

GUIDELINES FOR ASSESSING INDUSTRIAL LAND REZONING PROPOSALS

Prepared by SGS Economics and Planning
2018

TABLE OF CONTENTS

1. Introduction	3
2. Rationale	5
3. Assessment Framework	9

1. Introduction

In 2017, SGS Economics and Planning (SGS) was commissioned by Georges River Council to undertake a peer review of the Review of Industrial Lands Precincts which was prepared by Council. The SGS review had two key recommendations:

- **Strengthen Council’s industrial lands assessment framework** to better capture the importance of local population serving industrial uses.
- **Establish guidelines for assessing rezoning proposals** to ensure a consistent process for the assessment of planning proposals to rezone industrial lands.

SGS has recently undertaken further work in relation to the first recommendation to develop a better understanding of the ‘case for change.’ This included a detailed demand and supply analysis and assessment of the suitability of each industrial precinct for local and strategic industrial uses.

This study noted that existing industrial zoned land should not be rezoned if there is a demonstrable need or shortage and alternative industrial opportunities do not exist. On this basis, the study concludes that there is not currently considered to be a clear case for change to support any further rezonings of industrial precincts within the Georges River LGA.

SGS has now been commissioned by Council to prepare the guidelines for assessing rezoning proposals. These guidelines will be used by Council officers when assessing planning proposals to rezone industrial zoned land.

The process for preparing these guidelines is outlined in Figure 1. The draft assessment framework was tested with Council officers at a workshop in August. Following this workshop, the framework was refined and applied to a number of scenarios to confirm useability and validity. The framework was presented to Councillors in October 2018 and has subsequently been refined in response to the comments received.

Figure 1: Approach to Preparing Guidelines



This report is structured as follows:

- **Section 2 Rationale:** this section of the report outlines the justification for the importance of industrial lands and provides a rationale for the assessment of planning proposals to rezone industrial lands.
- **Section 3 Assessment framework:** this section of the report outlines an assessment framework for Council to adopt in the assessment of planning proposals to rezone industrial lands.

2. Rationale

This section of the report outlines the justification for the importance of industrial lands and provides a rationale for the assessment of planning proposals to rezone industrial lands.

Definition of industrial lands

Industrial lands provide space for operations necessary for the function of the city and wider economy. At the local scale these lands support urban services such as car repair and local goods distribution centres. At the metropolitan scale these lands provide space for operations such as freight and logistics, and the use of heavy machinery in large scale manufacturing.

Land use zoning

Under the NSW Standard Instrument Local Environmental Plan (LEP), land use zones are standardised across the state. However, councils have the flexibility to include additional objectives and permissible uses for its industrial zones under their LEPs. There are four industrial zones in NSW, IN1 General Industrial, IN2 Light Industrial, IN3 Heavy Industrial and IN4 Working Waterfront. All industrial precincts across Georges River are zoned IN2 Light Industrial.

Role of planning and allocation of development rights

Regulation of land use and development through planning represents a form of restriction on market access necessitated by the objective of economic efficiency. A 'free for all' in, say, the development of traffic generating shops, noise emitting warehouses or sunlight robbing towers is likely to create inferior streets, neighbourhoods and cities in terms of overall community welfare. This highlights the importance of planning in deliberately and systematically rationing development rights through regulation.

Across Greater Sydney, there is pressure for conversion of many industrial areas to residential or mixed uses. Many industrial sites within east Sydney have been rezoned. As the sites become scarcer the contest for competing land uses is intensifying. It is therefore becoming more important to make informed judgments on the merits of either protecting or rezoning industrial land.

Planning proposals

Under the Environmental Planning & Assessment Act 1979 (EP&A Act), councils are planning proposal authorities for their local areas. Before an environmental planning instrument is made, councils must prepare or adopt a proposal setting out the justification for the proposed change. As part of this process, Councils may require an owner to carry out studies or provide other information concerning the proposal.

These guidelines will provide a clear framework for Council to assess these studies and planning proposals submitted by land owners in their determination of whether to support a change to an environmental planning instrument.

Strategic policy directions for industrial lands

Under the EP&A Act, Councils must give effect to any district strategic plan when assessing (or preparing) a planning proposal. The Greater Sydney Commission (GSC) has adopted a clear policy on the management of employment lands across Greater Sydney.

