

Josh Ford  
Bayside Council  
PO Box 21  
Rockdale NSW 2216

Thursday, 5 October 2017

Dear Josh

**Subject: 128 & 130-150 Bunnerong Road, Pagewood**

HillPDA was commissioned by Bayside Council (Council) to undertake a peer review of the Economic Impact Assessment (EIA) for 128 & 130-150 Bunnerong Road, Pagewood (referred to the Assessment hereafter) prepared by Urbis.

The Assessment was prepared on behalf of Meriton in support of the Planning Proposal request to rezone the land for the aforementioned site from part IN1 General Industrial and part R3 Medium Density Residential to R4 High Density Residential.

The current scheme for the Planning Proposal as per the EIA prepared by Urbis seeks approval for the following uses:

- 2,068 apartments;
- 100-place childcare centre (totalling 1,200sqm);
- Retail uses (totalling 1,000sqm); and
- Community uses totalling 2,000sqm.

The planning proposal includes the rezoning of Lot 1 (currently IN1 Land) and additional dwellings on that part of Lot 2 immediately to the west of Lot 1.

As stated above Urbis describes the proposal as 2,068 new dwellings (representing a net additional 1,098 dwellings given the planning proposal spans part of Lot 2 which already has development consent in place for 2,223 dwellings). It's a little unclear from that description what the net increase in dwellings will be – it appears that have assumed a net increase of 2,068 new dwellings. From our calculation we estimate it would be around 1,477 given that the final scheme would provide around 3,700 dwellings of which 2,223 dwellings have Stage 1 consent on Lot 2.

The below section provides a peer review of the aforementioned Assessment.

## Relevant Government Documents

HillPDA agrees with Urbis that the Planning Proposal is consistent with the following goals of *A Plan to Grow Sydney*:

- Providing a competitive economy;
- Improving housing choice;
- A sustainable city that protects the natural environment; and
- Providing housing near established employment, services and education facilities.

The Assessment argues the Planning Proposal contributes to meeting key employment and dwelling targets specified in Botany Bay Planning Strategy 2031 (2009) and employment targets set out in the Rockdale City Council Employment Lands Strategy. However the Assessment fails to demonstrate how the Planning Proposal is consistent and/or was factored in with recent targets and goals/directions set out in the Draft Central District Plan (2016).

In amending a LEP in the Sydney Metro area, a Council must be able to establish that the amendment is aligned with the relevant Metropolitan and **District Plans**.

Upon reviewing the District Plan, HillPDA finds the Planning Proposal is largely consistent with the following actions of the Policy:

- P5: Develop better understanding of the value and operation of employment and urban services land. This outcome encourages an increase in total jobs;
- P6: Identify opportunities to grow and better connect the south east area of the Central District;
- L1: Prepare local housing strategies - increase housing choice by supporting affordable and appropriate housing for all;
- L4: Encourage housing diversity;
- 3.4.1: Plan for the growth of centres. Job targets for Eastgardens-Maroubra Junction range from 8,000 to 9,000;
- 3.5: Growing economic activity in centres
  - help to stimulate economic activity and innovation through the co-location of industries
  - provide jobs closer to home in support of the 30-minute city

- promote healthier lifestyles and community cohesion with improved walking, cycling and transport access to a wider range of services and opportunities
- 3.7: Improving 30-minute access to jobs and services;
- 4.1: The Central District's people. By 2036, the District's population is projected to grow by an estimated 325,000 people; to around 1.338 million. To accommodate these new residents, the District will require new housing and employment opportunities.

Based on the above, HillPDA concludes the Planning Proposal is aligned with the District Plan.

**HillPDA also note that the Assessment does not consider Section 117 Direction 1.1 which relates to Business and Industrial zones.**

This Direction applies when a planning proposal would affect land within an existing or proposed business or industrial zone. It is recommended the Assessment is updated to address the five key requirements of Direction 117, these being:

- Follow the objectives of the Direction;
- Retention of existing business and industrial zones;
- No net loss of potential floorspace for employment uses and related public services in business zones;
- Not reduce the potential floorspace area for industrial uses in industrial zones; and
- Be in accordance with a Strategy approved by the Director General of the DP&I.

