

Appendix K

Review of the NSW Government's *Plan for Growing Sydney*

The *Plan for Growing Sydney* and the City of Sydney Employment Lands

A strategic review of the draft Employment Lands Planning Proposal



1. Introduction

In November 2014 the City publicly exhibited the City of Sydney Employment Lands draft planning proposal, development control plan (DCP) and affordable housing program, collectively referred to as the draft controls. The draft controls were prepared in the context of the NSW Government's strategic planning framework, then being the *Metropolitan Plan for Sydney 2036* (2010), *Draft Sydney City Subregional Strategy* (2008) and the *Draft Metropolitan Strategy for Sydney to 2031* (draft Metropolitan Strategy).

In December 2014 the NSW Government published *A Plan for Growing Sydney* (the Sydney Plan), the new overarching strategic plan for the Sydney metropolitan area to 2031. Given the significance of the Sydney Plan and its particular relevance to the City's southern employment lands, the City reviewed the draft controls to establish:

- if the draft controls remained relevant in the context of the Sydney Plan; and
- if amendments would be required to the draft controls flowing from the Sydney Plan.

This report documents the outcomes of the review.

2. Overview of the Sydney Plan

The Sydney Plan establishes four overarching goals to guide the Government's vision for Sydney as a strong global city and a great place to live. The overarching goals include:

1. a competitive economy with world-class services and transport;
2. a city of housing choice with homes that meet our needs and lifestyles;
3. a great place to live with communities that are strong, healthy and well connected; and
4. a sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

Under each goal a number of priority areas are identified as directions which provide a focus for actions.

The Sydney Plan includes a framework for subregional planning and locates the City of Sydney in the Central subregion together with 10 other councils, being Randwick, Waverley and Woollahra, Ashfield, Botany Bay, Burwood, Canada Bay, Leichhardt, Marrickville, and Strathfield councils. The Central subregion is expected to continue to play a dominant role in the economic, social and cultural life of metropolitan Sydney.

Subregional plans are currently being developed by the NSW government in consultation with stakeholders. Subregional planning is the link between the big picture planning directions set out in the Sydney Plan and detailed planning controls for local areas. The subregional plans are expected to detail housing and employment targets for each subregion, the implications for which are discussed in more detail in Part 3 of this report.

3. Targets

The Central subregional plan is expected to detail housing and employment targets for the Central subregion. It is not yet known if targets more specific to local government areas (LGA) are to be provided as part of those plans.

In the absence of the new subregional plan, below are the Central subregion targets within the *Draft Metropolitan Strategy for Sydney to 2031* (draft strategy) which was released by the NSW Government in March 2013.

- a population increase of 242,000 people to 2031;
- 138,000 new residential dwellings by 2031; and
- 230,000 new jobs by 2031.

These growth targets are discussed below in the context of the draft controls.

Employment

Within the City of Sydney, the draft strategy identifies two strategic centres, being 'Central Sydney' and 'Green Square', and provides specific targets for their jobs growth. Together these centres contain the majority of existing jobs and future potential for jobs in the City of Sydney. The draft strategy does not provide targets specifically for the areas that fall outside of the strategic centres, however, it recognises the need to harness opportunities and support economic growth by ensuring adequate stocks of well-located commercial and industrial land are always available.

The employment target for 'Central Sydney' is 102,000 additional jobs to 2031. The target for 'Green Square' is 7,000 additional jobs to 2031, primarily in the Green Square Town Centre. This constitutes around a 29 per cent jobs growth being required in strategic centres between 2011 and 2031.

While the City's Floor Space and Employment Survey 2012 (FES 2012) indicates a positive outlook on jobs growth within the LGA, it is important to recognise there are constraints that will act to limit growth potential in and around strategic centres over the next 20 years.

One of the most significant constraints to employment growth outside of centres in mixed use areas is land / site availability, particularly where employment generating uses are competing with residential uses for the land. Locating jobs and preserving land for productive uses and commercial opportunities close to Sydney's Central Business District (CBD), the airport and the port and near to large residential populations is essential for the economic health of NSW. In the same way that land is needed for housing, so too it is needed for jobs growth.

