



Property Council of Australia ABN 13 00847 4422
A Level 7, 50 Carrington Street, Sydney NSW 2000
T +61 2 9033 1900
E info@propertycouncil.com.au
W propertycouncil.com.au
Twitter @propertycouncil

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Mr Greg Doyle
General Manager
Wollongong City Council
Locked Bag 8821
Wollongong DC NSW 2500

records@wollongong.nsw.gov.au

RE: Wollongong Industrial Lands Review, Draft July 2023

The Property Council of Australia (NSW) welcomes the opportunity to provide feedback on the *Wollongong Industrial Lands Review Draft 2023*, which has been released for public comment by Wollongong City Council (Council).

The Property Council is committed to achieving successful development outcomes in the Illawarra region. We operate an Illawarra Chapter and Future Directions Committee, which includes members with skills in planning, development, and design, who are committed to achieving the best for the Illawarra.

We work collaboratively and will work with Council as part of the review of the Wollongong Local Strategic Planning Statement (LSPS), Wollongong Local Environmental Plan (LEP) 2009, and Chapter B5 Industrial Development of the Wollongong Development Control Plan (DCP) 2009.

1. Our Recommendations

We generally support the primary actions, planning directions and recommendations contained in the review. Especially those that will lead to a simplification of planning controls; a greater diversity of industrial sites and precincts; retention of key industrial lands along with intensification of key precincts as well as steps to improve coordination that delivers long term supply. We contend that a whole of government approach and working closely with key stakeholders is needed to achieve Council's jobs targets.

The Property Council has proposed nine recommendations for your assessment which we believe will ensure the valuable contribution made by the industrial and logistics industry will sustain the economic and employment growth in Wollongong and the broader region. Implementation of our recommendations should also shape the upcoming review of the Wollongong LSPS, LEP, and DCP (Chapter 5) to ensure a strong focus on productivity focussed planning outcomes. Our recommendations are presented below.

- 1) Council to continue to work with relevant stakeholders to achieve the key objectives related to industrial and employment development, as presented in the Illawarra Shoalhaven Regional Plan 2021.
- 2) Council to embrace innovation to support “last mile” delivery and new solutions for emerging industrial and logistics processes and looking at CBD locations to achieve this.
- 3) Council to provide opportunity for large site industrial development to cater for major distribution centres and last mile logistics.
- 4) Council to embrace best practice planning to meet changing trends and future needs in the industrial and logistics space.
- 5) Council to limit the encroachment of residential uses in industrial areas and employment precincts (particularly those that need to operate 24 hours, 7 days a week).
- 6) Council to work with DPE and key agencies as part of an empowered Urban Development Program to better coordinate land supply and infrastructure for industrial and logistics development.
- 7) Council to work with Bluescope to achieve long term alignment between the outcomes of the industrial review and the objectives of the proposed Bluescope Port Kembla Master Plan.
- 8) Council to provide additional amenity and services in industrial precincts to support changing expectations and the demands of a modern industrial workforce.
- 9) Council to work with NSW Ports to achieve their Master Plan for proposed land at Port Kembla.

Further commentary and the rationale for our recommendations is provided in Section 3.

2. Introduction

Our submission has been informed by our Illawarra Chapter and our Industrial and Logistics Committee, who have members with skills in delivering industrial and logistics projects. Further, one of our committee members (Macroplan) have recently completed a major report that considers industrial and logistics issues in NSW and how the planning system needs to respond to this changing and evolving industry. A summary of this report is provided below.

Planning for the urban freight evolution, 2021 (Macroplan)

This report identified that employment trends such as co-location and mixing of uses, as well as the diversification of those uses and/or activities, requires both a flexible and skilful response to support the key employment sectors. The report also identified that the way

the freight and logistics industry handle, stores, distributes, and receives goods has evolved over time. This will continue to adapt and change due to consumer and business behaviours, technology changes and global trade shocks that resulted from COVID-19. From this we have identified the following constraints presently facing the industrial and logistics industry in NSW:

- **Restrictions imposed around 24 hour**, seven days a week (24/7) supply chains and deliveries, particularly where impacts are minimal
- **Unprecedented demand for industrial and freight and logistics space**, driven by e-commerce
- **Lack of land supply** for freight and logistics uses in the Six Cities Region resulting in relocation of operations to regional and interstate locations where land supply is available. This is resulting in the restructuring of Sydney's supply chains and increased travel distances for goods
- **Land use planning restrictions** (e.g. permissible land uses and design requirements) are impacting on the implementation of innovative, efficient, and sustainable freight solutions and outcomes
- **Protracted planning approval timeframes** for low impact freight and logistics facilities which reduces NSW's responsiveness to growing and changing demands
- **Lack of flexibility** to use appropriate spaces (e.g. retail, and commercial spaces) for last mile delivery, handling, and storage
- **Lack of infrastructure** associated with electric heavy vehicles
- Time-sensitive delivery **expectations and higher distribution costs**
- **Lack of availability of parking and loading** infrastructure including on-street loading zones
- **Current and future technology** changes (e.g. electric vehicles) are not acknowledged and being planned for.

In our 2023 Parramatta CBD report, we have also observed that smaller warehouse operations are relocating their site-based offices into the Parramatta CBD due to the inability to attract skilled workers to industrial areas; largely due to amenity reasons.

We understand that the local industrial property market continues buoyant, with strong sale prices and rents being reported. There is however a severe shortage of supply throughout all areas of the Illawarra with agents reporting strong owner occupier interest at that entry level sub-sector which is predominantly for small bay strata warehousing. In this space, the starting rate appears to be hovering in the \$3,750 to \$4,000 per square metre range (end price commencing at approximately \$550,000), particularly for new tilt-up with a mezzanine office component and good parking provisions, while rates in the circa \$4,850 per square metre range (just under \$700,000 end price) are being achieved in the northern suburbs of the Wollongong Local Government Area (LGA).

This strong local demand is resulting in many operators being turned when seeking sites due to the lack of availability and site suitability. With land supply limited, and land values and construction costs elevated it will be challenging for incoming developers to bring new stock to market, putting further upward pressure on existing stock. Essentially, we are in an owner occupier driven market, as the low yield environment deters most investors, although some are expecting to generate higher future returns via higher rents.

We contend that Council has reached an epoch moment and needs to properly plan and respond to the challenges and emerging trends affecting the industrial and logistics space. And with a key international gateway at Port Kembla, the Wollongong LGA has a critical role to support the broader Illawarra Shoalhaven and contribute to the economic growth of the Six Cities Region, especially with its emerging strong physical links to South West Sydney.

3. Detailed summary of our Recommendations

This section contains further information on our recommendations presented in Section 1.

3.1 Council to continue to work with relevant stakeholders to achieve the key objectives related to industrial and employment development, as presented in the Illawarra Shoalhaven Regional Plan 2021

The *Illawarra Shoalhaven Regional Plan 2021* is the most important strategic planning policy governing future planning and development in the Illawarra Shoalhaven region, could have a population of up to 500,000 people by 2041. We understand that the Greater Cities Commission (within NSW Department of Planning and Environment) has commenced a review of the Regional Plan. We contend that the current review of industrial land by Council should integrate with the new city or regional plan to achieve State-Local policy alignment which focuses on increased productivity as a primary outcome.

In this regard, we acknowledge the following key objectives and outcomes relating to industrial and employment areas in the Regional Plan.

- *Objective 3: Grow the Port of Port Kembla as an international trade hub*
- *Objective 4: Activate regionally significant employment precincts to support new and innovative economic enterprises*

We urge Council to continue to work with key stakeholders (state government agencies, industrial developers, and peak bodies) to achieve these primary outcomes. Council should also commit to the future growth of the Tallawarra and West Dapto Employment Lands, ensure the protection of major freight networks and the explore the potential for defence and advanced manufacturing industries in the LGA.

3.2 Council to embrace innovation to support “last mile” delivery and new solutions for emerging industrial and logistics processes and looking at CBD locations to achieve this

We support the review of the planning framework to maximise the benefits offered through changing and improved industrial and logistics processes. In the *Planning for the urban freight revolution* report, Macroplan identified that the pace of world change is necessitating the need for a rapid and agile response to technological advancements, globalisation and shifting demographics. Recognising that COVID-19 has contributed to this disruption, accelerating change, and bringing attention for the need to have efficient logistics processes to meet changing demand.