Under the *Greater Sydney Region Plan*, the GSC has classified Georges River LGA as 'retain and manage':

All existing industrial and urban services land should be safeguarded from competing pressures, especially residential and mixed-use zones. This approach retains this land for economic activities required for Greater Sydney's operation, such as urban services. Specifically these industrial lands are required for economic and employment purposes. Therefore the number of jobs should not be the primary objective – rather a mix of economic outcomes that support the city and population. The management of these lands should accommodate evolving business practices and changes in needs for urban services from the surrounding community and businesses. There will be a need, from time to time, to review the list of appropriate activities within any precinct in consideration of evolving business practices and how they can be supported through permitted uses in local environmental plans. Any review should take into consideration findings of industrial, commercial and centre strategies for the local government area and/or the district.¹

¹ Greater Sydney Commission 2017, *Greater Sydney Region Plan*, p.133

A benchmark of three sqm of urban services land per capita is identified in the plan (refer to *Objective 23*) as the minimum standard for Greater Sydney. Within the South district, in which Georges River LGA is located, the provision is significantly lower than the benchmark at two sqm of urban services land per capita. Smaller precincts play an important role in providing support to uses that support population growth.

The South District Plan contains two actions relating to industrial lands:

- Action 39: Retain and manage industrial and urban services land, in line with the Principles for managing industrial and urban services land, in the South District by safeguarding all industrial zoned land from conversion to residential development, including conversion to mixed-use zones. In updating local environmental plans, councils are to conduct a strategic review of industrial lands.
- Action 40: Consider office development in industrial zones where it does not compromise industrial or urban services activities.
- Action 42: Facilitate the contemporary adaptation of industrial and warehouse buildings through increased floor to ceiling heights.

In October 2018, the GSC issued an Information Note (SP2018-1) which notes that any planning proposals involving a change of use of industrial or urban services land to residential, retail or mixed uses within areas covered by retain and manage should be considered on its strategic and site merits. The policy to retain and manage prevails over other District Plan objectives relating to delivery of housing or retail floor area².

². Greater Sydney Commission 2018, Industrial and Urban services land (Retail and manage) – transitional arrangements, Information Note – SP2018-1

Demand and supply of industrial lands

NSW Government population and employment projections provide a baseline for demand analysis. However, different markets and factors drive demand for different industrial users and planning needs to be appropriately responsive. It is important to understand industry market dynamics both locally and regionally.

In the Eastern Harbour City, in particular, there is very little chance of increasing industrial land supply. Many of the uses that locate in industrial precincts cannot operate in other business zones. Therefore, it is critical that any rezoning is considered very carefully.

Planning proposals submitted for industrial rezonings should provide adequate evidence for a departure from the baseline retention position that clearly establishes that the site is surplus to future requirements and/or unfit for purpose. Such submissions should also demonstrate the need for the alternative use on the site and the overall net community benefit that the project will deliver. The burden of proof lies with the proponent. Council planning officers will be required to review and validate this evidence.

The operation of a lot, and its suitability for industrial use, should be a separate and secondary consideration to the overall demand and supply of industrial land at the regional level.

Role and function of industrial lands

Precinct role and function varies across the city. Industrial lands are not uniform in the structure or industry mix. A number of typologies have been identified that describe the complexity of employment precincts, reflecting their roles from small-scale and creative use hubs through to major trade gateways of national significance.

Precincts necessarily have different characteristics. These include lot size, industry and business mix, location and age. There is no single precinct typology that will suit all businesses that require an employment land location.

Value of industrial lands

While they do not always host significant employment, the value of industrial lands is in the operational role and function they play throughout the city. Focusing on net job loss alone runs the risk of underestimating the broader value of industrial land. Consideration must also be given to the need for the *land use* as well as the flow on effects of a loss of industrial land on supply chains (in terms of both customers and suppliers) when valuing these lands.

3. Assessment Framework

This section of the report outlines an assessment framework for Council to adopt in the assessment of planning proposals to rezone industrial lands.

The GSC has adopted a clear policy on the management of employment lands across Greater Sydney. Under the *Greater Sydney Region Plan*, the GSC has classified Georges River LGA as 'retain and manage'. In October 2018, the GSC issued an Information Note (SP2018-1) which notes that any planning proposals involving a change of use of industrial or urban services land to residential, retail or mixed uses within areas covered by retain and manage should be considered on its strategic and site merits. **The policy to retain and manage prevails over other District Plan objectives relating to delivery of housing or retail floor area³.**

The assessment framework outlined below is expected to be applied to the assessment of any planning proposals submitted to Council which propose to change or amend the planning controls for a lot (or lots) which are currently zoned industrial. This could include:

- rezoning from an industrial to a residential land use zone
- rezoning from an industrial to a commercial land use zone
- the inclusion of additional permitted uses such as residential or commercial
- change to development controls such as FSR or building heights.

