

28 February 2018

Ms Monica Gibson
Director, Hunter Region
Department of Planning and Environment
PO Box 1226
NEWCASTLE NSW 2300

Dear Monica,

Sentinel Property Group - Submission on Draft Greater Newcastle Metropolitan Plan

Thank you for providing the opportunity for Sentinel Property Group Pty Ltd (Sentinel) to make a submission on the draft Greater Newcastle Metropolitan Plan (GNMP) which is currently on public exhibition. Sentinel is heavily invested in Newcastle and is the owner of a large industrial site at 55 Industrial Drive, Mayfield (the subject site), formally owned by One Steel, and acquired by Sentinel in 2015.

The subject site is within the Mayfield North Industrial Precinct of the Newcastle Port Catalyst Area identified in the draft GNMP. Sentinel supports the strategic intentions of the draft GNMP for the Newcastle Port Catalyst Area, which includes the diversification of industrial land uses and identification of new job opportunities that will drive the transformation of Greater Newcastle as a metropolitan city.

With nearly 600m of road frontage, Sentinel are very conscious of the importance of Industrial Drive as a vital gateway to greater Newcastle. As such, Sentinel would welcome the opportunity to work with authorities on a greater range of business and retail employment generating uses along the front strip of our site so as to meet the market demands and trends that have been identified for the metropolitan area and discussed below. A market-led approach has the potential to create new mixed employment area in one of Newcastle's identified Catalyst Areas over the 20-year life of the Plan, one which is also well connected to other key Catalyst Areas, particularly Newcastle CBD and Newcastle Airport.

Sentinel manages properties across the country and valued in excess of \$1b with a wide range of tenants over numerous assets classes. We are invested in Newcastle for the long-term and believe in its overall vision. Due to Newcastle's emergence as a dynamic and vibrant metropolitan city, we have a number of national and international businesses that have identified Newcastle as their next opportunity following establishment in Sydney and Melbourne.

These companies have shown significant interest in our site's road exposure and there are currently limited existing opportunities in the Newcastle area that meet the demands of these large and successful enterprises. This aligns with previous Newcastle City Council reports which have indicated that there is a demand for good quality mixed use floor space; a demand that will significantly grow over the medium to long term.

To accommodate these opportunities, the city requires a growth-orientated approach to the types of land use that could be permissible over the subject land. This will help to underpin new job opportunities in employment and will also encourage private investment in public domain and transport infrastructure upgrades along the Industrial Drive frontage that would otherwise not be achieved due to limited demand for industrial uses on this part of the subject land.

Accordingly, Sentinel is seeking collaboration with authorities to develop a market-led response that creates long-term sustainable growth protecting and preserving a majority of the industrial uses on the site while also allowing for greater diversification of uses over the strip parcel fronting Industrial Drive. This will better respond to current market demands and trends. These uses would be more in keeping with the shift in Newcastle's economic strategy to promote new economic opportunities as well as building on current re-positioning of Newcastle as a knowledge economy and niche manufacturing centre.

Site Description and Local Context

Site Description

The site is known 55 Industrial Drive and legally described as Lot 225 DP1013964. It has a site area of 39.3 hectares and consists of ageing industrial warehousing and ancillary office buildings. Long established enterprises include OneSteel Metal, Austube Mills, OneSteel Manufacturing and Raptek.

The five (5) ancillary office buildings are located to the north of the main access off Industrial Drive, 3 of which are used by NSW Police. The remaining 2 buildings having evidence of recent commercial uses. The south-eastern section of the site comprises approximately 4Ha and makes up our strip parcel fronting Industrial Drive previously discussed.

The subject site is located on a key state declared arterial route, Industrial Drive, and is in close proximity to the most recognizable highway on the eastern seaboard, the Pacific Motorway, that provides direct access to both major capital cities of Sydney and Brisbane. It is approximately 5.5 kilometers (7.8 kilometers drive) northwest of the Newcastle CBD and 3.9 kilometers (4.9-kilometre drive) east of the University of Newcastle. The site is positioned in what can be described as a transport infrastructure rich area of metropolitan Newcastle.

Figure 1 illustrates the site location relative to Newcastle Port and the Newcastle CBD.