HillPDA considers the Planning Proposal to be consistent with relevant strategic and statutory planning controls. Moreover the development will have a number of positive benefits for the surrounding area including improving housing choice and affordability and increased employment and economic activity during both the construction and operational phase as well as the potential to revitalise redundant land in and around the Subject Site.

## Competitive Positioning

### Competing Industrial Precincts

The Assessment refers to and applies data from the NSW DPE Employment Lands Development Program (ELDP) 2015 Update

Report. More recent data has since become available, namely the Employment Lands Development Monitor<sup>11</sup> (ELDM) 2016.

The changes between 2015 and 2016 datasets are described as follows:

- There is 531.0Ha of industrial land within Bayside Council compared to 520Ha in 2015 (as reported in the Assessment);
- Around 9.9Ha of this land is undeveloped in 2016 down from 24.2Ha in 2015 (as adopted in the Assessment);
- Across the Sydney Metropolitan Region, Bayside contributes to 3.9% in 2016 of total employment lands compared to 3.8% in 2015 (as reported in the Assessment);
- Bayside contributes to 4.9% in 2016 of total developed lands compared to 4.7% in 2015 (as reported in the Assessment);
- Bayside contributes to 0.3% of total undeveloped land in 2016 compared to 0.8% in 2015 (as reported in the Assessment).

The above comparisons reveal that the level of undeveloped land, and in turn land available for future industrial uses, is substantially lower than presented in the Assessment. The implications of this is discussed in greater detail below (refer to 'Industrial Demand Forecast and Gap Analysis' of this Report).

### **Industrial Demand Drivers**

HillPDA consider the industrial demand drivers identified in the Assessment, namely; access, scale and land use compatibility to be reasonable. HillPDA also considers the use of these drivers to test the viability of the various industrial precincts within the new Bayside LGA and the ranking they have assigned for each of the precincts which includes a low overall viability ranking for the subject Site to be reasonable (refer to pages 14 to 19 of the Assessment).

HillPDA agrees with Urbis that industrial uses are better suited to some of the other stronger industrial precincts within Bayside due to issues of scale and land use compatibility.

### **Major Western Industrial Precincts**

With declines in manufacturing and a growth in imports, warehousing, transport, distribution and logistics businesses have thrived. These types of businesses together with larger manufacturing services have shifted their preferred locations from

<sup>11</sup> ELDP has been renamed to the ELDM

the inner city to the Outer-West and South-West of Greater Sydney. These locational decisions have been supported by improvements to the outer orbital ring roads and motorways (M5 and M7), Australia's largest integrated transport and urban development known as WestConnex and the proposed development of intermodal facilities such as the Moorebank Intermodal. These locations benefit from the availability of larger sites required for modern logistics businesses.

As such HillPDA agrees with Urbis' rationale for undertaking a competitive positioning assessment of Major Western Sydney Industrial Precincts, including Eastern Creek, Moorebank, Marsden Park and WSEA (refer to pages 20 to 23 of the Assessment).

As established in the Assessment the Major Western Sydney Industrial Precincts, including Eastern Creek, Moorebank, Marsden Park and WSEA (refer to pages 20 to 23 of the Assessment) contain a large component of undeveloped industrial land and possess a number of competitive advantages over the Subject Site such as:

- B-double truck access;
- Direct access to major roads and intermodal terminals (IMTs);
- Larger lot sizes; and
- Minimal land use conflicts with non-industrial land uses.

Based on the above, HillPDA also acknowledges the difficulty in retaining industrial uses at the site, with such operations better suited to these Major Western Industrial Precincts.

## Employment Analysis

### Economic Structural Change

As established in the Assessment there has been significant structural change between 1995 and 2015 with growing GSP in industries such as financial and insurance services, health care and social assistance and professional services which has been offset by a fall in manufacturing. A review of the latest data release demonstrates this trend has continued in 2016 with manufacturing remaining at 7.4%<sup>2</sup> of total GSP.