The assessment framework is expected to be applied as follows:

- **Step 1:** Review planning proposal documentation including economic impact statement or analysis
- **Step 2:** Apply assessment framework, reviewing the application against the assessment questions and sub-questions, taking into consideration the baseline evidence required (column 2).

³. Greater Sydney Commission 2018, Industrial and Urban services land (Retail and manage) – transitional arrangements, Information Note – SP2018-1

- **Step 3:** Summarise the findings against each sub-question and determine whether the application conforms (yes or no) with each sub-question (column 3). A conforming application is one where the answer to the assessment question is yes and, where required, sufficient evidence is provided by the proponent to support this.
- **Step 4:** Summarise the findings against the question at the end of the table.

An application must be able to answer yes to ALL of the questions outlined in the assessment framework in order to be approved (refer to Figure 2). If the application does not meet one of the criteria, it would be refused. The application of this framework will ensure that adequate weight is given to the strategic policy directions outlined by the GSC as well as Georges River Council. Further guidance is provided below.

This approach has been developed to ensure a transparent and due process is followed when assessing proposals to rezone existing industrial zoned land. The framework considers the need to ensure that policy retains sufficient flexibility to capture unusual circumstances that may genuinely prevent a particular site from fulfilling its role under its current zoning. In such cases however, the framework is structured to ensure that any development retains an employment use and does not default to residential.

A non-conforming proposal is not necessarily an invalid proposal, however there is a series of high bars required for a non-conforming one to be considered appropriate.

This framework has been tested with Council officers and applied to a number of scenarios to determine useability and validity. The framework has been refined and updated following these tests as well as a Councillor briefing.

Figure 2: Planning proposal decision making framework

Industrial land decision making framework

Q1. Is the proposal consistent with current strategic policy directions relating to industrial lands?

(1A) Is the planning proposal consistent with the actions 39, 40 and 42 under Planning Priority S10 within the South District Plan?

(1B) Is the planning proposal consistent with the Georges River Industrial Land Review?

(1C) Is the planning proposal consistent with relevant section 9.1 directions (previously s117) relating to Business and Industrial Zones (1.1)?

Q2. Is there sufficient capacity across the LGA to meet future demand for industrial land uses?

(2A) Is there sufficient supply to meet projected demand for industrial land within the Georges River LGA and South District over the next 20 years?

Q3. Does the proposal adequately justify that there is no reasonable prospect of the site being used for any industrial and related purposes?

(3A) Is the site vacant or undeveloped?

(3B) Are the buildings currently vacant or unoccupied?

(3C) Has the site been untenanted over the last five years?

(3D) Has the site been sufficiently maintained to support the ongoing operations?

(3E) Does the planning proposal adequately justify that there is no reasonable prospect of the site being used for any industrial and related purposes?

Q4. Does the proposed use deliver a greater net community benefit compared to the existing use?

(4A) Does the planning proposal adequately demonstrate that the rezoning will not set a precedent for rezonings across the wider industrial precinct?

(4B) Does the planning proposal adequately demonstrate that the rezoning (and introduction of new uses) will not create land use conflict with existing industrial uses within the industrial precinct/neighbouring sites?

(4C) Is there strategic merit for an alternative use that aligns with the policy directions within the Greater Sydney Region Plan or South District Plan?

**Conform?
(Y/N)**

If the planning proposal conforms with ALL criteria outlined then it is considered to be consistent with the assessment framework. If the proposal is not consistent with ALL criteria, the current industrial zoning should be retained.