Figure 1: Site Location

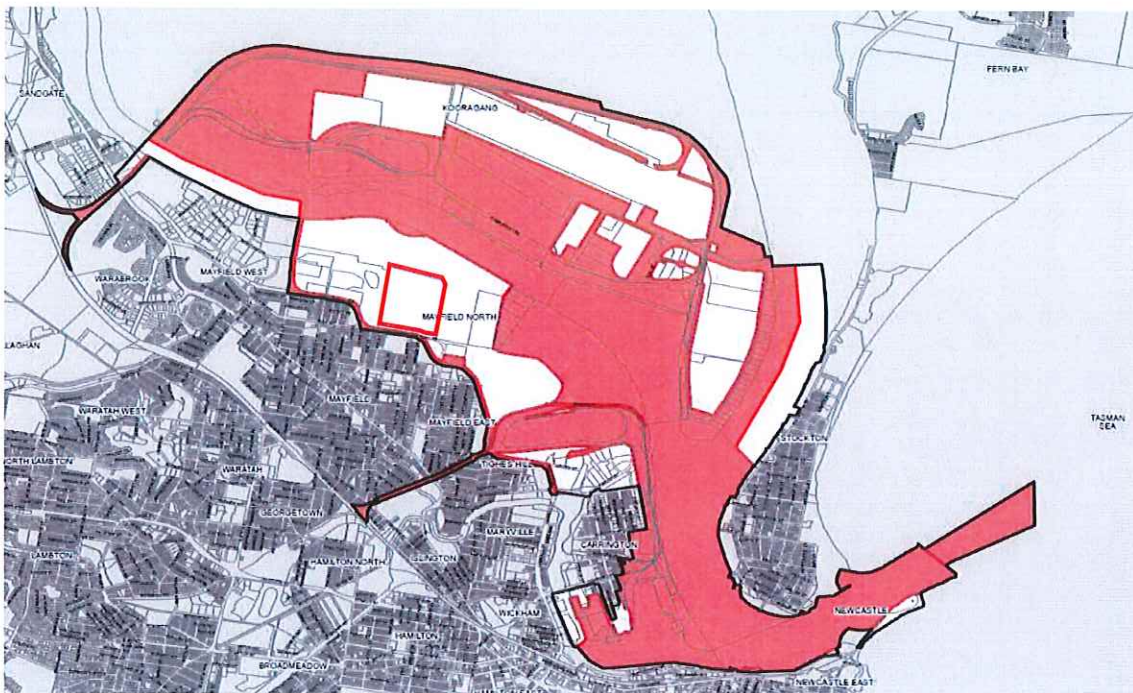
Current Planning Framework

The *Three Ports State Environmental Planning Policy (Three Ports SEPP)* is the key planning instrument that regulates land uses over the site. It was adopted by the NSW State Government in March 2014 and facilitated the transfer of the Port of Newcastle from the SEPP (Major Projects) into the existing policy regulating development within Port Botany and Port Kembla.

Land Use and Zoning Provisions

The policy splits the Port of Newcastle into two distinct areas, namely lease and non-lease areas. The lease areas include the land under the direct control of the Port of Newcastle, with the reminder of privately owned land located within the non-leased areas. The site is located outside of the Newcastle Port lease area as shown in Figure 3. Clause 8 of the SEPP states that the consent authority for the purposes of this Policy is Newcastle City Council for development not located within the lease area.