Restructuring is and has occurred rapidly in recent years, particularly around retail and online transacting; freight and the delivery economy; and office working space. This has resulted in a permanent restructure of industrial and logistics processes brought about by the way we use technology and interact and changing consumption patterns.

Modern freight and logistics supply chains demand an innovative approach to provide spaces and operating conditions that support consumer expectations for fast, efficient delivery of goods. By adopting a coordinated response, Council can support greater density development in strategic locations while protecting the character of local suburbs.

To respond the above challenges, we urge Council to support, through its planning framework, new technologies that will continue to influence and change the way we handle, distribute and store goods covering e-commerce, productivity improvements, efficiency gains, connectivity, mobility, digital disruption, technology, social and environmental awareness, achieving higher levels of amenity as well as time and space.

We also urge Council to actively identify suitable CBD and urban locations to support last mile delivery at strategically located freight consolidation centres and micro-depot solutions (particularly along major road corridors). These can minimise the number of movements into high density areas, while also allowing for alternative modes of transport, like bikes and Electric Vehicles, to undertake the last mile delivery.

With the review of the Wollongong planning framework, there is an opportunity to ensure that productivity remains as a key planning principle across the Six Cities Region. To achieve this, Council must embrace innovation to respond to rapid technological change by providing greater flexibility within its planning provisions that foster more productive outcomes and lead to enhanced industrial and logistical processes.

3.3 Council to work with industry on the potential for large lot industrial and distribution warehouses to cater for last mile logistics and help support the Six Cities Region

The demand for large-lot warehouse space has increased over the last few years to cater for last-mile logistics and distribution centres, especially with the rise of ecommerce and online shopping. Whilst typically large-lot developers have sought Western Sydney locations, more recently this has not been possible due to a lack of serviceable land, lack of supply and suitably sized sites.

This situation is pushing up industrial rents in the Sydney Region, which in some cases are higher than commercial rents with resulting loss of economic and employment generating development to interstate and regional locations. Other operators have reduced their industrial footprint in Sydney based on a “hub and spoke” model.

In accordance with the Review action No.4, Council should embrace this opportunity to continue to retain and plan for large-lot industrial and warehouse sites (5-10 hectare sizes). These would typically occur at locations which have good regional road access and on sites with minimal environmental and/or planning constraint. Locations such as Kembla Grange, Port Kembla, Yallah, and Marshall Mount could provide sites for potential large-lot industrial warehouses to help resolve challenges facing the Six Cities Region and stem the loss of economic and employment generating development to other regions and interstate.

3.4 Council to embrace best practice planning to meet changing trends and future needs in the industrial and logistics space

The review of the Wollongong LSPS, LEP and DCP provides an opportunity to achieve efficient and productive outcomes for supply chain management. In accordance with Planning Direction No.4, the Property Council contends that planning must keep pace with changing trends we have previously identified (Refer to Section 1), especially when providing freight and logistics activities into the future.

We support a more consistent policy framework that achieves coordinated and integrated planning, management and monitoring of industrial and logistics processes and outcomes. In accordance with Planning Direction No.3 and No.4, the following priorities for planning reform should include:

- Amendment of DCP provisions to ensure freight deliveries can occur efficiently and safely off the street for new residential and commercial developments. Adequate provision of loading bays, drop off zones, and additional goods lifts for commercial developments, could be considered, as well as parking and electric charging stations for light commercial vehicles in residential buildings.
- Consistent with the Regional Plan, retain existing major freight and logistics hubs (e.g. ports, intermodal terminals and major warehouse and distribution precincts) and ensure key road and rail corridors are prioritised for these uses.
- Realise the full potential of existing industrial lands by removing restrictive planning controls including FSR and height.
- Encourage dual functionality of existing uses and premises to support a mix of retail and distribution functions where there are no significant amenity impacts.
- Assess options for increased intensification of key industrial precincts that allows for vertical integration of industrial and warehouse functions in areas which are not impacted by important landscape features or view corridors.

3.5 Council to limit the encroachment of residential uses in industrial areas and employment precincts (particularly those that need to operate 24 hours, 7 days a week).

Across the Six Cities Region there have been numerous examples where a planning proposal for a residential use has been approved near an established industrial precinct. This presents an immediate land use conflict and a major shift in land use policy that can significantly undermine the economic performance of an industrial area or precinct, especially those which require separation from sensitive uses.

