

Submission – Draft Blue Mountains Local Environment Plan (DLEP 2013)

Blue Mountains Economic Enterprise

Contact:

Jacqueline Brinkman
Chief Executive Officer
02 4782 6555

jacqueline@bmee.org.au

1.0 Introduction

Blue Mountains Economic Enterprise's (BMEE) mission is 'to stimulate economic development in the Blue Mountains through advocacy, investment and job creation, consistent with our competitive advantages.'

BMEE's vision is an expression of how the mission will unfold and is stated as:

BMEE will be the recognised economic development organisation for the Blue Mountains, delivering significant and measureable contributions to the economy through:

- Encouraging and supporting appropriate investment
- Opening the city for business
- Creating a sustainable and diversified business community

To achieve this ambitious vision, the Board has identified four key strategic pillars which will be the focus of the organisation's activity over the next three years. The pillars are:

- Health and well-being (including aged care and disabilities)
- Creative industries
- Education
- World-Heritage Industry Development (including tourism)

BMEE is funded by Blue Mountains City Council and is operated by an independent Board.

The Board of BMEE has acknowledged the delicate balance that exists between stimulating strong economic growth and development and maintaining one of the region's key competitive advantages; its World-Heritage environment. While the BMEE Board aims to position the Blue Mountains as a city 'open for business', the strategy must maintain the inherent competitiveness of the region. The key economic driver of tourism relies on the maintenance of the World-Heritage listed wilderness and environment-based tourism products.

Blue Mountains City Council's Community Strategic Plan (SBM 2025) lists 'Sustainable Economy' as Key Direction 5. The Council plan identifies the need to "*Strengthen the economic base of the City through increasing the range of sustainable industries*" and "*Improve interface with developers on development applications – increase facilitation of economic development in the Local Environment Plan*". SBM 2025 states "*A vibrant city encourages and facilitates a variety of sustainable industry, enterprises and businesses.*"

BMEE has reviewed Blue Mountains City Council's Draft Blue Mountains Local Environment Plan (DLEP 2013) and the relevant background reports. The organisation was represented by its CEO and Directors at DLEP briefing sessions, and has conducted comprehensive stakeholder consultation.

Key recommendations set out below relate specifically to Business and Industrial Zones, with particular consideration to the IN1 General Industry Zone and IN2 Light Industry Zone.

The submission also contains a recommendation specific to Studleigh Place, Katoomba. BMEE has been provided with permission by Blue Mountains City Council to develop on a 'without prejudice' basis, a whole of life business model for the establishment of a commercial development on the Council operational and community land at 152-154 Lot 102 DP 1152617 Katoomba Street, Katoomba.

The submission also sets out recommendations submitted to BMEE by the tourism sector through Blue Mountains, Lithgow and Oberon Tourism.

All recommendations are a result of broad engagement and reflect the views of the BMEE Board, a vast number of Business and Industrial Zone landowners, business operators within the relevant zones and other regional business associations such as Biznet Blue Mountains and Blue Mountains, Lithgow and Oberon Tourism (BMLOT).

The recommendations are critical if the city of the Blue Mountains is to attempt to achieve its objectives related to the Key Direction 5 (Sustainable Economy) as stated in the Blue Mountains City Council's Community Strategic Plan (SBM 2025).

2.0 BMEE recommendations for changes to the DLEP 2013

1. Zoning

- BMEE recommends the adoption of one zoning category for industrial land in the Blue Mountains. For example; General Industrial, Enterprise Corridor or Business Park. BMEE urges further detailed consultation between BMCC and stakeholders to ensure that the selected zoning offers the appropriate permissible uses and the required consistency.

2. Density

- BMEE recommends Floor to Space Ratio (FSR) be increased to 1.1 for development on employment land up to 3000sqm.
- BMEE recommends FSR be increased to 1.5:1 for development on employment land over 3000sqm.

3. Building Height

- BMEE recommends a 15m height allowance in all Industrial Zones.

4. Setbacks

- Whilst BMEE understands Building Setback regulations will fall within the Development Control Plan (DCP), we urge BMCC to consider adopting the recommendation within its commissioned report by Goldberg Blaise and recommend a setback of 4m.