In the last 10 years Melbourne increased its share of national 'knowledge generated income' at a faster rate than Sydney. This is partly due to new infrastructure investments and major initiatives such as Docklands which further expanded the stock of employment lands in central Melbourne, which on conservative estimates could host well over 300,000 additional jobs. By contrast Sydney is relatively constrained with limited potential for 'new' employment lands close to the CBD and other strategic assets (City of Sydney Employment Lands Study, 2014).

Under current market conditions, in areas such as the Green Square Urban Renewal Area (Green Square), where the mixed use zoning allows for residential uses, residential development has taken precedence over employment generating uses. Where sites are being developed for residential uses there can be significant resistance to providing even a small amount of commercial space in a development. This is because of markedly higher returns developers receive from developing residential as opposed to a commercial product.

Figure 1 below is derived from the City's *Floorspace and Employment Survey 2012* (FES 2012) and shows the total change in job numbers in the Green Square and City South Village area between 2007 and 2011. Land to the north of the red line is within Green Square is generally zoned for mixed uses. About 700 net jobs located in this area between 2007 and 2011, a growth rate of around 7.5 per cent or 1.5 per cent per annum. In the southern employment lands, which are generally south of the red line and zoned for industrial purposes, but also include some land in the urban renewal area zoned for employment purposes, the net jobs growth was around 2,100 jobs, a growth rate of around 12 per cent or about 2.4 per cent per annum.

