

17 March 2014

2014 Corporate Partners



Cr Mark Jamieson
Mayor
Sunshine Coast Regional Council
Locked Bag 72
Sunshine Coast Mail Centre, Qld 4560

Dear Cr Jamieson *Mumma*

Maroochydore City Centre Priority Development Area

Thank you for the opportunity to provide feedback on the Maroochydore City Centre Priority Development Area (PDA) Proposed Development Scheme (Scheme).

The Property Council has long been supportive of the establishment of a CBD for the Sunshine Coast, and sees the PDA as another step towards delivering this vision.

The Scheme supports the numerous planning processes previously undertaken for this site, and provides a clear land use planning and development assessment framework.

While the considerable amount of work undertaken in delivering the Scheme is acknowledged, the Property Council holds a number of concerns regarding the delivery and governance arrangements of the PDA.

These include the need to:

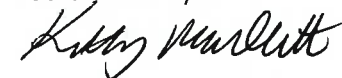
- establish a single, integrated CBD for the region
- develop an accountability framework to provide transparency in governance arrangements
- communicate impacts of the required return on investment on Council's budget and delivery of the site, and
- reflect the needs of the market, without compromising existing centres.

These concerns, along with further support for the project, are outlined on the following pages.

The Property Council would appreciate an opportunity to meet with you to further discuss these concerns, along with our support for the project.

If you have any questions regarding the Property Council or this submission, please do not hesitate to contact me on 07 3225 3000 or kmacdermott@propertyoz.com.au.

Yours sincerely



Kathy Mac Dermott
Executive Director

CC: Hon Jeff Seeney MP, Deputy Premier and Minister for State Development, Infrastructure and Planning
Hon David Crisafulli MP, Minister for Local Government, Community Recovery and Resilience

A single, integrated CBD for the region

A cohesive Maroochydore CBD will deliver development and investment opportunities for the region, while providing a central location for the Coast's commercial, civic and social activities. In delivering the CBD, we must ensure:

- **seamless integration with the existing CBD**
 - **a civic focus**
- **an understanding of broader economic impacts.**

As noted, the Property Council continues to support the development of the Horton Park Golf Club site, as it is critical in establishing a defined CBD for the Sunshine Coast.

The inclusion of provision for heavy rail (CAMCOS) and light rail in the Scheme reinforces the importance of this site to the Coast's future development and its CBD status.

The property industry on the Coast was badly impacted by the Global Financial Crisis, and continues to struggle to return to historical levels of activity.

Any steps taken to promote and support increased development on the Sunshine Coast are supported by the Property Council.

As the Horton Park site will be part of the broader, already established Maroochydore CBD, the Property Council would like to see greater integration between existing uses and the proposed uses within the PDA.

The Property Council notes the streamlined planning and development assessment processes and removal of third party appeal rights that come with approved PDA schemes. There is some concern that the PDA designation, and its resultant benefits, creates an uneven playing field within the market.

The land within the PDA is owned by Council and the Queensland Government, with no private holdings represented. Other land surrounding the designated PDA would also have benefited from the uplift provided through faster processes and the removal of appeal rights, in order to stimulate development.

Previous structure planning for the CBD included approximately 205 hectares of private and government-owned land. It is the Property Council's preference to include all land within the previously defined CBD as part of the PDA to reinforce this cohesion.

As previously mentioned, the Property Council is supportive of the development of a cohesive CBD for the Sunshine Coast. Including some land holdings in the CBD and excluding others threatens this cohesiveness as it effectively creates a two-tiered market.

As the PDA designation is for planning purposes only, it is essential there is a seamless integration between land uses within and outside of the PDA to create a single CBD for the Coast. Uses should complement one another, rather than act in competition.

For example, the Scheme importantly notes the need to integrate retail uses with the existing Sunshine Plaza, however it does not mention other retail uses such as Big Top, or smaller, lower order retail providers.

While the Scheme notes that proponents will be required to undertake their own economic impact assessments for additional retail uses outside of Precinct 3, it allows for an additional 75,000m² of retail space 'as of right'. It is unclear whether or not an economic impact study has been undertaken for this 75,000m² of retail, or for the other proposed uses in the PDA.

A single, integrated CBD for the region, continued.

The Property Council seeks clarity as to the extent of economic impact assessment required to be undertaken by Council in creating the PDA Scheme, as opposed to the assessments that would have been required through private sector planning under the *Sustainable Planning Act*.

