

## **Response to the proposed Employment Lands Framework**

### **Submission from the Committee for Sydney**

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**June 2021**

#### About the Committee for Sydney

The Committee for Sydney is an independent think tank and champion for the whole of Sydney, providing thought leadership beyond the electoral cycle. We bring people together to solve the problems of today and tomorrow.

With over 150 member organisations, we work on behalf of Sydney, not the interest of any industry or sector. Our goal is to build on our already strong history of shining a light on critical issues shaping our city and developing a suite of actions for a better future.

## Executive Summary

- Simplifying where businesses can locate, with fewer and more flexible employment zones is a welcome reform.
- Councils should be required to update their Development Control Plans to ensure these new zones are both productive and vibrant, especially in the E1 Local Centres Zone.
- We support these new Zones being mostly protected from residential, however in some circumstances, short term accommodation and Build-to rent should be permissible where they can add temporary activation or support the primary purpose of the zone.
- We question the need to replace the B8 Commercial Centre Zone, currently the most flexible Zone in NSW.
- The E3, E4 and E5 zones should not be unduly restricted with secondary controls such as height and floor space restrictions.

## Introduction

The Committee welcome the opportunity to respond to the proposed Employment Lands Framework and commend the Government for undertaking such a substantial reform.

The primary purpose of cities throughout history has always been economic. They are to facilitate the exchange of goods and services, ideas, and knowledge, between people. How successful they are at this determines how successful they are as cities. Cities that lose their economic purpose, quickly die.

While the Committee for Sydney was established to celebrate and promote all facets of urban life, we have always maintained the success of our city is predicated on it being able to support a growing economy to employ our citizens. Our advocacy has been directed towards promoting economic agglomeration, the attractiveness of Sydney to global business and supporting urban productivity, as prerequisites to creating a liveable, loveable, sustainable, and inclusive city. Get the economics right and the rest will follow.

The economic success of Sydney in recent decades has often been in spite of the planning system rather than because of it. As our economy has adapted and evolved, our zoning system has had to twist and contort to support these changes. Patches and exemptions have been introduced to allow economic activities to occur, new zones have been created and new categories of permissible and prohibited uses created. The result is a bewildering number of employment zones and prohibitions, which are then inconsistently applied across the State. The COVID-19 pandemic has accelerated economic change which in turn has now exposed the complexity and inflexibility of this system and the need for root and branch reform.

The Committee welcomes the proposal to reduce the number of employment zones. In particular we welcome the three themes guiding the reforms:

- That zoning controls should be modernised to reflect changes in the economy.
- That the system needs much greater flexibility to respond to economic change and disruption.
- That the zoning system should be consistently applied, provide greater clarity for investment, and be easier to navigate.

These three themes provide the basis for the Committee's response to the proposed Employment Zone Framework.

## Strategic intent of the proposed Zones

### E1 Local Centre Zone

We support the abolition of the B1 Neighbourhood Centre and B2 Local Centre Zones and its replacement with a single Local Centre Zone. The difference between the B1 and B2 Zone was never clear and the two seemed to be applied interchangeably and inconsistently across the State.

This new Zone is critical to supporting our city's high streets, something the Committee has been paying particular focus on in recent years. These places are vital to the social and economic wellbeing of our citizens and require special protection and support from the planning system to ensure they are both vibrant and functional.

While we agree that shop top housing should be a permissible use, it is important that residential development does not crowd out the zone's primary role to *"provide a range of retail, business, entertainment and community uses that serve the local population"*.

The Committee will soon be releasing a Paper looking at how these high streets are managed and curated. It will make specific recommendations for councils to develop better Development Control Plans to guide new development and to ensure these places retain a diversity of economic uses and a fine grain, active street frontage. The implementation of this new Zone is good opportunity for the Department to require all councils to review and update their DCPs.

### E2 Commercial Centre Zone

We support the creation of single Zone to support our major commercial centres, and which prioritise economic agglomeration, employment and services. We particularly welcome the stated intention that this zone support an area's night-time economy and that any activities which may impact on a vibrant night-time, such as residential, be limited. Where a council deems residential to be a suitable use in the E1 Zone it should be accompanied with a DCP to minimise any land use conflict such as 'agent of change' provisions. Likewise, where residential is considered appropriate in this Zone, it should mostly be limited to new format Housing such as Build-to-Rent, so these centres can expand in the future, uninhibited by strata titled residential development.

However, we do not support this Zone being applied in the Sydney CBD area. (See below)

### **E3 Productivity Support Zone**

We support the abolition of the B7, B6 and B5 zones and their incorporation into a single E3 zone. The creation of a single zone where a wide variety of low impact industries can agglomerate is overdue and much needed in Sydney. Low impact enterprises, such as creative industries, are currently crowded out of most existing employment zones or have been prohibited, mostly without a reason. This zone has the potential to create some interesting and vibrant precincts where a wide variety of activities can flourish.

We agree that this zone is best placed to accommodate large floorplate retail such as bulky goods, however consideration should be given to restricting these high traffic generating activities in precincts adjacent to our cities Health and Education Precincts. Precincts such as the Royal North Shore Health cluster and the RPAH/Sydney University Precinct have significant access constraints, and this may be exacerbated if high traffic generating uses are permitted.

In implementing this zone, it is important these areas have the potential to flourish and should not be limited by too restrictive height and floor space ratios by local councils. (See further considerations below).

While residential uses should be restricted, in some rare cases there might be a need for short-term accommodation or co-living to support employment. We note one of the impediments to the creative industries is the lack of accessible and affordable accommodation.

