EBLEY STREET, BONDI JUNCTION

ECONOMIC IMPACT ASSESSMENT & FEASIBILITY ANALYSIS

MAY 2017

aecgroupltd.com

AEC
OUTCOME DRIVEN

DOCUMENT CONTROL

Job ID:	J000254
Job Name:	Ebley Street Bondi Junction, EIA
Client:	X.Pace Design Group
Client Contact:	Lluis Selma
Project Manager:	Christina Livers
Email:	christina.livers@aecgroupltd.com
Telephone:	(02) 9283 8400
Document Name:	Ebley Street EIA.docx
Last Saved:	4/5/2017 1:42 PM

Version	Date	Reviewed	Approved
Draft	26/04/2017	CL	EC
Final	03/05/2017	CL	EC

EXECUTIVE SUMMARY

INTRODUCTION AND BACKGROUND

Cityplan on behalf of Hollywood Investments Pty Ltd are preparing a planning proposal to amend the planning controls pertaining to 96-122 Ebley Street, Bondi Junction ("the Site"). It is proposed that the Site be rezoned from B3 Commercial to B4 Mixed Use. Furthermore, it is proposed that the FSR at 96-108 Ebley Street is amended from 4:1 to 5:1 and the FSR at 110-122 Ebley Street remains at 6:1. In order to ensure employment generating land uses are included within any redevelopment, this Planning Proposal proposes the introduction of a minimum 3.5:1 non-residential floor space ratio to apply to the Site.

AEC Group (AEC) has been engaged by Cityplan to prepare an Economic Impact Assessment (EIA) to analyse the economic impacts likely to result from the proposed planning control amendments and subsequent redevelopment of the Site.

In order to assess economic impact of the Proposal, it was assessed against Base Case 1 and Base Case 2. Each option is outlined below.

- Base Case 1: the economic impacts of the Site in its existing use. The Site currently contains four 2 storey commercial/retail buildings and one 3 storey retail/commercial building.
- Base Case 2: the economic impacts of the Site if it was theoretically redeveloped under Council's existing planning controls (i.e. no change to planning controls).
- Proposal: this scenario assumes that the sites remain in separate ownership, planning controls are amended and it is redeveloped.

ACCOMMODATING FUTURE GROWTH

The analysis suggests there is growing pressure on existing commercial, retail and residential floorspace in Bondi Junction Strategic Centre. This is brought about on several fronts, new growth as well as current floorspace requirements which are evolving:

- **New residents and workers**

  By 2041, it is expected that Bondi Junction's resident population will grow to 5,609, an average annual increase of 2.1% in the 30 years to 2041. This rate is twice that of the projected rate for the Waverley LGA (0.8%) and higher than the Central Subregion (1.3%) over the same timeframe. This is an additional 2,575 residents (from 2011) requiring around 1,341 new dwellings.

  By 2041, it is expected that employment in Bondi Junction Strategic Centre will grow to 14,012, an average annual increase of 1.1% from 2011. This is an additional 3,815 employees (projected 14,012 employees less 10,161 employees at 2011) would require 95,375sqm of additional floorspace.

- **Demand for commercial floorspace**

  The demand for commercial floorspace in Bondi Junction is strong. Tenant requirements are evolving and as a consequence many tenants are increasingly selective about the buildings they lease, demanding more worker amenity.

  In order to respond to this evolving demand for commercial floorspace the Proposal proposes approximately 12,543sqm of combined commercial/retail floorspace to respond to demand (increasing the quantum of commercial floorspace currently on the Site).

- **Demand for retail floorspace**

  In line with phenomenal growth projected for Bondi Junction Strategic Centre commensurate retail floorspace is required. In order to respond to this demand the Proposal proposes approximately 12,543sqm of combined commercial/retail floorspace.

- **Demand for residential floorspace**

  By 2041, it is expected the total number of dwellings in Bondi Junction Strategic Centre will grow to 2,972 (more than 1,341 new dwellings), an average annual increase of 2.0% in the 30 years to 2041. This rate is greater than that projected for the LGA (1.5%) and even higher than that compared to the Central Subregion (1.4%) over the same timeframe. The Proposal aims to cater to some of this demand by providing 39 apartments.

ECONOMIC IMPACT ASSESSMENT

Base Case 1 (Existing Buildings)

Current activity supported at the Site are estimated to support (including direct and indirect activity) annually:

- $162.2 million in output.
- A $91.3 million contribution to GRP.
- $57.4 million in incomes and salaries paid to local workers.
- 755 FTE jobs.

Table E.1: Current Economic Activity Supported ($2017)

Impact	Output ($M)	GRP ($M)	Income ($M)	Employment (FTE)
Direct Impact	$58.1	$33.6	$26.1	270
Indirect Impact (Type I)	$27.0	$14.1	$8.8	95
Indirect Impact (Type II)	$77.0	$43.6	$27.1	390
Total Impact	**$162.2**	**$91.3**	**$57.4**	**755**

Note: Totals may not sum due to rounding.
Source: AEC

Base Case 2 (Under Council's Existing Controls)

Activity supported at the Site under Council's existing controls is estimated to support (including direct and indirect activity) annually:

- $464.0 million in output.
- A $269.5 million contribution to GRP.
- $167.5 million in incomes and salaries paid to local workers.
- 2,135 FTE jobs.

Table E.2: Base Case 2 Economic Activity Supported ($2017)

Impact	Output ($M)	GRP ($M)	Income ($M)	Employment (FTE)
Direct Impact	$184.8	$114.1	$72.1	846
Indirect Impact (Type I)	$71.2	$37.7	$22.4	236
Indirect Impact (Type II)	$208.1	$117.7	$73.1	1,053
Total Impact	**$464.0**	**$269.5**	**$167.5**	**2,135**

Note: Totals may not sum due to rounding.
Source: AEC

Proposal Case

Once established and in steady state operations (i.e., whereby all facilities have been developed and long-term average utilisation rates prevail), the redeveloped Site under Option A is estimated to support on an ongoing annual basis:

- $355.0 million in output.
- A 206.2 million contribution to GRP.
- $128.2 million in incomes and salaries paid to local workers.
- 1,634 FTE jobs.

Table E.3: Redeveloped Site, Operational Economic Activity Supported ($2017)

Impact	Output ($M)	GRP ($M)	Income ($M)	Employment (FTE)
Direct Impact	$141.4	$87.3	$55.2	647
Indirect Impact (Type I)	$54.5	$28.9	$17.1	181
Indirect Impact (Type II)	$159.2	$90.0	$55.9	806
Total Impact	**$355.0**	**$206.2**	**$128.2**	**1,634**

Note: Totals may not sum due to rounding.
Source: AEC

NET IMPACTS

The Proposal represents a significant development for the Waverley local economy.

