

# WALKER STREET

## Economic Impact Assessment



Prepared for Avenor

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This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

Reviewer

Signature



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# EXECUTIVE SUMMARY

HillPDA has been commissioned by Avenor (the Client) to undertake an economic impact assessment (the study) relating to a proposed mixed use development at 173-179 Walker Street & 11-17 Hampden Street, North Sydney (hence referred to as the East Walker Street Precinct). A Planning Proposal is being prepared for the East Walker Street Precinct which seeks amendment of the local planning controls as outlined in the North Sydney Local Environmental Plan 2013. Reference schemes are provided which demonstrate the range of building envelopes that can be achieved (Table 1).

Currently, there are three design options, each would provide around 78sqm of retail space with varying private and affordable housing yields across each design. Collectively, these are referred to as the Reference Designs.

A summary of the Reference Designs is provided in the table below.

**Table 1: Summary of the Reference Designs yields**

	Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Residential	23,964sqm	27,044sqm	20,501sqm
Employment – retail space	80sqm	80sqm	80sqm
Indicative apartment yield	240	284	211

Source: Avenor

The objectives of this study are to assess the need for increased residential supply within the local area and to quantify the economic impact of each of the three Reference Designs.

## State and local planning context

The advancement of a mixed use development located on the East Walker Street Precinct is in accordance with the *Greater Sydney Regional Plan* (the Plan) and would address each of its targets (employment, private and affordable dwelling targets) by creating employment opportunities and additional diversity in dwelling choice.

The Planning Proposal is further in accordance with the broad objectives of the Plan, that is, increased residential supply and choice, urban renewal of brownfield sites, support the growth Sydney's Global Economic Corridor and strategic centres. This would be achieved through:

- Construction of a mixed use development which includes a residential component within an area where there is existing demand for apartment style living
- The urban renewal of land, that is in close proximity to existing and planned public transport nodes (North Sydney station, the Victoria Cross Sydney Metro station and bus stops along Miller Street)
- The provision of a mixture of apartment sizes and bed types provides a greater range of dwelling options at different price points, creating an opportunity for persons to age in place or enter the market
- The East Walker Street Precinct is located within Sydney's Global Economic Corridor. The Planning Proposal would facilitate the construction of a mixed use development with employment floorspace. This would increase employment opportunities within the Corridor, supporting its continued growth
- The Planning Proposal assists Council in their requirement to work with the Greater Sydney Commission and Transport for NSW to identify urban renewal opportunities that connect to the Sydney Metro

- North Sydney is identified as a Strategic Centre within the Plan. The Planning Proposal would increase the amount of employment and residential floorspace within the Centre. This would increase employment generation and opportunities for local and future residents to live and work closer to home. Increased residential densities would also increase the demand for retail and commercial services to be provided, further increasing the economic viability of the Centre
- Increased residential densities would also increase the demand for retail and commercial services to be provided in the centre, further increasing the economic viability and vibrancy of North Sydney
- Increased residential densities around the commercial core and Metro Stations would also help contribute an “18-hour” active centre, further enhancing and supporting its night time economy and vibrancy.

The Planning Proposal is also in accordance with a number of local studies and the master plan, such as the North Sydney Centre Capacity and Land Use Study and the Ward Street Precinct Masterplan. The Planning Proposal is in accordance with the overall objectives of these documents through:

- Increasing the diversity of land uses in the centre, thereby helping create a more prosperous, resilient and vibrant commercial and mixed use centre
- Helping contribute to the night time economy and activation in the local area
- Proposing land use intensification in and around significant infrastructure upgrades
- Intensifying residential uses within an existing high density residential area, therefore protecting its commercial core
- Increasing activation and economic viability of non-residential uses within and around the Ward Street Precinct
- Supporting and creating active street frontages along Walker Street
- Increasing passive surveillance/safety in the area.

## Increased residential provision

The former *A Plan for Growing Sydney* acknowledged that Sydney’s housing prices are high compared to other Australian capital cities. The *A Plan for Growing Sydney* highlights that governments can “*help to put downward pressure on prices (by) accelerating the supply and the variety of housing across Sydney, such as apartments and townhouses, will make it easier for people to find homes to suit their lifestyle and budget*”.

Strata dwellings within the North Sydney LGA provide a more affordable option for its residents and key workers. This is evident in the median strata price being 109% lower than the median price of non-strata dwellings in the LGA. Increased supply and variety of apartments within the LGA would continue in providing a more affordable product to the LGA’s current and future residents. Furthermore, increased supply would help to place downward pressure on apartment prices which have witnessed significant growth in recent years.

The Department of Planning and Environment (DP&E) project the need for an additional 11,450 dwelling for the LGA over the next 20 years. This equates to a target of 573 new dwellings per annum in the LGA.

Assessment of the number of dwellings completed in from 2016 to 2018 and the LGAs strata pipeline reveals that increased supply is needed in order for the LGA to attain this annual long-term target. Under each of the Reference Designs, advancement of the Planning Proposal would contribute to the LGA in meeting this target, while also providing a range of apartment sizes and bedroom types for the LGAs projected growth in household types.

The DP&E project that an additional 10,400 households will be accommodated in the LGA over the next 20 years (from 2016). Of this growth in households, 51% or 5,350 households is attributed to lone person

households, while 23% and 12% is attributed to couples without dependents and couples without dependents, respectively.

The historic dominance of apartments within the LGA has witnessed an increasing trend in households transitioning to live within apartment style dwellings. Of note is the significant proportional increase in couples without dependants, where 52% of this household type resided in apartment dwellings – up from 41% in 2006. While 85% of lone person households resided in apartments in 2016, a 5% increase over the ten year period.

Under each of the Reference Designs, the Planning Proposal would be providing a dwelling type and mixture that would be catering to the changing preferences of the local community and the projected growth in these household types.