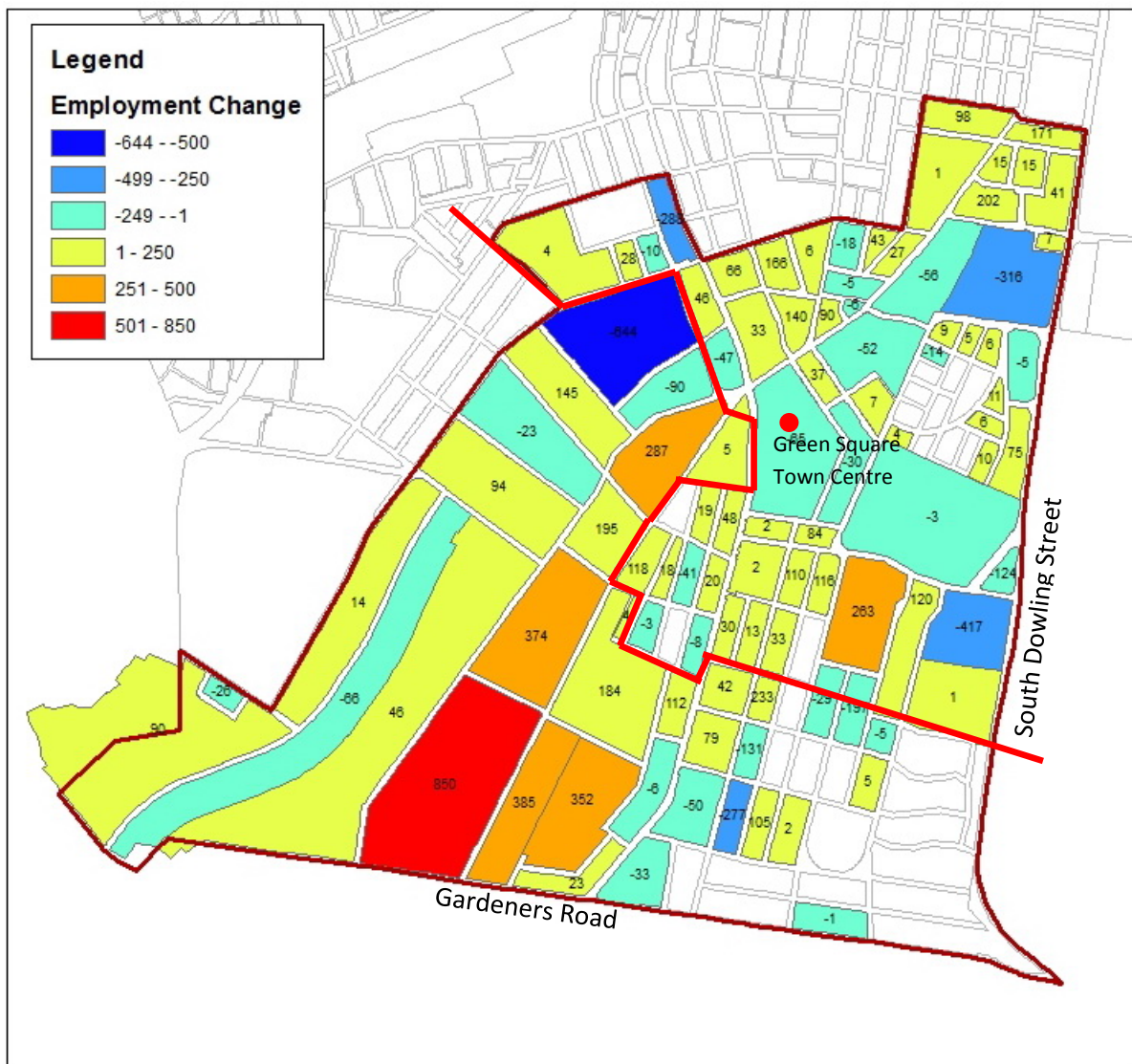


Figure 1: Total change in job numbers, 2007 to 2012

By comparison, the City's projections based on floor space capacity indicate about 22,000 jobs will be located in Green Square, with 8,600 in the Green Square Town Centre.

The analysis shows that over time the employment generating uses located in Green Square will continue to be displaced by residential uses, that is, employment generating uses that are now in Green Square will steadily be replaced by residential development. In addition the potential for employment generating uses that may have located in Green Square in future is displaced, that is the land will no longer be available for employment generating uses. Importantly, once this land is developed for residential purposes and subdivided it can almost never be converted for commercial uses in the future.

Although restrictive zoning in the Green Square Town Centre will prevent its capacity to accommodate about 8,600 jobs, particularly around the Green Square train station, under current market conditions it is uncertain when jobs may be located there.

While the southern employment lands fall largely outside of Green Square, because the potential for jobs growth is likely to be limited in Green Square employment lands are essential to accommodate some of the growth that is projected by the draft strategy. Restricting residential development is essential to ensuring employment uses can continue to locate in the area.

It is clear from this analysis that introducing a mixed use zoning would have a limiting impact on employment generation in the employment lands. The draft controls are forecast to result in approximately 9,000 more jobs in the southern employment lands to 2031. This will easily accommodate a reasonable portion of the 7,000 jobs required to be accommodated by the draft strategy in the Green Square strategic centre, and will also allow room to accommodate growth resulting from capacity constraints in other parts of the LGA, as well as growth associated with state significant infrastructure.

Housing

The Sydney Plan identifies that some 664,000 additional homes need to be built across the Sydney region over the next 20 years to meet forecast demand. The draft strategy applies over the period 2011-2031 and projects 138,000 dwellings to be provided in a Central subregion of 17 councils with no specific targets allocated to individual LGA's. The most recent LGA-specific dwelling targets are contained in the *Metropolitan Plan for Sydney 2036* (Metropolitan Plan 2036) which applied a target for the City of Sydney of 61,000 dwellings from 2006 to 2036.

Between 2006 and 2011, the base date for the Metropolitan Plan 2036, the City of Sydney had close to 12,000 dwellings, leaving 49,000 dwellings to be achieved before 2036. Based on known development applications in the development pipeline, shown at Figure 2, forecast completions between mid-2013 to mid-2019 are around 27,400 dwellings with the yearly rate of completions set to increase dramatically over the next few years, as major regeneration projects across the City of Sydney are completed. In the 2017/18 year, around 8,000 dwellings are expected for completion. This is a residential population increase of close to 16,000 people in just one year – close to 9 per cent of today's population.

