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Department of Planning, Industry and Environment
Locked Bag 5022
Parramatta NSW 2124

RE: SUBMISSION TO DRAFT MAMRE ROAD PRECINCT DEVELOPMENT CONTROL PLAN

Dear Sir/Madam,

This Submission has been prepared on behalf of Altis Property Partners (**Altis**) in response to the release of the Draft Mamre Road Development Control Plan (**Draft DCP**) which is on public exhibition from 10 November to 17 December 2020. This submission is made in respect to Altis' landholding as the owner of **884-928 Mamre Road, Kemps Creek (the site) or Lots 52-53 DP259135**.

Altis demonstrates extensive experience and expertise in property development in industrial, office, warehouse, retail, residential and other specialist real estate sectors. As one of the leading developers in Australia, Altis has an outstanding track record of consistently delivering development with a high standard of design outcome whilst incorporating the ESG initiatives, being Environmental, Social and Governance. By incorporating the ESG initiatives, Altis is committed to making a positive and sustainable contribution to the communities and the environment. Relevantly, the First Estate development as a warehouse and logistics hub at the Mamre West Precinct exemplifies Altis' dedication to bring forward exceptionally well-designed development in the industrial sector.

As a major landowner in the Mamre Road Precinct with landholdings across the broader precinct, and an active member of the Mamre Road Precinct Landowner Group, Altis also seek to support the Mamre Road Landowner Group's submission.

The Landowners Group submission discusses collective issues to be addressed to unlock the Mamre Road Precinct for development which argues fair and reasonable grounds for both the developers and the Council.

It is understood that the Draft DCP seeks to outline planning controls for development in the Mamre Road Precinct and Altis commends the Department of Planning, Industry and Environment and Penrith City Council on finalising the planning for the Mamre Road Precinct in 2020.

This Submission considers the overall impact of the Draft DCP in respect of the potential for the future industrial development of land at 884-928. Altis intends to develop the subject site for warehousing and distribution purposes, which will promote economic development and create employment opportunities in the Mamre Road Precinct and the wider Western Sydney Employment Area (WSEA).

Given the statutory weight of *State Environmental Planning Policy (western Sydney Employment Area) 2009* (SEPP WSEA), it is imperative to ensure DCP controls support employment growth by enabling delivery of industrial uses, which will achieve the vision and objectives of the Western Parkland City. Therefore, it is crucial for a continued commitment by the NSW Government to continue cooperative, productive discussions with landowners in relation to the DCP to ensure that industrial and employment uses within the Precinct can be delivered in a practical and timely manner.

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Altis applauds the Minister for Planning for recognising the Mamre Road Precinct as an opportunity to satisfy short- and medium-term demand for industrial land supply. The failure to address zoned and serviced land supply places at risk private sector investment which will otherwise be attracted to other more accessible markets outside of Sydney, particularly north Melbourne and Brisbane. The release of the Mamre Road Precinct is a great first step in combating the affordability crises in NSW by providing more land which will also help support growing business that service the community. However, it is critically important for the Minister for Planning to consider amending the DCP controls to ensure the costs of developing the precinct do not counteract this supply and cause further price disparity with other states.

Altis seeks to continue working with the NSW Government on the timely delivery of Mamre Road Precinct. The success of the Precinct, however, is dependent on NSW Government appropriately responding and working with industry on the comments and recommendations outlined in this submission

1. ABOUT ALTIS PROPERTY PARTNERS

Altis is a leading real estate firm with a portfolio of over 30 assets, worth over \$3.5 billion. Since its establishment in 2008, Altis has developed extensive experience and expertise in industrial, office, retail, residential and other specialist real estate sectors. Altis has extensive experience within Western Sydney, particularly within Erskine Park, recently developing the successful "First Estate" a 45 hectare development directly adjacent to the Mamre Road Precinct and within the Mamre Road Precinct through current projects including 772-782 Mamre Road Kemps Creek and the Altis-Frasers estate at 649-763 Mamre Road, Orchard Hills.

2. SITE IDENTIFICATION

This Submission is made in relation to the following lots:

- 884-902 Mamre Road, Kemps Creek (Lot 53 DP259135)
- 904-928 Mamre Road, Kemps Creek (Lot 52 DP259135)

The above lots exhibit a total site area of approximately 20.2 hectares (ha) with a primary frontage of approximately 450m to Mamre Road to the south west.

The site location and existing development are shown in **Figures 1** and **2** below.

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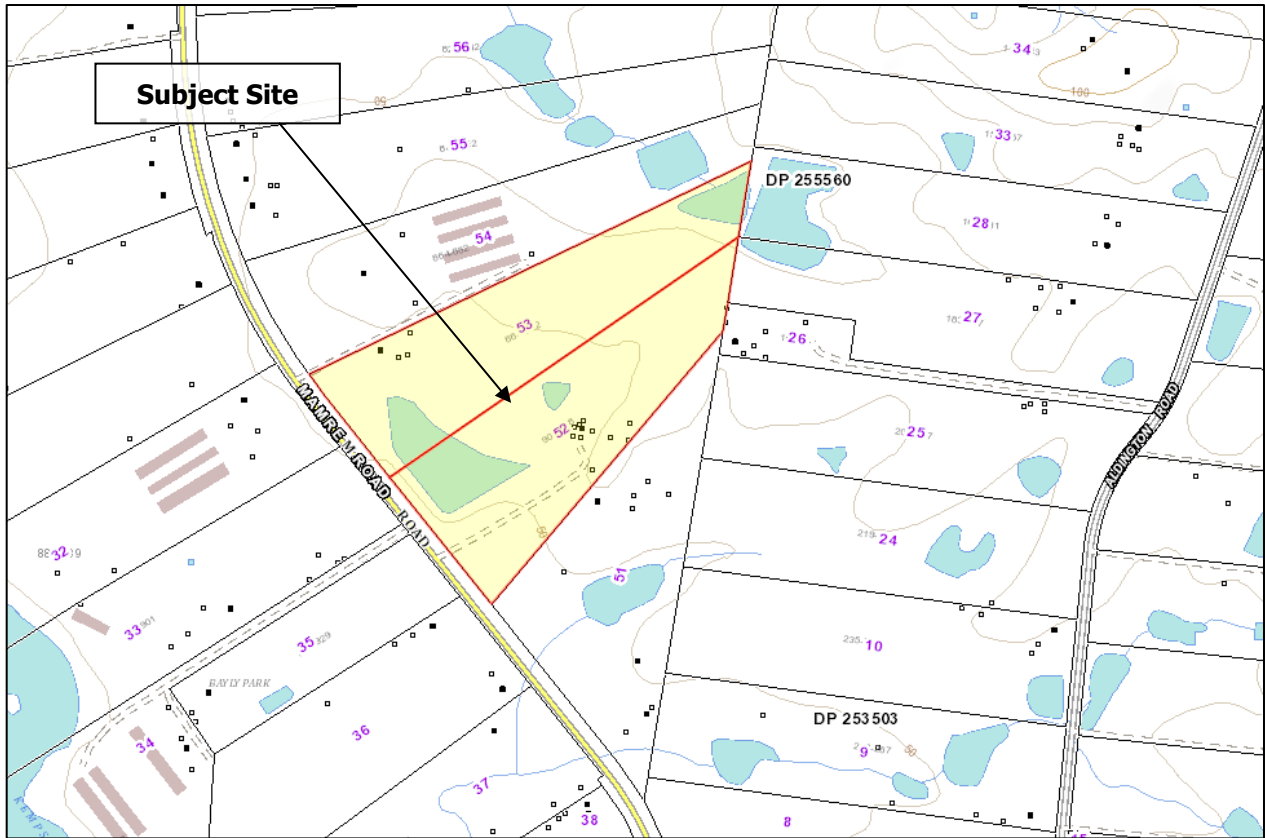


