
Submission on employment zones proposed reform on behalf of the ARC Discovery Project, Urban Cultural Policy and the Dynamics of Cultural Production

29 June 2021

To Whom It May Concern:

Please consider this submission from the Australian Research Council Discovery Project, Urban Cultural Policy and the Dynamics of Cultural Production (Prof. Chris Gibson, University of Wollongong, Prof. Carl Grodach, Monash University, Prof. Justin O'Connor, University of South Australia). Over the past five years across several major cities, including Sydney and Melbourne, our team has tracked the economic, social and spatial convergence of creative industries and manufacturing (large, small, craft-based, advanced and low-tech/high-touch). Most of the activity generated at the interface of manufacturing and creative industries takes place in older factories, close to local labour forces, in NSW zoned either IN1 or IN2. The headline finding is that these precincts and zonings, with comparatively affordable rents and a wide range of permissible uses, support dense clusters of interlinked enterprise activities delivering benefits for economic diversification, local place identities, quality jobs growth, and urban functionality and resilience (Gibson et al 2017; Grodach et al 2017). Cities globally increasingly recognise such convergences across sectoral categories and are developing approaches to zoning to foreground and promote them strategically (Martin and Grodach 2020). We welcome the NSW Government's turn to embrace zoning as a mechanism to achieve similar aims.

However, the task is made more fraught given that the available suitably-zoned land with appropriate physical buildings (generally older stock of smaller factories with high ceilings, truck access and capacities for internal retrofitting to diverse purposes) has shrunk considerably in the past decade. This is largely due to spot rezonings and the demolition of such buildings for B4-zoned mixed-use developments (that are not in fact very 'mixed', largely featuring high-rise residential with ground floor retail, but no space suitable for industrial, maintenance and repair or creative industries uses). The range of issues is discussed in a series of peer-reviewed academic journal articles by the team (<http://www.urbanculturalpolicy.com/publications/>) and summarised for public consumption in a 2019 article published in *The Conversation* (<https://theconversation.com/three-ways-to-fix-the-problems-caused-by-rezoning-inner-city-industrial-land-for-mixed-use-apartments-121566>).

Reviewing the proposed reforms to employment land zoning in NSW, we offer the following insights from our ongoing research.

- 1. Residential land uses are not compatible with employment lands categories.** To prevent the prospect of speculative spot rezonings and/or residential uplift strategies by developers displacing enterprises while diminishing overall available employment lands, it is critical that residential land uses are not permissible in the proposed E3 (Productivity Support), E4 (General Industrial), E5 (Heavy Industrial), SP4 (Local Enterprise) or W4 (Working Foreshore). **The matrix of zones could be bolstered to reflect the position paper's accompanying language**

where zones do not support residential land uses (p 7). At present, there exists too much scope for residential uses to loom over the proposed zones, unless specifically prohibited. The open-ended nature of SP4 is a concern (see also 4. below).