This leaves around 22,000 dwellings to be completed by 2036. By 2019 the City will have achieved about 64 per cent of the targeted figure in just 13 years with another 17 years to complete the remaining 36 per cent. About two thirds of the dwelling target will be completed in 40 per cent of the time.

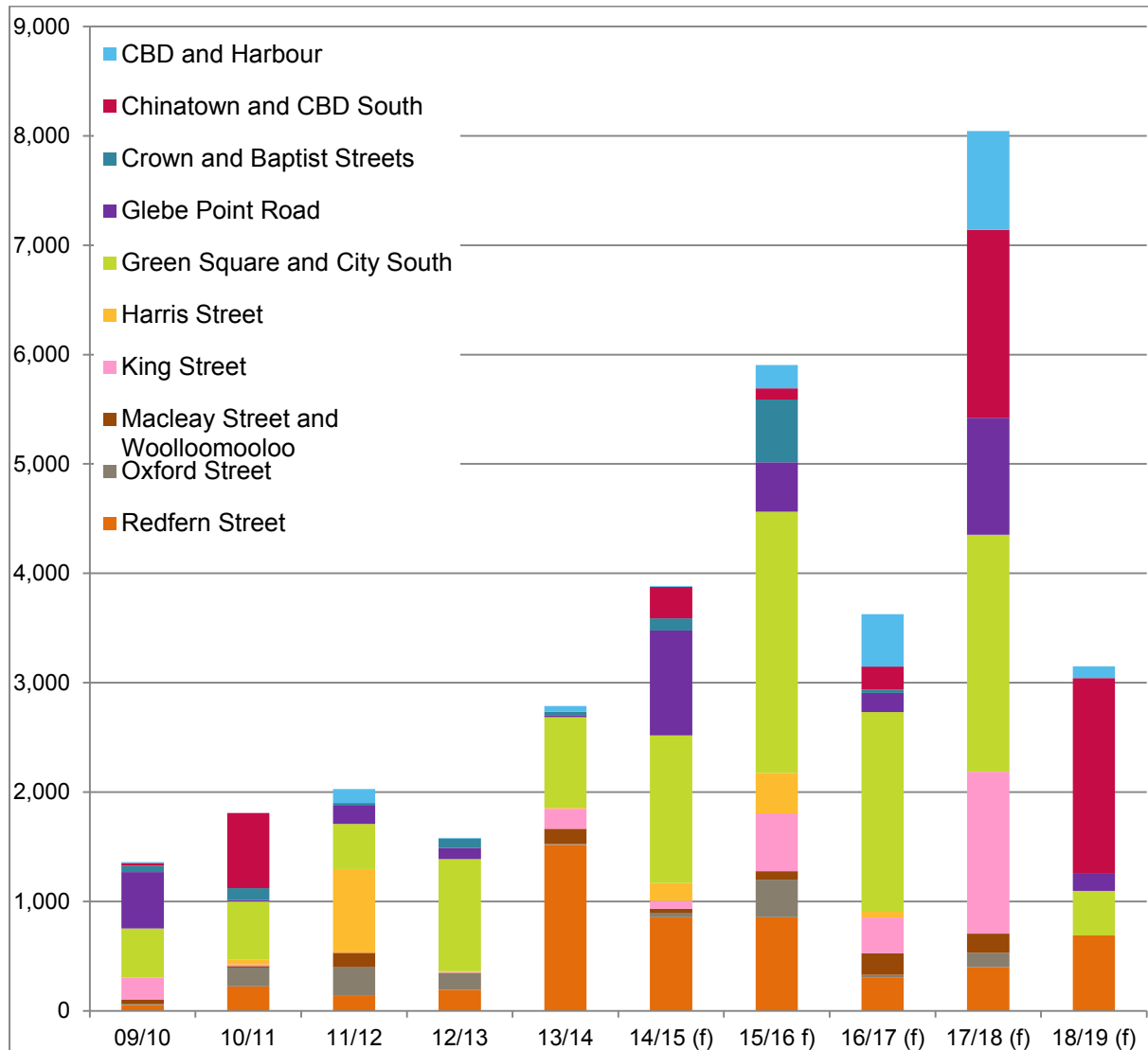


Figure 2: Number of completed and projected dwellings by village area

The City of Sydney recognises the high demand for inner city living and the need to accommodate a rapidly growing metropolitan population. However, a balanced approach is needed whereby adequate productive lands are protected from overwhelming residential demand to ensure that the future population has access to jobs and services. In addition, growth must be supported by adequate social and physical infrastructure.

