



# INDUSTRIAL LANDS POLICY REVIEW - SCOPE OF WORKS

**Technical Consultant Advisory Services:** *Retain and Manage Industrial and Urban Service Policy Analysis (Phase 1 & Phase 2)*

## Scope Statement

*“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.”*

## Project Overview

The Greater Sydney Commission (Commission) is undertaking a review of the Industrial and Urban Services Lands retain and manage policy (the policy) in consultation with the Department of Planning, Industry and Environment (DPIE), the Department of Premier and Cabinet (DPC), Transport for NSW (TfNSW) and NSW Productivity Commission (NSW PC). This review responds to recommendation 7.5 in the NSW PC’s 2021 *White Paper*:

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.

In parallel with the review by the Commission, the DPIE are also reviewing the existing employment zones (Industrial and Business Zones) and land uses under the Standard Instrument Local Environmental Plans to ensure the zones are fit for purpose. A proposed zones framework has been announced for consultation during May 2021.

Industrial and urban services lands play a critical role in supporting Greater Sydney’s economy, although in many places this role has changed over time. A wide range of activities operate in these areas, from heavy industry to cultural and creative uses.

Prior to the current Greater Sydney Region Plan A Metropolis of Three Cities (GSRP), there was no coordinated city-wide approach to managing industrial and urban services lands. As a result, a substantial amount of industrial land was rezoned and developed as residential apartments. In response to the decreasing supply of industrial and urban services land and importance of such land for the functioning of the Metropolis, the Commission set a new objective:

Objective 23: ‘Industrial and urban services land is planned, retained and managed’.

The review will particularly focus on examining the ‘retain and manage’ policy against alternative coordinated, evidence-based policy approaches to achieving the NSW Government’s objectives.

### Project Roles

#### *The Commission*

The Commission will lead and coordinate a multi-agency review including DPIE, Investment NSW, Transport for NSW (TfNSW) and the NSW PC.

#### *Technical Consultants*

The Commission has engaged a technical consultant to assist in the review. The technical consultants will advise the Commission on technical aspects related to the review and will undertake evidence collection and evaluation of the policy. This will be completed over two phases of work.

#### *Project Review Group*

A Project Review Group (PRG) will be involved in decisions that are critical to the direction of the review, and will be involved in reviewing results. The PRG's role is to oversee the review process and consider the draft Review Report, final Review Report and recommendations before they are presented to the Commission Board for consideration.

The Project Review Group (PRG) will comprise senior executive representation from relevant State Government agencies.

#### *Industry Reference Group and Local Government Reference Group*

The Industry Reference Group will comprise of representatives of peak development industry organisations (including Urban Task Force, Urban Development Institute of Australia, Property Council Australia, Planning Institute of Australia) and industrial lands users. The Local Government Reference Group will comprise of senior local government officials while the. The Commission's CEO will chair both groups.

The Industry Reference Group and the Local Government Reference Group will both aspire to enhance the communication and engagement experience of stakeholder groups and improve the quality of information available to stakeholders during the strategic planning projects. Responsibilities of the groups will include meeting as required to consult on aspects of the review, provide feedback on the review as part of the consultation process and ensure there is written documentation of working group activities.

### Scope of Work – Phase 1

#### **Task 1a The Policy Problem: Establishing the need for policy action**

There are 159 industrial and urban services precincts in the retain and manage category. For this task it is intended that the consultants will provide a fine grain, lot level analysis for a representative 'cross-section' of up to 20 selected precincts.

The Commission is seeking analysis outlining and examining the diverse functions of these precincts, including but not limited to:

- providing goods and services to nearby residents and employees (e.g. cafes and restaurants, gyms, self-storage, childcare);
- providing goods and services including supply chains that enable business activity (such as concrete batching plants, transport depots, hardware stores);
- enabling freight and logistics operations (including ports);

- supporting the operations of “gateway” locations such as airports and port facilities;
- enabling manufacturing for local use or export; and
- supporting local and district populations with urban services.

The analysis should consider how the function serves the City’s current needs and likely future needs.

### **Task 1b What are the threats to the provision of these functions?**

The Commission is seeking analysis of the impacts to the defined functions without a coordinated approach, both in likelihood and in magnitude. For example, what is the likelihood that freight and logistics capacity would be displaced from more central locations to outer areas, and what would the impact of this be for the City?

The research approach to this phase will summarise existing Commission work completed to date, as well as existing council employment lands strategies and/or land audits.

A survey of business owners will help to understand the function and threats identified above. This survey should be sufficiently robust to allow for a representative cross-section of functions (i.e. different business types), across a range of different locations. The survey is to be detailed enough to capture information on the following:

- agglomeration benefits and relationships with other industrial users in the precinct;
- supply chain considerations for location choice;
- service relationship to local communities;
- the primary and secondary customer catchments;
- freight network considerations for location choice;
- the scope for intensification to reduce the land area required to function;
- likely next best out-of-current-precinct location choice; and
- the benefits or impacts of other non-industrial uses locating in the industrial areas.