It should be noted that this analysis does not consider the potential for either the transfer of activity from other Waverley LGA centres into the redeveloped site or the transfer of existing Site activity to alternative centres within the Waverley LGA as a result of the redevelopment.

Table ES.1 identifies the direct economic impacts and derives a total score for Proposal using the Base Case 1 (the current buildings on the Site) as the starting point of '0'. The higher the positive score the greater the net positive economic impact from a community perspective, the lower the score the greater the adverse economic impact. The maximum achievable score for each impact is +3.

Table ES.1: Economic Impact of Base Case 1 and Base Case 2 versus the Proposal (Direct Impacts)

Impact	Base Case 1	Rating	Base Case 2	Rating	Proposal	Rating
Employment & Economic Impact (Direct)						
Jobs	270	+1	846	+3	647	+3
Output ($M)	$58.1	+1	$184.8	+3	$141.4	+3
GRP ($M)	$33.6	+1	$114.1	+3	$87.3	+3
Income ($M)	$26.1	+1	$72.1	+3	$55.2	+3
Retail/Commercial Demand						
Support Retail/Commercial Demand	6,739sqm	+1	16,394	+3	12,543	+3
Housing Impact						
Housing supply	n.a.	0	n.a.	0	39	+3
Homes close to jobs	n.a.	0	n.a.	0	Yes	+3
Construction						
Output ($M)	n.a.	0	n.a.	0*	$35.1	+3
Jobs	n.a.	0	n.a.	0*	66	+3
Income ($M)	n.a	0	n.a.	0*	$5.0	+3
Total		**5**		**15**		**30**

Source: AEC
* the economic benefits from the construction phase were not measured for Base Case 2 as this option is theoretically only and unlikely to be developed from a feasibility perspective.

The Proposal would deliver a clear, strong positive economic impact comparative to Base Case 1.

While in theory Base Case 2 would deliver the greatest economic impact by accommodating the highest number of jobs, it is unlikely to be pursued.

It is an unfortunate reality in many suburban commercial markets that often existing retail/commercial uses require cross-subsidisation by residential uses to be redeveloped.

FEASIBILITY ANALYSIS

AEC undertook a feasibility analysis of Base Case 2 (i.e. if the site was to be redeveloped under Council's existing planning controls) to determine if it a 100% retail/commercial building could realistically be developed i.e. if it represents a commercial proposition.

The Hypothetical Development or Residual Land Value (RLV) approach has been adopted as the method of assessment. The RLV approach involves assessing the value of the end product of the development, allowing for development costs, and making a further deduction for the profit and risk that a developer would require to take on the project.

The Residual Land Value (RLV) can be defined to be the maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop the site, whilst achieving target hurdle rates for profit and project return. This approach involves assessment of the value of the completed product, making a deduction for development costs and further deduction for profit and risk whilst ensuring the development achieves the target project margin and return.

The RLV is compared against the 'as is' values (existing-use values). The larger the difference between RLV and existing-use value, the greater the financial incentive to redevelop the site. If existing-use values are greater than or the same as the RLVs, there would be little incentive for development to displace existing uses.

Development Typology Tested

Generic feasibility testing examined a hypothetical development of a retail/commercial building with an FSR of 4:1 and an FSR of 6:1 respectively.

The results demonstrate that both a retail/commercial building with and FSR of 4:1 and a retail/commercial building with an FSR of 6:1 are not feasible. As a result, Base Case 2 and the economic benefits identified in Table ES.2 are at best theoretically, as this development typology is not financially feasible i.e. it is not valuable enough to displace the existing uses.

Table ES.2: Feasibility Testing Outcomes

Description	Retail/Commercial	Retail/Commercial
Land Use Split	100% retail/commercial	100% retail/commercial
Assumed Total FSR*	4:1	6:1
Average Revenue ($/sqm)[1]	$6,694	$6,400
Average Cost ($/sqm)[2]	$4,093	$3,982
Residual Land Value (RLV)		
$/sqm of site area	$5,607	$7,296
$/sqm of GFA	$1,402	$1,216
Performance Indicators		
Development Margin	-1.23%	9.87%
Project Internal Rate of Return	1.84%	8.67%
Feasible?	No	No

Notes: 1 - normally based on internal area, reported on GFA, 2 - normally quoted based on GBA, reported on GFA
Source: Rawlinsons (2015), RLB (2015), AEC

Table ES.2 demonstrates that if developed, the new commercial building would not be valuable enough to displace the existing use. As a development site for retail/commercial with an FSR of 4:1, a residual land value of

$5,607/sqm ($18m) results, while a residual land value of $7,296/sqm ($24m) results if the Site were developed into a retail/commercial building with an FSR of 6:1.

Compared to the assumed existing-use value of $32m, the residual land value of the Site if developed into a retail/commercial building with an FSR of 4:1 and 6:1 ($18m and $24m respectively) would not be enough to displace the existing uses. Furthermore, the development margin and project internal rate of return are well below the target margin of 20%.

The feasibility analysis suggests an important role played by residential floorspace to cross-subsidise the provision of retail/commercial floorspace.

TABLE OF CONTENTS

1. INTRODUCTION

1.1 CONTEXTUAL OVERVIEW

Bondi Junction is defined as a Strategic Centre in accordance with the Metropolitan Strategy, *A Plan for Growing Sydney*. In accordance with the Plan, Strategic Centres are defined as locations that currently or are planned to have least 10,000 jobs. These are priority locations for employment, retail, housing, services and mixed uses. However, more recently Bondi Junction has been defined as a District Centre in the *Draft Central District Plan*. In accordance with the Plan, District Centres play a significant district role due to the presence of one or more of the following characteristics: the scale of retail activity, generally over 50,000 square metres of floor space, the presence of health and education facilities that serve the district and the local community and the level of transport services and also generally have between 5,000 to 10,000 jobs.

Bondi Junction is located in the local government area of Waverley, about 7km east of the Sydney CBD. As a District Centre, Bondi Junction accommodates a mix of land uses within walking distance from the Bondi Junction train station.

Bondi Junction is set to grow significantly in the next 25 years, leveraging off the area's strong local economy and excellent transport infrastructure. According to the NSW Bureau of Transport Statistics (BTS), Bondi Junction is set to grow considerably over the timeframe from 2011-2041. By 2041, it is expected that Bondi Junction's population will grow to 5,609, an average annual increase of 1.4% in the 20 years to 2041. This rate is twice that of the projected growth rate for the Waverley LGA (0.7%) and even higher than that of the Central Subregion (1%) over the same projection period.

