



6 July 2021

Director, Employment Zones
NSW Department of Planning Industry and Environment
Locked Bag 5022
Parramatta NSW 2124
Sent via e-mail to employment.zones@planning.nsw.gov.au

Dear Director

Re: The Proposed Employment Zones Framework

Thank you for the opportunity to provide feedback on the Proposed Employment Zones Framework and for the provision of a short extension to make this submission.

The Southern Sydney Regional Organisation of Councils Inc (SSROC) is an association of eleven local councils in the area south of Sydney Harbour, covering central, inner west, eastern and southern Sydney. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member councils cover a population of about 1.7 million, one third of the population of Sydney, including Australia's most densely populated suburbs. SSROC seeks to advocate for the needs of our member councils and bring a regional perspective to the issues raised.

SSROC population and housing data¹, in the period from 2011 to 2016, reveals a very diverse socio-economic area marked by rapidly rising numbers of dwellings and underlying growth in the number of households in the area. The estimated resident population increased by over 150,000 during this five-year census period. Although the urban growth of the SSROC area is unique, our region shares a number of issues and drivers with many other urban areas managing rapid population growth while enhancing livability and productivity.

The experience of strong growth and related development across highly urban as well as more suburban parts of Sydney has provided a number of valuable insights and has helped to shape our feedback on the employment zone framework.

SSROC strongly supports the objective of a simpler and more responsive planning system. However, this should not come at the expense of other strategic priorities and environmental planning outcomes.

SSROC appreciates this opportunity to help shape and contribute to the framework's development to enable better design and place outcomes for employment zones.

¹ Source: Australian Bureau of Statistics, Census of population and Housing 2011 and 2016, compiled by id <https://profile.id.com.au/ssroc/>

General comments and recommendations

SSROC supports the stated purpose of the proposed employment zone framework to:

- Maximise productivity while minimising land use conflicts and ensuring zones fit for purpose,
- Address current barriers within the planning system that limit the ability of businesses to establish, expand or adapt, and
- Better support councils in the delivery of the strategic vision contained in their Local Strategic Planning Statements and background studies.

SSROC appreciates the importance of updating and enabling emerging productive uses as our urban economy evolves.

It would be helpful to add to the employment zone framework another strongly future-oriented purpose that recognises the role of centres:

- *Improve the performance of employment zones by focusing activity in accessible, productive and high amenity centres.*

Increasing the activity in centres is vital to ensuring access to services and optimizing the use of available transport infrastructure and services. Ultimately weaker centres impose a cost on the community, that includes externalities across transport efficiency, resource consumption, access to services and amenity.

SSROC supports actions to ensure that the new framework enables strategic planning outcomes adopted by local councils and State government to be readily achieved. Planning controls need to be able to give effect to planning strategy - especially on focussing activity in accessible centres, ensuring some land remains available for employment and urban support uses in the face of residential or retail development pressure. This involves keeping a clear line of sight from the hierarchy of strategic plans, including the region plan, district plans and local strategic planning statements.

A key concern is that the proposed changes may inadvertently work to hinder Councils pursuit of their long-term strategic planning objectives, most notably the objective of 7420. protecting and promoting industrial and employment lands.

Valuing Strategic Planning, Place Making and Transport Infrastructure investment

If the employment zone reforms are adopted, it will be critical that Councils' Local Strategic Planning Statements (LSPSs), and their local planning instruments continue to be given priority. LSPSs provide dynamic documents that will be updated with periodic reviews. Importantly, they are the result of integrated planning obviously in a way that standard land use zones are not.

LSPSs respond flexibly to actual specific local and regional opportunities and constraints. They integrate with and support transport infrastructure plans designed to effectively meet regional as well as local needs for improved productivity and placemaking. Transport modes play a vital role in the servicing of industrial and employment areas. The long-term investment in planning and delivery of new freight lines and public transport are cases in point.

LSPSs are the key tool for providing flexibility. These strategies are not static and should enable the evolution of future uses. Zones then provide a statutory framework that implement the strategic plan.