Source: SGS Economics and Planning, 2018

Assessment framework, criteria and questions

1. Is the proposal consistent with current strategic policy directions relating to industrial lands?

Assessment questions	Evidence	Conforming (Y/N)
<p>1(A) Is the planning proposal consistent with the actions 39, 40 and 42 under Planning Priority S10 within the <i>South District Plan</i>?</p>	<p>A conforming response will include a statement demonstrating consistency with actions 39, 40 and 42 under Planning Priority S10 within the South District Plan:</p> <ul style="list-style-type: none"> ▪ Retain and manage industrial and urban services land, in line with the Principles for managing industrial and urban services land, in the South District by safeguarding all industrial zoned land from conversion to residential development, including conversion to mixed-use zones. ▪ Consider office development in industrial zones where it does not compromise industrial or urban services activities. ▪ Facilitate the contemporary adaptation of industrial and warehouse buildings through increased floor to ceiling heights. <p>If the proposal is not consistent with any or all of these objectives it is considered non-conforming.</p>	
<p>1(B) Is the planning proposal consistent with the Georges River Industrial Land Review?</p>	<p>A conforming response will include a statement demonstrating consistency with the Georges River Industrial Land Review which identifies the need to retain all industrial lands within the Georges River LGA.</p> <p>If the proposal is not consistent with these objectives it is non-conforming.</p>	
<p>1(C) Is the planning proposal consistent with relevant section 9.1 directions (previously s117) relating to Business and Industrial Zones (1.1)?</p>	<p>A conforming response will include a statement demonstrating consistency with objectives under 1.1 Business and Industrial Zones. The objectives of this direction are to:</p> <ol style="list-style-type: none"> a) <i>encourage employment growth in suitable locations,</i> b) <i>protect employment land in business and industrial zones, and</i> c) <i>support the viability of identified centres.</i> <p>If the proposal is not consistent with these objectives, it is non-conforming.</p>	

SUMMARY

A summary of the assessment and whether the proposal is consistent with current strategic policy directions relating to industrial lands should be included here. A proposal must conform with questions 1A, 1B and 1C in order to be consistent with current strategic policy directions relating to industrial lands.

2. Is there sufficient capacity across the LGA to meet future demand for industrial land uses?

Assessment questions	Evidence	Conforming (Y/N)
2(A) Is there sufficient supply to meet projected demand for industrial land within the Georges River LGA and South District over the next 20 years?	<p>A conforming response will include a summary of evidence and analysis which addresses:</p> <ul style="list-style-type: none"> ▪ LGA and district-level demand analysis for current year and projected change over the next 20 years. Demand should be based on ALL types of industries that could locate in the precinct under current zoning controls, not just the current use. ▪ LGA and district-level supply analysis for current year and projected change over the next 20 years based on any known rezonings. This should also consider the impact of the proposed rezoning on the integrity of the wider industrial precinct. ▪ LGA and district-level quantified gap analysis (surplus/deficit) including consideration of capacity under existing controls and potential for sites to be redeveloped. ▪ Scenario testing with, at a minimum, baseline (development under current controls) and project case. Where undeveloped land is proposed to be rezoned, this should also include a scenario with build-out under current planning controls. Scenarios should include displacement effect of loss of site retained within the LGA. <p>A conforming response will demonstrate a material change in supply or demand since the establishment of the baseline gap analysis presented in the Georges River Industrial Land Review that supports the proposal.</p> <p>If the proposal does not provide sufficient evidence, it is non-conforming.</p>	

SUMMARY

A summary of the assessment and whether there is sufficient capacity across the LGA to meet future demand for industrial land uses should be included here. The assessment must answer yes to question 2A in order for the proposal to be considered to be consistent with this question - Is there sufficient capacity across the LGA to meet future demand for industrial land uses?

3. Does the proposal adequately justify that there is no reasonable prospect of the site being used for any industrial and related purposes?

Reasonable prospect should consider feasibility, suitability and permissibility of uses. These elements have been covered through questions 3(A) to 3(E) outlined below. Sufficient evidence must be provided by the proponent to demonstrate that there is no reasonable prospect of the site being used for any industrial and related purposes. It is noted that the onus should be on the proponent to do this, rather than Council to justify why there is reasonable prospect.

Assessment questions	Evidence	Conforming (Y/N)
3(A) Is the site vacant or undeveloped?	<p>A conforming response will demonstrate that the site is currently undeveloped and that development under current planning controls is not possible. This could include open book and/or independent feasibility assessment, unrealised development application approvals or market demand analysis.</p> <p>If the proposal does not demonstrate this, it is non-conforming.</p>	
3(B) Are the buildings currently vacant or unoccupied?	<p>A conforming response will demonstrate that the premises are currently vacant or that they are not fit for purpose for any current permitted uses. This does not include premises insufficiently maintained (Refer 3(D)).</p> <p>If the proposal does not demonstrate this, it is non-conforming.</p>	
3(C) Has the site been untenanted over the last five years?	<p>A conforming response will provide evidence of the following:</p> <ul style="list-style-type: none"> ▪ The buildings have been consistently vacant for 2-5 years (including reasons why), AND ▪ Sufficient and sustained effort has been made to lease the premises at appropriate market rates to relevant businesses through appropriate leasing channels. <p>This could include, for example, evidence of lease advertisements, register of viewings, information from real estate agent(s) or documents from utility providers demonstrating vacancy.</p> <p>If the proposal does not provide this evidence, it is non-conforming.</p>	