### Employment Analysis

HillPDA agrees with the methodology used for the job gap analysis (refer to page 29 - 32 of the Assessment) and conclusions made by

<sup>2</sup> ABS

Urbis relating to the majority of employment growth being in the office, health and retail properties as opposed to industrial zoned properties.

### Industrial Demand Forecast and Gap Analysis

HillPDA agrees with the methodology used in determining the industrial land gap analysis (refer to page 33 of the Assessment) however have identified issues with two of the assumptions used in this analysis, described as follows:

- Based on the latest ELDM data there was only 9.9Ha of undeveloped land in 2016 compared to 24.2Ha in 2015; and
- The Assessment assumes an employment density of one job per 100sqm. Research indicates that the average job density across Sydney's employment lands is substantially lower than this at one job per 200sqm.<sup>3</sup>

Revising the analysis to reflect the above indicates that there is actually a deficit of 21.56Ha in industrial land capacity. The calculations are provided in the below table.

|   | Bayside Council                                       | 2016-31 |
|---|---|---------|
| A | Undeveloped industrial land (as per ELDM 2016) Ha     | 9.9     |
| B | Rezoning of Subject Site (Ha)                         | 6.1     |
| C | Total Potential Supply (A-B)                          | 3.8     |
| D | Industrial Job Growth (2016-31)*                      | 1,268   |
| E | Land Area (Ha) per Job                                | 0.02    |
| F | Total Industrial Land Demand (Ha) (D*E)               | 25.36   |
| G | Surplus / Deficit Industrial Land Capacity (C-F) (Ha) | -21.56  |

Source: Employment Land Development Monitor 2016 \* As provided in the Assessment

Although the above suggests the future employment growth for industrial based jobs within Bayside Council will not be adequately met by the LGA, there are better located industrial precincts (including Eastern Creek, Moorebank, Marsden Park, WSEA) providing significant capacity to accommodate additional industrial jobs growth. Much of the anticipated employment growth for industrial based jobs in Bayside LGA is likely to gravitate towards these Precincts which offer significant competitive advantages.

<sup>3</sup> Employment Lands Development Program 2015

## Economic Benefits

### Construction

HillPDA consider the construction cost assumptions for the non-residential land uses and estimate of construction costs for the proposed development to be reasonable and in line with industry standards<sup>4</sup>.

However as discussed above HillPDA believe that the total construction costs may be somewhat misrepresented since the Assessment assumes a net increase of 2,068 dwellings. HillPDA estimate it would be around 1,477 given that the final scheme would provide around 3,700 dwellings of which 2,223 dwellings have Stage 1 consent on Lot 2. As such the construction costs may be substantially lower than the estimated \$983m proposed in the Assessment.

### Annual Economic Activity

REMPAN as sourced in the Assessment is a widely accepted model to measure economic activity in the industry.

Conversely, HillPDA source their multipliers from 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 \$0.620, \$0.647 and \$0.945 respectively to every dollar of construction.

The table below quantifies associated economic multipliers resulting from the construction process based on the economic multipliers from the Australian National Accounts assuming a construction cost for the proposed scheme of \$983m as sourced from the Assessment. As discussed above the construction costs and associated benefits are likely to be substantially lower than this however.

**Table 1: Construction Multipliers (\$m)**

|                    | Direct Effects | Production Induced Effects |                            | Consumption Induced Effects | Total  |
|--------------------|----------------|----------------------------|----------------------------|-----------------------------|--------|
|                    |                | First Round Effects        | Industrial Support Effects |                             |        |
| Output multipliers | 1              | 0.620                      | 0.647                      | 0.945                       | 3.3088 |
| Output (\$million) | 983            | 610                        | 636                        | 929                         | 3,253  |

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0)

<sup>4</sup> Rawlinsons Australian Construction Handbook (2017); Residential construction costs were provided by Meriton and are assumed to remain at \$400,000 per apartment.