Recommendation 1

The employment zone planning framework (and its strategic intent) should not override Councils' Local Strategic Planning Statements. As a practical consequence, some of the proposed mandatory inclusion of permissible land uses must clearly be made subject to council decision about their fit with the local strategic planning requirements. This is to enable land uses to be aligned with councils' strategic outcomes and avoid serious detrimental conflicts with their placemaking plans.

The Paper states that in some instances Councils can pick from two or more different objectives. However, unlike the previous Preliminary Framework Paper, the Draft does not provide sufficient clarity on which objectives are subject to variation. Greater flexibility needs to be provided to support placemaking by allowing Councils to add and to change objectives and determine whether uses should be permissible.

The zoning tool should therefore improve – not reduce – the capacity of Local Government and industry to deliver strategy.

Recommendation 2

Councils retain the ability to add zone objectives in addition to those proposed in the Draft Standard Instrument Amendment Order 2021 (the Draft).

Better employment land policy integration

Of some concern is that the reforms appear to be undertaken in isolation from the other current reforms to Complying Development provisions associated with employment-related developments, and the review of the retain-and-manage employment land direction by the Greater Sydney Commission.

It is imperative that these reforms do not undermine the value of our limited employment land for industrial uses and urban services. Such an outcome would be contrary to State strategic directions and the intentions of SSROC local councils' Local Strategic Planning Statements.

Recommendation 3

The next stage of the development of the Employment Zones Framework needs to demonstrate the integration of these concurrent investigations and reforms and how they will collectively manage their potential impacts to support the achievement of the strategic reform outcomes.

The goal of greater flexibility should not be at the cost of protecting the future strategic outcomes derived from industrial lands and urban centres

SSROC endorses the observations in the DPIE Discussion Paper regarding pressures for the conversion of industrial land, its relative scarcity in Eastern and central Sydney and its role in supporting a productive and liveable city. These lands are also important for the achievement of the 30-minute city for access to jobs.

A key argument for greater flexibility is to ensure that industrial and urban services can transition to the highest and best land uses to boost their economic contribution. The assumption is that this flexibility will enable the land to be more productive by transitioning through market mechanisms to the highest and best use.

However, SGS Economics and Planning (SGS) research² notes that the flaw in this argument is that it assumes that the concept of economic value is based solely on land value or direct economic contribution of the jobs in situ. While these jobs may not directly create as much value as other sectors, they enable significant value to be realised through their operation and location throughout the city.

Recent analysis by SGS compared the industrially-zoned land within Sydney's Eastern City with large commercial centres across Australia. The analysis found that these employment precincts are more than twice as economically productive from a Gross Value Added (GVA) perspective than the Parramatta CBD and higher than the Adelaide CBD. These CBDs are not low-value employment precincts.

“As Australia charts a course out of the effects of COVID-19, employment precincts will be at the forefront of Australia's journey. The push to grow Australia's advanced manufacturing capabilities requires productive, flexible and accessible floorspace close to the commercial centres, universities and hospitals where much of the related research and development takes place³.”

Employment precincts, and their land-use diversity, play a crucial role in economic value creation in cities and positive externalities. Secondly, the prevailing 'highest and best use' worldview is flawed as it does not account for the wider consideration of value described above.

Advocates for changes to employment precinct planning controls seek to increase land-use flexibility, create more mixed-use precincts, and avoid the risk of precinct sterilisation. But SGS research shows industrial precincts are more diverse in their breadth of activity than residential 'mixed use' zones and even many commercial centres.

The push for increased flexibility can often increase the risk of sterilisation and reduce the diversity of activities within these precincts. In effect, mixed-use zones create more homogenous outcomes, where higher financial value uses prevail and crowd out other uses.

Employment zones and other planning interventions are needed to deliver strategy where the market would otherwise:

- exclude productive employment land uses that might be displaced or priced out by uses that can generate a higher private short-term return (i.e., retail/residential uses)
- reduce the return on public and private investment in accessible centres, infrastructure and services
- generate externalities including detrimental impacts and traffic congestion.

In these circumstances cities like Sydney become less productive with increased travel, transport costs and commuting times.