5. Studleigh Place

- BMEE recommends the building height classification for the Council operational and community land at 152-154 Lot 102 DP 1152617 Katoomba Street, Katoomba be changed from L to P to allow for the best opportunity to potential investors, using sustainable and innovative design principles.

6. Tourism recommendations

- BMEE urges BMCC to adopt the recommendations contained in section 1.4 of the Final Blue Mountains Strategic Tourism and Recreation Planning Study (2011).
- BMEE supports BMLOT's recommendation for an increased height classification for the "crushers" railway commuter carpark and railway goods yard.
- BMEE supports BMLOT's recommendation for zoning provision to allow restaurant services (including outdoor dining) to be a permissible at Echo Point and Glenbrook Visitor Information Services.

3.0 Economic and Demographic considerations

In 2012, there were an estimated 78,489 persons residing in the Blue Mountains, representing an increase of 98 persons, or 0.1% from the population level in 2011. This equates to an increase of 2,155 persons or 2.8% since 2007 indicating a steady growth in resident numbers for the region.

Based on ABS Census data, 20,531 or 59% of Blue Mountains LGA resident workers travel outside of the area to work. 41% (14,142 persons) of working residents worked within the Blue Mountains LGA itself followed by Penrith - 18% (6,199 persons) and Sydney – 7% (2,417 persons).

According to Census (2011) data, 16,517 jobs were identified in the Blue Mountains LGA itself (as opposed to people working outside the LGA). Health Care and Social Assistance provided the most employment locally with 2,900 jobs or 18% of the total number of jobs. This is followed by the Retail Trade sector (2,194 jobs) at 13% with both Education and Training (2,009 jobs) and Accommodation and Food Services (2,007 jobs) each accounting for 12% of the total number of local jobs. The Creative Industries sector with an estimated 1,319 jobs lies within the top five employing sectors providing 8% of the locally available jobs (i.e within the Blue Mountains LGA itself).

Of the 5,607 registered businesses in the Blue Mountains, 87% were either 'non employing' or employed 1-4 people with 97% categorised as 'small businesses' – employing less than 20 people.

As noted in the Goldberg Blaise Report, global research shows that small business operates from a 'socially and environmentally aware' base and often locate to regional or per-urban areas for 'lifestyle choices' rather than a profit imperative. This is undoubtedly the case within the Blue Mountains. Even with a far more flexible planning regime than the one being proposed by BMEE, the Blue Mountains would remain largely unattractive to large-scale, high density developers. The business community are generally well-aligned with the conservation community in their wish to protect the natural assets of the region while creating employment locally.

The October 2013 bushfire emergency reinforced that the economy of the Blue Mountains remains narrow with an unsustainable reliance on the Tourism sector.

As a result of lost tourism visitation over the 42 days following the October Bushfire emergency, the total Blue Mountains economic output is estimated to have declined by up to \$71.373 million.

This is represented by estimated decreases in:

- 371 jobs
- \$17.738 million wages and salaries
- \$33.464 million in value-added

This highlights the urgent imperative of diversifying the local economy. A critical factor in achieving further diversification is for the Employment Lands or the Business and Industrial Zones within the Blue Mountains to become more competitive with neighbouring regions and to ensure these lands are attractive to appropriate new investment.

4.0 Current Framework

Since commencing operations in February 2013, BMEE has collated a number of case studies and anecdotal evidence that indicates the current planning framework is an impediment to economic development in the Blue Mountains. The duration of approval processing, the complexity of the system, the inconsistency of information provided to potential developers and associated costs, prove prohibitive for many potential investors and negatively impact business confidence. The onerous redevelopment application processes and the complexity of the development application process to make even relatively minor expansions to operating businesses can serve as a constraint to employment growth and economic development.

The Blue Mountains has key 'industrial' areas that may be suitable for economic development activity.

The current complexity of the planning framework reduces the marketability of these zones and does not provide enough certainty to implement a dynamic investment attraction strategy. BMEE recommends that permissible use within the Industrial zonings be broadened to allow for greater flexibility.