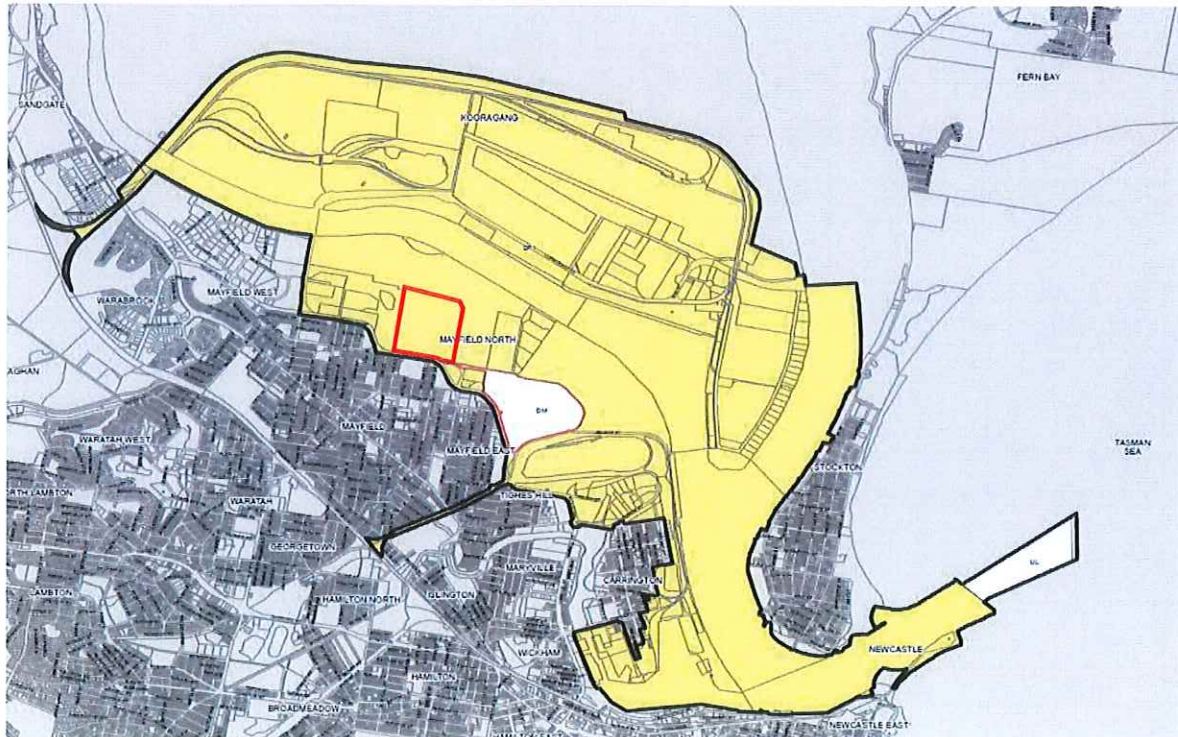
Figure 3: The red shaded area highlights the lease areas of the Port of Newcastle



Source: NSW Government (2014)

The whole of the Port of Newcastle, including the subject site, is located within the SP1 - Special Activities Zone under the Three Ports SEPP as shown in Figure 4 below.

Figure 4: Special Activities Zone of the Three Ports SEPP



Source: NSW Government (2014)

The objectives of SP1 - Special Activities Zone are as follows:

- *To provide for special land uses that are not provided for in other zones.*
- *To provide for sites with special natural characteristics that are not provided for in other zones.*
- *To facilitate development that is in keeping with the special characteristics of the site or its existing or intended special use, and that minimises any adverse impacts on surrounding land.*
- *To maximise the use of waterfront areas to accommodate port facilities and industrial, maritime industrial, freight and bulk storage premises that benefit from being located close to port facilities.*
- *To enable the efficient movement and operation of commercial shipping and to provide for the efficient handling and distribution of freight from port areas through the provision of transport infrastructure.*
- *To provide for port related facilities and development that support the operations of Port Botany, Port Kembla and the Port of Newcastle.*
- *To facilitate development that by its nature or scale requires separation from residential areas and other sensitive land uses.*
- *To encourage employment opportunities.*

As described by the objectives above, it is apparent that land within the Special Activities Zone is intended to provide for port related uses, focused on providing employment opportunities and maximizing the benefit from being located close to port facilities. To achieve these objectives, the SP1 – Special Use Zone only permits a limited range of land uses with development consent, including capital dredging; environmental facilities; environmental protection works; maintenance dredging; navigation and emergency response facilities; neighborhood shops; port facilities; and wharf or boating facilities.

A range of other uses are permissible in the SP1 Zone, which can be only determined by excluding those uses that are not specifically prohibited under the land use table of the SEPP. The prohibited land uses on the site include:

- Bulky goods premises;
- Business premises;
- Caravan parks;
- Cemeteries;
- Child care centres;
- Crematoria;
- Educational establishments;
- Entertainment facilities;
- Function centres;
- Funeral homes;
- Garden centres;
- Hardware and building supplies;
- Medical centres;
- Office premises;
- Places of public worship;
- Recreation facilities (indoor);
- Registered clubs;
- Residential accommodation;
- Respite day care centres;
- Restricted premises;
- Shops;
- Tourist and visitor accommodation; and
- Vehicle sales or hire premises.

Understandably, the Three Ports SEPP prohibits most of commercial, retail and residential/accommodation land uses in the SP1 Zone to avoid potential conflicts with port-related industrial uses that are permissible on the site and in the broader SP1 Zoned area.