Figure 1 Cadastre Map (SIX Maps 2020)

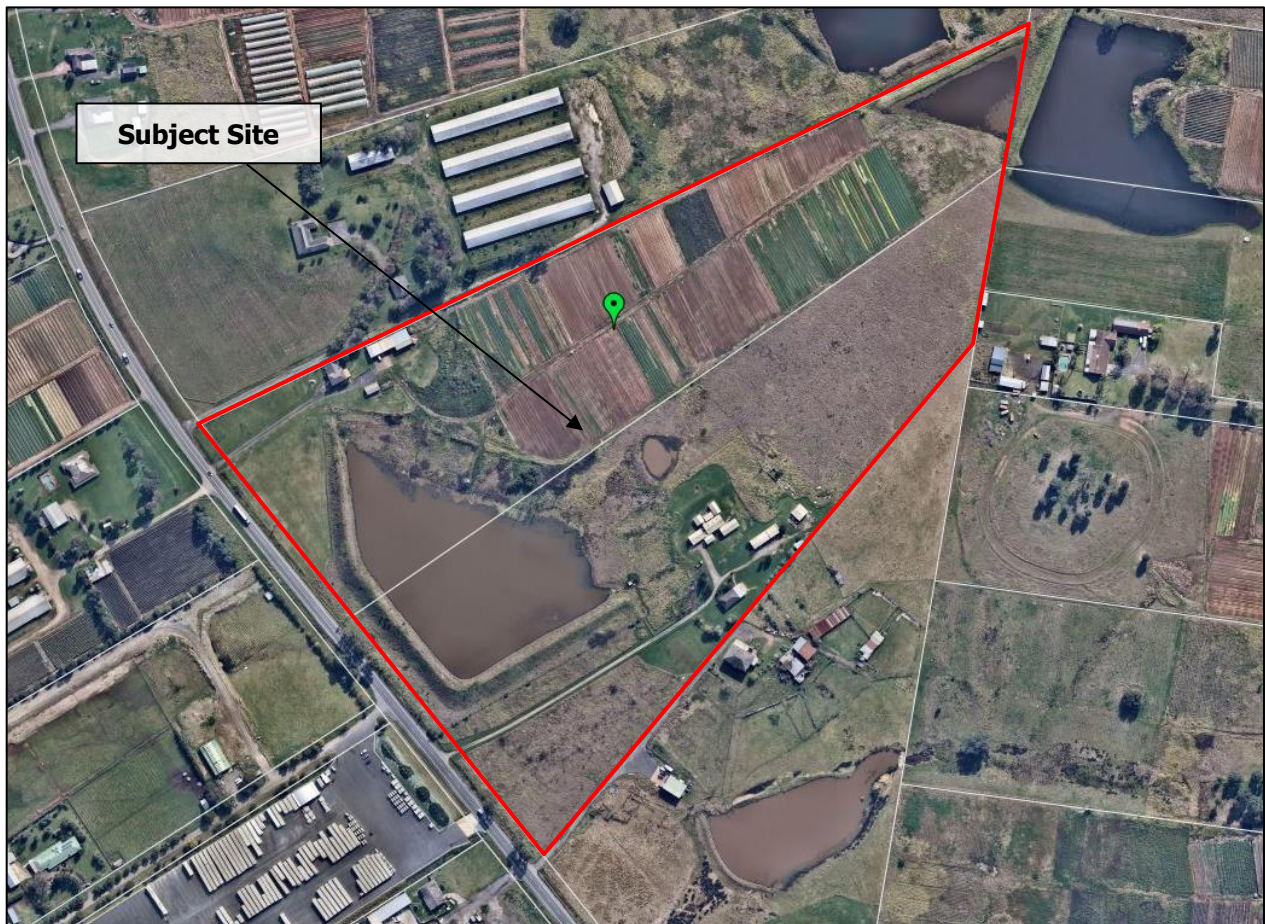


Figure 2 Aerial Map (Nearmap 2020)

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Further, the subject site is zoned IN1 General Industrial under the provisions of the SEPP WSEA. The zoning of the site is illustrated in **Figure 3** below.