It should be noted that, as outlined in the Goldberg Blaise report (p6), these zones have inherent disadvantage regardless of the planning controls applied to them. The playing field for marketing these lands within growth sectors with consideration to size, access to highway, proximity to transport connections, etc. is far from even.

"The potential for employment growth in the Mountains is lower than in any other area, but there is opportunity if a general shift in planning toward enhancing flexibility and the importance of adaptability for emerging business is acted on." (Goldberg Blaise; "Planning Study for Employment Lands in the Blue Mountains", 2012)

BMEE supports the Goldberg Blaise report's summary that *"The Mountains are competing for investment with Councils such as Blacktown and Penrith that are far more actively pursuing, encouraging and facilitating new investment as well as having the competitive advantage of larger land sites and better accessibility."*

With one of BMEE's mandates being to attract investment, it must be noted that the current restrictive and non-competitive framework of industrial lands makes this an extremely difficult proposition within much of the Employment Land Zones.

BMEE does not accept the assertion that market demand for development within Employment Lands is low but rather suggests that the restrictive framework and the expenses associated with the application process is serving as a perpetual disincentive to current and potential land owners.

We understand that the Draft LEP 2013 was intended to be a straight translation of previous LEPs, however this opportunity provides a generational opportunity to not only address many of the issues which constrain economic development occurring within the Industrial Zones but also provides the ideal chance to be well positioned for a further

transition should a state planning instrument be introduced. By implementing a future-focussed approach to the Draft LEP 2013, Blue Mountains City Council will enhance business confidence and the marketability of the city's Employment Lands.

5.0 Recommendations in detail:

5.1 Zoning

- **BMEE recommends the adoption of one zoning category for industrial land in the Blue Mountains. For example; General Industrial, Enterprise Corridor or Business Park. BMEE urges further detailed consultation between BMCC and stakeholders to ensure that the selected zoning offers the appropriate permissible use and clarity for investment and job creation.**

The Draft LEP 2013 recommends that IN1 – General industry be applied to the current Employment General Zone and IN2 – Light Industry be applied to the current Light Industry Zone.

BMEE urges BMCC to adopt the recommendation made in the Goldberg Blaise Report to amalgamate the two Employment Zones into one single flexible zone.

“Retaining two types of employment zones is confusing and unnecessary, as Employment Enterprise-zoned land represents a mere 11% of total employment lands (ie 13.8ha).”

Our recommendation is in keeping with the changes foreshadowed within the NSW Government’s White Paper a New Planning System for NSW, which indicates the possible introduction of a new land use “Enterprise Zone”.

According to detailed economic and demographic analyses, BMEE is confident that the strongest growth in employment is expected to be in professional services, knowledge industries, creative industries and tourism-related sectors. The Blue Mountains is dominated by Home Based Businesses. There is little expectation of a natural growth in demand for industrial land in the near future. However, should a more consistent and flexible approach be applied to Employment Land use, incentives would exist for emerging markets (largely Home Based Businesses) to consider relocating and also the opportunity to market to more diverse sectors would exist. With greater flexibility, the Blue Mountains would experience greater ‘clustering’ of related businesses.

The Blue Mountains Business Park is a good example of an underperforming industrial estate and BMEE endorses the reasons for this outlined in the Goldberg Blaise Report. Greater flexibility should be applied to allow greater ancillary services and complimentary infrastructure. It should be noted that this would allow industry and the market the ability to operate in a natural way. Even with greater flexibility, areas such as Blue Mountains Business Park have critical disadvantages. Through the Draft LEP, BMCC has the opportunity to provide a very small window for landholders to turn the tide of many years of stagnation and decline in their land values. This kind of disadvantage is evidenced by the Government’s investment of \$3.5m upgrade works in the Lawson precinct. Whilst an excellent and much needed infrastructure project, this has not opened a flood gate of investment into the area. The disincentives are too great for one single element to bring about massive change. BMEE’s recommendation regarding the DLEP Zoning for

Employment Lands is one such small step in the long and complex journey of creating some marketability for Blue Mountains Employment Lands.