4. Strategic review

Goal 1 – A competitive economy

Goal 1 of the Sydney Plan is to ensure that Sydney has a competitive economy supported by the services and infrastructure necessary to improve its productivity and competitiveness, foster higher living standards and support growth.

The Sydney Plan recognises the critical role of Sydney in driving the national economy and prioritises intensive development of strategic locations including the Sydney CBD, the Global Economic Corridor, Greater Parramatta and Sydney's Gateways – the port and airports. It establishes growth in these locations as critical to sustaining and expanding the economy and supporting more jobs closer to where people live.

Supporting this growth will be efficient infrastructure, strong centres that attract investment, competitive international gateways, access to a deep pool of skilled labour, and a liveable city with high standards of living.

The Sydney Plan recognises that:

Land use planning impacts on a city's [metropolitan Sydney] economic performance and is a factor influencing firms' locational decisions on how easily they can move goods and services to market and access labour. Land use planning can help industries foster innovation and sustain economies of scale. It can also affect how efficiently infrastructure can be delivered. (Pg22)

A study by Deloitte Access Economics (2012) estimates the City of Sydney workforce produces just under eight per cent of the total Australian Gross Domestic Product, or about \$100 billion. In its review of the strategic context of the employment lands, the Study emphasises the importance of the City of Sydney's economy, noting that:

In an economic era defined by the rise of knowledge intensive activities in advanced economies Sydney remains Australia's pre-eminent location for high value, advanced business services jobs. The metropolitan area hosts a disproportionately high share of the nation's services jobs which generate export income (both inter-regionally and internationally), and these are predominately within the City of Sydney LGA. (pg ii)

While relatively small compared to other employment lands, the southern employment lands play a critical role in the City's economy, and by extension the NSW economy. Located in the Global Economic Corridor just south of the Green Square Town Centre and north of the Mascot Town Centre, and between Sydney Airport and the CBD, the southern employment lands are some of the most strategically important 'out of centre' employment lands in the Sydney metropolitan area.

The southern employment lands support the growth of state significant infrastructure, including the port and airport, as well as rapidly growing residential populations in Mascot and Green Square. They provide a ready supply of flexible and relatively affordable out of centre floor space so that a range of activities can locate near the City, airport and port.

Direction 1.5 Enhance capacity at Sydney's gateways and freight networks, of the Sydney Plan seeks to enhance the capacity of Sydney's gateways and freight networks. It recognises the economic importance of Sydney's airports and Port Botany, and identifies a number of actions to protect and enhance their operations and the freight networks upon which they rely.

In the southern employment lands the draft controls propose a reduction in the quantum of industrial zoned land, with part of this land to be rezoned to permit a more flexible range of industrial, retail and commercial land use activities. The Employment Lands Study (2013), which informs the draft controls, found that while the reduction in the amount of industrial land is supportable, the southern employment lands will nonetheless continue to play a critical strategic role in accommodating uses associated with Sydney Airport.

The study shows a need for approximately 440,000 square metres of floor space for airport-related freight and logistics uses. Some of this will continue to be accommodated in the reduced industrial zone, for example container facilities. However higher order activities associated with the airport and the port, such as office based activities, retail showrooms or small distribution centres, that also require access to CBD and inner-city residential populations, will locate in the proposed B6 – Enterprise Corridor and B7 Business Park zones.

In its submission to the draft controls, Sydney Airport references the economic importance of the airport and reiterates the importance of protecting the southern employment lands for the purposes of employment uses so that activities associated with the airport can continue to locate in the LGA.