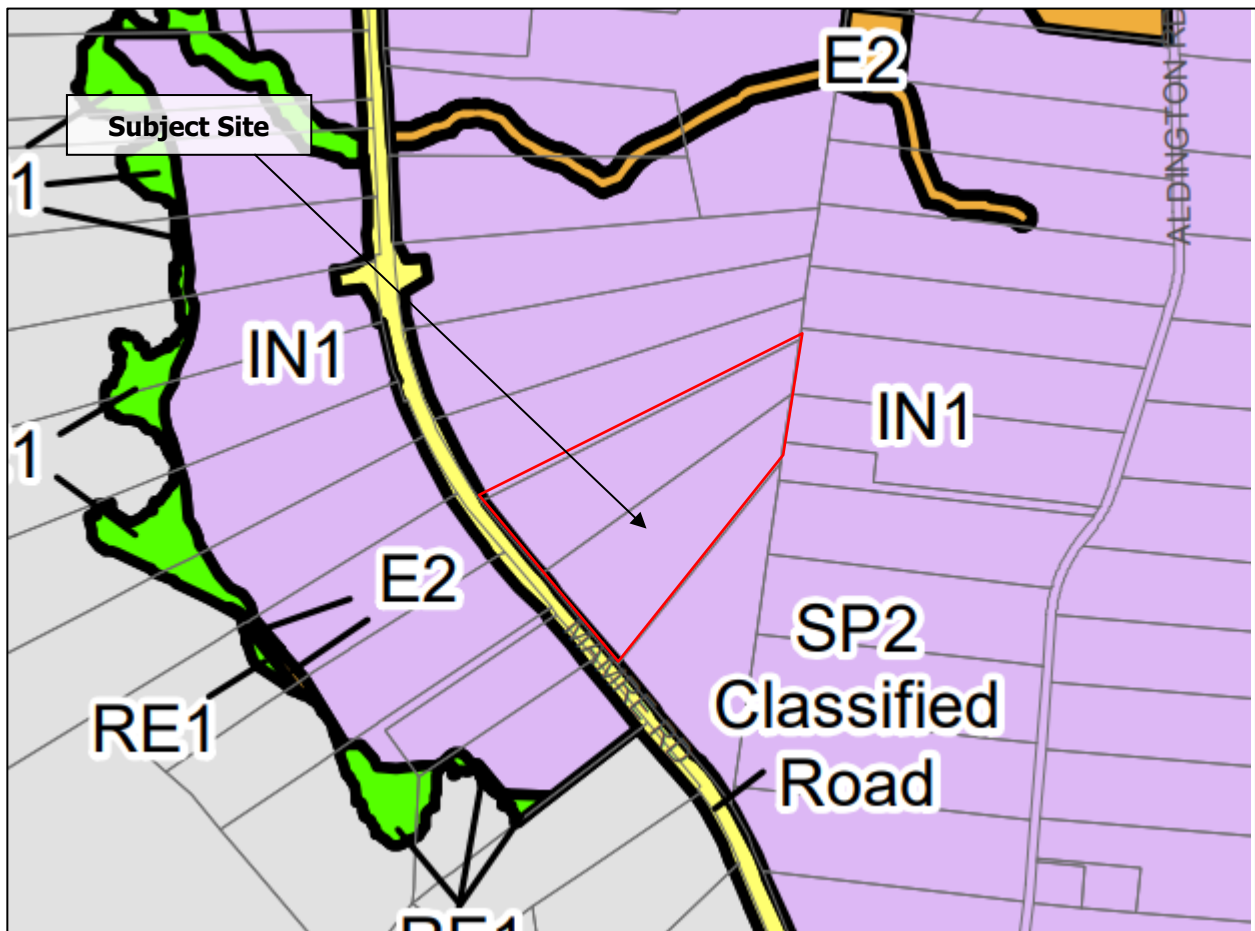


Figure 3 Zoning Map (NSW Legislation 2020).

3. MAMRE ROAD PRECINCT STRUCTURE PLAN

As depicted in **Figure 4**, the site is located within the Mamre Road Precinct and adjoins Mamre Road which is identified with future upgrades and widening. In addition, **Figure 5** also identifies a high order road to be constructed along either the southern boundary or between the Lots of the site with a signalised intersection with Mamre Road.

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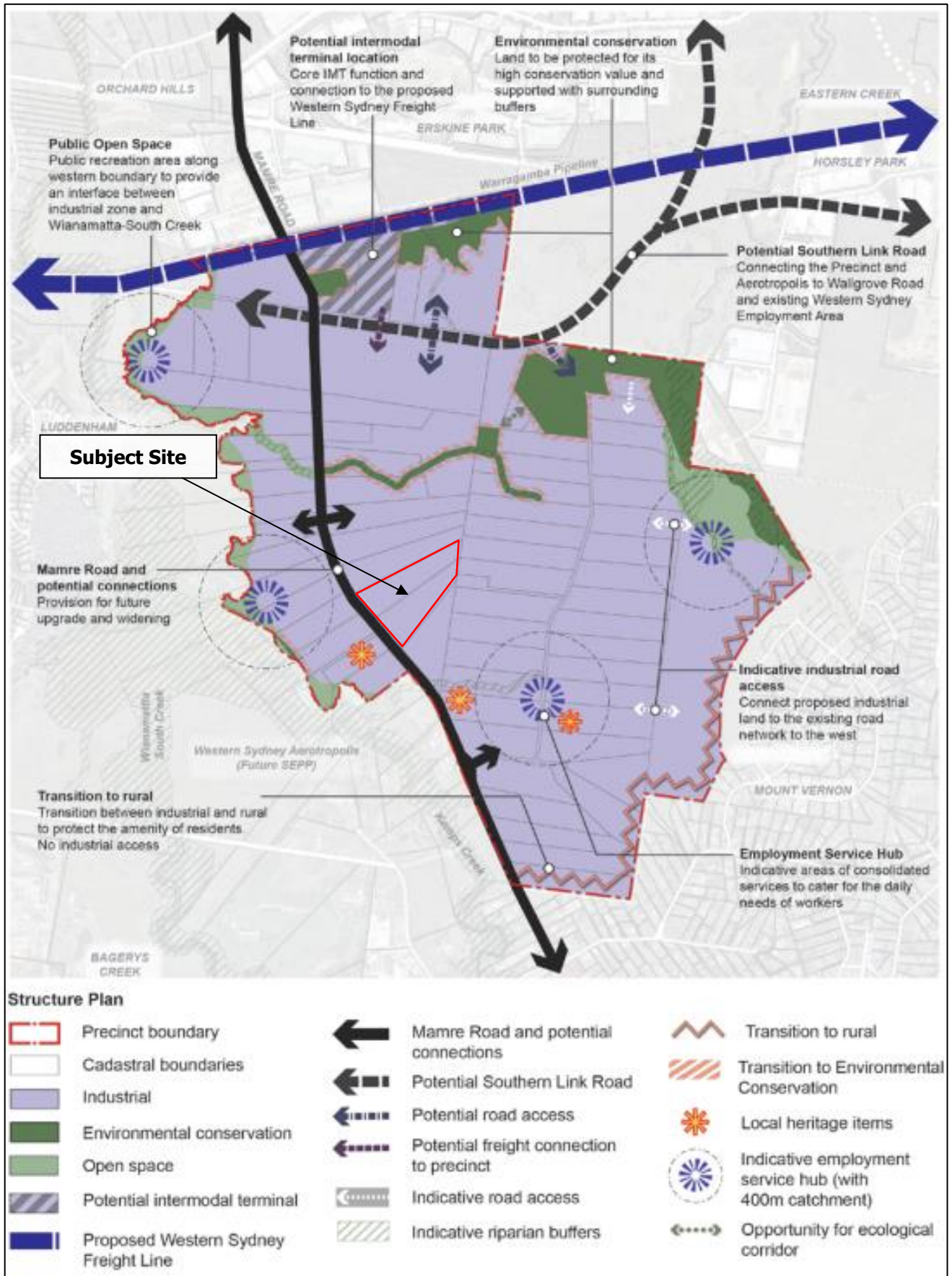