Furthermore, analysis on rental affordability in the LGA highlights that a household on a very low income would only be able to afford 61% of the median market rent for a one bedroom apartment and 45% of market rent for a two bedroom apartment. While a low income household could afford 97% of the median market rent for a one bedroom apartment and 72% of market rent for a two bedroom apartment within the LGA.

If left unabated the housing affordability gap will continue to widen. As identified in the former *A Plan for Growing Sydney*, increased residential supply can place downward pressure on housing prices and rents. Advancement of the Planning Proposal would increase dwelling supply and capacity within the LGA helping to alleviate the housing affordability gap and rental stress.

## Economic contribution

The construction of a mixed use development comprising retail and residential uses would provide economic benefits during and post construction phases. These economic benefits of the Planning Proposal are estimated as follows:

### During construction

The economic benefits during the construction period that could eventuate from the development of the Planning Proposal, under each of the Reference Designs, are provided in the table below.

**Table 2: Summary of economic benefits during-construction by Reference Designs**

		Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Reference Design overview	Retail yield (sqm)	80	80	80
	Dwelling yield	240	284	211
	Estimated construction cost (\$m)*	\$134	\$146	\$116
Economic benefits	Production induced effects (\$m)	\$174	\$191	\$151
	Consumption induced effects (\$m)	\$125	\$136	\$108
	Total economic activity (\$m)	\$433	\$473	\$375
	Direct job years	288	315	249
	Total job years	1,141	1,248	988
	Worker spend on retail items (\$m)	\$0.99	\$1.09	\$0.86

\* Based on previous estimates provided by SJB

As seen in the table above, resulting from the higher residential dwelling yield, the Special Provisions Reference Design has the highest economic benefit during the construction period.

## Post construction

The economic benefits post- construction that could eventuate from the development of the Planning Proposal, under each of the Reference Designs, is provided in the table below.

**Table 3: Summary of economic benefits post-construction by Reference Design**

		Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Yield overview	Retail yield (sqm)	80	80	80
	Dwelling yield	240	284	211
Economic impacts	Estimated residential population	424	502	373
	Total employment generation	21	25	19
	On site salary generation (\$m/year)	\$1.22	\$1.42	\$1.08
	Industry Value Added (\$m/year)	\$1.52	\$1.78	\$1.35
	Total retail expenditure (\$m)	9.0	10.6	7.9
	Total retail expenditure captured locally (\$m)	6.3	7.3	5.7
	Total retail space demanded from residents	891	1,054	783

Post-construction the highest economic benefit to the local and wider economy would eventuate from the development of the Special Provisions Reference Design.

## The impact from retail services onsite

In the context of demand resulting from population and employment growth in and around North Sydney Strategic Centre, the amount of retail space proposed in each of the Reference Designs (80sqm) is considered insignificant.

Furthermore, the amount of retail space generated from the future resident population on the site far exceeds that proposed in each of the Reference Designs. In short, this future population would generate additional demand and expenditure for retail services, over that, provided or captured onsite.

As such, the Planning Proposal would generate additional demand and expenditure for retail services, increasing both the attractiveness and viability of such uses in the centre. From this, it can be concluded that the amount of retail space provided onsite would not negatively impact on the viability of existing or future retail uses.

## Other economic benefits

- The development of retail and residential uses in the East Walker Street Precinct would improve street activation. The benefits of this activation would be increased security, increased passing traffic for local retailers and increased investment within the area
- Increased residential densities in the East Ward Street Precinct would create demand for additional retail and commercial services, over that being provided, increasing the demand and viability of such uses within the centre and around the Metro Station
- Significant property investment decisions are generally viewed as a strong positive commitment for the local area
- The direct investment proposed by the development would, through a wide range of economic multipliers as outlined above, support investment in associated industries



- The Planning Proposal would create additional business opportunities in this locality

### Conclusion

Each of the Reference Designs would have economic benefits to the local and wider locality and economy. However, resulting from the higher dwelling yield, the highest economic benefit would eventuate from the development of Special Provisions Reference Design, with the Separate Landholdings Reference Design having the least economic benefit. **As such, from an economic impact perspective, Special Provisions Reference Design would be the preferable development outcome.**

# INTRODUCTION

# 1.0 INTRODUCTION

HillPDA has been commissioned by Avenor (the Client) to undertake an economic impact assessment (the study) relating to a proposed mixed use development at 173-179 Walker Street & 11-17 Hampden Street, North Sydney (hence referred to as the East Walker Street Precinct).

The East Walker Street Precinct comprises approximately 3,949sqm of land and contains five pre-existing residential flat buildings containing 42 residential apartments and two detached dwellings<sup>1</sup> (Figure 1).

Under the North Sydney Local Environmental Plan 2013 (NSLEP 2013) the East Walker Street Precinct is zoned R4 – High Density Residential with a maximum Height of Building of 12 metres.

A Planning Proposal is being prepared for the East Walker Street Precinct which seeks amendment of the local planning controls as outlined in the North Sydney Local Environmental Plan 2013. Reference schemes are provided which demonstrate the range of building envelopes that can be achieved (Table 4).

The objectives of this study are to assess and quantify the economic benefit resulting from the three design options.

**Figure 1: East Walker Street Precinct (red outline)**



Source: HillPDA

<sup>1</sup> ABS 2016 Census

## 1.1 The Planning Proposal and Reference Designs

As stated currently there are three design options for the site. A brief description of each of the Reference Designs is provided below:

- **Reference Design** | is a consolidated development with two development parcels, 173-179 Walker Street and 11- 17 Hampden Street. Two towers are proposed, one on Walker Street and the other on Hampden Street.

In total around 23,964sqm of residential and 80sqm of retail space would be provided on site once complete. The residential space could provide up to 240 apartments.

- **Special Provisions Reference Design** | is a consolidated development which amalgamates 173-179 Walker Street with 11-17 Hampden Street. A tower is proposed along Walker Street, on the properties of 173-179 Walker Street and 11 Hampden Street.

In total around 27,044sqm of residential and 80sqm of retail space would be provided on site once complete. The residential space could provide up to 284 apartments.

