

Our Ref: PNL:913953

30 June 2021

Department of Planning, Industry and Environment
4 Parramatta Square
12 Darcy Street
PARRAMATTA NSW 2124

By Email

Dear Sir/Madam

**Jacfin Pty Ltd
Submission on Employment Zone Reform**

We act for Jacfin Pty Ltd (**Jacfin**).

We refer to the Employment Zone Reform undertaken by the Department of Planning, Industry and Environment (**Department**) and the exhibition of the:

- (a) Proposed Employment Zones Framework Position Paper dated May 2021 (**Position Paper**);
- (b) Draft Standard Instrument (Local Environmental Plans) Amendment (Land Use Zones) Order 2021 (**Draft LEP Order**);
- (c) Proposed Land Use Matrix; and
- (d) Employment Zones Implementation Plan.

Background

Jacfin is the owner of approximately 271ha of land zoned IN1 - General Industry within the Blacktown City Council and Penrith City Council local government areas which Jacfin is progressively developing for employment purposes. Given Jacfin's investment in Sydney's employment lands it has a strong interest and long term commitment to the growth and diversification of economic activity in employment lands within NSW.

Jacfin commends the Department for the well-considered, timely and strategic nature of the Employment Zone Reform. Jacfin supports the Department's response to land supply needs and consideration of the need for integrated land use planning for employment lands.

Executive Summary

1. Jacfin supports the Department's intention to incorporate greater flexibility in the employment land planning framework. However, to keep pace with the rapidly

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changing industrial sector, a greater diversity of uses and built form should be considered for the ongoing support of employment zones, particularly in relation to land proposed to be zoned E4 - General Industry. Such flexibility will increase productivity, diversification of employment and permit the evolution from warehousing and logistics focused uses to integrated campus style development, permitting the colocation of the industrial and commercial components of businesses.

2. Given the comments in the Position Paper that some land zoned IN1 - General Industry may be amalgamated into the E5 - Heavy Industry zone, Jacfin is concerned that there is a potential for the co-location of land zoned E4 - General Industry and land zoned E5 - Heavy Industry. The uses undertaken in these zones are incompatible and any co-location will have deleterious effects on the E4 zoned land. On this basis, Jacfin strongly opposes any co-location of the E4 and E5 land zones and requests the Department not include any IN1 zoned land within the newly created E5 zone.

Flexibility for Industrial Lands

Whilst Jacfin supports the Department's intention to continue to develop the employment land zoning, Jacfin is concerned that the proposed changes to the IN1 - General Industry zone to the E4 - General Industry zone do not contain the flexibility required to allow the uses in the zone to evolve to meet the changing needs of both business and employees. The need for zoning flexibility is acknowledged in the Position Paper which states:

[w]ithin the context of changing employment functions and land uses, the framework must be flexible and able to respond to unexpected challenges – such as the COVID-19 pandemic and subsequent job losses and economic contraction.

With respect to the proposed E4 zoning, Jacfin submits that the uses permitted with consent, as with the permitted uses under the IN1 zone, are still too restrictive to adequately respond to the evolving needs of the industrial sector.

Evolution of the Industrial Sector

The industrial sector is in the midst of rapid change, with major trends shaping the outlook for the sector including technology and automation, infrastructure investment, and supply-chain and logistics operations. The growth in e-commerce and last-mile fulfilment will continue to put pressure on the existing industrial network and drive competition for land.

Employment lands and, in particular, the land that is proposed to be zoned E4 is a key destination for existing industrial users, being generally well positioned in close proximity to the major infrastructure which enables the efficient distribution of goods across both metropolitan Sydney and interstate, supporting the development of large, modern industrial properties that are now required in the evolving industrial sector.

Currently, the existing IN1 zone unduly restricts potential redevelopment of land in that zone. The proposed E4 zoning does not significantly advance this position, as it continues to undervalue the role of the industrial land in achieving jobs growth within the NSW. Industrially zoned employment lands have the potential to become significant economic

centres, but in order to facilitate this, the industrially zoned land must remain fit-for-purpose into the future.

This is particularly significant with regard to the evolving nature of the industrial sector, which is undergoing a process of rapid change. Major trends shaping the outlook for the sector including technology and automation, infrastructure investment, and supply-chain and logistics operations. Growth in online retailing is driving innovation to respond to changing customer needs. Digital and physical spaces are increasingly merging, with businesses and individuals requiring a range of fulfilment options. Hybrid retail and distribution models are some of the concepts currently being explored. These are changes that will impact on how traditional industrial facilities are designed, built and used. It is important for current and future industrial zones to have flexibility in the uses that are permissible on site in order to future-proof operations and employment in these locations.

With respect to Jacfin's experience with its tenants, it has observed a shift towards co-location of head office, warehousing and logistics, service, IT and some customer service functions (such as product customisation). This integrated operational model has, in turn, created a desire for greater amenity in employment lands. However, the delivery of such a product is made difficult due to the inflexible zoning restrictions placed on industrially zoned land.