Figure 4 Mamre Road Precinct Structure Plan (NSW Department of Planning, Industry and Environment 2020)

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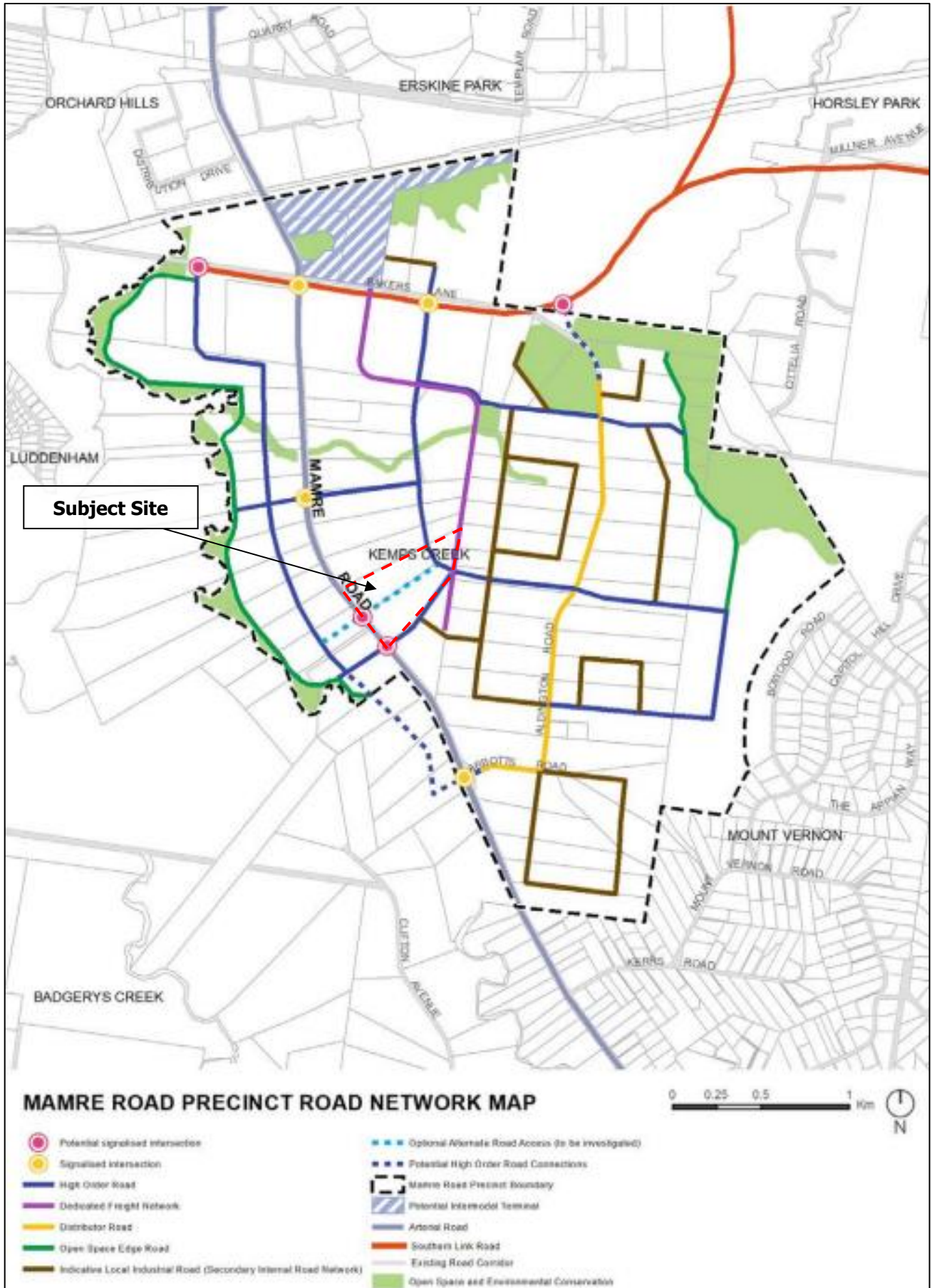


Figure 5 Mamre Road Precinct Road Network Map (DPIE 2020)

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4. REVIEW AND COMMENTS ON THE DRAFT DCP

This Submission provides specific commentary on a number of items provided within the Draft DCP. Whilst Altis supports the release of land within Western Sydney to combat the critical shortage of industrial land, there are significant concerns with many of the proposed new controls within the DCP, which will result in further pressure on rents, increased costs and ultimately exacerbate the serious affordability issue NSW faces when compared to other states like Victoria and Brisbane.

