to hire convenience goods.
- 'Supermarket' and 'department store' are not defined.

While most land use terms have a corresponding definition, for those uses that are not defined, they have their ordinary meaning.

Zones and schedules

Standard zones for state-wide application are included in the VPP. Each planning scheme includes only those zones required to implement its strategies and there is no ability to vary the zones or to introduce local zones. Some zones have schedules that provide for local circumstances and can specify maximum floor area limits for certain retail uses.

Retail activity is principally directed into business zones and is generally prohibited or limited in other zones. However, some retail activities are permitted in industrial zones, such as restricted retailing and trade supplies, subject to a permit. In addition, retailing can also be permitted in other special use zones for a specific purpose or development, such as a Comprehensive Development Zone, where particular uses and development requirements have been scheduled into the zone.

Business zones and schedules

Retailing is generally directed into the **Business 1 Zone.** This is the main zone applied in most retail/commercial areas. The purpose of this zone is to encourage the intensive development of business centres for retailing and other complementary commercial, entertainment and community uses. In this zone a number of retail uses, such as a shop, are allowed 'as of right' (Section 1 use). A schedule to the zone allows the maximum floor space of certain uses, including shops, to be limited.

The Business 2 Zone encourages offices and associated commercial uses. In this zone the majority of retail uses (other than a postal agency and timber yard) require a planning permit (Section 2 use). Similar to Business 1 Zones, a schedule to this zone allows the maximum floor space of certain uses to be limited.

The Business 3 Zone encourages the integrated development of offices, manufacturing industries and associated commercial and industrial uses. Generally, this zone would only be applied in specialist locations where this type of development is either existing or strategically justified. Apart from a 'postal agency' (Section 1 use) and a shop (prohibited other than an adult sex bookshop, convenience shop and restricted retail premises), the remaining retail uses require a planning permit (Section 2 use subject to conditions).

The Business 4 Zone provides for a mix of retailing for bulky goods, manufacturing industry and associated business services. Generally, this zone would only be applied in specialist locations where 'bulky goods retailing' is either existing or strategically justified. It is typically applied on road-exposed locations where it is necessary to ensure that sufficient area is available to protect the safety and amenity of roads through the use of service roads, rear access and other techniques. Within the Business 4 Zone, restricted retail premises are allowed 'as of right' (Section 1 use). With the exception of a convenience shop, traditional shops are prohibited and all other retail uses are Section 2 uses requiring a planning permit. The schedule to the zone allows for maximum and minimum floor areas for certain uses.

The Business 5 Zone encourages the co-location of offices and dwellings, including multi-dwelling units. This zone provides some retail premises uses (other than landscape gardening supplies, shop and trade supplies), convenience shop and plant nursery as Section 2 uses. All other retail uses, including shop, are prohibited in the zone.

Industrial zones and schedules

The **Industrial 1 Zone** is the zone applied in most industrial areas. In this zone a number of retail uses are subject to a permit (Section 2 use). These include convenience shop, restricted retail premises, food and drink premises, landscape gardening supplies, and trade supplies. A shop (other than an adult sex bookshop, convenience shop and restricted retail premises) is a prohibited use. A schedule to the zone allows a minimum leaseable floor area for certain uses to be specified.

The **Industrial 2 Zone** is applied to large industrial areas with special requirements that need to apply to the 'core' area of the zone (the area more than 1500 metres from a residential zone) so as to provide for industrial uses that require a buffer or separation from sensitive land uses such as housing. Generally, uses that do not depend on such a location are discouraged, however the zone does provide for limited retail uses as a Section 2 use. A shop, including restricted retail premises, is a prohibited use in the zone.

The **Industrial 3 Zone** is designed to be applied as a buffer between the Industrial 1 Zone or Industrial 2 Zone and residential areas, if necessary. It may also be applied to industrial areas where special consideration is required because of industrial traffic using residential roads, unusual noise or other emission impacts, or to avoid inter-industry conflict. In this zone a number of retail uses are allowed with a planning permit (Section 2 use). These include convenience shop, restricted retail premises, food and drink premises, landscape gardening supplies and trade supplies. A shop (other than an adult sex bookshop, convenience shop and restricted retail premises) is a prohibited use. A schedule to the zone allows a minimum leaseable floor area for certain uses to be specified.