The submission by Port Botany also argues the importance of protecting employment land, in particular industrial zoned land. The submission notes that ensuring some uses can operate unconstrained by 'sensitive' and incompatible land uses, such as residential development, is critical to retaining viable employment lands.

Direction 1.6 Expand the Global Economic Corridor, of the Sydney Plan seeks to expand the Global Economic Corridor. The Plan continues to identify the southern employment lands within this corridor which is the collection of assets and centres that runs from Macquarie Park, through Chatswood and North Sydney, through the Sydney CBD and on to the airport and port.

Under this Direction, the Sydney Plan includes an action to grow high-skilled jobs in the Global Economic Corridor by expanding employment opportunities and mixed-use activities. It also recognises the need to protect critical retail, business and office space against residential pressures where appropriate.

The southern employment lands are currently in the main zoned for industrial uses. They host a range of employment generating activities that are essential to the efficient functioning of a city and that serve the population, such as panel beaters, depots and distribution centres. In addition, the employment lands also accommodate strategic activities associated with the airport and port and essential support services needing access to the CBD.

The range of businesses, enterprises and activities currently located in the employment lands varies widely. These include heavier industrial uses, such as concrete batching plants, to knowledge intensive activities such as architecture and design studios, high tech manufacturing plants, transport and logistics operations, Information Communications Technology (ICT) businesses, small

and large commercial operations, designer furniture shops, not-for-profit operations such as Oz Harvest, industrial strata units and new cafes, restaurants and bars. The area is a well-functioning and successful mixed business area.

To facilitate the identified need to retain productive land close to serve the CBD, airport and port and residential populations, as well as the changing nature of the types of land uses currently seeking or who will be seeking to locate in the area, the draft controls facilitate a more flexible approach to land use. New zones proposed include a core industrial zone that retains a strict interpretation in the industrial uses that are permitted. The vast majority of the area however is to be rezoned for mixed business purposes which will allow for office, retail and commercial activities to locate alongside exiting lighter industrial activity.

It is proposed that residential uses generally not be permitted in the southern employment lands, which reflects the recognition in the Sydney Plan that there is need to protect of critical retail, business and office space against residential pressures where appropriate. As discussed in Part 3 of this report there is a clear and immediate risk of displacement of employment uses where residential uses are permitted.

Direction 1.7 Grow strategic centres - providing more jobs closer to home, of the Sydney Plan seeks to grow strategic centres and provides more jobs closer to home. It recognises the importance of locating jobs in and around Sydney's strategic centres, such as Green Square and Mascot town centres, and its transport gateways, including those precincts surrounding the airport and port. It notes that:

Transport gateways are vital to Sydney's prosperity and often support large concentrations of complementary business activity and employment.

...

Focusing future growth in both strategic centres and transport gateways will provide the greatest benefits to Sydney in terms of land and infrastructure costs, social infrastructure and social and environmental outcomes.

Providing the right regulatory environment around these centres and gateways will deliver more investment and business activity, increase productivity and tackle potential land use conflicts arising from residential intrusions into commercial cores. (pg 46)

Green Square is an identified Strategic Centre in the Sydney Plan. The Green Square Urban Renewal Area, with the Green Square Town Centre at its centre, overlaps with the northern section of the southern employment lands. This is Australia's largest urban renewal area and is forecast to host about 53,000 residents by 2030.

Based on floor space capacity, estimates for employment numbers in Green Square is around 22,000 workers to 2030, or close to 0.4 jobs for every resident. Notwithstanding this, there has been limited growth in employment numbers in the area, with the City's FES 2012 showing slower jobs growth in mixed use areas in Green Square and City South Village Area and more robust growth outside of the areas zoned for mixed uses (see Figure 2).

Considered in the local context of Green Square and Mascot, the southern employment lands are therefore critical to achieve the NSW government's goal of providing jobs close to where people live. With 53,000 people projected to be living in the urban renewal area, and 11,000 to the south at Mascot Town Centre, protecting land for new business to locate and create employment opportunities is essential.