### **Task 2. Articulating clear policy objectives**

The purpose of this task is to define a set of objectives (preferably measurable) to inform Industrial Lands Management Policy. This task will involve workshops with the Commission and draw on the detailed analysis from Task 1.

Considering the diverse functions of industrial and urban services lands, there may be multiple objectives motivating industrial lands management, for example relating to:

- households’ access to specific goods and services;
- businesses’ access to specific goods and services;
- freight and logistics capacity;
- supply chain efficiencies;
- benefits of agglomeration;
- the efficient operation of airports and port facilities;
- availability of a certain amount of land for manufacturing; and

- new and emerging industries including clean tech and circular economy industries.

### Scope of work – Phase 2

The analysis from Phase 1 can be drawn from, as well as input from specialists in the industrial market and a review of local and international literature on the topic.

An industry reference group for industrial lands will be convened by the Commission (including industrial experts, industrial peak bodies and other peak bodies) as well as separate consultation with local government and State agencies. The feedback from these groups may provide qualitative input into the below tasks and will be provided when received.

#### Task 1. Develop and assess the policy options

The purpose of this task is to develop a range of options for meeting the NSW Government's objectives (as articulated in Phase 1). Options need not be limited to management of industrial land but could also include other complementary policy changes.

The process of developing options should involve:

- case studies of how other cities, overseas and in Australia meet the objectives articulated in Phase 1. The case studies should examine the opportunities or problems associated with each identifying the different circumstances (zoning controls, tax regime, etc) that apply in different jurisdictions; and
- workshops with the Commission to generate and refine policy ideas.

The recommendations should be considered in the light of the work that DPIE is completing in relation to employment lands strategy guidelines, business and industrial zoning reforms and potential changes to the Code SEPP in relation to these zones.

#### Task 2. Evaluate options

This task involves a cost-benefit analysis (CBA) to fully understand the impact of the identified policy options. In doing so, the CBA should consider for each option:

- all groups and locations impacted by the policy options including direct and indirect costs;
- all financial, economic, social and environmental impacts and benefits;
- distributional impacts;
- changes to spatial requirements; and
- risks.

Consideration of the level of geographical scale of the CBA – whether based on select precincts, a defined geographical area such as an LGA or District or the Greater Sydney area. The process to derive the geography and the final short list of precincts will be signed off by the Project Review Group (PRG).

The CBA will be underpinned by TPP17-03 – NSW Government Guide to Cost-Benefit Analysis.

The following costs and benefits could be considered, but not limited to:

- allowance for newer business models that are not captured by the current framework;
- increased flexibility in where businesses can locate and operate, potentially meaning these businesses can locate more optimally for their business;
- greater output, employment, and productivity;
- the impacts of allowing some mixed uses (such as residential, medical/health services and or retail) on industrial and urban services land;
- coordination of infrastructure and land use (that might occur from greater development outside of centers). (e.g. impact on the GSRP centers policy approach);
- social impacts (such as reduced confidence in the planning system);
- land use conflicts with more uses coexisting in zones (and risk of unforeseen conflicts);
- increased economic price of land use (e.g. rent) due to competition from different uses;
- infrastructure coordination through market signaling and a simplified planning system;
- efficiency of logistic and transport networks; and
- the spatial requirements of new and evolving employment uses' impacts of displacement and alternative options for these businesses.

All critical assumptions including costs and benefits to be evaluated should be made explicit and will need to be signed off by the PRG.

### **Task 3. Findings and Recommendations**

Based on the preceding analytical and evaluation tasks, provide key findings and recommendations with regards to the appropriateness of the current approach to retain and manage policy and what changes could be made to the existing framework to optimise productivity, liveability and sustainability outcomes.

The results should include:

- measures of the net social benefit of all options. - Net Present Value (NPV) – Benefit Cost Ratio (BCR);
- the quantitative and qualitative benefits and costs (including financial costs) of all options;
- thorough discussion of supporting evidence and assumptions;
- sensitivity analysis (including for the discount rate); and

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- a clear and concise summary of the case for change, base case, the options assessed and the main results of the sensitivity tests. The summary should focus on major differences between the options.

In addition to the CBA, the Commission would like to work through the policy decision with the PRG using a Multi-Criteria Analysis (MCA), including definition of the criteria, metrics, weighting and scoring of the policy approaches against the criteria. The MCA should consider the full results of the CBA (qualitative, quantitative and distributional), stakeholder feedback and any other relevant findings from this research.

## Timetable

The engagement is proposed to commence in mid-July 2021. Key dates and deliverables are outlined below.

### Phase 1

- Draft report completion – August 2021
- Final report completion – August 2021

### Phase 2

- Draft report completion – November 2021
- Final report completion – December 2021