The following sections provide recommendations and comments with the aim to keep Sydney competitive and promote employment, business growth and opportunity.

4.1 Integrated Water Cycle Management

The Mamre Road DCP adopts the *Mamre Road Precinct Integrated Water Cycle Management Strategy*, as prepared by Sydney Water. The adoption of this study is a significant shift in water cycle management from the current Penrith Council Controls and raises the following concerns.

New Targets For Impervious Surfaces

The DCP states '*applicants should target a 35% pervious surfaces within lots and streets to ensure adequate management of stormwater runoff and contribute to mean annual runoff volume and water quality targets.*'

This is a significant change to the industry standard for industrial development, which is c15% and on an estate level and is more suited to other asset classes like residential or commercial uses. The industrial asset class is unique in that end users require large amounts of hardstand, extensive truck circulation area and generally on grade parking. Given the large vehicles, use of heavy duty MHE equipment and products stored inside these facilities, pervious surfaces cannot be integrated into business operation and other than standard landscaping, cannot be used.

By adopting this target, development sites will be subject to a loss up to 20% of developable area, leading to a reduction in investment from those developers who can bring this land to fruition. Furthermore, the lack of developable land increases the cost of land and in turn adds to the affordability problem within NSW; a major issue to attracting and retaining industrial tenants which are critical for servicing businesses and the community. This issue is further discussed later in this document.

The position of Altis is that if the targets for pervious surfaces are to be included in the DCP, they should not be more than 15% on an estate level and 8% on lot.

Water Sensitive Urban Design

The Water Sensitive Urban Design (**WSUD**) reductions create a serious impact in relation to stormwater infrastructure. The DCP increases requirements in relation to pollutant load reduction targets. Achieving these rates will significantly increase stormwater infrastructure costs per lot, which will be up to 50% higher. The proposed new controls will lead to

- Bio Basins increasing by 100%
- Tree pits at every kerb,
- On lot filter cartridges (i.e., stormwater 360)
- Carparks having permeable paving, increasing costs and adding to ongoing maintenance
- Bio swales in all landscape.

Affordability is directly related to employment generation within both the Mamre Road Precinct and Western Sydney. Adoption of these measures will further exacerbate the business affordability problems directly

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impacting on outgoings and higher rents or prices for those business users and therefore drives business's away from NSW compared to other states.

Altis cannot support the integrated water cycle management framework as it currently worded in the DCP. The introduction of the controls set out in Section 2.6 have significant impacts to the financial viability of employment lands in Mamre Road Precinct.

Altis recommends that the Department of Planning, Industry and Environment adopt integrated water cycle management controls from Penrith City Council, who are the guiding authority in relation to stormwater infrastructure. In addition, Altis would welcome a meeting with the Department of Planning, Industry and Environment to discuss the Sydney Water study and identify ways to efficiently implement the objectives contained in Section 2.6 of the draft DCP to an industrial precinct that can be sustainably delivered without compromising development feasibility.

4.2 Subdivision

Section 3.1, Clause 8 regarding subdivision states the following:

Lots adjoining the intermodal terminal and integrated freight network should reflect the nature of business's likely to be co-located to these terminals. These locations would support the requirement and need for larger lots to support a successful development outcome of the intermodal terminal and co-located freight network.

Within the Altis site, land in the eastern corner of the estate will be severed by both the internal local road network and the freight rail corridor. This lot requires ultimate flexibility to allow development and cannot be burdened with a lot size.

Altis recommends wording within the DCP be amended to state that any development must not preclude development of the intermodal terminal and co located freight and logistics development.

4.3 Views and Visual Impacts

The DCP includes objectives and controls in relation to views and visual impacts. The premise of this section is to preserve the existing topography, protect ridgelines and maintain a sense of rural character when viewed from adjoining areas and prominent locations.

This section conflicts with the purpose of the Mamre Road Precinct, which is to provide growth and employment through industrial and warehouse development.

The Mamre Road Precinct comprises of undulating topography running both north south and east to west, with level differences of up to 120m. Industrial buildings require large flat building pads which on such terrain can only be delivered through significant cut and full earthwork activity (including along ridgelines and on sloping sites) The scale of earthworks required to achieve the Mamre Road Precinct (creation of industrial buildings on IN1 land) will need the existing landscape to alter and change the current topography patterns.

Altis believe that views and visual aspects can be preserved and treated through smart architectural and landscaping treatments to those facades which are most prominent.

This is a fundamental issue and failure to remove these controls will render a vast proportion of the Mamre Road Precinct either undevelopable or make development uneconomical, a notion that is against the NSW Government's objective to release and promote additional employment across NSW.

Altis recommend removing Section 3.2 Objective (d), Control 1 and Control 12.

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4.4 Built Form and Design Controls

The DCP identifies a range of built form and design controls, which will influence the form and function of future development within the Mamre Road Precinct.

Height

Altis supports a merit-based assessment for buildings requiring a taller built form above 20m. As the industrial product is rapidly changing to suit future tenant needs and technological advances, this flexible and merits-based approach to height is integral.

On this basis we provide the following recommendations to amend the DCP to allow orderly and economic development to occur

- Building height should be measured from the pad level, not the existing ground level. Considering the topography of the precinct and extensive earthworks that must be undertaken it is not feasible to measure from the existing ground level
- Overshadowing is only important for open space or impact on residential and therefore controls of this nature should only be applicable to industrial buildings adjacent to these areas.
- Controls 8,9 and 10 relate to sloping sites within the Precinct. As stated above it is impractical and uneconomical given the topography of the Precinct to include these controls. We recommend that these are all deleted.

Landscaping

The Mamre Road DCP references a 40% tree canopy target within the landscaping controls. This level of canopy is not beneficial or practical to the types of operations, activity, and users within an industrial precinct. This is illustrated through the type of building structures, large amount of hardstand and extensive truck circulation space.

Altis challenges that this should not be a development control and instead inserted as a targeted objective.

Furthermore, the 15% pervious target should also be moved to an objective. If applied as a control, it would be extremely difficult for industrial uses to meet this target due to the large site coverage requirements required by potential tenants or occupiers.