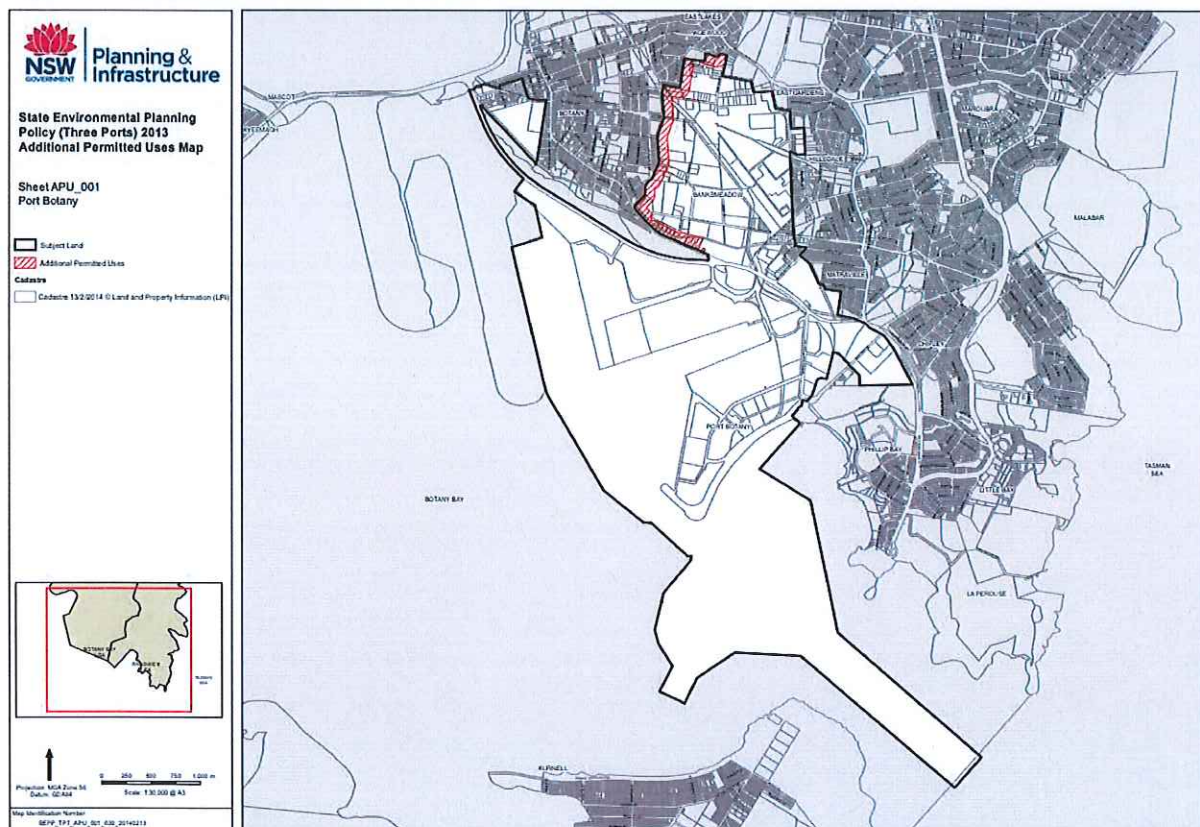
Notwithstanding, Clause 23 of the SEPP prescribes that development for the purposes of business premises or office premises may be carried out with development consent on land within Port Botany as shown on the Additional Permitted Uses Map (see Figure 5 below) or on land within a Lease Area.

The Three Ports SEPP also includes provisions for industrial zoned (IN1 – General Industry) land within Port Botany and Port Kembla, which allows for a range of industrial, warehouse and port

related industries that are intended to contribute to the growth and diversification of trade through the ports. Permitted activities in the IN1 Zone also include business premises and office premises. However, subject to Clause 21 of the SEPP, the consent authority must be satisfied that these uses are directly associated with, and ancillary to, port facilities or industrial uses of land. This provision does not apply to Newcastle Port as it does not contain any land in the IN1 – General Industry Zone.

Whilst Newcastle Port does not at this stage contain any land within the IN1 – General Industry Zone, there nonetheless appears to be an inconsistency between the SP1 and IN1 Zones with respect to development for the purposes of business premises or office premises. In addition, the precedent for alternative, non-industrial/port related use of land controlled by the Three Ports SEPP has already been established, specifically in relation to Port Botany, by virtue of additional permitted uses identified above.