Recommendation 4

There is an impact assessment and review of how the adopted reforms could positively and negatively deliver future long term productivity and reshape industrial uses and urban centres,

² SGS Economics and Planning, May 2021, Jeremy Gill, Employment precincts. [Publications – Employment precincts have a greater economic value than you probably think, and they will play an essential role in Australia's post-COVID economy \(sgsep.com.au\)](https://www.sgsep.com.au/publications-employment-precincts-have-a-greater-economic-value-than-you-probably-think-and-they-will-play-an-essential-role-in-australia-s-post-covid-economy)

³ Ibid

including implications and guidance for Councils revising their employment strategies to maximise beneficial outcomes. This would help to build stakeholder confidence in the reforms.

Insertion of retail and residential uses within employment zones

As part of the changes there is potential for retail or residential uses to be inserted where:

- retail uses could proliferate in out-of-centre locations and impact on the amenity and utility of centres; and
- residential uses could dominate and exclude other productive uses in mixed use areas.

Residential accommodation in centres can be a valuable addition to the land use mix, but not if it comes at the cost of reducing the long term employment or activity-generating potential of the place.

Detailed comments and issues regarding the new Employment Zones

E1 Local Centre (similar to B1, B2)

Supermarkets

The ability to exclude large supermarkets from neighbourhood centres will potentially be affected by this change.

Neighbourhood Centres are often small and local-serving, without the roads, parking or public transport provisions suitable for large supermarkets. This is a concern where a strategy seeks to manage the scale of retail/commercial development. It is particularly important where protection of local character is a key place outcome. The trend is for full scale supermarkets to seek to establish in neighbourhood centres, with the result that they are lost over time, from the more accessible locations.

Residential development

Arguably the proposed objective relating to residential development '*To enable residential development if it will encourage a vibrant Local Centre*' is inadequate. This objective would require consent authorities and Courts to quantify and/or qualify the anticipated 'vibrancy' of a local centre that would result from a development. Some alternative drafting is considered warranted.

In non-residential zones where 'shop-top housing' is permitted, this land-use will often prevail and will often only include a nominal area of the ground level for retail/business uses. A stronger and clearer objective is required to address these issues.

Small Bars, Pubs and Functions Centres

The Local Centre zone mandates the following permissible uses - Small Bars, Pubs and Functions Centres - which can all have significant amenity impacts by drawing large crowds, occupying street parking, producing noise, and operating late into the night. Due to the introduction of clause "5.20 Standards that cannot be used to refuse consent—playing and performing music" to the standard instrument LEP, Councils have less regulatory power over noise created by new venues. Complying development – which facilitates permissible uses – may further allow these uses without an assessment of amenity impacts.

This issue could be alleviated if these uses were not mandated in the local centre zone, or if Council were provided with stronger objectives or specific standard provisions which allowed these uses to be excluded in inappropriate settings. Complying development provisions also need to be addressed accordingly.

There is also a need for strong objectives to retain and promote non-residential and employment-generating land uses in the zone, and to ensure developments include meaningful non-residential floor space.

Accessibility

The omission of local centre objectives relating to ‘accessible locations’, maximising public transport patronage and encouraging walking and cycling is problematic. It makes good sense to locate employment, services, amenities, and higher scale residential development in accessible locations around public transport so that they are not reliant on private vehicles.

Recommendation 5

To allow councils to curate Local Centre zones by providing additional optional zone objectives that can more effectively constrain certain uses such as small bars, pubs and functions centres. This option of providing stronger objectives would aim to support councils in development assessment. Alternatively, specific standard provisions could be produced, allowing these uses to be excluded in inappropriate settings.

Recommendation 6

Include an objective of ensuring that new centres are in accessible locations.

E2 Commercial Centre (similar to B3, some B4 and B7)

The zone would continue to enable the exclusion of residential use (not a mandated use, but could be included at discretion of councils). This control is important as residential uses can dominate and exclude strategic employment/urban services uses. Residential uses (including BTR) are not necessarily compatible with the objects of this zone.

For this reason, serviced apartments should also not be a mandated use in the B3 zone, rather Councils should have discretion as they currently do. Serviced apartments can be a quasi residential use and are often leased longer term on the rental market. They have been able to outbid commercial office and can impact on the achievement of strategic outcomes for some centres.