Finally, the following matters need to be clarified by the Department of Planning, Industry and Environment prior to finalisation of the DCP:

- Control 9: The Department of Planning, Industry and Environment must clarify the classification of 'designated roads' to enable landowner to fully understand the implications of this control.
- Control 13: Street planting must be amended to a 50 to 75L pot size, which is the current accepted standard for industrial estates, more widely available and is proven to establish more quickly than 100L trees.

Altis recommend removing the 40% tree canopy from the controls and reference within the DCP. This is a Sydney Metropolitan target only. Altis also recommend removing the 15% pervious surfaces target and making it an objective.

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Building Design

The Building Design Controls require that façades along main street frontages provide a minimum of 30% glazing to strengthen passive surveillance and streetscape character. This control is a significant change from the current practice of architectural design in industrial estates and is unsuited relative to the purpose and operations of warehouse and industrial buildings.

Glazing on industrial buildings is typically only used in the office component which is a smaller area in proportion to the building. The ratio of workers to floorspace within these industrial or warehouse buildings is typically lower and reflects lower employment densities. Therefore, an increase in glazing is disproportionate to the needs of the tenant/occupier and will not generate passive surveillance in the same manner that it would for a commercial or retail building. Passive surveillance would not be successful due to the number of employees, hours of operation and the mode of private vehicular transport used to reach their place of employment.

Prime Grade industrial estates currently use various approaches to façade treatments that create an inviting atmosphere, which promotes passive surveillance and streetscape character, without a high use and proportion of glazing.

Design control no. 22 requires that the use of a single construction material shall be limited to 50% of a wall surface area. Similar to the above, this is an impractical imposition that will create increased costs for industrial projects, which are traditionally made up of 2 building components, precast concrete and metal wall cladding. High quality industrial precincts can achieve attractive industrial and warehouse buildings whilst still using a single wall construction material.

Façade treatments are also important to the operator or tenant within each building due to the type of product or good they may be manufacturing or storing. These goods and their format or method of manufacturing can also mean protecting Intellectual Property or innovation methods for businesses. Other businesses require anything from privacy, temperature-controlled warehouses or the ability to secure and protect dangerous goods. The best way to control these specific requirements is through the selection of materials which allows that business to operate in the way it needs and cannot be restricted through percentages of construction materials.

Varied materiality may be practical on small buildings such as those depicted in Figure 18 and Figure 19 of the DCP, however the scale of these buildings are not representative of the majority of large warehouse buildings demanded by the market.

The DCP references architectural and design merit across various controls. The Department of Planning, Industry and Environment must define how architectural and design merit is defined and applied during assessment.

Altis recommend removing any control relating to a minimum % of glazing and restrictions on use of building materials.

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4.5 Transport Network

Altis as part of the Landowners Group is working with Transport for NSW and the Department of Planning, Industry and Environment to finalise transport modelling to understand the broader road network needs across the precinct. This work is anticipated to be completed in Q1 2021. Once this work is complete, the DCP must be updated to align with the results.

The DCP correctly allows for an additional signalised intersection from Mamre Road on the Altis site, a key transport link that is essential to achieve the transport objectives of the Mamre Road Precinct. Locating the intersection on the Altis site will;

- Relieve the pressure on intersections to the north and south, allowing for safe and efficient movements throughout the precinct
- Provide permeability within the local road network and alternate access points in the event of congestion
- The current Abbots road intersection does not effectively service industrial land on the Western side of Mamre Rd, with a potential western leg located outside the precinct on unzoned flood affected land, which must be compulsorily acquired by government (see figure 5)
- Provide certainty to government and adjoining land owners that access will be provided within a timely manner from a developer with a proven track record for development within the area.

Extract of Figure 6 Mamre Road Precinct Road Network Map (DPIE 2020):



In addition to the broader modelling, Altis has concerns with the proposed road typologies, classification of roads, requirement for roads adjoining open space and the notion that Distributor or higher order roads might be access denied. These are outlined below.

- The proposed road typologies within the DCP of 26.5m and 24m respectively are between 20% and 30% larger than the current council guidelines and are not required to support safe industrial movements. In addition, these typologies have introduced medians that may seek to restrict access to sites within the precinct's local road network.
- It is considered both inefficient and uneconomical to have access denied on roads other than Mamre Road and the Southern Link Road. For example, the western side of Mamre Road has the potential for five internal roads running parallel with each other in an industrial zoned area of less than 500m wide. This concept would not only cause significant impact to developable area but also would be cost prohibitive to developers due to the need to construct and pay for the additional roads and only achieve small lots. Estate roads within this Altis site, should they be access denied will double the area taken up by infrastructure and not only reduce developable area it will greatly increase the costs of development and therefore limit the size of businesses and the relevant employment opportunities within these sites.

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- Roads adjoining open space, including RE1, RE2 and the Wianamatta-South Creek Precinct are not required, nor do they have any nexus to an industrial development. If DPIE or Council require these roads, they should be located on the RE1 and RE2 zoned land and paid for by government. Roads are permissible with consent in these zones.
- Finally, there are discrepancies between the naming of road typologies as shown in the road sections (Figure 12 and Figure 13) and the road classifications used in Figure 14. To minimise confusion, Figure 14 must be updated to reflect the terminology associated with the road sections, whereby only Aldington Road and Abbots Road should be classified as Distributor Road. All other roads should be industrial roads.

Altis recommend that road widths revert back to the Penrith Council DCP engineering guidelines and there are not access denied to roads other than Mamre Road and the Southern Link Road and the requirement for roads adjoining RE1 or RE2 areas is either removed or is completed by Council at no cost to landowners (including via contributions)

Dedicated Freight Road Network

A dedicated freight network is identified within the DCP and shown on figure 6 below, which intends to service the future intermodal terminal. Altis raises the following concerns and clarifications which must be addressed prior to finalisation of the DCP.

- How is the dedicated freight network intended to interact with roads adjacent to it?
- When the dedicated freight network crosses a road, which road reserve is given priority? How will the LU19 traffic modelling consider this cross over within the Mamre Road Precinct road network?
- Is the dedicated freight network financially viable? Has an economic analysis or business case been produced to ensure the network can be delivered and sufficient demand for the service is proven?
- Who will pay for the dedicated freight road network considering the government, both State and local, has no intention to acquire?
- Why is the freight network being used for road transport initially when the local road network can cater for truck movements?