HillPDA estimates the total economic activity generated by construction to be \$3.3b which is well above the \$98.5m estimated in the Assessment.

Note that the multiplier effects will occur over a national reach and are 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. It should also be noted, as stated in the NSW Treasury guidelines, that:

“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>5</sup>.

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

### **Construction Related Employment**

It is estimated that the equivalent of 2.35 construction positions over 12 months are created for every one million dollars of construction work undertaken<sup>6</sup>. Based on \$983m of construction cost, HillPDA estimate some 2,310 job years<sup>7</sup> would be directly generated by the development as shown in the table below, which is well above the 176 estimated in the Assessment.

<sup>5</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>6</sup> Source: ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0)

<sup>7</sup> Note: One job year equals one full-time job for one full year



**Table 2: Construction Employment**

|                              | Direct Effects | Production Induced Effects |                            | Consumption Induced Effects | Total |
|------------------------------|----------------|----------------------------|----------------------------|-----------------------------|-------|
|                              |                | First Round Effects        | Industrial Support Effects |                             |       |
| Multipliers                  | 1              | 0.728                      | 0.794                      | 1.423                       | 3.945 |
| Employment No. per \$million | 2,352          | 1,713                      | 1,869                      | 3,347                       | 9,280 |
| Total job years created      | 2,312          | 1,684                      | 1,837                      | 3,290                       | 9,123 |

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0) adjusted by CPI to 2015.

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, HillPDA estimates the development will generate over 9,100 job years (see table above) directly and indirectly, which again is well above the 663 estimated in the Assessment.

#### Proposed Non-Residential GFA and Employment

HillPDA generally agree with employment densities used to calculate the ongoing jobs (refer to page 37 of the Assessment). 16sqm per job for retail is on the high end of the range for retail (typical of food specialty retail), with 18 to 20sqm a more appropriate estimate, however the difference would not be significant.

The estimated direct GVA p.a. of \$10.9m in the Assessment, which equates to \$101,869 GVA per worker appears high considering the proposed employment used. Based on IBIS World Report which relate to the proposed employment uses we would estimate the GVA per worker to be approximately \$38,313 giving a total GVA of \$4.1m.

#### Retail Spend

HillPDA considers the indicative number of residents of 3,309 (which equates to 1.6 residents per apartment) to be somewhat understated in the Assessment. Adopting an occupancy rate of 2.2 residents per apartment<sup>8</sup> and allowing for a 5% vacancy rate, HillPDA estimates the Subject Site will accommodate 4,300 new residents. Assuming an average retail spend of \$13,075pa in \$2016 (which we consider to be reasonable) means the total retail expenditure generated from additional residents will increase from \$43.3m as stated in the Assessment to \$56.5m.

<sup>8</sup> The Botany Bay LGA Community Profile 2016 indicates the occupancy rate for apartments is in the order of 2.4. HillPDA has applied a more conservative rate of 2.2 for the purpose of this analysis to reflect future trends i.e. Smaller household sizes and an increasing proportion of lone person households.

### **Affordability and Housing Targets**

As established in the Assessment, HillPDA agrees the proposed development has the potential to contribute to improving housing affordability and the delivery of housing targets set within the NSW's Central District Plan (2016).

### **Residential Demand Drivers**

HillPDA considers the rationale provided in the Assessments for site's suitability for residential uses in terms of:

- proximity to amenities including Westfield Eastgardens, school establishments and recreational uses;
- proximity to employment precincts including Randwick Health and Education Precinct and Port Botany Industrial Area; and
- being well serviced by public transport

to be reasonable and just.

## **Conclusion**

Overall there is sufficient justification to rezone the Subject Site to allow for mixed used predominantly residential development given the existing or potential land conflicts with residential to the north, south, east and west and given the site's proximity to major amenities (i.e. Westfield Eastgardens), employment hubs and education establishments.

The only issue is our analysis shows that rezoning the Subject Site would result in the loss of 6 hectares of industrial land in Bayside LGA. Despite this the site is not proximate to the ports area and it is surrounded by residential on all sides.