Furthermore, based on employment forecasts by BTS, total employment in Bondi Junction is expected to also grow over the period 2011-2041. By 2041, it is expected that employment in Bondi Junction will grow to 14,012, an average annual increase of 4.9% from 2011. This rate is in line with both the Waverley LGA and the Central Subregion.

Despite there being a range of economic benefits associated with population and employment growth, there are challenges with accommodating growth in established/ infill areas.

Many urban centres are transforming from providing purely commercial uses to accommodate a range of uses, i.e. housing, retail, entertainment and leisure uses, etc. Allowing for a mix of uses to occur in the centre allows it to be self-sustaining, i.e. residents who live there have all their day-to-day needs met including employment, shopping, services and recreation needs. Facilitating a mix of residential, shopping, entertainment and commercial uses can ensure a critical mass of residents and local jobs to support a vibrant urban core.

As urban centres evolve, workers will be attracted to housing options in close proximity to their place of work (i.e. people will want to live and work locally). This has broader economic benefits as it promotes self-containment, improving health of the local economy.

1.2 SCOPE AND PURPOSE

Cityplan on behalf of Hollywood Investments Pty Ltd are preparing a planning proposal to amend the planning controls pertaining to 96-122 Ebley Street, Bondi Junction ("the Site"). It is proposed that the Site be rezoned from B3 Commercial to B4 Mixed Use. Furthermore, it is proposed that the FSR at 96-108 Ebley Street is amended from 4:1 to 5:1 and the FSR at 110-122 Ebley Street remains at 6:1. In order to ensure employment generating land uses are included within any redevelopment, this Planning Proposal proposes the introduction of a minimum 3.5:1 non-residential floor space ratio to apply to the Site.

AEC Group (AEC) has been engaged by Cityplan to prepare an Economic Impact Assessment (EIA) to analyse the economic impacts likely to result from the proposed planning control amendments and subsequent redevelopment of the Site. The economic impacts that could result from a redevelopment of the Site are analysed in the context of the proposed development scheme.

An economic impact that affects the level of economic or social activity generated in a defined area can be either positive or negative. The assessment of likely impacts resulting from a particular development proposal allows for

the identification, prediction and where possible quantification, of impacts as either likely benefits or negative impacts.

Owing to the scale of the development and the nature of existing uses, development is expected to be staged over an 8 to 12 year period. On this basis, we have assumed for the purposes of the Study that construction activities across the development would commence in 2016 with the proposed uses operational from 2028.

1.3 STRUCTURE OF THE STUDY

The purpose of the EIA is to consider whether the direct economic impacts of the proposed planning proposal and Masterplan are net positive compared to the existing uses and permitted uses.

Chapter 2 reviews the Site, its current context within Bondi Junction and describes the masterplan as envisaged for future redevelopment of the Site.

Chapter 3 analyses key State and local government policies as are relevant.

Chapter 4 analyses the socio-demographic profile of Bondi Junction District Centre benchmarked to Waverley LGA to understand historical housing and population growth.

This chapter also carries out an analysis of the employment profile of Bondi Junction District Centre, providing insight into the profile of current employment that subsists.

In considering Bondi Junction's future growth prospects, the Chapter also provides population, dwelling and employment projections.

Chapter 5 assesses the need for retail and commercial land uses.

Chapter 6 assesses the economic impacts of the development scheme by investigating two scenarios, these include:

- **Base Case 1:** the economic impacts of the Site in its existing use (and no change to planning controls).
- **Base Case 2:** the economic impacts of the Site if it was theoretically redeveloped under Council's existing planning controls.
- **Proposal:** this scenario assumes that the sites remain in separate ownership, planning controls are amended and it is redeveloped in the manner as proposed by the development scheme.

Chapter 7 investigates the challenges of accommodating growth and potential role for the Site.

Chapter 8 translates the key findings from Chapters 2 to 7 and applies them in the assessment of the development scheme against policy considerations.

2. THE SITE AND THE PROPOSAL

2.1 SITE CONTEXT

The Site is located within Bondi Junction. Bondi Junction is located in the local government area of Waverley, about 7km east of the Sydney CBD. Bondi Junction is serviced by the Eastern Suburbs and Illawarra Train line and contains Bondi Junction Train Station. For the purposes of the EIA, "Bondi Junction" and "Bondi Junction District Centre" are used interchangeably, however, both refer to Bondi Junction District Centre.

Figure 2.1: Strategic Context and Location of Bondi Junction

Source: Greater Sydney Commission (2016)

Bondi Junction contains a mix of retail, office, residential, community and entertainment uses. Retail uses are concentrated around Oxford Street Mall, Westfield and Eastgate while office, residential and community uses are scattered throughout the centre. This results in a mix of uses where retail, office and entertainment uses can be found directly adjacent to residential uses. Beyond the centre, residential uses dominate.

Key retail anchor in Bondi Junction is Westfield. Medium size commercial tenants occupy commercial floorspace including Fitness First Headquarters and HCF.

The Site is located within the area designated B3 Commercial Core as described in the Waverley Local Environmental Plan (2012).

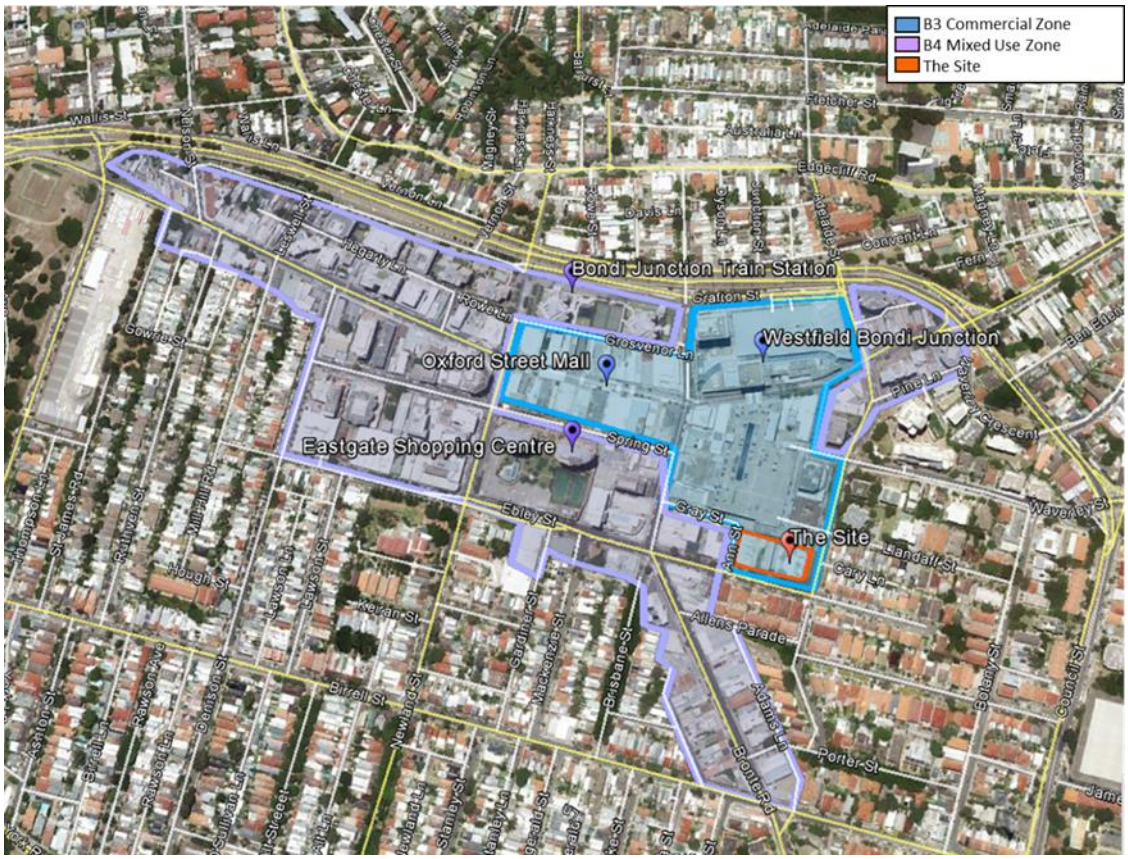
The Site occupies the majority of one block and is situated in the south-eastern corner of the main commercial and retail area. The Site has frontages to Hollywood Avenue to the east, Ebley Street to the south and Ann Street to the west.