In addition, Transport for NSW needs to provide further analysis on the role and purpose of the dedicated freight road network. It is viewed this alignment will likely become redundant as industrial uses are delivered across the broader Precinct, Aerotropolis and Western Sydney. Freight goods will be leaving and entering the intermodal terminal from other areas beyond the Mamre Road Precinct. Until these questions are answered and rationale is provided by Transport for NSW, the dedicated freight road network cannot be supported.

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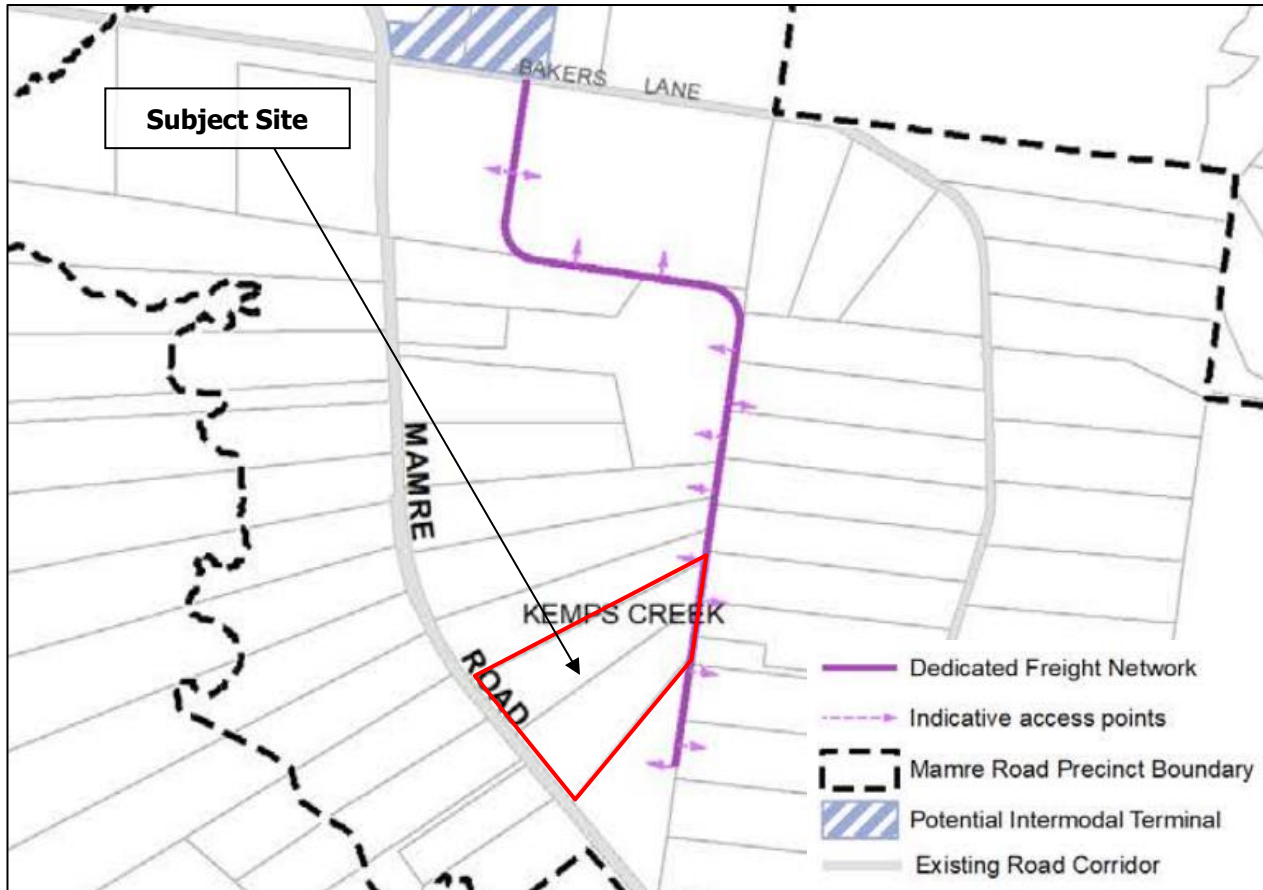


Figure 7 Mamre Road Precinct Integrated Freight Network (DPIE 2020)

4.10 Earthworks and Retaining Walls

Earthworks and retaining walls are critical to the success of the Mamre Road Precinct, given the current topography. The current objectives and controls contained in this section are inconsistent with outcomes associated with employment lands and do not in any way reflect the current landform. The current controls seek only to reduce developable area and increase overall costs, this is not aligned with the governments objectives of creating and attracting employment to the area.

Altis recommend Control 4 is amended to 4m. The requirement that retaining walls can only be a max 1m in height adjacent to public domain boundaries is impractical. The slope of the precinct varies up to 120m.
Control 12: Fill material must include resource recovery materials.

Altis recommend Control 13 deletes all reference to pier foundation building design. This design is not practical for industrial building construction.

4.11 Economic Impact

Industrial Land Market Trends

Sydney is Australia's most expensive industrial market with rents currently averaging \$153 per sq.m. In comparison, Sydney's two main competing industrial markets of Melbourne and Brisbane are achieving average industrial rents far lower of only \$113 and \$111 per sq.m, respectively. As such, Sydney's industrial rents per sq.m are \$40-42 higher, which reflects a 35-38% premium.