Figure 5: Additional Permitted Uses Map for Port Botany



Source: NSW Government (2014)

Since the conditional approval of the application for subdivision, Sentinel has been approached by a number of national and international enterprise of varying uses leading us to duly consider higher and better uses for the site that would contribute better to Newcastle's vision of new economy jobs and sustainable growth. However, these opportunities are significantly restricted due to the current planning provisions. These alternate uses being discussed do not accord with the limited type of uses that are permissible within the current SP1 Zoning that applies to the whole of the site. Limited demand for general industrial uses is reflected in recent market analysis for industrial land demand across the Newcastle Greater Metropolitan Area.

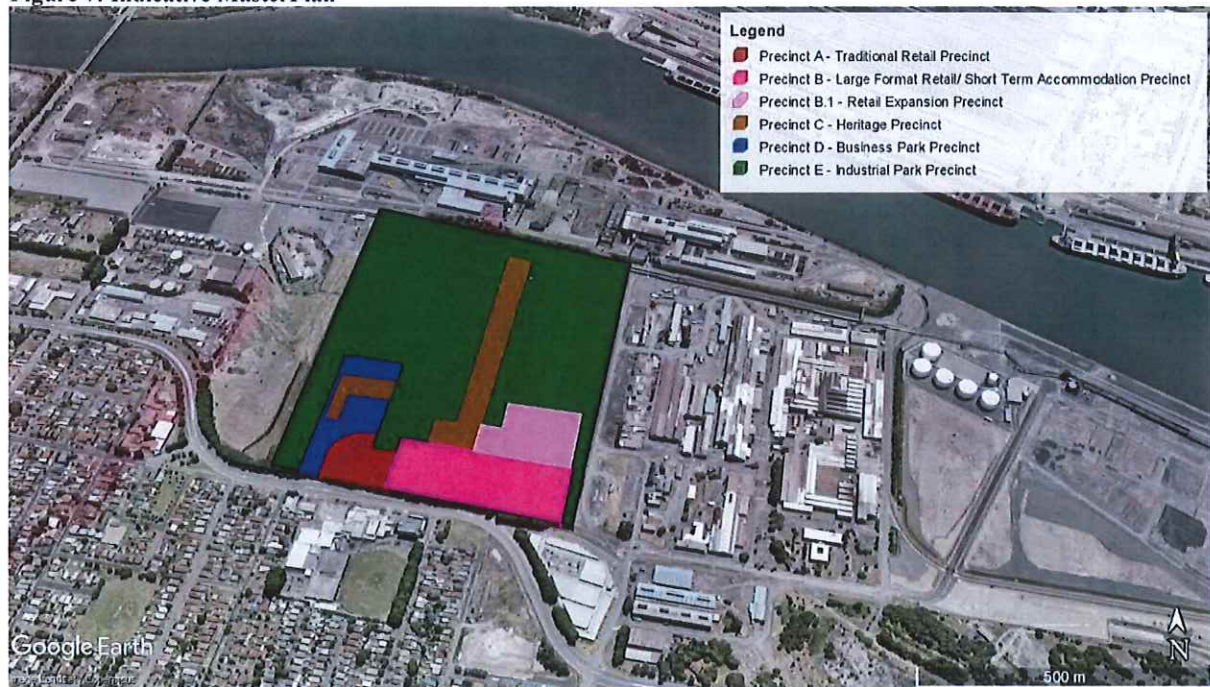
Newcastle Market Analysis – Current Trends and Demands

Sentinel has engaged MacroPlan Dimasi (MacroPlan) to better understand the evolution of Newcastle's property market across the industrial, commercial and retail sectors to gain a better appreciation of the highest and best use of the site. Some key findings of this analysis include:

- The Newcastle industrial market is a relatively flat market and there is 22.9 years of supply of vacant undeveloped industrial land and 25.5 years supply of vacant developed industrial land at current take-up rates.
- Employment projections show that for the Mayfield area there is a projected increase in construction employment of 16.7% from 2016 to 2031, which indicates that there will be demand for construction materials companies as corporate headquarters and/or as storage/ logistics for local and/or imported materials.
- There is an expected uplift in commercial employment projected for the catchment and this indicates that there will be demand for medical/ commercial users which also require relatively large warehouses to store goods.
- The retail demand analysis suggests that the subject site could viably support around 6,000 – 7,000 sqm of traditional retail and convenience non-retail uses within the next 5 years.
- The subject site would also be highly attractive to potential bulky goods tenants, with Industrial Drive accommodating 35,000 – 40,000 vehicles per day.
- To accommodate Newcastle's growth in tourism and business visitation, additional hotel accommodation has been identified as necessary and as evidenced by surrounding occupancy rates.