- **Separate Landholdings Reference Design** | is a consolidated development which does not require the amalgamation of 11, 15 and 17 Hampden Street. A consistent podium is introduced within the site, with a three storey street wall which creates a relationship with the adjacent heritage items along Hampden and Walker Street.

In total around 20,501sqm of residential and 80sqm of retail space would be provided on site once complete. The residential space could provide up to 211 apartments.

Collectively these three design options are referred to as the “Reference Designs”

**Table 4: Summary of reference designs development yields**

	Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Residential	23,964sqm	27,044sqm	20,501sqm
Employment – retail	80sqm	80sqm	80sqm
Indicative apartment yield	240	284	211

Source: Avenor

## 2.0 CONTEXTUAL REVIEW

This Chapter undertakes an appraisal of *Greater Sydney Regional Plan* and the *North District Plan*. It considers matters relating to the Planning Proposal and development from housing and economic perspective only.

### 2.1 Greater Sydney Regional Plan

The Greater Sydney Region Plan – *A Metropolis of Three Cities* (Regional Plan) was finalised in March 2018 by the Greater Sydney Commission. The vision of the Region Plan is to create a metropolis of three cities, specifically the Western Parkland City, Central River City and the Eastern Harbour City.

The East Walker Street Precinct is within the Eastern Harbour City with its aim to – build on its recognised economic strength and address liveability and sustainability. The Eastern Economic Corridor City is identified within the Eastern Harbour City to foster innovation and global competitiveness, supported by investments in transport and services, jobs growth and business activity.

A core intent of the Regional Plan is to give people more housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and creating conditions for a stronger economy. The Plan prioritises providing greater housing supply, stating ‘providing ongoing housing supply and a range of housing types in the right locations will create more liveable neighbourhoods and support Greater Sydney’s growing population.’ The NSW Government has identified that Greater Sydney would require an additional 725,000 homes by 2036 to meet its population projections.

Key in delivering this supply of homes is providing a range of housing types, tenures and price points to meet demand, including houses, apartments, terraces and villas; dwellings owned outright, mortgaged or rented; and homes occupied by single people, families and groups. A range of housing types provides for the needs of community members at all stages of life. People can age in place as they move into smaller homes in their own neighbourhoods, while young adults leaving home can stay close to their families and communities.

Specifically, the proposal would be addressing the following objectives in the Plan:

- *Objective 10 – Greater housing supply*

This objective provides empathises on providing increased dwelling supply with a range of housing types in the right locations to create more liveable neighbourhoods and support Greater Sydney’s growing population.

The objective aims to achieve this through providing dwellings where development is feasible; where there existing or proposed infrastructure is present; and in targeting of areas that are close proximity to employment and recreation areas. The development of a mixed use development with a residential component is in line with this objective.

Furthermore, increased housing supply would be more appropriate within centres with high connectivity through public transport. North Sydney and the proposed Victoria Cross Sydney Metro railway stations coupled with public buses along the Miller Street elevates the East Walker Street Precinct’s suitable as a candidate to provide urban renewal opportunities for additional housing.

- *Objective 11 - Housing is more diverse and affordable*

The provision and mixture of apartments within the Planning Proposal three Reference Designs would increase dwelling diversity within the area, providing a range of housing options and price points for persons downsizing or entering the market.

The former *A Plan for Growing Sydney* acknowledges that Sydney's housing prices are high compared to other Australian capital cities. The former Plan highlighted that governments can “*help to put downward pressure on prices (by) accelerating the supply and the variety of housing across Sydney, such as apartments and townhouses, will make it easier for people to find homes to suit their lifestyle and budget*”.

Delivering houses in greenfield and urban renewal locations will help people to live closer to family and friends, to workplaces and schools, and to the services they use on a daily or weekly basis”.

In the June Quarter of 2018, the median sale price for non-starter dwellings in North Sydney was around \$2.5 million dollars – 105% higher than the median recorded for Greater Sydney while the median price for strata dwellings was around \$1.2 million – 42% higher than that recorded for Greater Sydney<sup>2</sup>.

Increased dwelling supply within North Sydney, like that proposed in the Planning Proposal, would help put downward pressure on dwelling prices through increased supply. Increased housing supply with our initiatives would help address the housing affordability in the North Sydney and wider locality for the current and future community.

## 2.2 North District Plan

The North District Plan maps out the 20-year vision for the North District of Greater Sydney. The North District encompasses the LGAs of Hornsby, Hunter's Hill, Ku-ring-gai, Lane Cove, Mosman, Northern Beaches, **North Sydney**, Ryde and Willoughby.

By 2036 it is projected that the District will have a population of 1.083 million, representing an additional 196,350 persons over the 20 year period from 2016, of which 19,600 people or 10% are projected to reside in the North Sydney.

To house this growth an additional 92,000 dwellings are required over a 20 year period to 2036, representing an average annual target of 4,600 dwellings. Specifically, the District Plan targets an additional 25,950 dwellings to be provided within the District over the next five years. The North Sydney target over this period is 3,000 dwellings or 600 per annum. Longer term housing targets (6-10 years) are to be developed by North Sydney Council in their housing strategy (yet to be completed and released).

To support the new housing and employment targets the North District Plan identifies several new transport initiatives, of which, Sydney Metro is one. Sydney Metro is a new rail line that will connect Rouse Hill to Bankstown. Specifically, a new station would be provided along Miller Street, known as Victoria Cross, this location is a three to four minute walk from the proposed development. This station would increase the connectivity of the East Walker Street Precinct to surrounding cultural and employment centres.

Another key focus of the District Plan is to increase housing diversity and affordability. The District Plan identifies a number of measures to improve affordability, with a key measure being to target 5-10% affordable housing for new developments.

The District Plan also highlights that North Sydney Council will monitor and support the delivery of North Sydney's five-year housing target of 3,000 homes and investigate local opportunities to address demand and diversity (of housing) in and around local centres and infill areas.