This largely occurs when new residents begin complaining about excessive noise and/or traffic related movements from an existing industrial or warehouse operation. This can result in a council or state government taking action to close the non-residential use and/or limit the area's industrial performance.

Whilst there is a planning basis to rezone larger economically depressed industrial precincts (redundant coal mine facilities etc.), a more strategic approach is needed when a proposal is lodged that seeks a change to a residential use on a site near an industrial area.

We support a strategic approach, with no piecemeal based solutions (spot rezonings), which looks at the productivity impacts of a proposal on existing industrial operations.

We embrace the approach undertaken in the review, and in accordance with Planning Direction No.5, industrial lands must be protected through appropriate buffers from residential development to achieve agglomeration of industrial activity within well-defined precincts which have good transport connectivity.

This approach will allow Council to deliver a more productive and efficient industrial product that responds to current industrial trends to further support the economic and employment growth of the Wollongong LGA and broader region. Notwithstanding this, it should be acknowledged that there are industrial uses which could be co-located in more sensitive land use precincts, and by allowing this to occur, it could free-up industrial zoned lands for more intense industrial uses which require separation from residential areas.

3.6 Council to work with DPE and key agencies as part of an empowered Urban Development Program to better coordinate land supply for industrial and logistics development

The Property Council recognises that state government has a key role in the future location, productivity and efficiency of freight and logistics uses in the LGA. Especially with the provision of water and wastewater infrastructure, which has prevented the maximum delivery of serviced industrial land.

In accordance with Planning Direction No.6, the Property Council supports the implementation of an empowered Urban Development Program (UDP), to allow an engaged and coordinated process to properly plan for future industrial development in the LGA. We understand that DPE is presently investigating a potential empowered UDP model for the Western Parkland City, which could be used as a basis to build upon the current functions of the Illawarra Shoalhaven UDP, which are limited to information sharing amongst stakeholders and they have limited ability to resolve major development and planning issues.

An empowered UDP will allow better coordination of funds obtained from the proposed contribution charges (DPE Housing Productivity Contribution and Sydney Water Development Service Plan), as well as General Revenue, to properly plan for the long-term delivery of serviced industrial land across the Illawarra Shoalhaven.

The UDP would focus on coordinated public and private investment to link infrastructure projects with land release for industrial and logistics, advanced manufacturing, and commercial hubs that create jobs and growth at scale. With tangible and reportable targets and objectives focusing on new and innovative industries that have targeted jobs growth, an empowered UDP will help deliver a long-term strategy for industrial and logistics development across the Wollongong LGA and broader region.

3.7 Council to work with Bluescope to achieve long term alignment between the outcomes of the industrial review and the objectives of the proposed Bluescope Port Kembla master plan

The Property Council recognises that the Council review of industrial lands does not cover the industrial and port uses within Port Kembla, which is covered by *State Environmental Planning Policy (Transport and Infrastructure) 2021*, (the former Three Ports SEPP). We understand that DPE has completed a Port Kembla Precinct Profile and Precinct Plan which will shape a next-stage structure plan to take this further.

Property Council is aware that Bluescope is currently working on a revised master plan for their land at Port Kembla. The master plan looks beyond a 20-year horizon to imagine a future beyond a heavy industry “smokestack” base to a mix of uses that opens their lands to a greater number of employment and economic generating uses. The outcome will ensure that the Bluescope lands will continue to shape Wollongong and the broader region.

Whilst the Bluescope master plan process is being finalised, the Property Council is concerned that Planning Direction No.2 does not fully cover the potential employment and economic uses that the Bluescope lands could provide. We support a broader scope of potential uses, especially where potential land use conflicts can be managed through buffers and careful site planning.

To achieve the master planning vision, we support the implementation of a long-term governance framework that sees Council, Bluescope and key government agencies working together to achieve the evolution of uses within the Bluescope lands at Port Kembla. This approach will achieve greater integration between uses within the land covered by the SEPP and industrial land in the Wollongong City LGA and more process efficiency when responding to new development proposals and delivering infrastructure.