## **Retail Demand**

In this next section we have assessed the appropriate size for retail uses on the Subject Site and suggested an appropriate retail mix.

### **Catchment**

With Westfield Eastgardens immediately to the south of the Subject Site, offering a strong retail offer that serves the broader area, we would anticipate the catchment for the retail uses on site would be confined to the immediate local area primarily servicing the residents on site and those residents within a walkable catchment. Retail uses

on site would have a secondary role to Westfield Eastgarden, offering local residents with a convenience based shopping alternative.

Assuming 7,900<sup>9</sup> additional persons reside on the BATA site (which incorporates the Subject Site) over the next decade (this equates to ~790 person p.a. to 2026), HillPDA estimates the population with walking distance of the Subject Site will increase from some 3,300 persons in 2016 to over 11,500 persons in 2031.

### **Residential Expenditure**

Residential expenditure for the catchment within walking distance of the Subject Site was sourced from AnySite Data (2016) which provides household expenditure by broad commodity type.

Based on the above, and assuming population growth forecasts as discussed above, HillPDA has forecast household retail expenditure in the catchment to increase from \$49.0m in 2016 to \$188.9m in 2031. Note the forecasts allow for 10% of expenditure from beyond the trade area and assume growth in real retail spend per capita of 0.8% per annum consistent with the long term trend in historic spend.

The type of retail demand from residents would be for high value retail facilities with an emphasis on convenience. Based on this and the strong retail offer provided immediately to the south at Westfield Eastgardens, HillPDA would anticipate the retail uses on site has the potential to capture up to 15% of the residential expenditure available within the catchment.

Based on the above assumed capture rate the retail uses on site could capture up to \$7.3m of retail expenditure in 2016 from residents, increasing to \$28.3m in 2031.

### **Retail Demand**

Demand for retail floor space is forecast by applying target turnover rates (or industry benchmarks<sup>10</sup>) to captured spend. Assuming a target turnover rate of \$7,000/sqm (based on industry benchmarks) and growth at 0.5% per annum to allow for real turnover increases in line with historic trend<sup>11</sup> HillPDA has forecast demand for around

<sup>9</sup> This assumes 3,700 apartments on the whole of BATA site and an occupancy rate of 2.2 persons per dwelling has been adopted based on ABS data for the Bayside LGA. HillPDA have also allowed for a 5% vacancy rate.

<sup>10</sup> Note: Derived from various sources including Urbis Retail Averages, ABS Retail Survey 1998-99 escalated at CPI to \$2016, Shopping Centre News, HillPDA and various consultancy studies.

<sup>11</sup> Note: Expenditure per capita has increased at an average rate of 1.0% above CPI every year since 1986 although HillPDA is currently using an assumption of 0.8% growth per annum from 2016 onwards. Around half of this increase has translated into an increase in retail floorspace per capita (from 1.8sqm in the 1980s to around 2.2-2.3sqm today). The balance of the increase in expenditure has translated into a real increase in turnover per square metre rates.

2,500sqm in 2021 increasing to over 4,100sqm of retail floor space by 2031.

Based on similar sized centres the amount of shop front space should be adjusted upwards by a further 10% to accommodate complementary non-retail uses such as real estate, financial, travel and medical services as well as 1 or 2 vacancies.

Given the above there would be sufficient demand for 4,500sqm of shop front space.

#### **Recommended Retail Mix**

Based on a review of similar sized retail offering (i.e. 3,000sqm-5,000sqm) there is potential for a convenience based retail offer comprising of:

- A small or medium format supermarket/grocer;
- Possibly an Asian grocery (mini-major);
- Several complementary specialty stores (e.g. bakery, patisserie, newsagency, butcher);
- Several personal services (e.g. hairdresser, laundromat, etc);
- Several cafes and restaurants; and
- Several commercial suites.

Yours sincerely



**ADRIAN HACK**

*M. Land Econ. B.Town Planning (Hons). MPIA*

Principal Urban and Retail Economics

[Adrian.Hack@hillpda.com](mailto:Adrian.Hack@hillpda.com).