The block contains the following properties:

- 96-100 Ebley Street.
- 102-104 Ebley Street.
- 106 Ebley Street.
- 108 Ebley Street.
- 110-122 Ebley Street.

The area to the north of the Site is occupied by Bondi Junction Westfield, the area east and south of the Site contain medium density residential development. The area west of the Site is occupied by commercial buildings.

Figure 2.2: Site Location Plan



Source: Google Pro, AEC

As Bondi Junction continues to grow strongly and the nature of Bondi Junction continues to transform to incorporate a mix of uses in the centre so that it becomes increasingly self-sustaining, i.e. residents and workers' day-to-day needs met. There is opportunity to redevelop the Site to better meet the growing needs of Bondi Junction and sustain a vibrant urban core.

2.2 EXISITING IMPROVEMENTS

The Site is currently improved by the following:

Address	Improvements
96-100 Ebley Street	This is 2 storey commercial/retail building. This is tenanted by Australian Pacific College, Prior Education and Anytime Fitness.
102-104 Ebley Street	This is a 2 storey commercial/retail building. This is tenanted by a brothel.
106 Ebley Street	This is a 2 storey commercial/retail building. This is tenanted by Eastern Therapies, dental surgery and doctors surgery.
108 Ebley Street	This is a 2 storey commercial/retail building. This is tenanted by a medical centre on the ground floor and shop-top housing above.
110-122 Ebley Street	This building is a 3 storey commercial/retail building. It is currently tenanted by: Commonwealth Bank (ground floor), The Cosmetic Institute (Ground Floor), Fibonacci Coffee (ground floor), Richardson and Wrench (ground floor) Shenstone & Charles P/L & Eastern Suburbs Commercial P/L (level 1) and SELC Australia Pty Ltd (level 1 and level 2).

Source: XPace, AEC

2.3 THE PROPOSAL

The Planning Proposal proposes to amend the Bondi Junction Local Environmental Plan (2012) to facilitate development as envisaged by the Proposal.

It is proposed the following is amended:

- The site is rezoned from B3 Commercial Core to B4 Mixed Use.
- The FSR at 96-108 Ebley Street is amended from 4:1 to 5:1 and the FSR at 110-122 Ebley Street remains at 6:1. In order to ensure employment generating land uses are included within any redevelopment, this Planning Proposal proposes the introduction of a minimum 3.5:1 non-residential floor space ratio to apply to the Site.

The key features of the Proposal include:

- 39 apartments.
- Commercial/retail floorspace of 12,543sqm.
- Retail activation at ground level of Ebley Street.

Table 2.1 outlines the mix and quantum of uses envisaged by the Proposal.

Table 2.1: Proposed Floorspace

Mix of Uses	Site 1 GFA (sqm)	Site 2 GFA (sqm)	Site 3 GFA (sqm)
Ground floor			
Commercial	420	262	941
Level 1			
Commercial	686	403	1,288
Level 2			
Commercial	686	403	1,288
Level 3			
Commercial	686	403	934
Residential			289
Level 4			
Commercial	686	403	934
Residential			289
Level 5			
Commercial	686	403	934
Residential			289
Level 6			
Residential	356.10	265	816
Level 7			

Mix of Uses	Site 1 GFA (sqm)	Site 2 GFA (sqm)	Site 3 GFA (sqm)
Residential	356.10	265	816
Level 8			
Residential	356.10	265	816
Total Non-Residential GFA	**3,893**	**2,298**	**6,352**
Total Residential GFA	**1,118**	**857**	**3,315**
Total GFA	**5,011**	**3,155**	**9,667**

Source: XPace (2017)

3. POLICY ANALYSIS

3.1 STATE PLANNING POLICY/LEGISLATION

3.1.1 NSW State Plan (2011)

The NSW 2021 Plan (NSW DPC, 2011) aims to rebuild the NSW economy, provide quality services, renovate infrastructure, restore government accountability and strengthen NSW's local environment and communities.

The Plan comprises five sub-strategies. The main sub-strategy that is of relevance to this Strategy is 'Rebuild the Economy'. The following goals are of particular importance to this Strategy:

- Goal 1: Improve the Performance of the NSW Economy - states that a strong economy generates opportunities for fulfilling jobs, choices and financial security. The target of the Plan is to grow employment by an average of 1.25% per year to 2020.
- Goal 4: Increase the Competitiveness of Doing Business in NSW – states that there should be an increase in business innovation. Furthermore, it is put forward that high performing businesses should be supported to innovate in order to further enhance productivity through Industry Action Plans. The plans will identify innovation drivers and barriers within key sectors (professional services, manufacturing, digital economy, tourism and events, and education and research).
- Goal 5: Place Downward Pressure on the Cost of Living – the aim of the goal is to reduce the pressure on household budgets where possible by providing support to people in need and dealing with the underlying causes of rising household costs. The State government plans to increase the supply of land for housing and provide incentives to help make housing in NSW more affordable and housing stock more appropriate for people's needs. The objective of this is to place as much downward pressure as possible on household electricity bills through greater energy efficiency and more cost–effective energy supply.