The Planning Proposal assists Council in their requirement to work with the Greater Sydney Commission and Transport for NSW to identify urban renewal opportunities that connect to the Sydney Metro.

The Planning Proposal is in accordance with the objectives and directives of the District Plan. Additionally, depending on how North Sydney is tracking in meeting its dwelling targets, the Planning Proposal would be

<sup>2</sup> FACS rents and sales tables – June Quarter 2018

contributing to the LGA in meeting its longer term targets and/or contribute to addressing any shortfall in its five-year target (3,000 additional dwellings from 2016).

## 2.3 Other local planning strategies and masterplans

### 2.3.1 Ward Street Masterplan

The Ward Street Precinct is bound by McLaren Street to the north, Berry Street to the south, Miller Street to the west and Walker Street to the east. The Precinct has been identified as having a significant opportunity to contribute to the outcomes of the North Sydney Centre Review. The Planning Proposal would help activate the precinct, support non-residential uses within the Precinct, extend and support active street frontages along Walker Street and increase passive surveillance/safety.

### 2.3.2 The Sydney Centre Capacity and Land Use Study

The North Sydney Centre Capacity and Land Use Study provides a framework to unlock additional commercial floorspace capacity within North Sydney, thereby ensuring it maintains and improves its status as a resilient and competitive economic centre. The Planning Proposal is in accordance with the overall objectives of this Study by:

- Increasing the diversity of land uses in the centre, thereby helping create a more prosperous, resilient and vibrant commercial and mixed use centre
- Helping contribute to the night time economy and activation in the local area
- Intensifying land uses in and around significant infrastructure upgrades
- Intensifying residential uses within an existing high density residential area, therefore protecting its commercial core.

## 2.4 Locational attributes of the site for increased residential densities

The site has a number of locational attributes that increase the East Walker Street Precinct's appropriateness for increased residential densities. These include the following:

- The East Walker Street Precinct is located in close proximity to existing transport infrastructure and is within 400 metres of eight state bus stops and the proposed Victoria Cross, Sydney Metro railway station. The site is also in close proximity, less than 800 metres, from North Sydney Railway Station. The connectivity of the East Walker Street Precinct through existing transport infrastructure allows future residents increased access to employment, retail facilities and public infrastructure
- The East Walker Street Precinct is within 800 metres of surrounding schools including Shore Grammar School, North Sydney Demonstration School, Wenona School, Monte College and Australian Catholic University North Sydney
- The East Walker Street Precinct is in close proximity to North Sydney commercial core and mixed use areas. Increased residential densities within the local area would increase the potential for the centre to capture additional retail expenditure, increasing its viability and attracting investment
- The East Walker Street Precinct is in close proximity to surrounding public and private recreation areas such as St Leonards Park, Forsyth Park, Warringa Park and Sydney Harbour Foreshore Walk.



**Figure 2: Surrounding characteristics of the East Walker Street Precinct**



Source: HillPDA



## 3.0 INCREASED RESIDENTIAL PROVISION

The following Chapter undertakes a review and analysis of the demographic and housing characteristics within North Sydney LGA. The intent of the Chapter is to provide justification for the provision of additional residential supply within the LGA to meet the current and future needs of the resident population.

The basis for this justification is partly sourced from the Greater Sydney Regional Plan which places emphasis on:

1. Accelerating housing supply across Sydney
2. Accelerating urban renewal across Sydney
3. Improve housing choice to suit different needs and lifestyles.

### 3.1 Dwelling price growth

The former *A Plan for Growing Sydney* acknowledged that Sydney's housing prices are high compared to other Australian capital cities. The Plan highlights that governments can “*help to put downward pressure on prices (by) accelerating the supply and the variety of housing across Sydney, such as apartments and townhouses, will make it easier for people to find homes to suit their lifestyle and budget*”.

*Delivering houses in greenfield and urban renewal locations will help people to live closer to family and friends, to workplaces and schools, and to the services they use on a daily or weekly basis”.*

In 2018, the median sale price for strata dwellings within North Sydney LGA reached almost \$1.2 million. This was \$349,000 or 42% higher than the median strata dwelling recorded in Greater Sydney (\$831,000).

In comparison, the median sale price for non-strata dwellings was around \$2.5 million in 2016. This was \$1.3 million or 105% higher than that recorded for Greater Sydney (\$1.2 million).

Strata dwellings provide a more affordable option for residents and key workers within the LGA. This is evident with strata dwellings having a median value of \$1.2 million in 2016 which was 109% lower than the median price of non-strata dwellings.

**Table 5: Median sale price (\$'000)**

	2010	2018	Growth (\$)	Growth (%)
North Sydney LGA (non-strata)	1,320	2,466	1,146	87%
North Sydney LGA (strata)	633	1,180	547	86%
Greater Sydney (non-strata)	600	1,204	604	101%
Greater Sydney (strata)	490	931	341	70%

Source: NSW Rent and Sales Report - December 2010, September 2018

### 3.2 Need for increased capacity

#### 3.2.1 Projected dwelling growth

The DP&E project that North Sydney LGA would require an additional 11,450 dwellings between 2016 and 2036, to house the additional 19,500 residents projected to reside within the LGA over the period.

This represents an annual dwelling increase of 573 dwellings need to be completed each year to meet this long-term target.