It is envisioned that the PDA will assist in delivering a regional CBD, providing the ‘business, community services and employment focus for the Sunshine Coast,’ and the vast amount of work undertaken by Council in informing this vision is acknowledged.

The Property Council also supports the identification of the PDA as the civic heart of the Coast. In order to achieve this vision, it will be necessary for major catalytic investment in a civic project to provide confidence and kick-start development.

The most obvious use to be located within the PDA is the consolidated chambers of the Sunshine Coast Regional Council (Council). This use is notably absent from the Scheme, and the Property Council questions whether or not Council will relocate its offices, in support of the vision of the CBD.

Develop an accountability framework to provide transparency in governance arrangements

An accountability framework must be established to ensure transparency and independence in the governance arrangements for the PDA. This should include:

- **establishment of an independent entity**
- **EDQ to remain as assessment manager**
- **a Council framework for managing conflicts of interest.**

As raised with Council previously, the Property Council has ongoing concerns regarding the transparency and governance arrangements associated with the development of the PDA.

While conversations with Council officers in late February indicated an independent corporation would be established, this is only one of many steps required to ensure the resolution of perceived conflicts of interest.

Across Australia, numerous examples can be found of successful and unsuccessful independent corporations established to oversee the development of government-owned land.

The Southbank Corporation in Queensland, established under its own Act of Parliament, provides a case study for how an independent corporation can be used to remove conflicts of interest held by the land-owner, while facilitating the commercial development of land.

Other examples, such as the Ipswich City Council-owned Ipswich City Properties Pty Ltd, have been subject to allegations of misconduct, and are not seen by the property industry to provide enough separation between Ipswich City Council's roles as land-owner, developer and assessment manager.

Whichever option Council chooses to deliver the PDA, it is imperative Council's impartiality is not compromised.

It is understood that Council has not yet decided whether or not to request delegation from Economic Development Queensland (EDQ) for the assessment of development applications under the Scheme.

The Property Council encourages Council to retain the existing situation, whereby EDQ is the assessment manager. This will ensure an external, independent body is responsible for approving development in the PDA.

EDQ may still request input from Council on the assessment of some applications, however retaining EDQ as the assessment manager will minimise the risk of potential conflict.

As Council is the majority land-owner within the PDA, there remains a concern that development proposals mooted for the balance of the Sunshine Coast local government area will be encouraged to locate within the PDA.

The Property Council is keen to understand the governance arrangements Council will put in place to ensure this perceived conflict is adequately managed.

Section 5.0 of the Scheme identifies that an implementation strategy will be required to support the delivery of the PDA.

As the current implementation strategy is lacking in detail, the Property Council is keen to find out more about Council's plans for a co-ordinated brand and marketing plan, economic development investment strategy, and the governance and management framework.

Communicate impacts of the required return on investment on Council's budget and delivery of the site

Clearer communication is required on Council's drive to achieve a return on investment, and the resultant impacts on Council's budget and how the site is delivered. This includes:

- **an overview of upfront costs and timeframe for recouping them**
 - **articulation of the social benefits of the PDA**
- **clarity around ownership, management and funding of infrastructure.**

As the PDA is owned by a local government rather than a private developer, Council will have different requirements regarding achieving a return on their investment.

It is unclear what those required returns are, and whether they will be set by Queensland Treasury, or by Council. Either way, the rate-payers of the Sunshine Coast are effectively shareholders in the development, so it is critical their investment provides a commercial and/or social return.

From our conversations with Council, it is understood the site is intended to be self-funding. With a lifespan of 20 or more years, and a significant upfront spend required on trunk infrastructure, it may take decades for the project to deliver any commercial returns, if at all.

As Council debt can have an impact on local government rates and levies, an overview of the upfront costs and a timeframe for recouping these over time, will assist residents and the business community in understanding when commercial returns can expect to be seen.

While acting predominantly as a land use plan for the site, the Scheme also provides an opportunity for Council to articulate the social benefits the PDA is expected to deliver.

These social benefits could then be quantified, which along with monetary returns, will provide a measurable account of Council's return on investment.

In terms of the infrastructure identified through the Scheme, the Property Council is concerned that infrastructure charges alone will not be enough to cover construction or ongoing costs, and as a result, there will be a greater reliance on individual infrastructure agreements to fund the difference.