In the wider metropolitan context, the southern employment lands remain some of the most strategically important 'out of centre' employment lands in the Sydney metropolitan area, supporting the growth of state significant infrastructure, including the port and airport, as well as rapidly growing residential populations in Mascot and Green Square.

Goal 2 – A city of housing choice

The Sydney Plan identifies that some 664,000 additional homes need to be built over the next 20 years to meet forecast demand. It includes actions to accelerating the supply and the variety of housing across Sydney, such as apartments and townhouses, to make it easier for people to find homes to suit their lifestyle and budget. A key strategy is to support efforts to lift housing production around local centres, transport corridors and public transport access points.

Mirroring Direction 1.7 (as above) which seeks to provide more jobs closer to home, Direction 2.2 seeks to accelerate urban renewal across Sydney, providing homes closer to jobs. These dual actions recognise the need for a balanced land use planning approach which facilitates employment and economic growth as much as it does residential development. The role of the southern employment lands, in terms of providing balanced employment and residential development opportunities in the local and metropolitan context, is discussed in detail above.

Action 2.3.3 of the Sydney Plan is to deliver more opportunities for affordable housing to meet the needs of people on very low, low and moderate incomes. This is to be achieved under a new framework being developed by the NSW government in consultation with stakeholders.

The City recognises the critical need to ensure an adequate stock of affordable housing is available for very low to moderate income workers in the inner-city and understands that land use planning plays an essential role in delivering supply.

In the southern employment lands, while the draft controls ensure employment lands are primarily being retained for employment uses, they contain two mechanisms to encourage the provision of affordable housing in appropriate locations. The first mechanism is a provision for development to contribute to affordable housing. The contribution rate is generally consistent with the Green Square Affordable Housing Scheme which has operated successfully since 1999. Feasibility testing indicates the contribution is unlikely to have an impact on the viability of development in the southern employment lands.

The second mechanism permits affordable housing in parts of the southern employment lands where it does not conflict with the objectives of the zone, being primarily to promote employment generating uses.

The *City of Sydney Employment Lands Strategy 2014* includes a third mechanism to promote the delivery of affordable housing in the southern employment lands. It recognises two 'investigation

areas' within the southern employment lands whereby site specific planning proposals for mixed use zoning will be considered on a case by case basis where they support the broader goals of the area, in particular the retention of employment generating uses and the delivery of infrastructure, including affordable housing.

Together these three affordable housing strategies will promote a range of affordable housing opportunities in the southern employment lands and the immediate surrounds and will ensure the new working population will have some access to affordable housing options and be serviced by adequate infrastructure.

Goal 3 – A great place to live

Goal 3 of the Sydney Plan is to create a city with strong, healthy and connected communities. It highlights the importance of creating more vibrant places and revitalised suburbs where people want to live, and welcoming centres with character and vibrancy that offer a sense of community and belonging.

Direction 3.1 Revitalise existing suburbs, of the Sydney Plan seeks to revitalise existing suburbs to take advantage of the lower infrastructure costs associated with providing housing in established areas and the social and environmental advantages of urban consolidation. The Sydney Plan notes that renewing existing suburbs will reduce the time people spend commuting to work or travelling between places and make it easier for residents to get to jobs, services, recreation and access to public transport.

At its heart, this Direction is an argument for urban consolidation and the benefits that it can bring. The southern employment lands, which overlap with the south-west part of the Green Square Urban Renewal Area, and are just north of the Mascot Town Centre, form a fundamental element of a balanced and thriving urban environment. The area is small enough so that it receives the benefits of residential activation at its edges, is large enough so that it provides sufficient separation from sensitive land uses, is close to amenities and infrastructure demanded by high earning employees, and provides room for services to locate as well as critical long term opportunities for employment creation.

