Urban Taskforce
AUSTRALIA

17 August 2022

The Hon Dominic Perrottet MP
Premier
52 Martin Place
SYDNEY NSW 2000

Dear Premier

I write to raise the serious concerns of our members regarding the outcomes of the review into the Greater Cities Commission's Industrial Lands 'Retain and Manage' Policy.

The review, initiated by you when you were Treasurer and announced as part of the 2020 Budget, presented a timely opportunity to reconsider what became a blanket prohibition on the revitalisation of underperforming industrial precincts scattered across Sydney. The review presented a chance to adopt a more nuanced approach to enable an increase in economic productivity and employment, as well and the provision of much needed housing supply through the employment of mixed-use zoning.

The purpose of the Review was to respond to the NSW Productivity Commission's Recommendation 7.5 from their White Paper, 2021.

> *"Evaluate the retain-and-manage approach to managing industrial and urban services land in Greater Sydney against alternative approaches,* ***to identify what would maximise net benefits to the state. Adopt the approach that maximises the State's welfare*** *in the next update to the Greater Sydney Region Plan".* *(bold and underline added by Urban Taskforce)*

While we were pleased that the Productivity Commission were involved in the review process, we were nonetheless very concerned that the GSC (now the GCC) led the review. It was effectively a self-assessment justifying their own policy. Further, the review was undertaken at the GCC's typically glacial pace.

The review developed four scenarios, each of which were subjected to an independent cost-benefit analysis, undertaken by Deloitte. The inputs into this process were overseen by the NSW Productivity Commission. Those four scenarios were characterised as follows:

1. Current retain and manage policy
2. Classification approach (where national and state significant infrastructure areas were retained but other areas open to rezoning subject to a merit test)
3. Functional typology approach
4. Market led approach where all existing areas covered by the policy were analysed on a case-by-case basis.

The report concluded that "based on the CBA modelling ***Scenario 2 is expected to result in the highest net benefit to NSW"*** (p.20 of the Deloitte Report).

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The GCC sent the Independent Deloitte cost-benefit analysis to GCC's Project Review Group (PRG) to undertake a ***multi-criteria analysis.***

Importantly, while the NSW Productivity Commission was a member of the Project Review Group, they were so concerned about the aims and intent of the "multi-criteria-analysis, **that they withdrew and did not participate in this exercise**.

In the absence of the NSW Productivity Commission, the Project Review Group undertook a ***multi-criteria analysis*** which was led and strongly influenced by the Greater Sydney Commission.

We are advised that the representative of Investment NSW (an economist) supported scenario 2. Nonetheless, **the PRG, in their wisdom, through this multi-criteria-analysis, overturned the recommendation of the Independent Review undertaken by Deloitte**. The Review Findings Paper published in June 2022 skates over this and simply concludes that the Review determined to maintain the Retain and Manage Policy, subject to 8 new principles and implemented through the development of the next iteration of the Region Plan.

Firstly, this result was predicted by many in the property development sector who were always concerned that GCC would never make a finding that the policy they established had caused the exacerbation of problems with housing supply that we know it to have done.

Secondly, it is of serious concern that the NSW Productivity Commission were so concerned with the efficacy and independence of the PRG multi-criteria analysis into the independent cost-benefit analysis findings that they withdrew from the process.

Thirdly, it is embarrassing that a review into policy which was announced in November 2020 will not see its recommendations (weak as they are) implemented until late 2023.

It is important to note that many expected the Urban Taskforce to support Scenario 4 – the market led approach to land use. We did not and do not. We accept that it is critical to protect and retain both nationally significant and state significant industrial facilities and the land surrounding it for ancillary purposes.

That said, Urban Taskforce notes that the GCC has not yet published any definition of what might constitute Nationally Significant industrial land (or facilities) or State Significant industrial land (or facilities).

Questions remain as to:

- where these critical industrial lands are identified and what exactly is to be protected? (ie. Is it the land and does it include a boundary around the facility?)
- Is it a question of determination on a case-by-case basis?
- How will this be applied to Newcastle, Central Coast and the Illawarra under the expanded GCC model?

- Does the development of new Regional Plans for these Cities relax the need for industrial or urban services land in Sydney?
- How might we take a practical approach to unlocking those precincts which have been declined in productivity and employment over a long period and where the prospects for industrial urban service provision is extremely low, often involving contaminated land where the economics of rehabilitation are negligible without some higher land use or mixed-use opportunity to fund this legacy obligation?