Allowing Councils to decide whether to prohibit ‘residential accommodation’ is strongly supported as this supports Council-led placemaking and a centres hierarchy.

E3 Productivity Support (B5, B6, some B7, some IN2)

This zone would serve a similar role to B5 in attempting to preserve the integrity of industrial zones. The Business Premises use creates potential for out-of-centre retail and office. It is assumed that this zone would also be used for major regional business parks; however, the ability to curate the scale and mix of uses of a major business park is not obvious.

Some councils have sought to contain large format retail uses. This measure seeks to limit the relocation of retailing from centres, and thus maintain the viability of town centres. It also seeks to protect industrial uses and urban services from higher value retail uses that could be accommodated elsewhere.

‘Specialised retail premises’ coupled with ‘industrial retail outlets’ are essentially ‘shops’. Such uses can demand higher rents/land prices and can consequently displace traditional industrial/urban services uses, and potentially office uses. This would likely lead to a further erosion of commercial activity in town centres, and the exclusion of true industrial and urban services from business parks.

Increased permissibility of these retail uses in the industrial zone and centre zones will likely be accompanied by increased complying development provisions. Hence the impacts of uses in proximity to residential land needs to be carefully controlled/managed to prevent adverse amenity impacts and from further undermining centres. Mandated permissible uses should not be able to be undertaken as complying development. This is where the two separate concurrent reforms need to work in harmony.

Recommendation 7

Allow councils to curate Productivity Support zones by providing additional optional zone objectives that can more effectively constrain specialised retail and industrial retail outlets.

This option of stronger objectives would aim to support councils in development assessment. Alternatively, 'Specialised retail premises' be removed from the list of mandatory permissible uses in the Productivity Support zone, or specific standard provisions are enabled which allow these uses to be excluded in inappropriate settings.

The definition of 'Creative industry' also widens the opportunity for premises that will appear as shops. The definition uses the phrase 'mainly used for ...', which suggests that a creative industry can be combined with any other use (whether permissible or not). This potentially allows Private Certifiers to classify land use, and the flexibility within the definitions to justify uses that were never intended within the employment zones. For example, under this definition a 'creative industry' could be an artist and a shop selling totally unrelated products, as it fits the definition of being 'mainly used to produce arts'. Shops are best located in town centres.

E4 General Industrial (IN1, IN2)

Removes distinctions between general and light industrial. It appropriately limits retail to local needs. Neighbourhood supermarkets should not be supported at scale and retail should be limited to goods manufactured on site. Office should be limited to ancillary uses, and residential prohibited.

Recommendation 8

In order to improve a planning authority's ability to manage retail and other high activity-generating uses in industrial areas and promote them in centres according to strategy, it is recommended that industrial retail outlets not be mandated in E4 zone, and not include retail sales of creative industry beyond what is currently available to items manufactured on-site.

E5 Heavy Industrial (IN3)

Broadly similar to IN3 with no retail, allowing infrastructure and utilities and not supporting residential.

MU Mixed Use (B4, some B8)

Mixed use for concentrating activity in diverse centres, with the need to genuinely activate ground level ensuring that this is not a de facto residential zone.

However, the existing definition of shop top housing does not include the full range of non-residential uses which may operate in such ground floor premises but are not encompassed by the group terms for business premises and retail premises such as: tourist and visitor accommodation; high technology industry & artisan food and drink industry; educational establishments; function centres; entertainment facilities; early education and child care facilities; community facilities and office premises.

The draft instrument amends the definition of shop top housing to include “commercial premises or health services facilities”, but this still excludes most of the uses noted above. Many of these uses are desirable and assist with the liveability of our centres, particularly childcare centres which can be a sensible ground floor use when a building has a landscaped setback.

Recommendation 9

Some further consideration be given in the proposed toolkit and guidance material to incentivising commercial activation and a broader range of uses (especially at ground level) to avoid the zone becoming overwhelmingly residential.

W4 Working Foreshore (IN4)

Translation of IN4.

SP4 Local Enterprise (B5, B6)

Supported to allow a planning authority to set the land use table to encourage activities that defy zone categorisation.