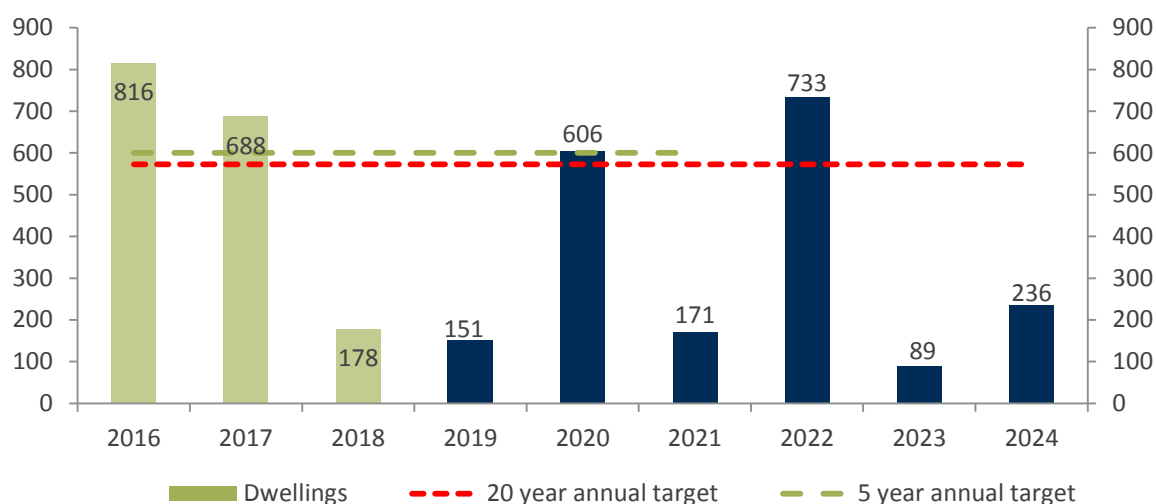
### 3.2.2 Residential dwelling pipeline

As discussed previously, the LGA would need to provide 573 per annum over the next 20 years to meet the target identified by the DP&E.

If all dwellings that are either completed (2016) or has a building application, building approval, construction, development application, development approval or has a rezoning application are completed and accounted for, the LGA would around require an additional 1,489 dwellings to meet its long term target in the period to 2022, with additional supply also required thereafter.

As such, increased residential supply is needed in order for the LGA to meet its short and long term dwelling targets. This can be achieved through accelerating urban renewal in the North Sydney area, as proposed by the Planning Proposal.

**Figure 3: Residential pipeline (September 2018 strata dwellings only onwards)**



Source: CordellsConnect, HillPDA – count of dwellings stated as completed (post-September 2018), building application, building approval, construction, development application, development approval, rezoning application/approval – 2016-September 2018 was sourced from DP&E dwelling completions

## 3.3 Increased dwelling choice

### 3.3.1 Apartment dwellings by household type

Apartments have remained the dominate dwelling type within the LGA over the ten year period from 2006. In 2016 of the 32,860 occupied private dwellings, 24,712 dwellings or 75% were apartments, representing a 5% proportional growth from that recorded in 2006.

The historic dominance of apartments within the LGA has witnessed an increasing trend in households transitioning to live within apartment style dwellings. Of note, is the significant proportional increase in couples without dependants, where 52% of this household type resided in apartment dwellings – up from 41% in 2006.

All other household types have increased proportionally by 5% to 8% towards living within apartment style dwellings. The Planning Proposal would be providing a dwelling type and mixture that would be catering to the changing preferences of the local community.

**Table 6: Proportion of households living in apartments by household type**

Household type	2006	2011	2016
Couple families with dependents	41%	44%	52%
Couples without dependents	69%	73%	77%
Group households	77%	79%	82%
Lone person households	80%	82%	85%
One parent family	55%	56%	63%
Other families	75%	77%	80%

Source: 2016 Census - Time Series, household type over occupied apartment dwellings

### 3.3.2 Household type projections

The DP&E projects that the LGA will accommodate an additional 10,400 households by 2036. Of this growth, 51% or 5,350 households is attributed to lone person households, while 23% and 12% is attributed to couples without dependents and couples with dependents, respectively. As identified above, these household types have an increasing propensity to reside within apartments style dwellings. This propensity would also be reasons of affordability, availability and changing preferences.

The Planning Proposal would be providing a product with a range of bedroom types and configurations that would be catering for these future household types.

**Table 7: Household type projections North Sydney LGA**

Category	2016	2021	2026	2031	2036	Growth	Proportional Growth
Couple only	9,450	10,000	10,500	11,200	11,850	2,400	25%
Couple with children	5,550	5,950	6,250	6,550	6,800	1,250	23%
Single parent	1,800	1,950	2,150	2,300	2,450	650	36%
Other family households	300	350	350	350	350	50	17%
Multiple-family households	850	900	950	1,000	1,050	200	24%
Lone person	15,300	16,550	17,850	19,300	20,650	5,350	35%
Group	2,600	2,700	2,800	2,950	3,100	500	19%
Total	<b>35,850</b>	<b>38,400</b>	<b>40,850</b>	<b>43,650</b>	<b>46,250</b>	<b>10,400</b>	<b>29%</b>

Source: NSW DP&E

## 3.4 Housing stress and affordability

### 3.4.1 Rental growth

The analysis reveals that median rents within the LGA have remained higher within the LGA over the last ten years when compared to Greater Sydney. As of 2016, rents within the LGA were \$35 per week or 18% higher than that recorded for Greater Sydney.

Increased dwelling supply can help place downward pressure on rents, helping increase rental affordability within the area.

**Table 8: Median weekly rental growth 2006-2016**

	2006	2011	2016	Growth (#)	Growth %
North Sydney	350	480	575	225	64%
Greater Sydney	250	355	440	190	76%

Source: 2016 Census - Time Series Data

### 3.4.2 Rental and mortgage stress

Housing stress is a metric used to describe a situation where the cost of housing is high relative to household income. As a rule of thumb, housing stress is defined as where housing costs (rent or mortgage repayments) are 30% or more of gross household income<sup>3</sup>.

While this figure provides a useful benchmark of housing affordability, the definition of affordability varies according to a household's individual circumstances.

As seen in the table below, housing mortgage stress within North Sydney LGA has decreased from 2006 to 2016. As of 2016, the median mortgage repayment was 25% of the median household income. Of course with the median cost so close to the 30% benchmark there will be a fair proportion of households under stress.

The trend in the rental market is considerably more negative with renting households experiencing stress increasing over the period as shown in the table below.