BMEE urges the adoption of a single zone to be adopted under the new LEP for Employment Lands and for further consultation to be undertaken to ensure the single zoning is as closely aligned to the foreshadowed Enterprise Zone as possible.

5.2 Density

- **BMEE recommends Floor to Space Ratio (FSR) be increased to 1.1 for development on employment land up to 3000sqm.**
- **BMEE recommends FSR be increased to 1.5:1 for development on employment land over 3000sqm.**

The Draft LEP 2013 recommends Floor Space Ratio (FSR) for industrial land be increased to 0.8:1.

It is the view of BMEE that FSR should be increased to 1.1 for Employment Lands up to 3000sqm and 1.5:1 for Employment Lands over 3000sqm.

Both the Hill PDA (2007) and the Goldberg Blaise Report (2012) report indicated that a FSR commensurate with competing Local Government Areas is one critical factor if the Blue Mountains is to be able to attract new investment in these zones.

The DLEP Fact Sheet identifies that maximum Floor Space Ratio is not always reached due to other building controls such as height limits, setbacks, required car parking or landscaping. This is a critical factor for Employment Lands in the Blue Mountains. Environmental protection is ensured through a vast number of complimentary planning elements.

BMEE has consulted widely with businesses and landowners within the relevant zones and has consistently heard of the difficulties that would be presented in achieving a FSR 1.1. As in the case of the Zoning recommendation, increasing the FSR is not the one factor that will position the Blue Mountains as a highly attractive investment / development zone, but without it, the city is disadvantaged and Employment Lands such as the Blue Mountains Business Park will continue to be largely inactive.

A FSR of 1.1:1 and 1.5:1 for larger lots within Employment Lands is necessary if these zones in Blue Mountains are to achieve competitiveness.

5.3 Building Height

- **BMEE recommends a 15m height allowance in all Industrial Zones.**

Once again, the BMCC Draft LEP takes a 'middle of the road' approach and recommends an increase to building height marginally to 12m for the proposed IN1 General Industry Zone and 10m for the IN2 Light Industry Zone.

The Draft LEP has not accepted the recommendations of the Goldberg Blaise Report for a consistent building height of 15m within Employment Lands.

This issue also highlights the problem of two Industrial Zones with inconsistent regulations, it also illustrates the Blue Mountains' inability to compete within neighbouring regions in attracting development within its Employment Lands.

A 15m Building Height limit would provide greater flexibility for innovative building design, without compromising the environment or amenity of Industrial Zoned lands.

5.4 Setbacks

Whilst BMEE understands Building Setback regulations will fall within the Development Control Plan (DCP), we urge BMCC to consider adopting the recommendation within its commission report by Goldberg Blaise and recommend a setback of 4m.

5.5 Studleigh Place

Blue Mountains Economic Enterprise recommends that the height classification for Council operational and community land at 152-154 Lot 102 DP 1152617 Katoomba Street Katoomba be changed from L to P.

At the Ordinary Meeting of the Blue Mountains City Council on November 12, 2013, BMEE was approved to develop *"on a without prejudice basis, a whole of life business model for the establishment of a commercial development that may incorporate a Smart Work Hub on the Council operational and community land at 152-154 Lot 102 DP 1152617 Katoomba Street Katoomba."* REPORT(S) BY GENERAL MANAGER Item 1, Ordinary Meeting, 12.11.13

It was also agreed that *"the Council provides permission for the BMEE to talk to prospective stakeholders including government departments and prepare concept plans."*

As one of the last 'greenfield' sites in Katoomba with commercial opportunity, BMEE recommends a revised height classification to allow the site's opportunity to be maximised. This site provides unique employment generating opportunities. BMEE has been directed by BMCC to engage and attract investors and to develop a robust and long-term business model for the site. A classification of P (allowing a height of 18m) is critical in order to position the site as an attractive investment proposition. It should be noted that the Blue Mountains Cultural Centre holds a P classification. BMCC's direction to BMEE to examine the feasibility of the Smart Work Hub concept at Studleigh Place indicates BMCC's understanding of the potential this site has to be a transformative employment initiative. The site requires flexibility in order to be attractive in a tight market. Flexibility in height classification also provides the opportunity for the development to serve as a flagship, sustainable and innovative build project which will increase the economic competitiveness of the Blue Mountains.