Residential zones

The **Township Zone**, while primarily a residential zone, does allow for a range of commercial, industrial and other uses in small towns. In this zone, all retailing (other than an adult sex bookshop) requires a planning permit.

Similarly, the **Mixed Use Zone** provides for a range of residential, commercial, industrial and other uses and is suitable for areas with a mixed use character. In this zone, all retailing (other than an adult sex bookshop) requires a planning permit, and a schedule to the zone allows the maximum floor space of certain uses to be limited.

With the exception of community markets, convenience shops, food and drink premises and plant nurseries, all other retail uses are prohibited in the remaining residential zones.

Special purpose zones

Special purpose zones such as the Capital City Zone, Docklands Zone, Special Use Zone, Comprehensive Development Zone and Priority Development Zone allow for land use requirements to be specified in a schedule to the zone. This allows detailed land use requirements, including retail use and development, to be prescribed for a particular site or area.

Particular Provisions and General Provisions

A range of Particular Provisions included at Clause 52 relate to specific categories of use and development and may be relevant to retail proposals. These include provisions that relate to: advertising signs; car parking; loading and unloading of vehicles; motor vehicle, boat or caravan sales; convenience restaurant and take-away food premises; licensed premises; gaming; land adjacent to a road zone category 1 or a public acquisition overlay for category 1 road; bicycle facilities; and integrated public transport planning.

These matters must be considered, if relevant, and in some instances will require referrals to external agencies. In accordance with the provisions of Clause 52.36 any application for a new retail premises of 4,000 or more square metres of leasable floor area or an increase to the leasable floor area of an existing retail premises which has 20,000 or more square metres of leasable floor area must be referred to the Director of Public Transport.

General Provisions can be found at Clause 60 to 67. These clauses set out provisions about the administration of a planning scheme, existing uses, decision guidelines, referral of applications and other matters. Of most relevance here are decision guidelines specified at Clause 65. As outlined at this clause, simply because a permit can be granted does not imply that a permit should or will be granted. The responsible authority must decide whether the proposal will produce acceptable outcomes in terms of the decision guidelines.

Local Planning Policy Framework

The Local Planning Policy Framework (LPPF) sets a local and regional strategic policy context for a municipality. It must not operate inconsistently with the SPPF and should, where possible, demonstrate how broader State planning policies will be achieved or implemented in a local context. If there is an inconsistency between the SPPF and the LPPF, the SPPF prevails.

A review of planning schemes across Victoria as part of the Retail Policy Review has revealed that local councils vary greatly in the way in which they deal with retail developments. Some councils have undertaken detailed retail strategies and incorporated strategies and policies specific to retail into their Municipal Strategic Statement (MSS) and local policies. Other councils have undertaken structure planning for activity centres that include requirements for retail development, while others have undertaken little strategic work in relation to retail or activity centres, and include references within other general strategies and policies around settlement.

Some general observations can be made about how councils deal with retailing within their local planning frameworks:

- Planning generally recognises a hierarchy of retail centres associated with a hierarchy of activity centres.
- Generally, emphasis is on maintaining the current hierarchy of activity centres and supporting current businesses.
- Very few planning schemes identify opportunities for the development of new activity centres and specific locations for retail extensions to existing centres are identified for relatively few centres.
- Only some planning schemes identify specific redevelopment opportunity sites.
- In established urban areas, ‘core’ retail locations are generally provided for by applying the Business 1 Zone. For smaller towns, retailing is provided for using the Township Zone.
- Emphasis is on protecting the amenity of nearby residential areas including car parking, noise and the effects of extended trading hours.
- Design and Development Overlays are extensively used to provide height, setback and design requirements for buildings within activity centres.
- In some instances Development Contributions Plans are applied to provide for public realm improvements including pedestrian connections and car parking.
- Some schemes require impact assessments for retail proposals.

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