Assessment questions	Evidence	Conforming (Y/N)
3(D) Has the site been sufficiently maintained to support the ongoing operations?	<p>A conforming response will demonstrate that ongoing and appropriate investment in the premises to attract tenants has been made including upkeep to support business operations. This could include, for example, invoices or receipts of work that has been completed, or maintenance bills etc.</p> <p>If the proposal does not demonstrate this, it is non-conforming.</p>	
<p>3(E) Does the planning proposal adequately justify that there is no reasonable prospect of the site being used for any of the following industrial and related purposes?</p> <ul style="list-style-type: none"> ▪ light and general industrial uses ▪ storage and logistics/distribution including ‘last mile’ distribution, consolidation centres and collection points ▪ secondary materials and waste management ▪ utilities infrastructure ▪ land for sustainable transport functions including intermodal freight interchanges, rail and bus infrastructure ▪ urban services including mechanics, hardware supplies, wholesale retailing etc. ▪ wholesale markets ▪ emerging industrial-related sectors including creative industries ▪ flexible hybrid space to accommodate services that support the wider Sydney economy and population, or ▪ low-cost industrial and related space for micro, small and medium sized enterprises. 	<p>A conforming response will demonstrate that there is no reasonable prospect of the site being used for all of the industrial and related uses listed. For each use, justification should be provided which considers:</p> <ul style="list-style-type: none"> ▪ size of site ▪ location of the site ▪ appropriateness of the current zoning and permissible uses ▪ specific market demand ▪ development feasibility ▪ site characteristics such as contamination or environmental considerations that cannot be mitigated against or accommodated through current zoning. <p>If the proposal does not demonstrate this for each of the listed industrial and related uses, it is non-conforming.</p>	

SUMMARY

A summary of the assessment and whether the proposal adequately justifies that there is no reasonable prospect of the site being used for any industrial and related purposes should be included here. A proposal must conform with questions 3A, 3B, 3C, 3D and 3E in order to adequately justify that there is no reasonable prospect of the site being used for any industrial and related purposes. Reasonable prospect considers feasibility, suitability and permissibility of uses and is covered by the above questions.

4. Other considerations

Assessment questions	Evidence	Conforming (Y/N)
4(A) Does the planning proposal adequately demonstrate that the rezoning will not set a precedent for rezonings across the wider industrial precinct?	A conforming response will demonstrate that there is no potential for a precedent to be set because the site forms the entirety of a standalone precinct. Where this is not the case, it is non-conforming.	
4(B) Does the planning proposal adequately demonstrate that the rezoning (and introduction of new uses) will not create land use conflict with existing industrial uses within the industrial precinct/neighbouring sites?	<p>A conforming response will demonstrate:</p> <ul style="list-style-type: none"> ▪ the proposed uses will not introduce land use conflict with current or permissible uses across the wider precinct, including both in terms of impact on operational constraints (including noise, operating times etc.) and transport and access conflicts (particularly with heavy vehicles and pedestrians or resident vehicles). ▪ introduction of higher-value uses will not have an adverse impact on industrial rents and/or operating costs for existing industrial uses to the extent that it is unviable to support their operations. <p>If the proposal does not demonstrate this, it is non-conforming.</p>	
4(C) Is there strategic merit for an alternative use that aligns with the policy directions within the <i>Greater Sydney Region Plan</i> or <i>South District Plan</i> ?	<p>A conforming response will demonstrate:</p> <ul style="list-style-type: none"> ▪ the proposed uses align with other strategic planning objectives, for instance housing targets, community infrastructure or retail and commercial centres ▪ the proposed uses are not able to locate in other areas currently zoned for such uses ▪ the proposed uses are aligned with an existing local commercial centres strategy <p>If the proposal does not demonstrate this, it is non-conforming.</p>	

SUMMARY

A summary of the assessment against questions 4A, 4B and 4C should be included here as well as a conclusion as to whether the proposed use delivers a greater net community benefit compared to the existing use?

A **net community benefit** is where there is an overall positive benefit to the community associated with a project, investment or change in land use.

If the proposal has demonstrated that it will deliver a greater net community benefit compared to the existing use then the proposal is considered to be consistent with this industrial lands assessment framework. If this has not been demonstrated the current industrial zoning should be retained.