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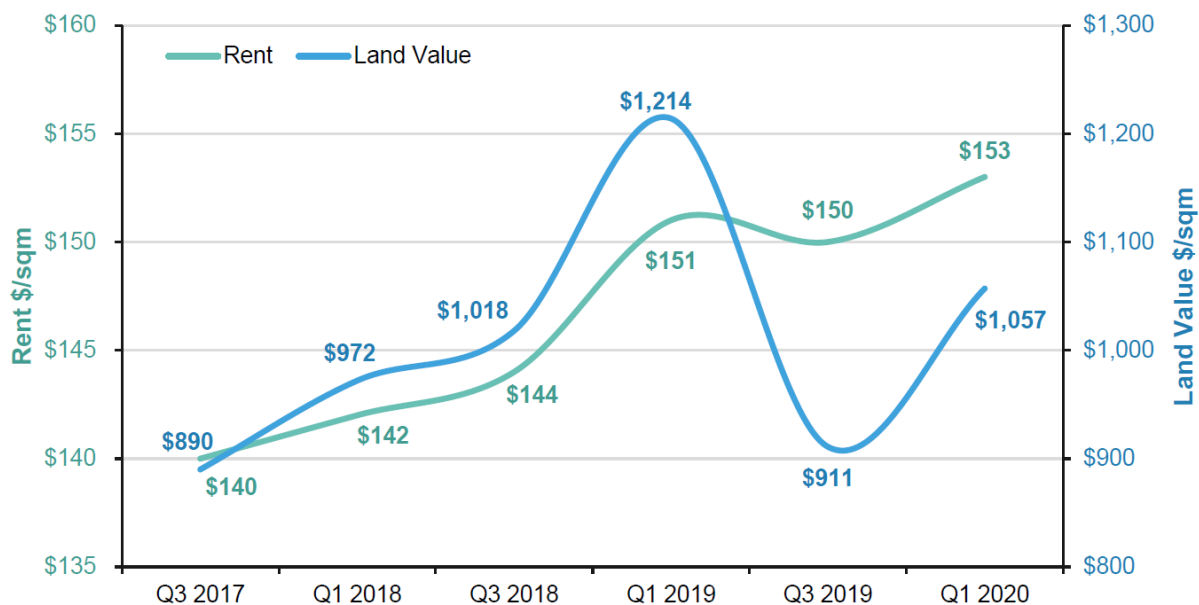
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Sydney has also experienced strong industrial rent growth over the last 2.5 years of 3.6% per annum which far exceeds the rental growth observed in Melbourne and Brisbane of 2.2% per annum and 1.9% per annum, respectively – (see chart 2.1 below)

Overall, this demonstrates that the Melbourne and Brisbane industrial markets are substantially more affordable than Sydney. Even Outer West Sydney (which includes the Mamre Road Precinct), the second-most affordable industrial region in Sydney, currently has a higher average prime rent (\$121 per sq.m) than the Melbourne and Brisbane averages.

Chart 2.1 – Sydney Industrial Rents and Land Values, Q3 2017 - Q1 2020 (\$ per sq.m)



The significantly more expensive industrial rents in Sydney are largely driven by limited industrial land supply. As at 2018, Sydney had approximately 2,937 hectares of undeveloped zoned industrial land supply (which has decreased to 2,837 hectares in 2019) compared to 3,736 hectares in Brisbane and 6,466 hectares in Melbourne.

While the NSW Government appreciates the shortage of industrial land in Sydney and is actively rezoning land to address this shortage, this alone is unlikely to completely address Sydney's affordability issues.

Impacts to Affordability

Sydney is already Australia's most expensive industrial market and as a result of reduced NDA and NLA, and higher infrastructure and statutory costs, developers in the Mamre Road Precinct will be forced to seek even higher rents per sq.m in order to maintain their development margin and project feasibility. This means rents in the precinct could increase to \$214 per sq.m, some \$100 per sq.m or 90% to 93% higher than Melbourne and Brisbane average rents.

As a result, Sydney will become even less competitive with Melbourne and Brisbane with prospective and even existing tenants expected to increasingly choose to locate in those more affordable cities. Therefore, the precinct is unlikely to be developed in line with the NSW Government and Penrith City Council's vision. This will, in turn, negatively impact Sydney's ability to create jobs and economic opportunities.

Sydney also already underperforms relative to its size and population in terms of trade processed. Despite Sydney's large population and therefore the potential economies of scale and agglomeration benefits it can offer in addition to its geographical location between Brisbane and Melbourne, an average of only 5 tonnes of goods are processed through its ports and airports per head of population. In comparison, 7.3 tonnes per capita are processed through Melbourne while 13.5 tonnes per capita are processed through Brisbane. The

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proposed changes to the DCP and infrastructure contributions will dramatically increase industrial rents and further worsen the quantum of trade processed per capita in Sydney.

Impacts of the DCP

The proposed DCP is likely to have significant impacts on the feasibility of developing industrial land within the Mamre Road Precinct.

First, the proposed DCP implements a number of additional requirements that reduce the ability to convert Gross Land Area to Net Developable Area (NDA). These requirements include increased on-site stormwater detention, water quality treatment, trunk drainage, road widths, riparian corridors, and tree canopy. As a result of these proposed requirements, site efficiency is likely to be reduced from 80% today to approximately 60%. This means that the ultimate quantum of supportable Net Lettable Area (NLA) in the precinct will decrease.

In addition, a permeability target of 35% of NDA has been set which reduces the ability to convert NDA to Net Lettable Area (NLA). Historically in the WSEA, sites could be developed to achieve a Floorspace Ratio (FSR) of 0.6:1. However, based on the proposed permeability target of 35% and the "new urban typology for large format industrial" analysis published by Sydney Water in the *Mamre Road Flood, Riparian Corridor and Integrated Water Cycle Management Strategy*, an FSR of only 0.45:1 will be capable of being achieved (despite the Strategy's claims of 0.6:1). These proposed changes will significantly impact the quantum of NLA that can be achieved in the Mamre Road Precinct.

The additional infrastructure requirements under the proposed DCP will also result in increased development costs, including the extra over costs of water treatment and paving as well as additional landscaping.

5 Conclusion

Altis would like to work with the Department of Planning Industry and Environment to amend the DCP to include realistic and economical controls within the Mamre Road Precinct, controls that will boost and encourage employment and combat the current affordability crises within NSW yet still deliver an industrial precinct reflective of today's standards in design and sustainability.

Accordingly, Altis requests that the abovementioned items be addressed prior to the finalisation of the DCP.

Should you wish to discuss the matters addressed in this submission, please contact the undersigned.

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Yours Faithfully,



Andrew Cowan

Director

Willowtree Planning Pty Ltd