**Table 9: Rental and mortgage stress**

	2006	2016
North Sydney LGA median household income	\$93,704	\$122,512
North Sydney LGA median mortgage repayment	\$28,368	\$31,200
North Sydney LGA mortgage repayment as proportion of income	30%	25%
Greater Sydney median mortgage repayment as % of income	35%	29%
North Sydney LGA median rent	\$18,200	\$29,900
Median rent repayment as proportion of median income	19%	24%

Source: 2016 Census - Time Series Data, HillPDA

Although increased dwelling supply is not a silver bullet in addressing housing stress, as recognised in "*A Plan for Growing Sydney*" increased supply can put downward pressure on dwelling prices and the number of households experiencing stress.

### 3.4.3 Rental affordability

NSW Family and Community Services outline the eligibility criteria for affordable housing in their 2016/17 NSW Affordable Housing Ministerial Guidelines. In this document household income is the defining criteria for affordable housing eligibility, with the median income for Greater Sydney used as a benchmark.

The 2016/17 Guidelines define affordable housing for very low, low, and moderate income households. These categories have been applied to this analysis and are as follows:

- Very low-income household is less than 50% of Greater Sydney median household income
- Low-income household is more than 50% but less than 80% of Greater Sydney median household income
- Moderate income household is between 80% and 120% of the Greater Sydney median household income.

The median household income for North Sydney LGA was around \$122,510 in 2016. Based on household income the affordable housing thresholds have been calculated as follows.

<sup>3</sup> NSW Affordable Housing Ministerial Guidelines 2016-2017

**Table 10: Household income and affordability North Sydney LGA**

Category	Household income	
	Weekly	Yearly
Median income	\$2,356	\$122,512
Very low household income (50% of median household income)	\$1,178	\$61,256
Low household income (80% of median household income)	\$1,885	\$98,010
Moderate income household (120% of median household income)	\$2,827	\$147,014

Source: 2016 ABS Census, HillPDA

To assess the ability of very low income and low income household's to meet the median rental repayment for the LGA, we applied the following methodology:

- Multiplied household incomes by 30% and divide by 52 to calculate the weekly rent that household can reasonably afford to pay without experiencing housing stress and
- Compared Step 1 to the LGA market rent in that year.

### 3.4.3.1 Very low income household rental affordability

A very low income household within North Sydney LGA, that is, a household that earns 50% of the median household income could afford to pay \$353/week<sup>4</sup> on rental repayments in 2016.

This was only 61% of the median market rent for a one bedroom apartment and 45% of market rent for a two bedroom apartment within the LGA.

### 3.4.3.2 Low income household rental affordability

A low income household, that is, a household that earns 80% of the household median income could afford to pay \$565/week<sup>5</sup> on rental repayments.

At this rate, the household could afford to pay 97% of the median market rent for a one bedroom apartment and only 72% of market rent for a two bedroom apartment within the LGA.

**Table 11: Rental affordability against North Sydney LGA median household income - 2016**

Household income category	Median household income (2016)	Median household at affordability category	Rental affordability at 30% of median income	1 bedroom apartment market rent	Rental affordability as proportion of market rent	2 bedroom apartment market rent	Rental affordability as proportion of market rent
Very low household income	\$122,512	\$61,256	\$353	\$581	61%	\$785	45%
Low household income	\$122,512	\$98,010	\$565	\$581	97%	\$785	72%

Source: 2016 ABS, NSW Department of Housing rent tables, HillPDA \*30% of household income directed towards rental repayment

If left unabated the housing affordability gap will continue to widen. Increased residential supply can place downward pressure on housing prices and rents as acknowledged in the former *A Plan for Growing Sydney*. Advancement of the Planning Proposal would increase dwelling supply and capacity within the LGA helping to alleviate the housing affordability gap and rental stress.

<sup>4</sup> 30% of annual income directed towards rental repayment

<sup>5</sup> 30% of annual income directed towards rental repayment

## 4.0 ECONOMIC IMPACT ASSESSMENT

This Chapter examines the economic impacts of the Planning Proposal's three design options during and post-construction. Economic impacts include employment generation, wages and IVA, increased retail spend from local residents and workers, increased demand for retail floorspace and impacts on government revenue.

### 4.1 Reference Designs

As identified in Chapter 1, the yield for each of the Reference Designs is provided below:

**Table 12: Summary of Reference Designs**

	Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Residential (sqm)	23,964sqm	27,044sqm	20,501sqm
Employment – retail (sqm)	80sqm	80sqm	80sqm
Indicative apartment yield	240	284	211

### 4.2 Construction economic benefits

For the purpose of estimating the economic impacts during construction, HillPDA has undertaken a high level estimate of the construction costs under each of the Reference Designs, these have been based on previous estimates provided by SJB.

We have estimated the cost of construction, under each of the Reference Designs, at between \$116 and \$146 million.

**Table 13: Construction cost estimate**

Development yields	Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Total estimated cost (\$m)	\$134	\$146	\$116

Source: Rawlinson's 2019, parking rates adapted from North Sydney DCP

#### 4.2.1 Construction multiplier effects

The construction industry is a significant component of the economy accounting for 6.7% of Gross Domestic Product (GDP) and employing almost one million workers across Australia.<sup>6</sup> The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- **Production induced:** which is made up of:
  - first round effect: which is all outputs and employment required to produce the inputs for construction
  - an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect

<sup>6</sup> Source: IBIS World Construction Industry Report 2015

- **Consumption induced:** which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.65 and \$0.95 respectively to every dollar of construction.

The table below quantifies associated economic multipliers resulting from the construction process.

**Table 14: Construction multipliers (\$m)**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.6260	0.6490	0.9340	3.2390
Output (\$million) - Reference Design	\$134	\$84	\$91	\$125	\$433
Output (\$million) - Special Provisions Reference Design	\$146	\$91	\$99	\$136	\$473
Output (\$million) - Separate Landholdings Reference Design	\$116	\$72	\$79	\$108	\$375

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2015-16 (ABS Pub: 5209.0)

The estimated direct construction costs would generate between a further \$151 to \$191 million of activity in production induced effects and \$108 to \$136 million in consumption induced effects. Total economic activity generated by the construction of each development option is estimated at between \$375 and \$473 million.