3.1.2 A Plan for Growing Sydney (2014)

A Plan for Growing Sydney (NSW DPE, 2014) (the Plan) sets the strategic direction for Sydney towards 2031. The overarching vision is that by 2031, Sydney will be "a strong global city, a great place to live". The Plan is built around four key goals:

- A competitive economy with world-class services and transport.
- A city of housing choice with homes that meet our needs and lifestyles.
- A great place to live with communities that are strong, health and well connected.
- A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

Goal 1: A Competitive Economy with World-class Services and Transport

Of particular relevance to the EIA is *Goal 1: A competitive economy with world-class services and transport*. One of the associated directions – *Direction 1.7: Grow Strategic Centres by providing more jobs closer to home* states that removing "pinch points" in access to strategic centres and transport gateways improves access to jobs and services.

The public transport network connecting these centres provides many people with direct access to a range of job locations, as well as access to education facilities, health centres and hospitals, and sporting, cultural and entertainment facilities. Delivering more housing through targeted urban renewal around centres on the transport network will provide more homes closer to jobs and boost the productivity of the city.

Goal 2: A City of Housing Choice

Another goal of relevance is *Goal 2: A city of housing choice, with homes that meet our needs and lifestyles*. The following key directions/actions are of relevance to this Assessment.

- **Accelerate housing supply and local housing choice (Direction 2.1/Action 2.1.1)**

  The Plan states the Government is working to achieve its target of an additional 664,000 new dwellings by 2031. The Plan acknowledges that increasing housing supply and addressing housing affordability and choice will assist in reaching the target.

  Working with the market to deliver new housing

  Importantly the Plan acknowledges that Government and local councils need to understand and respond to the housing market in each and every Local Government Area. The housing market reflects consumer demand and willingness to pay for particular types of housing in particular locations.

  It is the role of the private sector to build new houses. The private sector will only develop housing on rezoned sites where there is sufficient consumer demand for it, at a price that provides a return to the developer. Local councils should assist housing production by identifying and rezoning suitable sites for housing.

- **Accelerate urban renewal across Sydney – providing homes closer to jobs (Direction 2.2/Action 2.2.2)**

  A Plan for Growing Sydney focuses new housing in centres which have public transport that runs frequently and can carry large numbers of passengers.

- **Improve housing choice to suit different needs and lifestyles (Direction 2.3)**

  The Plan states as the population ages, many people will choose to downsize their homes. Most people will prefer to remain in their communities – around 50 per cent of people looking to purchase a new house stay within their current Local Government Area. To respond to these issues, the Government will introduce planning controls that increase the number of homes in established urban areas.

  Action 2.3.3 Deliver more opportunities for affordable housing recognises the need meet the housing needs of people on very low, low and moderate incomes. People in lower income brackets that spend more than 30 per cent of their gross income on rent are said to be experiencing rental stress.

  The Plan states that in order to respond to these issues, the Government will introduce planning controls that increase the number of homes in established urban areas to take advantage of public transport, jobs and services.

Goal 3: Sydney's great places to live

Goal 3 and the associated Direction 3.1: Revitalise existing suburbs emphasises that focusing new housing within Sydney's established suburbs brings real benefits to communities and makes good social and economic sense. This type of development lowers infrastructure costs; reduces the time people spend commuting to work or travelling between places.

Furthermore, Direction 3.2 Create a network of interlinked, multipurpose open and green spaces across Sydney. A Plan for Growing Sydney aims to improve the quality of green spaces and create an interconnected network of open spaces and parks, tree-lined streets, bushland reserves, riparian walking tracks and National Parks.

Bondi Junction Strategic Centre

A Plan for Growing Sydney outlines the following priorities for Bondi Junction Strategic Centre:

- Work with council to retain a commercial core in Bondi Junction, as required, for long-term employment growth.
- Work with council to provide capacity for additional mixed-use development in Bondi Junction including offices, retail, services and housing.

3.1.3 Draft Central District Plan

The Plan divides Greater Sydney into three cities, the Eastern City, Central Sydney and Western Sydney. The metropolis of three cities acts as a central organising strategy in the planning for Greater Sydney as an eight million-strong metropolis by 2056. It will guide future decision-making and the priorities of government and industry to a more productive, sustainable and equitable city.

The Draft Central District Plan sets out a 20-year vision, priorities and actions for the Central District. The Draft Plan sets outs out three goals:

- A Productive City (Goal 1)
- A Liveable City (Goal 2 and Goal 3)
- A Sustainable City (Goal 3 and Goal 4)

Of particular relevance to this Study is a productive city and a liveable city.

A Productive City

The Draft Plan outlines several productivity priorities and actions for the Central District. Of relevance to this Study are the following priorities and actions:

- Enhancing the Eastern City's role as a global leader
    - Growing the knowledge economy in the Sydney City
        - Creating opportunities for the growth of commercial floor space
- Planning for job targets in strategic and district centres
    - Plan for the growth of centres
- Growing economic activity in centres
    - Manage growth and change in strategic and district centres and, as relevant, local centres
    - Planning for retail floor space provision and demand in the Central District
        - Prioritise the provision of retail floor space in centres
- Improve 30 minute access to jobs and services

Bondi Junction District Centre

The Draft Plan designates Bondi Junction as a District Centre. The Draft Plan states that a District Centre play a significant district role due to the presence of one or more of the following characteristics:

- the scale of retail activity, generally over 50,000 square metres of floor space
- the presence of health and education facilities that serve the district and the local community
- the level of transport services.

District centres also generally have between 5,000 to 10,000 jobs.

The Draft Plan sets job targets for the strategic and district centres, the Draft Plan states Bondi Junction has a baseline target of 17,000 and a higher job target of 20,500 towards 2036.

The Draft Plan states the following priorities for Bondi Junction:

- Consider potential options for future public transport connections to the south east of the District in order accommodate forecast population and employment growth and provide better connectivity between the south east of the District and the rest of Greater Sydney. This should enhance economic, social and environmental outcomes for the District.
- Expand the function and type of land uses in the centre including attracting A-Grade office tenants and knowledge-intensive jobs.

- Improve access from the centre of Bondi Junction to nearby open space and recreation facilities such as Queens Park, Centennial Park and Bondi Beach.
- Recognise the centre's health attributes to support the Randwick health and education precinct and mechanisms for increasing floor space for health uses, including a health focused business incubator.

A Liveable City

The Draft Plan outlines several liveability priorities and actions for the Central District. Of relevance to this Study are the following priorities and actions:

- Improve housing choice
  - Deliver Central District's five-year housing supply target.
  - Create housing capacity in the Central District.
- Improve housing diversity and affordability
  - Plan for housing diversity
    - Deliver housing diversity
- Create great places
  - Provide design-led planning

The Plan's housing target for Waverley LGA is 1,250 additional dwellings between 2016-2021.