### **E4 General Industrial and E5 Heavy Industrial Zone**

Collapsing the IN1, IN2 and IN3 Zones into two Zone is long overdue. The rationale for separate zones for each type of industrial activity has long been lost and no longer reflects current industrial practice. Furthermore, the multiple zones are applied inconsistently across the state. For example, the Inner West Council regards “car repair services” a heavy industry and prohibits it in all zones, except IN1. The City of Sydney regard it as a suitable activity in all zones, except residential.

The only demarcation required is to ensure separate and dedicated areas for hazardous and offensive industries.

We support protecting these areas from encroachment by residential or non-ancillary retail uses.

### **MU – Mixed Use Zone**

The Committee supports the creation of a genuine mixed-use zone. Too often the current B4 Zone has effectively become a residential zone and dominated by residential flat buildings with little employment or services.

The creation of this new Zone may however have implications for existing buildings in the B4 zone, which, notwithstanding their existing use rights, may become financially unviable to renew or be redeveloped when the new zone comes into force.

Likewise, in some cases, it may be appropriate for the MU Zone to allow just shop-top housing. We note that the draft Design and Place SEPP is foreshadowing changes to some of the Residential Zones to allow ground floor activation with non-residential uses. We do not support this zone replacing the B8 Zone. (See further considerations below).

#### SP4- Local Enterprise Zone

We support the creation of a special zone for specific precincts and activities which do not neatly fit into any of the new zones.

We also question the rationale for this zone to replace the B8 Zone.

#### W4 Working Foreshore

We support the objectives of the IN4 Working Waterfront being directly translated into this Zone.

#### Land Use Definitions

Updating and consolidating the land use definitions in the Standard Instrument is supported.

In relation to the specific request for feedback on shop-top housing, the Committee supports the allowing a broader range of activities beyond just retail. The intent of this type of development is to ensure the ground floor is activated and addresses the street front. This can be achieved by other activities and not just retail. Expanding the definition to allow a medical centre or light industry is welcome. The issue of compatibility with other land uses is best assessed at the DA stage and not through the zone.

### Further Considerations

The Committee for Sydney supports the retention of the B8 Metropolitan Centre Zone. This Zone is the most flexible zone in NSW and permits, with consent, every conceivable activity and enterprise (except Pond-based aquaculture). It allows businesses to invest in a range of enterprises and activities and for the place to adapt and evolve as markets change and new industries emerge.

It provides a good balance between allowing the market to operate, supports innovation and economic change, while also directed development towards agreed public goods and better urban design. Its success over the past decade is reflected in the record investment and employment these precincts have attracted and generated over the past decade. We are concerned these benefits may be lost if a MU Zone or SP4 Zone was imposed these important places.

While we welcome the aim of the reform to reduce the number and complexity of Zones the success of the metric for success is not a numerical one. Perhaps an alternative could be to replace the proposed SP4 Enterprise Zone with the B8 Zone, albeit one with a slightly different land-use table depending on what objective it is trying to achieve in each precinct.

## Increased Density and more flexible controls

Zoning is not the only restriction limiting investment in employment lands and stifling industry innovation and adaptation. How councils apply the zones and the overlay they place on them, can be just as restrictive and stifling.

Many councils currently impose limited height and floor space controls which don't reflect the realities of modern industry and serve little planning purpose. This is particularly the case in many existing industrial zones where some councils limit the FSR to less than 1:1 or with a low height limit. These controls often limit the development potential of an area to just large sheds.

Industry is rapidly evolving and often needs more than just a large shed. Manufacturing, distribution, and logistics have changed yet these dated controls persist. As the Metropolitan Plan identified there is a chronic shortage of industrial land in Sydney. We need to make sure that we not only protect what we have left but to make sure we get the most out of it. While form and density controls are warranted in the E1, E2, and MU Zones they are questionable in the E3, E4, and E5 zones.

## Relationship to other reforms

While the Framework refers to some of the other planning reforms currently underway it should also be mindful of the changes proposed in the draft Design and Place SEPP as well as the NSW Housing Strategy.

The draft Design and Place SEPP is foreshadowing changing the way residential flat buildings are developed with a view to allowing ground floor activation with commercial development in the R3 and R4 Zones. This may have implications for the proposed MU Zone by replicating the B4 Zone this Framework is seeking to abolish.

Likewise, the Housing Strategy is looking to encourage new formats of housing, notably Build-to Rent and Co-living which may have implications for some of the new Zones.

While the Committee agrees that employment Zones should be protected from competing land uses, particularly residential and retail. In some limited circumstances these new housing formats can provide places with some much-needed activation or can support the zones' primary purpose of employment. These policy reforms should be considered before the new Zones are adopted.

## Implementation

If the draft Framework is to be adopted its implementation needs to be carefully considered to minimise disruption to industry, landowners, and the local community. This is a very substantial reform and may have some unforeseen and unfortunate consequences. Furthermore, any added uncertainty may impact investment decisions and hinder our economic recovery.

While the Committee agrees that a self-repealing SEPP is the quickest way to introduce the new zoning, we would welcome being briefed on how it will work and how each LEP will be changed. We would also welcome being kept informed about the development of the implementation "tool kits" suggest in the Framework.

## Conclusion

Notwithstanding the above suggested changes and amendments, the Committee is pleased with the direction these reform proposals are heading in. A simpler and more flexible approach to employment lands will encourage investment and help industry adapt and evolve.

How the reforms are implemented needs to be carefully managed and the Committee is happy to work with the Department to ensure this is as seamless and easy as possible.