Note that the multiplier effects are national, and not necessarily local. The ABS states that:

*“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”*

In particular, the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality, many of these resources would have been employed elsewhere. Note that the NSW Treasury guidelines state:

*“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”<sup>7</sup>.*

Nevertheless, economic multiplier impacts represent considerable added value to the Australian economy.

#### 4.2.2 Construction related employment

Every one million dollars of construction work undertaken generates 2.35 job years directly in construction<sup>8</sup>. Based on the estimated construction costs between 249 and 315 job years<sup>9</sup> would be directly generated by the Planning Proposal as shown in the table below.

<sup>7</sup> Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government (TPP 09-7) NSW Treasury

<sup>8</sup> Source: ABS Australian National Accounts: Input – Output Tables 2012-13 (ABS Pub: 5209.0) adjusted to 2016 dollars

<sup>9</sup> Note: One job year equals one full-time job for one year

**Table 15: Construction employment**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.741	0.839	1.384	3.970
Employment No. per \$million*	2.154	1.597	1.808	2.981	8.540
Total job years created – Reference Design	288	213	242	398	1,141
Total job years created – Special Provisions Reference Design	315	233	264	435	1,248
Total job years created – Separate Landholdings Reference Design	249	185	209	345	988

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2015-16 (ABS Pub: 5209.0)

The ABS Australian National Accounts: Input-Output Tables 2012-13 identified employment multipliers for first round, industrial support and consumption induced effects of 0.73, 0.79 and 1.42 respectively for every job year in direct construction. Including the multiplier impacts the Planning Proposal is estimated to generate a total of:

- Reference Design | 1,141 job years directly and indirectly
- Special Provisions Reference Design | 1,248 job years directly and indirectly
- Separate Landholdings Reference Design | 988 job years directly and indirectly.

#### 4.2.3 Retail expenditure from construction workers

Construction workers on site would generate additional sources of retail expenditure. This would be spent predominately on convenience-related items such as lunches, coffees, snacks and so on. A recent survey conducted by URBIS found that workers in Sydney CBD on average spent \$230 per week on retail items. This average spend encompasses clothing, internet and supermarket purchases. For construction workers, HillPDA has applied a more conservative spend of \$15 a day or \$75 a week for 46 working weeks generated by each worker during the construction period.

We have estimated that:

- 249 to 315 construction job years would be directly supported on the East Walker Street Precinct over the course of development, under various development options; and
- The workers on site will spend an average of \$3,450 per annum in the North Sydney locality.

On this basis, during the period of construction, existing retailers in the local area of the East Walker Street Precinct would enjoy:

- Reference Design | \$0.99 million in potential revenue sourced from construction workers on site
- Special Provisions Reference Design | \$1.09 million in potential revenue
- Separate Landholdings Reference Design | \$0.86 million in potential revenue sourced from construction workers on site.

#### 4.2.4 Other construction impacts

The construction process may lead to short-term negative impacts in the locality such as increased traffic, noise, dust and so on. We have assumed that the development would take the necessary steps to mitigate the extent of these impacts.



## 4.3 Economic impacts of the Planning Proposal

### 4.3.1 Employment generation

Following construction, the Planning Proposal would provide employment floorspace, that is, 80sqm of retail space.

The residential component would also accommodate some jobs. According to ABS 7.6% of workers undertake the majority of work at home (ABS Locations of Work 2008, Cat 6275.0). Given that there are an average of 1.3 working residents per household in North Sydney LGA (ABS Census 2016) then almost one in 10 dwellings is expected to provide employment.

HillPDA has applied a more conservative rate of 1.1 workers per household given smaller household sizes living in apartments.

The table below provides an estimate of the number of jobs that would be supported on site following construction and occupation.

**Table 16: Estimated employment generation of Planning Proposal**

	Employment density	Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Retail general*	1/35sqm GFA	2	2	2
Home Based Businesses **		19	23	17
<b>Total Employment</b>		<b>21</b>	<b>25</b>	<b>19</b>

Source: HillPDA \*assumes 90% efficiency rate, \*\* assumes a 5% vacancy rate per apartment

As indicated in the table above, the proposed development would facilitate the creation of between 19 to 25 jobs. The Special Provisions Reference Design has the highest estimated employment generation.

### 4.3.2 Salaries generation

Based on IBIS World Industry Reports, HillPDA has estimated a combined annual remuneration for each development option at between \$1.08 and \$1.42 million for the workers on site.

The details by land use and each of the Reference Designs are provided in the table below.

**Table 17: Estimated salaries (\$2019)**

	Average Wage	Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Retail general*	\$35,837	\$0.07	\$0.07	\$0.07
Home Based Businesses **	\$60,000	\$1.14	\$1.35	\$1.01
<b>Total</b>		<b>\$1.22</b>	<b>\$1.42</b>	<b>\$1.08</b>

Source: IBIS World Industry Reports 2015; and ABS Average Weekly Earnings (Cat 6302)

### 4.3.3 Industry value added

Industry value added (IVA) of an industry refers to the value of outputs less the costs of inputs. It measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP).

Based on IBIS World Industry Reports, HillPDA has estimated the combined IVA from land uses proposed in the Planning Proposal's Reference Designs at between \$1.35 to 1.78 million per annum.

The details by land use and each of the Reference Designs are provided in the table below.

**Table 18: Estimated Industry Value Add of Planning Proposal (\$2019)**

	Industry / Value Add / Worker	Reference Design	Special Provisions Reference Design	Separate Landholdings Reference Design
Retail general*	\$50,514	\$0.10	\$0.10	\$0.10
Home Based Businesses **	\$74,400	\$1.42	\$1.68	\$1.25
<b>Total</b>		<b>\$1.52</b>	<b>\$1.78</b>	<b>\$1.35</b>

Source: IBIS World Industry Reports 2018; and ABS Average Weekly Earnings (Cat 6302)

#### 4.3.4 Expenditure from workers

HillPDA has applied a \$20 per day for non-residential workers within the development. As such, we have estimated annual retail expenditure of around \$9,600. This would be captured by retail services within North Sydney.