Drawing together the MacroPlan findings on current site use, timing and available lot sizes, it was determined that there could be potentially five precincts across the subject site with distinct objectives and a range of permissible uses as shown by Figure 7 below.

Figure 7: Indicative MasterPlan



The five distinct precincts include:

- Precinct A (0.9 hectares) is envisaged as a Traditional Retail Precinct with desired uses convenience centre and complimentary retailers.
- Precinct B (3.2 hectares) desired users are large format retail and/ or short-term accommodation. There is also an additional 2.1 hectares classified as Retail Expansion Precinct B.1 (for retail in medium term).
- Precinct C is the Heritage Precinct with desired uses flexible office/ niche industrial after thorough refurbishment.
- Precinct D (2.8 hectares) is the Business Park Precinct, with an office to site ratio between 40%-60%, in line with other business park case studies.
- Precinct E is the Industrial Park Precinct that could be subdivided into lots of between 2,500sqm - 1 hectare with a limited amount of larger lot sizes (circa 1.7 hectares).

Sentinel are happy for the continuing use of Precinct E (industrial precinct) for some time to come (at least 10 years due to the OneSteel leases), in the short-term Precinct A and B would be deliverable immediately to the market if supported. Precinct A and B would otherwise remain as vacant land into the foreseeable future. In the medium term (15 years), there is expected to be demand for Precinct D (Business Park Precinct), similar to light industrial precincts already established further west on Industrial Drive. In the longer term (15 years+), there will be capacity to stage the Precinct E, with the staging to be brought forward should OneSteel decide to vacate premises.

Site Summary and Conclusions

- The land use options available for the subject land under the SP1 – Special Activities Zone of the Three Ports SEPP are generally limited to industrial and port-related uses, demand for which is logically centred closer to existing port related land already offered closer to the quay line and not on our site which is subject to the same planning controls.
- Direct market enquiry from potential international and national users prove strong demand exists for land along the Industrial Drive frontage for non-industrial uses, which demonstrates a higher market demand for uses that are not currently permitted on the site.
- The alternative use of port-related land has already been established by the Three Ports SEPP by allowing business and office premises to be carried out with development consent on land within a Lease Area and, in relation to Port Botany, on land shown hatched on the Additional Permitted Uses Map.
- Recent analysis of the Newcastle industrial, commercial and retail markets demonstrates limited take-up rates for industrial land and a substantial supply (20+ years) of both developed and undeveloped industrial land in the Newcastle LGA based on these historical take-up rates. It also demonstrates demand for a broader mix of uses on the site including commercial offices, short-term accommodation, traditional retail and bulky goods retail.
- Sentinel envisions the retention of the vast majority of the site area for diversification of industrial activities and therefore would achieve the broad intent of the draft GNMP to protect existing industrial land uses and to diversify the range of uses across the site.

Changes Sought to the draft GNMP

Sentinel supports the intention of the draft GNMP to protect existing industrial land uses and to investigate the potential diversification and growth of industrial land uses in the Mayfield North Industrial Precinct. However, it believes the DPE should modify the Precinct to enable a greater range of business and retail employment generating uses on the subject land that respond clearly to the market demands and trends that have been identified for the metropolitan area. This market-led approach has potential to create new mixed employment area in one of Newcastle's identified Catalyst Areas over the 20-year life of the Plan, one which is also well connected to other key Catalyst Areas, particularly Newcastle CBD and Newcastle Airport.

A more pragmatic approach to the types of land use that could be permissible over the subject land will underpin new job opportunities in employment and will also encourage private investment in public domain and transport infrastructure upgrades along the Industrial Drive frontage that would otherwise not be achieved due to limited demand for industrial uses on this part of the subject land.

Sentinel thanks you for the opportunity to make a formal submission regarding the draft GNMP. Given the circumstances surrounding the subject land outlined above, Sentinel would like to meet with representatives of DPE prior to the finalization and adoption of the GNMP to discuss alternative, non-industrial uses that might be considered acceptable for the subject site.

Please do not hesitate to contact the undersigned should you have any questions regarding this matter.

Yours sincerely,



Jamie Simmonds
Group Strategy Manager
Sentinel Property Group