Flexibility of zoning for productivity

In October 2020, the NSW Productivity Commission published a discussion paper titled 'Kickstarting the Productivity Conversation' (***Discussion Paper***). The Discussion Paper canvasses a range of issues targeted for reform in NSW to lift productivity. One of the key issues identified in the Discussion Paper is the impact of restrictive zoning on the productivity and adaptability of NSW, which is identified as being an issue that needs to be overcome to unlock the potential of employment zones. This lack of flexibility, and the failure of the statutory planning system to keep pace with changes in economic activity, is widely recognised as one of the reasons why NSW loses investment to other states. The Productivity Commission states:

[s]ome employment zones can be overly prescriptive about the type of businesses that can locate in certain areas. This limits employment opportunities and consumer choice.

The Discussion Paper states that zoning should be simplified and improved to support business innovation and competition, and ensure land is able to respond to changing consumer preferences. Restrictive zoning '*results in higher prices and/or poorer quality and ranges of goods and services for the community*', through potentially stopping productive businesses or activities from progressing, even when they are unlikely to impact on surrounding land users. As a result, the Discussion Paper concludes that zoning should support flexibility in compatible land uses to enable business innovation, competition, and improved productivity.

As land becomes scarce in an expanding city, flexibility to accommodate a range of uses in a single location becomes important to support growth and development. Impacts from industrial uses are increasingly being mitigated through technology and design and multi-use zones are becoming increasingly supportable and viable. The ability for E4 land to act as a key employment zone now and into the future requires flexibility in business operation and land use.

Successful employment lands are complex and multi-faceted in their land use and development mix. They function as 'ecosystems' that feature a range of businesses across the supply chain, enabling greater partnerships and collaboration, improving prospects for innovation and the development of more mature market sectors. Employment lands are also increasingly incorporating complementary uses such as gyms, child care centres, and suitably scaled activity centres / hubs (where appropriate). These uses play a role in enabling work-life balance and workforce retention, which are important to the ongoing success of employment lands.

Recommendation

Given the maturation and diversification of employment related uses, the Department should consider, in its review of the uses permitted with consent in the E4 zone, the need for increased flexibility and allow for a greater range of uses in industrial zones. In this regard, Jacfin submits that, in addition to those uses already proposed, the land use table should be clear, that all other uses (other than prohibited uses) are permissible in the E4 zone, with consent.

The inclusion of all uses would give consent authorities the discretion to assess and approve flexible and co-located land uses that are aligned to the employment planning objectives of a particular location. This approach provides the ability to apply discretion to facilitate growth in jobs, employment diversity and innovation.

Looking into the future, it is likely that more hybrid uses will emerge in response to business and customer needs. This could see warehousing evolving to combine ability for some other uses such as showrooms or retailing, allowing customers to purchase their goods in a variety of ways. Flexibility in industrial land would allow these hybrid models to be further explored with local Councils to assess the nature of the use and suitability from the context of the site.

Placement of E5 Zone

The Position Paper indicates that the proposed E5 - Heavy Industry zone will replace the current IN3 - Heavy Industry zone. However, the Position Paper also states that the E5 zone may also include some land currently zoned IN1.

As discussed above, land currently zoned IN1 (proposed E4) is evolving to meet the needs of business and those employed in this zone. However, the change of zoning of land currently zoned IN1 to E5 could lead to an outcome that sees E4 and E5 zones co-located. It will also have the potential to permit the development of heavy industry, including hazardous industry, closer to sensitive land uses, reducing the separation required for such industries. This outcome is contrary to the proposed objectives of the E5 zone set out in the Draft LEP Order, which are relevantly:

- *To provide areas for industries that need to be separated from other land uses.*
- *To minimise any adverse effect of industry on other land uses.*

Jacfin submits that the outcome of rezoning IN1 to E5 would be completely inappropriate as it would result in significant deleterious impacts on the rezoned IN1 land and any co-located E4 zoned land (or other land uses). Should heavy industry be permitted to be co-located with

the IN1 (proposed E4) zone the effect will be a reduction in the marketability and amenity of that land. Current market trends indicate that organisations seeking to do business in E4 zoned land are wanting to develop hi-tech industrial facilities and do not want to be in the vicinity of sites engaged in heavy industry, nor do they want employees exposed to the potentially hazardous impacts created by heavy industry. As the proposed E5 objectives envisage, protection from the uses permitted in the E5 zone is essential to maintain the desirability of the E4 land and other land uses.

Recommendation

Based on the current market trends and the economic and employment potential of land zoned IN1, Jacfin requests that the Department not rezone any land that is currently zoned IN1 to an E5 zoning. This would be inconsistent with the proposed zone objectives and will have detrimental effect on the land that is rezoned and also on land within the vicinity of the former IN1 zoned land.

Jacfin looks forward to working with the Department in progressing its Employment Zone Reform and would appreciate an opportunity to meet with Department to further discuss its submission.

Yours faithfully



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