3.1.4 Section 117 Direction

Under Section 117(2) (S117(2)) of the Environmental Planning and Assessment Act 1979 the Minister for Planning and Infrastructure provides directions to planning authorities regarding proposals lodged with the DP&E.

Of relevance to this EIA is Section 1.1 Business and Industrial Zones which stipulates the objectives of S117(2) which are as follows:

- Encourage employment growth in suitable locations.
- Protect employment land in business and industrial zones.
- Support the viability of identified strategic centres.

Given that S117 (2) applies in this case, Council must:

Give effect to the objectives of this direction.

- Retain the areas and locations of existing business and industrial zones.
- Not reduce the total potential floor space area for employment uses and related public services in business zones.
- Not reduce the total potential floor space area for industrial uses in industrial zones.
- Ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning.

3.2 LOCAL PLANNNING POLICY/LEGISLATION

Waverley Local Environmental Plan (2012)

The Site is zoned B3 Commercial Core in accordance with the Waverley Local Environmental Plan (2012). The objectives of the zone are:

- To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community.

- To encourage appropriate employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.
- To strengthen the role of the Bondi Junction Centre as a major commercial centre and ensure that commercial uses dominate.
- To provide direct, convenient and safe pedestrian links between the Bondi Junction bus concourse, rail station and Oxford Street Mall and reinforce the bus and rail interchange as a major passenger transport facility.

The B3 Commercial Core zone permits the following uses: building identification signs; business identification signs; child care centres; commercial premises; community facilities; educational establishments; entertainment facilities; function centres; hotel or motel accommodation; information and education facilities; medical centres; passenger transport facilities; recreation facilities (indoor); registered clubs; respite day care centres; restricted premises; roads and self-storage units.

The height control for the area zoned B3 Commercial ranges from 10m-60m. The height control of the Site is 32m.

The floorspace ratio (FSR) control in the area zone B3 Commercial ranges from 3:1 to 8:1. The FSR control for the Site is 4:1 and 6:1.

4. SOCIO-ECONOMIC PROFILE

4.1 ECONOMY AND EMPLOYMENT

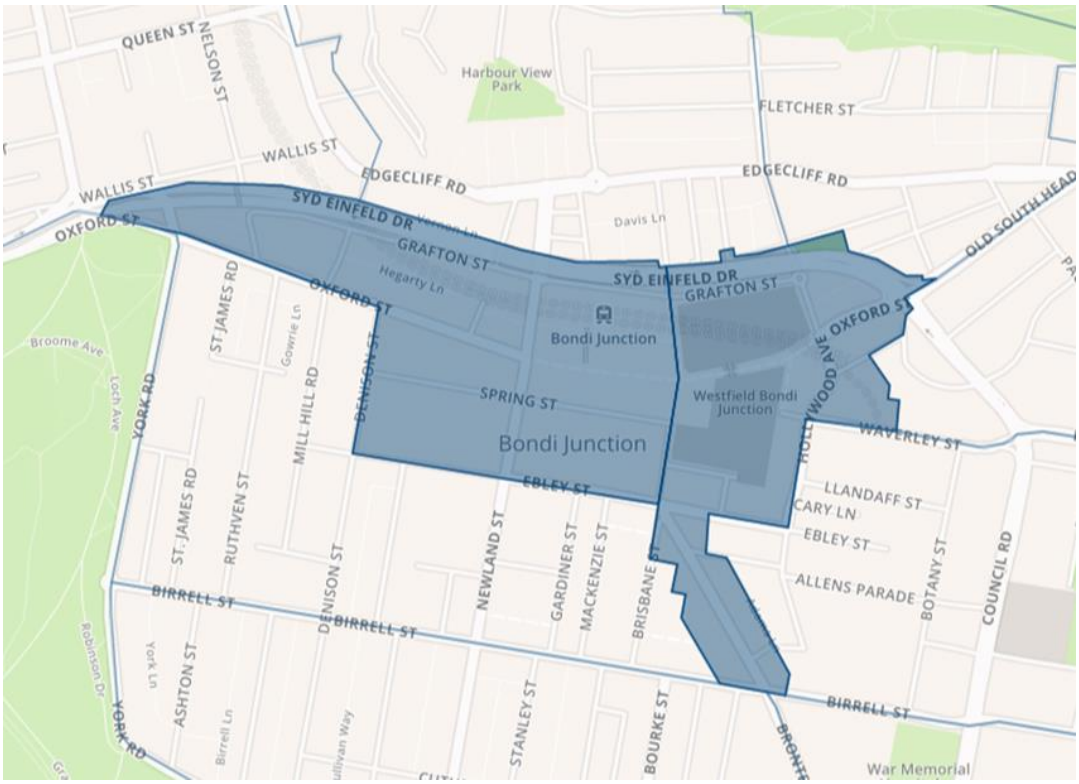
In order to understand the employment and economic activity occurring in Bondi Junction District Centre (where the Site is located) ABS data was analysed. **Figure 4.1** depicts the ABS statistical area analysed.

The BTS travel zone boundaries do not exactly align with B3 Commercial Core zone that comprises Bondi Junction. Nevertheless, the employment profile provides a contextual indication of the employment structure of Bondi Junction.

This section considers the employment profile of workers in the centre by analysing types of employment categorised under Australian and New Zealand Standard Industrial Classification (ANZSIC). The ANZSIC has been developed jointly by the Australian Bureau of Statistics and Statistics New Zealand to improve the comparability of industry statistics between the two countries and the rest of the world.

The ANZSIC is a hierarchical classification of industry with four levels, namely Divisions (the broadest level), Subdivisions, Groups and Classes (the finest level). At the Divisional level (referred to as 1-digit ANZSIC), the main purpose is to provide a limited number of categories which provide a broad overall picture of the economy.

Figure 4.1: Precinct Employment Analysis



Source: BTS (2015)

Employment Profile

Key employment data for Bondi Junction highlights that:

- Estimated employment of approximately 10,161 people in 2011.
- Retail trade (29.4%), health care and social assistance (12.2%) and professional, scientific & technical services (10.1%) are the largest employers.
- Key occupations include sales workers (25.9%), professionals (20.7%) and managers (14.9%) reflective of its industry profile.

Table 4.1: Employment Profile Overview, Bondi Junction District Centre

Indicator	Bondi Junction District Centre
Total Employment (Number)	
2011	10,161
Key Industries (2011, % of Total Employment)	
Retail trade	29.4%
Health Care and Social Assistance	12.2%
Professional, Scientific & Technical Services	10.1%
Key Occupations (2011, % of total)	
Sales Workers	25.9%
Professionals	20.7%
Managers	14.9%

Source: BTS (2014a)

The following sections investigate at a finer grain the composition of employment.