As with the initial trunk infrastructure work, there may be further need for Council to fund future infrastructure works in order to facilitate development, rather than relying on the private sector.

As the PDA acts in isolation of other planning processes, it is unclear how infrastructure external to the PDA will be planned for and funded. External feeder roads, for example, will receive higher traffic volumes over time, however it is unclear whether or not Council's infrastructure plan has been developed to reflect this.

The Scheme is also unclear as to the ongoing ownership and management arrangements of some assets, such as the waterways and open space.

These assets will require considerable ongoing funding to ensure they are maintained at the necessary environmental standard, along with continuing to meet community expectations.

Finally, as the site is projected to be developed over a 20 year period, it is critical that a strategy is put in place to not only address the staging of development, but also to manage the balance of the site.

Communicate impacts of the required return on investment on Council's budget and delivery of the site, continued.

With over 60 hectares of open space (currently), it would be a shame if the community is unable to utilise the balance areas of the site before they are developed.

This area could provide a positive addition to the Coast, rather than being fenced off and remaining unused until each stage is opened for development.

Reflect the needs of the market, without compromising existing centres

The PDA must reflect the needs of the broader property market, without compromising the role and function of existing centres. It is recommended Council consider:

- **communicating plans to minimise perceived conflicts of interest**
 - **re-examining interim uses provided for in the Scheme**
- **reviewing height limitations and mixed-use requirements.**

As previously noted, the Property Council is supportive of the establishment of a cohesive CBD for the Sunshine Coast, with the development of the Horton Park site imperative in achieving this vision.

Numerous planning studies have been undertaken for Maroochydore, however as yet, none have been a catalyst for development. With Council now facilitating development, it is hoped the vision will be achieved, without negatively impacting on existing centres on the Coast.

Major development sites such as the Kawana Health Hub and Business Village and Sippy Downs Town Centre are not yet nearing capacity, so will act in competition with the PDA.

Further, as Council has a significant commercial interest in ensuring the PDA's success, there is an incentive to attract development away from Kawana and Sippy Downs, and to a lesser extent Caloundra South, and actively compete for market opportunities, further compromising its independence.

The ongoing development of these centres will also have a considerable impact on the PDA being able to achieve its desired development outcome in the short to medium term.

As such, the Property Council recommends a review of the interim uses policy within the Scheme.

It has been foreshadowed that car parking facilities will account for a large portion of the interim uses, however other interim uses should also be facilitated.

On car parking, the Property Council supports the Scheme's identification of two requirements for car parking- one prior to the introduction of a high capacity mass transit system, and one after. This provides a common-sense approach, as it reflects the reality of developing a major site that lacks public transport.

Depending upon the staging of the project, the Scheme has the potential to over-provide for commercial and retail space.

The Sunshine Coast commercial market comprises approximately 150,000m² GFA. The Scheme allows for a further 165,000m² over the next 20 years. While the Coast is expected to see dramatic growth in the coming decades, along with the commercial space mooted to enter the market in areas outside of the PDA, this is seen as a highly ambitious allowance.

Similarly, with the pending expansion of Sunshine Plaza and the redevelopment of Big Top, the 75,000m² of retail space provided for in the Scheme may not be fulfilled.

While these targets are considered ambitious, the height limitations in the Scheme provide a stark contrast.

Reflect the needs of the market, without compromising existing centres, continued.

It is acknowledged that a couple of buildings greater than 15 storeys will be permitted, however the majority of the site will be capped at 8 storeys. With the intention of the Scheme to provide 'core' areas of retail and commercial, where restrictive height limits are retained, it will lead to the dispersal of commercial developments across the PDA.

Additionally, the Property Council considers increasing these limitations an essential requirement for developers, as it will increase their potential to attract tenants and secure a commercial return.

In the 'High density residential zone', it is also noted the precinct is intended for '... predominantly medium intensity residential uses'. This again appears to be a misalignment between the vision of the Scheme, and the reality of its provisions.

Throughout the majority of precincts within the Scheme, mixed-use- with lower levels of office or retail and residential development above- is the preferred development type.

It has been our members' experience that mixed-use developments are rarely successful, and high streets often take a mature market to flourish.

The proposed staging of the PDA will be vital to the success of mixed-use developments, as it will be to the rest of the PDA and the balance of the Sunshine Coast property market.