Direction 3.3 Create healthy built environments, of the Sydney Plan is to create healthy built environments. The Direction recognises the design of our city and suburbs plays an important role in supporting physical activity and social interaction and that the built environment can facilitate social cohesion and community connectivity. To support this direction the NSW government is developing guidelines to encourage development decisions that support healthy communities. The guidelines will show how planning and development can promote healthy activities such as walking to the shops or school and cycling to the train station as part of a daily commute.

In the southern employment lands, long term transport accessibility represents the biggest ongoing constraint to growth with large portions of the employment lands poorly serviced by sustainable transport modes. To address this, the draft controls include provisions to facilitate the delivery of a finer grain road network and to promote public transport, cycling and walking where new development is occurring.

Goal 4 – A sustainable and resilient environment

The Sydney Plan seeks to build a more sustainable and resilient city. It notes that as the city grows, good urban design and planning will be more critical than ever to make the city's built environment sustainable and energy efficient while protecting the environment.

Direction 4.3 of the Sydney Plan is to 'Manage the impacts of development on the environment'. While actions under this direction are limited to the development of the *Green Cover Design Principles* and identification and protection of land for new waste management facilities, the Direction notes that good planning and urban design at the precinct and site level can manage the impacts of development on our natural environment as Sydney grows.

In the southern employment lands, draft controls encourage the protection of ecologically sensitive lands. They also encourage sustainable built form principles and promote Green Walls and Roofs as a means of softening hard surfaces in former industrial area through the landscaping of roofs, podium levels and vertical surfaces.

5. Conclusion

The Sydney Plan sets out a new planning agenda for metropolitan Sydney which recognises the need to promote population growth in strategic centres and transport corridors. Growth is to be supported by a more dispersed approach to employment generation where jobs are located close to where people will live. This has a dual purpose of providing new communities with good access to services and infrastructure and ensuring firms have access to a reliable labour force.

The Sydney Plan also places significant emphasis on enhancing the capacity of Sydney's gateways and freight networks including the airports and Port Botany, recognising the economic importance of providing both short and long term growth opportunities for these facilities.

In the southern employment lands, the draft controls will actively contribute to the achievement of the overarching goals and directions of the Sydney Plan by:

- protecting strategically significant employment lands to:
 - support the growth of state significant infrastructure including the airport and the port;
 - preserve future opportunities for higher value 'out of centre' jobs; and
 - ensure a stock of well serviced and affordable floor space for emerging and high value industries;
- locating jobs close to the projected residential populations in Green Square and in Mascot Town Centre, being 53,000 and 11,000 residents respectively;
- increasing economic activity within Sydney's Global Economic Corridor and providing opportunities for critical retail, business and office space;
- promoting urban consolidation and a balanced and thriving urban environment;
- capitalising on the infrastructure being provided in Green Square and existing transport infrastructure;
- encouraging sustainable transport modes and identifying opportunities for cycling and pedestrian infrastructure; and
- innovative new approaches to promoting affordable housing outcomes.

In terms of the southern employment lands contribution to employment and dwelling targets, while new targets are yet to be provided in subregional plans that are currently being developed by the NSW government, it is likely that the City of Sydney will continue to be identified as an area of significant growth potential.

With regard to employment targets, it is assumed that targets for the City of Sydney will remain relatively similar or will increase. It is unlikely they will decrease, particularly given the faster than expected residential population growth in inner-Sydney and the NSW government's Direction of locating jobs close to residential areas. Considering the significance of the southern employment lands in terms of supporting the airport and port and providing 'out of centre' floor space for industry and business, as well as analysis which shows the limiting impact a mixed use zoning would have on employment generation, a blanket mixed use zone is not supported.

With regard to dwelling targets, nothing in the Sydney Plan indicates dwelling targets will substantially increase within the LGA. Recent projections indicate the City is well on track to deliver a significant portion of metropolitan Sydney's dwelling target of 664,000 dwellings with ample supply of suitably zoned land in Green Square. Based on this, there is no pressing argument for why strategically important employment lands should be immediately released in favour of residential development.

In conclusion, there is no conflict between the draft controls and the Sydney Plan. The draft controls actively contribute to the achievement of the Sydney Plan and its overarching goals and directions.