Recommendation 10

The new zoning reforms should be supported by detailed guidance on how the Department anticipates that the different zones, their objectives, land use table, definitions (and complying development reforms) would work together to achieve nuanced outcomes of place strategy. In particular, the extent to which local provisions or overlays would be enabled.

Land use definitions

The Framework includes an extra 97 mandated uses and new land use definitions to reflect emerging and evolving sectors like the circular economy, data storage and creative industries.

The mandatory inclusion of certain land use definitions in specific zones will reduce the ability for local government to curate place outcomes in line with adopted strategy.

Many councils have objected making some particular uses mandated permitted land uses.

Recommendation 11

Engage further on managing the perverse impacts of distinguishing business premises from shops, as this will affect activity in centres.

Recommendation 12

Engage further on the issue of scale of some of the newly defined uses e.g. data centres, to ensure a productive balance of land uses can be sustained in different districts.

Recommendation 13

Clarify that membership retail is not supported in industrial areas (unless genuinely wholesale).

Waste management and recycling

Waste management is a key aspect of sustainability which can make a substantial difference to the way places function. To improve waste management, increase recycling and better apply circular economy principles, the proposed zoning reform toolkit should be expanded to provide guidance about the different types of waste management and recycling and their most appropriate intersections and fit with the new zones.

Proposed Labelling of Employment Zones

Use of “E” lettering for Employment Zones conflicts with Environmental Zones

The draft amendment of the Standard Instrument uses E1, E2, E3, E4 & E5 for enumerating the proposed employment zones.

- E1 Local Centre
- E2 Commercial Centre
- E3 Productivity Support
- E4 General industrial
- E5 Heavy Industrial

This labelling demonstrably overlaps with the existing environment zones:

- E1 National Parks and Nature Reserves,
- E2 Environmental Conservation,
- E3 Environmental Management, and
- E4 Environmental Living.

The simultaneous use of “E” for employment zones and environment zones with the same numbers will create confusion for readers of LEPs, especially when using zone maps. It is not necessary to overlap zone numbers and there are no benefits from doing so.

Recommendation 14

A clear distinction is needed between the abbreviated labels of the proposed ‘employment zones’ E1, E2, E3, E4 and E5 and the existing ‘E’ ‘environmental zones’ which are also labelled E1, E2, E3 and E4.

Proposed Implementation plan

The timeframe proposed for Councils to implement the changes is inadequate. While it is noted and appreciated that DPIE is proposing to support mapping work to merge zones, this will not replace the need for councils to undertake significant work at the local level to implement the merged zones.

Several SSROC councils advise that the implementation process will therefore not be a straightforward translation. Councils will need certainty and plenty of notice in order to realign all their documentation, Planning Certificates, DCPs and contributions plans to match the new zoning framework whatever zone numbering is finally adopted. As such Regulations should allow existing zone names in subordinate documents to be retained until the documents are next reviewed.

Implementation will require substantial tailoring of the reforms to address district and local strategic planning outcomes. The implementation process will be overlaid on current work by councils to revise their LEPs to implement recent LSPS, housing and employment strategies. It would be an inefficient use of limited strategic planning resources to require a separate timeline for this work – especially given that employment, commercial and housing issues are interdependent.

Recommendation 15

Integrate the implementation of new employment zones with LEP review processes and timelines, rather than establishing a discrete process for the employment zones.



Conclusion

Thank you for the opportunity to comment on the Proposed Employment Zones Framework.

In order to make this submission within the timeframe for receiving comments, it has not been possible for it to be reviewed by councils or to be endorsed by the SSROC. I will contact you further if any issues arise as it is reviewed. If you have any queries, please do not hesitate to contact me or Mark Nutting, SSROC Strategic Planning Manager on 8396 3800.

The employment zone reforms will no doubt have a major impact on facilitating place-making and our local councils' role in delivering and implementing changes in support of more productive and liveable communities.

Again, thank you for the opportunity to comment on the Proposed Employment Zones Framework. SSROC looks forward to participating in further consultations around the implementation of the reforms.

Yours faithfully

A handwritten signature in black ink that reads 'H Sloan'.

Helen Sloan
Acting General Manager
Southern Sydney Regional Organisation of Councils