#### 4.3.5 Expenditure from residents

The Planning Proposal would benefit North Sydney Strategic Centre and its existing retailers by increasing the resident population and hence retail expenditure. HillPDA estimates that under the three Reference Designs the site would have a resident population of between 373 and 502 residents based on an average occupancy of 1.86<sup>10</sup> and a 5% vacancy rate.

Assuming an average spend of around \$21,112<sup>11</sup> total retail spend generated by residents on site would be between \$7.9 and \$10.6 million (\$2018).

Of course, not all of this expenditure will be captured by existing retailers in North Sydney, but HillPDA would expect a rate of around 60% would be captured in the local area.

When combined with workers on site, the Planning Proposal would provide sources for an increase in retail sales captured North Sydney retailers likely in the order of between \$5.7 and \$7.3 million per annum.

The resident population would also increase the demand for local retail services to be provided locally. It is estimated that the residents on site would generate demand for retail floorspace in the order of 783 and 1,054sqmsqm<sup>12</sup>. Given that North Sydney is a Strategic Centre the majority of this floorspace would likely be directed towards the Centre.

**Table 19: Retail expenditure and floorspace demand**

Development option	Estimated residents	Total retail spend (residents)	Total retail capture*	Retail floorspace demand**
Reference Design	424	9.0	6.3	891
Special Provisions Reference Design	502	10.6	7.3	1,054
Separate Landholdings Reference Design	373	7.9	5.7	783

Source: HillPDA, \*Resident and worker expenditure, \*\*2.1sqm per resident

<sup>10</sup> ABS 2016 North Sydney LGA community profile – average number of persons in occupied apartments

<sup>11</sup> MarketInfo data 2018 – 2021 impact year

<sup>12</sup> Calculated at a per capita provision of 2.1sqm/person as identified within the draft North District Plan

## 4.4 Impact on retail services in North Sydney Strategic Centre

In the context of demand resulting from population and employment growth in and around North Sydney Strategic Centre, the amount of retail space proposed in each of the Reference Designs (80sqm) is considered insignificant.

Furthermore, the amount of retail space generated from the future resident population on the site far exceeds that proposed in each of the Reference Designs. In short, this future population would generate additional demand and expenditure for retail services, over that, provided or captured onsite.

As such, the Planning Proposal would generate additional demand and expenditure for retail services, increasing both the attractiveness and viability of such uses in the centre. From this, it can be concluded that the amount of retail space provided onsite would not negatively impact on the viability of existing or future retail uses.

## 4.5 Other economic benefits

### 4.5.1 Investment stimulus

Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can, in turn, stimulate and attract further investment. The direct investment in the Planning Proposal would support a wide range of economic multipliers which would, in turn, support investment in associated industries. It would also raise the profile of North Sydney to potential investors.

The provision of a mixed use development on the East Walker Street Precinct would increase the economic benefits of the scheme to surrounding businesses, services and the financial feasibility of public transport. The benefits of residential uses in the North Sydney LGA are recognised in increasing the demand for retail, commercial and transport services and hence increasing the viability of these services.

The Planning Proposal would create additional business opportunities in this locality associated with future residents and employment floorspace on site. It would increase the profile of this area and, in so doing, increase the financial feasibility of mixed use developments, potentially acting as a catalyst on surrounding sites.

### 4.5.2 Street activation

The construction of a mixed use development comprising uses such as retail and residential located on the East Walker Street Precinct would create increased pedestrian traffic having the effect of further activating the local area. This street activation would have the benefits of increasing security, increasing trade for retailers through increased passing trade and increase investment within the local area.

### 4.5.3 Replacing old with new

The redevelopment of the East Walker Street Precinct would be replacing older style residential buildings, which provide an estimated 42 residential apartments and two detached dwellings, with a modern mixed use development with between 211 and 284 residential apartments, of which a minimum 5% (above that currently provided onsite) would be affordable apartments.

As such, the Planning Proposal is in line with the planning objectives of urban renewal projects, increased densities around public transit nodes (North Sydney and Victoria Cross Station) and the status of North Sydney as a Strategic Centre.

## 4.6 Conclusion

Under the three Reference Designs, the Planning Proposal would provide approximately 80sqm of retail floorspace and between 211 and 284 residential apartments. The land uses onsite would increase the economic output of the East Walker Street Precinct.

Specifically, these uses would generate between an estimated 19 to 25 jobs; \$1.08 and \$1.42 million per annum in wages and contribute between \$1.35 and \$1.78 million per annum to local economy or GDP.

Non-resident workers onsite would also generate an estimated \$9,600 per annum in retail expenditure that would be captured by local retailers.

The development would also have an estimated population of between 373 and 502 residents. These residents would generate an additional \$7.9 and \$10.6 million in retail expenditure, of which, the majority would be spent locally within North Sydney Centre further increasing the viability of retailers within the Centre.

Residents would also generate additional demand in retail floorspace provision estimated at between 783 and 1,054sqm. Given that North Sydney is a Strategic Centre the majority of this floorspace would likely be directed towards the Centre. Additionally, the relative small amount of retail space proposed to be provided on site would not impact the viability or future demand for such services within North Sydney or surrounding centres. This is given the significant demand and expenditure generated by residents on site in comparison to the 80sqm of retail proposed.

Each of the Reference Designs would have economic benefits to the local and wider locality and economy. However, resulting from the higher dwelling yield, the highest economic benefit would eventuate from the development of Special Provisions Reference Design, with the Separate Landholdings Reference Design having the least economic benefit. **As such, from an economic impact perspective, Special Provisions Reference Design would be the preferable development outcome.**

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