- 2. As per 1., Built-to-Rent (BTR) residential proposals are inconsistent with employment lands and should not be permissible upon them.** At present, the reform information site (<https://www.planning.nsw.gov.au/Policy-and-Legislation/Planning-reforms/Employment-Zones-Reform>) contains the following FAQ about build-to-rent housing: “**Build-to-rent (BTR) housing is large-scale, purpose-built rental housing that is held in single ownership and professionally managed. BTR is allowed anywhere where residential flat buildings are permitted, as well as in the current zones of B3 Commercial Core, B4 Mixed Use zones and B8 Metropolitan Centre zones. The provisions for BTR will also apply under the employment zones. More information about BTR is available at the [Built-to-rent housing page](#).**” (emphasis added) This is confusing, creating the impression that BTR may in fact be allowable under the revised employment zones. We trust that is not the intended interpretation of the FAQ statement. **BTR is, like residential development more generally, inconsistent with retaining and managing existing employment lands to maximise longer-term productivity and employment growth, and should not under any circumstances be permissible on E3 (Productivity support), E4 (General Industrial), E5 (Heavy Industrial), SP4 (Local Enterprise) or W4 (Working Foreshore) employment lands.**
- 3. Prevent haphazard upzoning and compel MU Mixed Use to be genuinely ‘mixed’.** We welcome clarification that the reform 'does not seek to up zone land as it remains the prerogative of councils to set development standards and controls for height and density'. We also welcome acknowledgement in the accompanying Position Paper of the extant shortages of industrial and urban services land, their importance to city functioning, and the need for separate classifications that clearly aim to prevent their ongoing erosion. However, there is the ever-present risk that parcels within existing IN precincts will be converted to either the MU Mixed Use designation (in anticipation of future residential upzoning, possibly via the 'boarding house' loophole) or the new SP4 Local Enterprise zone (which appears to provide carte blanche for any given use in an affected land parcel). While we welcome MU Mixed Use being introduced with the intention to replace B4 Mixed Use in promotion of a more genuine mix of land uses beyond just residential, it is unclear how the shift to the new category would achieve this, in reality. **We recommend the expert panel review this specific instance and consider stricter controls on the proportion of floor space allowable for residential versus other uses (including Productivity Support and Creative Manufacturing) on land designated MU Mixed Use.** Especially since the pandemic, consumers want direct relationships with makers. Rising land prices and the changing size and scope of manufacturing today means there is potential to add permissible uses to mixed use redevelopments, via cross-subsidy incentives. Empty shop-top retail for example could be carefully retrofitted for creative and small manufacturing, with new building codes that enable alternative low-impact, ground-floor uses. This is, however, unlikely to occur without some degree of regulation, given that retail space is generally the cheaper option, hence its proliferation in the past decade in ‘mixed’ use developments.

4. While the position paper asserts that SP4 would only likely apply in exceptional circumstances, according to strict criteria, it is unclear what statutory or legislative means are available to prevent the use of SP4 becoming more widespread over time, as a loophole to facilitate large-scale developer-led precinct rezonings and redevelopments. This is especially the case for instances of on-going 'land banking' of contiguous IN-zoned parcels by consortia involving developers (e.g. the Carrington Road industrial precinct in Marrickville), in anticipation of unsolicited major redevelopment proposals that, with the dollar-values large enough for the precinct in question, are likely to spill over into this 'special' category. **We recommend the expert panel review this proposed zone and consider removing it from the proposed reforms.**

5. We welcome overdue acknowledgement of the creative industries and circular economy activities as growing and legitimate components of the urban economy. The proposed zones do, however, assume that creative industries are functionally and definitionally distinct from other economic activities, especially manufacturing, but also including material fabrication and distribution (Grodach and Gibson 2019). As observed empirically in our research in Marrickville, inner Sydney (Gibson et al 2017) and inner Melbourne (Grodach and Martin 2020), business linkages and functional interdependencies between creative industries and manufacturers, material supply specialists and components suppliers are vital to enhancing critical mass and maximising cluster effects. As just one Sydney-based example, a high-quality timber trader located in IN1 zoned land in the Carrington Road precinct, Marrickville, is an anchor business attracting to the area furniture repair, woodwork education, cabinet-making, sculpture and specialist architectural installation firms. Those firms in turn hire local photographic studios, tools suppliers and repairers (Gibson et al 2017). Such interdependencies take decades to evolve organically in the one precinct, and are as vital to understanding the employment and enterprise growth capacities of employment lands as sectoral categories and classifications. **The inclusion of wording in documents and the matrix in support of 'Manufacturing' (adjacent to 'creative industries') would assist in rectifying this definitional tension.**

Contact

Thank you for considering this submission regarding the Employment Zones proposed reform. We can be contacted on [REDACTED]

Yours sincerely
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(on behalf of the ARC Discovery Project, Urban Cultural Policy and the Dynamics of Cultural Production, urbanculturalpolicy.com)

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