Employment by Industry

In 2011, Bondi Junction District Centre employed 10,161 workers. Retail trade (29.4%), health care and social assistance (12.2%) and professional, scientific & technical services (10.1%) are the largest employers. Other sectors represented include: accommodation and food services (8.5%), financial and insurance services (4.9%) and arts and recreation services (4.4%).

This highlights a broad industry mix, comprising white collar and service based industries.

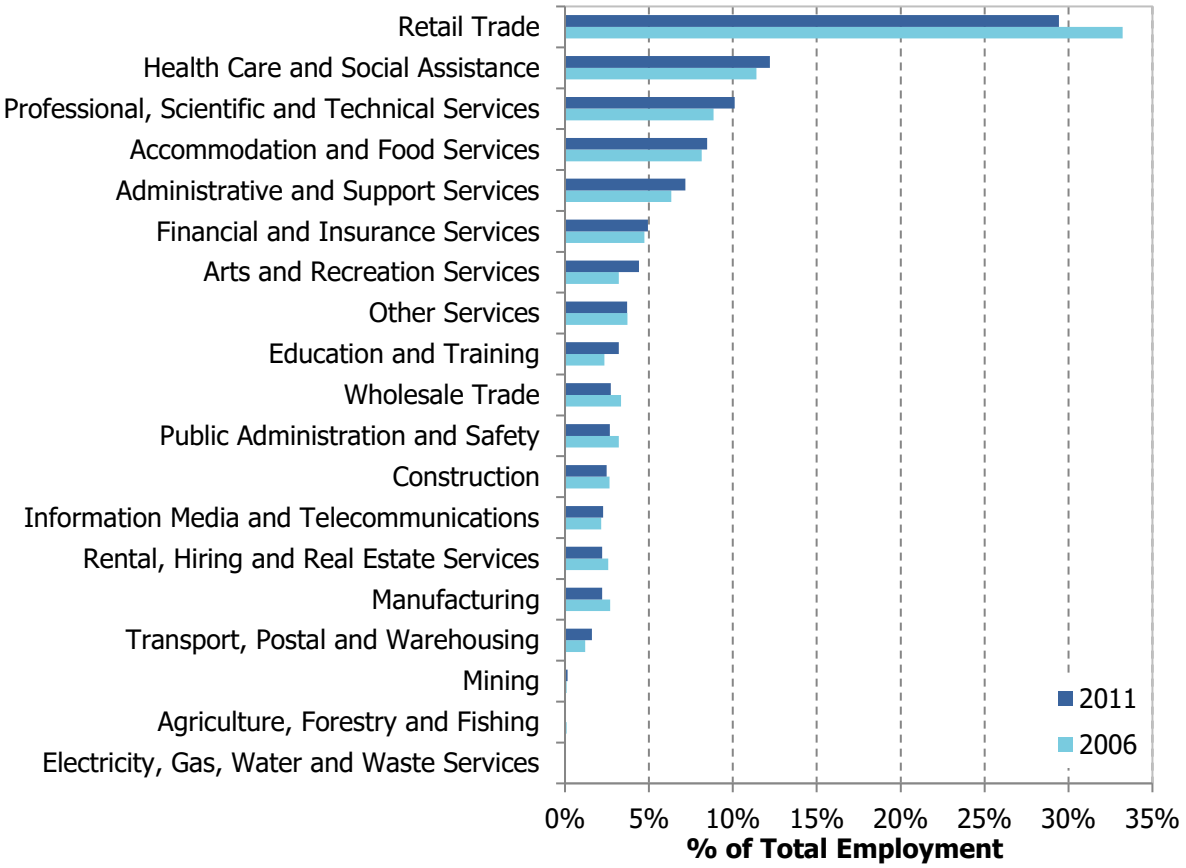
Figure 4.2 demonstrates that between 2006-2011 the number of jobs in Bondi Junction District Centre increased by 890 or 9.6%. The largest growth industries by number of jobs were: professional and scientific services (207), health care and social assistance (181) and arts and recreation services (150).

Table 4.2: Employment by Industry, 2006-2011 (19 Sector – 1 Digit ANZSIC)

Industry	2006		2011		Change (2006-11)	
	No.	%	No.	%	No.	(%)
Agriculture, Forestry and Fishing	9	0.1%	4	0.0%	-5	-57.6%
Mining	9	0.1%	16	0.2%	7	75.6%
Manufacturing	250	2.7%	224	2.2%	-26	-10.4%
Electricity, Gas, Water and Waste Services	0	0.0%	0	0.0%	0	-100.0%
Construction	247	2.7%	251	2.5%	5	1.9%
Wholesale Trade	309	3.3%	277	2.7%	-32	-10.4%
Retail Trade	3,081	33.2%	2,991	29.4%	-90	-2.9%
Accommodation and Food Services	755	8.1%	860	8.5%	106	14.0%
Transport, Postal and Warehousing	111	1.2%	163	1.6%	52	46.6%
Information Media and Telecommunications	200	2.2%	230	2.3%	30	15.1%
Financial and Insurance Services	438	4.7%	502	4.9%	64	14.7%
Rental, Hiring and Real Estate Services	239	2.6%	224	2.2%	-14	-6.0%
Professional, Scientific and Technical Services	820	8.8%	1,027	10.1%	207	25.3%
Administrative and Support Services	587	6.3%	729	7.2%	142	24.2%
Public Administration and Safety	298	3.2%	272	2.7%	-26	-8.6%
Education and Training	217	2.3%	326	3.2%	108	49.7%
Health Care and Social Assistance	1,058	11.4%	1,239	12.2%	181	17.1%
Arts and Recreation Services	298	3.2%	448	4.4%	150	50.6%
Other Services	345	3.7%	377	3.7%	31	9.1%
Total	**9,270**	**100.0%**	**10,161**	**100.0%**	**890**	**9.6%**

Source: BTS (2014a)

Figure 4.2: Employment by Industry, 2006-2011



Source: BTS (2014a)

Employment by Occupation

The employment profile of Bondi Junction primarily comprises sales workers (25.9%), professionals (20.7%) and managers (14.9%) reflecting a large representation of jobs across service and white collar dominated industries.