5.6 Tourism recommendations

BMEE supports the recommendations set out in Blue Mountains Lithgow and Oberon Tourism's (BMLOT) DLEP 2013 submission.

- BMEE urges BMCC to adopt the recommendations contained in section 1.4 of the Final Blue Mountains Strategic Tourism and Recreation Planning Study (2011).
- BMEE supports BMLOT's recommendation for an increased height classification for the "crushers" railway commuter carpark and railway goods yard which BMLOT proposes as the site for a regional museum.
- BMEE supports BMLOT's recommendation for zoning provision to allow restaurant services (including outdoor dining) to be a permissible at Echo Point and Glenbrook Visitor Information Services.

The recommendations submitted by the tourism industry will assist in increasing the competitiveness of the Blue Mountains as a premier tourism destination. The tourism industry is under increasing pressure to provide a desirable visitor experience in a highly competitive market. An enhanced product offering within the arts and cultural sector (museum) will consolidate the region's status as a cultural hub.

BMEE urges BMCC to take a visionary approach to zoning in relation to Tourism and Recreation Zoning. The Final Blue Mountains Strategic Tourism and Recreation Planning Study (2011) comprehensively outlines the difficulties in attracting new tourism markets to the Blue Mountains. The restrictive zoning framework is identified as a major impediment to industry growth.

"Growth in tourism related employment and associated economic benefits will continue to be limited until medium to larger scale tourism resorts, eco lodges and new visitor experiences are able to be accommodated within the LGA and on sites zones for this purpose." Final Blue Mountains Strategic Tourism and Recreation Planning Study (2011).

The report offers a raft of recommendations, strongly endorsed by the tourism industry which will allow environmentally sensitive, marketable tourism products to be introduced. BMEE encourages BMCC to take a collegial approach to addressing and adopting these recommendations.

"In updating Council planning instruments and processes provision needs to be made to allow (and encourage) sustainable, environmentally friendly and economically viable tourism development to better meet market demand."

Final Blue Mountains Strategic Tourism and Recreation Planning Study (2011).

Blue Mountains City Council's Community Strategic Plan (SBM 2025) states Objective 5.3 *"The City of Blue Mountains is a model for sustainable local business and tourism."* A conducive planning framework is critical if the Blue Mountains is to position itself as a leader in sustainable tourism. The recommendations outlined in the Final Blue Mountains Strategic Tourism and Recreation Planning Study (2011) provide a blueprint which would allow the tourism industry to achieve this high-level goal for the city and BMEE urges BMCC to work with the industry to facilitate such an opportunity.

6.0 Conclusion

Blue Mountains Economic Enterprise is employing a dynamic approach to stimulating economic development in the Blue Mountains through advocacy, investment and job creation. It takes a collaborative approach to working with Blue Mountains City Council and urges BMCC to do the same during its consideration of the DLEP 2013 recommendations. Whilst further changes within the state planning framework are likely and BMCC was mandated with undertaking a straight translation, the process does provide the opportunity to provide business with a relatively small but critically important opportunity.

Blue Mountains City Council's Community Strategic Plan (*SBM 2025*) clearly states the imperatives regarding economic development. The recommendations presented by BMEE in relation to DLEP 2013 are critical if the City is to achieve the objectives under Key Direction 5 (Sustainable Economy).

BMEE urges BMCC to adopt its recommendations in full. All the recommendations are reflective of those made within the Council commissioned background reports and are linked to achieving key objectives within the Council's Community Strategic Plan.

A compromise approach evidenced by small increases half-way between the current rules and the recommended one is indicative of a risk averse culture which provides no real change and perpetuates the underlying issues relating to the city's lack of competitiveness.

By adopting the very conservative and reasonable recommendations outlined above which are all in keeping with DLEP Background Reports, BMCC has the opportunity to position itself as a future-focussed Council in tune with the needs of business while ensuring the city's key environmental assets are protected.