A pathway forward

Nonetheless, there is an opportunity to be constructive in the situation.

There is flexibility available to the Minister for Planning under the *Environmental Planning and Assessment Act 1979* to issue a section 9.1 Ministerial Direction to over-ride the Retain and Manage policy of the GCC, provided certain criteria are met.

As you will note from the following, Urban Taskforce members, through a dedicated policy sub-committee process, has given considerable thought to these matters.

Urban Taskforce is desirous of an approach to this matter where those land areas where it is simply not appropriate to maintain them as industrial land can be transitioned to other uses that return a greater net benefit to the NSW economy and local communities.

As noted above, Urban Taskforce supports Scenario 2, and proposes the following be the basis for any new guidelines that the GCC or the NSW Productivity Commission might consider:

- The guidelines should support increased flexibility in employment land use.
- Industrial and Urban Services land should allow restaurants, cafes and retail that supports the precinct as these land use types provide the amenity which the modern workforce seeks.
- Mixed Use should be actively considered on a merit assessment basis in all areas other than those preserved for National and State significant critical industrial land use (like the surrounds of an Airport or Port).
- The recent and past history of employment on the site must be considered.
- Can the site be developed while maintaining at least the same number of employees (or even preserve space for urban services)?

On the other hand, some factors that indicate that an industrial area is *no longer fit for purpose* include:

- Poor access for service and delivery vehicles, particularly larger trucks where they are required to drive along residential streets and tight back streets to get access to the industrial area.
- Conflicts with surrounding land uses, particularly where this is causing tension with residents and resulting in Council issued enforcement orders for businesses to limit or restrict their operations.

- A lack of industrial and urban service occupiers (demand) using the area and the emergence of other businesses in the area that don't neatly align with the industrial zoning.
- Buildings that are dated and no longer useable / abandoned or no longer appropriate for modern day businesses. In many instances it is then these buildings that become tenanted by businesses that don't directly align with the industrial zoning and the historical intent of these areas. Examples include paintball facilities, gymnasiums, kids play centres etc.
- Other environmental constraints such as environmentally sensitive waterways that unduly restrict industrial business operations,
- Lack of commercial market for industrial uses in the precinct, this is also evidenced by the emergence of other non-industrial operations that wouldn't typically be expected in these areas.
- Lack of amenity for end users and their employees.

Industrial Land use policy must be consistent with NSW Government Policy Imperatives

Any future analysis or Ministerial Direction should explicitly consider whether or not transition of industrial land would help unlock and deliver other key Government priorities including:

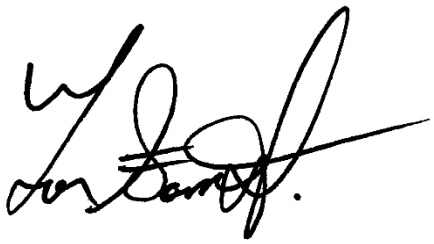
- Enhancing the quality and public accessibility of Sydney's blue and green grid
- Opening up opportunities for Brownfield housing supply without the loss of employment opportunity
- Increasing urban tree canopy cover and delivering green grid connections in existing often sterile, dilapidated industrial sites
- Providing services and social infrastructure to meet the community's needs
- Fostering healthy, creative, culturally rich and socially connected communities, close to employment and amenity
- Growing investment, business opportunities and job opportunities for the community
- Delivering integrated land-use and transport planning outcomes, such as the presence of underutilised transport assets e.g. a train / metro / light rail station
- Protecting and improving the health and enjoyment of Sydney's waterways
- Protecting and enhancing cultural and scenic landscapes
- Improving the quality of life for Sydney's residents.
- The scenario recommended by Deloitte would have enabled **all** of these matters to be considered. The overruling of the findings of the evidence-backed Deloitte analysis, while not surprising, is very disappointing.

Nonetheless, Urban Taskforce is ready, willing and able to work with the NSW Productivity Commission, the GCC or the Minister for Planning and the Premier's Office to encourage Government to not abandon this policy reform opportunity.

I have also written to your colleagues, the Treasurer, the Hon Matt Kean MP, the Minister for Planning Anthony Roberts MP, as well as the Minister for Infrastructure, Cities and Active transport, the Hon Rob Stokes MP on this matter.

I look forward to your early response on this important matter of considerable concern to the Urban Taskforce and its members.

Yours sincerely



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cc. Elizabeth Mildwater, CEO, GCC
cc. Peter Achterstraat AO, NSW Productivity Commissioner