3.8 Council to provide additional amenity and services in industrial precincts to support changing expectations and the demands of a modern industrial workforce

From our research undertaken and the trends we have identified (Refer to Section 1), the Property Council contends that worker amenity must be provided in industrial precincts, especially for skilled office workers and those working in high-tech manufacturing, industrial creativity, and innovation.

The need for better amenity is primarily derived from a lack of accessible food options that extend beyond food trucks, roadside diners, and processed food at service stations. There are also demands for more accessible recreational opportunities, places of interaction and access to human support services such as childcare.

As previously mentioned, and based on our Parramatta CBD report, poor amenity is resulting in a loss of skilled workers to other industries. This has seen some companies provide CBD locations, which typically have more amenity and greater diversity of amenities.

In reference to Section 5.2 of the report, Council recognises that amenity must be improved for industrial workers but recognises this remains a key challenge in attracting high-quality

businesses and skilled staff. Yet the Report recommends removing some amenity uses such as “takeaway food and drink premises” from the E5 Zone which we do not support.

Removing such a use not only impacts on the food offerings available, but it also impacts on the offerings that an artisan food and drink industry could provide to local workers and visitors. This is due to the definition of an artisan industry must include certain uses on the premises, but these uses must be permissible in the zone as a separate land use.

Removing “takeaway food and drink premises” from the E5 Zone also impacts on truck drivers having access to freshly prepared food in a location that permits large heavy vehicles to access and often park in these precincts. The health and wellbeing of direct and indirect employees needs to be considered in a review of the planning framework.

We urge Council to seek to provide a greater range of amenities in traditional industrial areas to stem the loss of skilled workers to other industries. This could be achieved through co-location and mixing with other industries to deliver innovation to attract and retain highly qualified staff.

3.9 Council to work with NSW Ports to achieve their Master Plan for proposed land at Port Kembla

NSW Ports is responsible for the Port Kembla container terminal which imports and exports a large range of products, machinery, and motor vehicles. Over the next 40 years, Port Kembla will continue to grow and diversify its import and export trade and will remain a critical part of NSW's green energy future. It will be the site of the state's next container terminal once Port Botany nears capacity.

In May 2023, NSW Ports released its new 40-Year Master Plan *NSW Ports 2063: Our 40-Year Master Plan for Sustainable Growth*. One of the key objectives of the Master Plan is the need to protect the port and freight-related lands and freight transport routes.

In accordance with Planning Direction No.2, the Property Council supports the Master Plan, and we urge Council to work with NSW Ports to achieve the following outcomes:

- Retention of industrial land in the Illawarra to meet the growing freight task.
- Prevention of the subdivision of large parcels of industrial land into small lots of a size unsuitable for port and major freight and logistics activities. Encourage the consolidation of small industrial lots into larger land parcels.
- Optimisation of the use of port and logistics lands by providing approvals and permits for increased freight handling density, throughput, and capacity and 24/7 operations.
- Provision of planning and regulatory approvals that do not impose curfews and caps on freight, logistics and industrial activities, other than by justified exceptions, to make efficient use of scarce lands and existing infrastructure.
- State and local planning policies that deliver buffer zones between industrial lands and residential developments to ensure continuity and efficiency of the freight task and local amenity.

- Implementation of statewide minimum building design standards for residential and sensitive use developments in urban areas to mitigate amenity impacts on the community from economic generating activities such as ports, transport and logistics operations and industrial activities, to facilitate efficient and productive supply chains.

Conclusion

The Property Council supports Council's review of its industrial lands as an opportunity to respond to the rapid changes affecting the industrial and logistics industry. Shifting worker requirements, production and process innovation and the rise in e-commerce will require a more agile and responsive planning framework.

We urge Council to continue to work with key stakeholders (industrial operators, key state government agencies and the broader industry) to properly plan for future economic and employment generating development in Wollongong and broader region which integrates with the fast-emerging Port Kembla gateway.

We believe our recommendations will help Council achieve its jobs target and enable Wollongong to emerge as an economic powerhouse in the Six Cities Region.

We again thank Council for undertaking this review and we would welcome further engagement on this critical issue. Please do not hesitate to contact me at dwhite@propertycouncil.com.au or phone 0415 914 612 if you have any further questions.

Yours sincerely,



David White
Regional Director - Illawarra
Property Council of Australia