Table 4.3: Employment by Occupation, 2006-2011 (1-digit ANZSIC)

Occupation	2006		2011	
	Employment	% of Total	Employment	% of Total
Managers	1,394	15.0%	1,513	14.9%
Professionals	1,756	18.9%	2,099	20.7%
Technicians and Trades Workers	600	6.5%	680	6.7%
Community and Personal Service Workers	949	10.2%	1,180	11.6%
Clerical and Administrative Workers	1,426	15.4%	1,487	14.6%
Sales Workers	2,567	27.7%	2,627	25.9%
Machinery Operators and Drivers	112	1.2%	112	1.1%
Labourers	465	5.0%	460	4.5%
Total	**9,270**	**100.0%**	**10,161**	**100.0%**

Note: Totals may not add up to other BTS tables due to different databases utilised and rounding.
Source: BTS (2014a)

Bondi Junction comprises a broad industry mix. Trends demonstrate the major industries of growth between 2006 and 2011 were: professional and scientific services (207), health care and social assistance (181) and arts and recreation services (150).

There is a higher proportion of service workers (i.e. sales workers) and white collar occupations in Bondi Junction, such as professionals and managers. The industry mix provides good growth prospects for employment, with many white collar sectors forecast to grow significantly in Australia over the medium to long term. These have implications for commercial floorspace requirements.

Significantly, the ability to attract and retain a skilled local labour force is crucial in promoting investment and attracting additional such businesses to Bondi Junction.

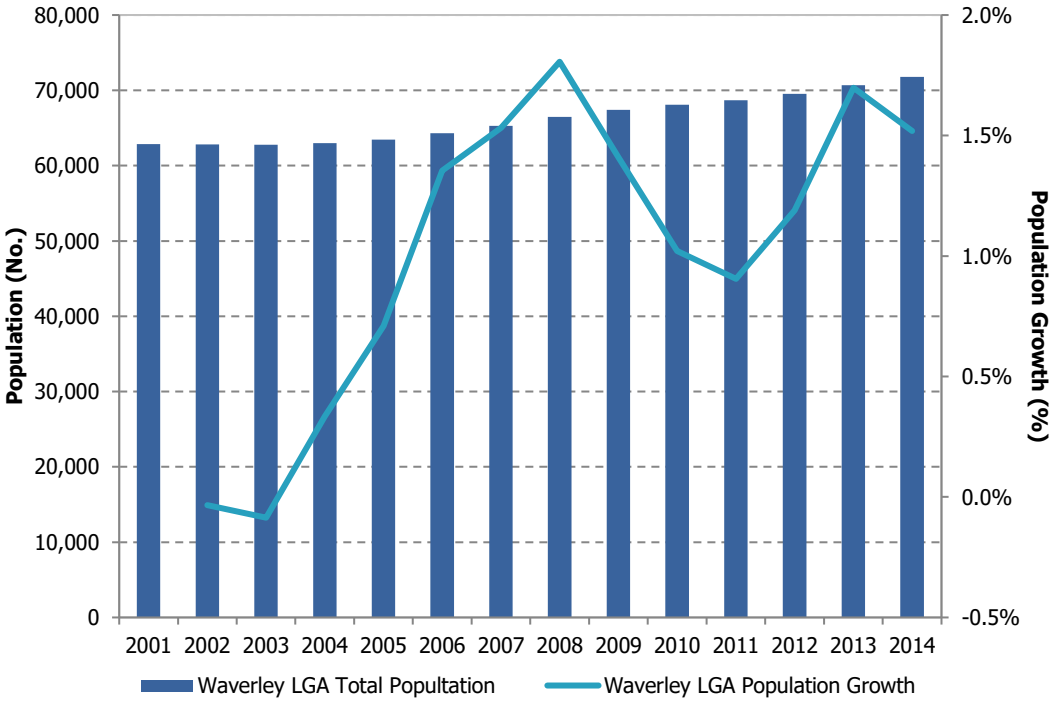
4.2 SOCIO-DEMOGRAPHIC PROFILE

This section provides a summary of the key demographic indicators for residents of Waverley LGA (the LGA).

4.2.1 Population

The LGA had an estimated population of 71,769 people in 2014, representing an increase of approximately 8,781 people between 2004 and 2014.

Figure 4.3: Population Growth, Waverley LGA, 2001-2014



Source: ABS (2014b)

4.2.2 Household Ownership

An analysis of household structure is important to understand the household types that are attracted to the LGA.

- In 2011, the LGA comprised primarily of family households (58.4% of all households), an increase from 2006 (47.6%).
- The proportion of family households in the Subregion and the Metropolitan area also rose between 2006 and 2011. However, the Subregion comprised of a relatively lower proportion of family households as a total of overall households (54.6% in 2011) compared to both the LGA and Sydney Metropolitan area (69.5% in 2011).

- The Subregion comprised of a higher proportion of non-family households (i.e. single person households, group households and other households) compared to the LGA and Metropolitan area. Between 2006 and 2011 the proportion of single person households in the Subregion grew (27.3% to 27.5%), while they remained constant in the LGA (around 27%) and decreased in the Metropolitan area (21.6% to 21.5%).
- In terms of household ownership, the LGA reported a lower proportion of households fully owned (23.3% in 2011), compared to the Subregion (25.4%) and the Metropolitan area (31.1%). Between 2006 and 2011 though, household ownership in the LGA increased. Whereas it declined the Subregion and Metropolitan Area. This trend has moderated slightly since 2006 but remains significant in 2011 with 23.3% of LGA households fully owned, compared to 25.4% in the Subregion and 31.1% in the Metropolitan area.
- The LGA reported a lower proportion of households rented compared to the Subregion (42.4% for the LGA and 45.9% for the Subregion in 2011). However, this trend has reversed somewhat with the LGA reporting a marginal increase in rented households as proportion of total households between 2006 and 2011, while in the Subregion renting as a proportion of total households remained constant.

4.2.3 Dwelling Structure

The LGA has a considerably different dwelling structure mix compared to the Subregion and the Metropolitan area:

- In 2011, the LGA reported a significantly higher proportion of units (over half of all dwellings at 60.5%) compared to Subregion (54.9%) and Metropolitan area (27.6%).
- The inverse is true for detached dwellings in 2011, which accounted for 20% of all dwellings in the LGA. This was considerably lower than the Subregion (25.1%) and Metropolitan area (58.9%).
- The LGA reported a comparable proportion of semi-detached or row dwellings in 2011 (18.8%) to the Subregion (18.8%), yet higher than the Metropolitan Area (12.8%).
- Growth across dwelling structures for all three areas were characterised by similar trends between 2006 and 2011, with only the separate houses structure reporting a decline over the period. The flat, unit and apartment structure grew as a proportion of total dwellings in all three areas between 2006 and 2001, as did semi-detached or rows.

4.3 POPULATION, DWELLING AND EMPLOYMENT GROWTH

This section provides an analysis of projections for key indicators in the local economy: population, dwellings and employment. Bondi Junction is comprised of two Travel Zones as defined by the BTS (517 and 518).

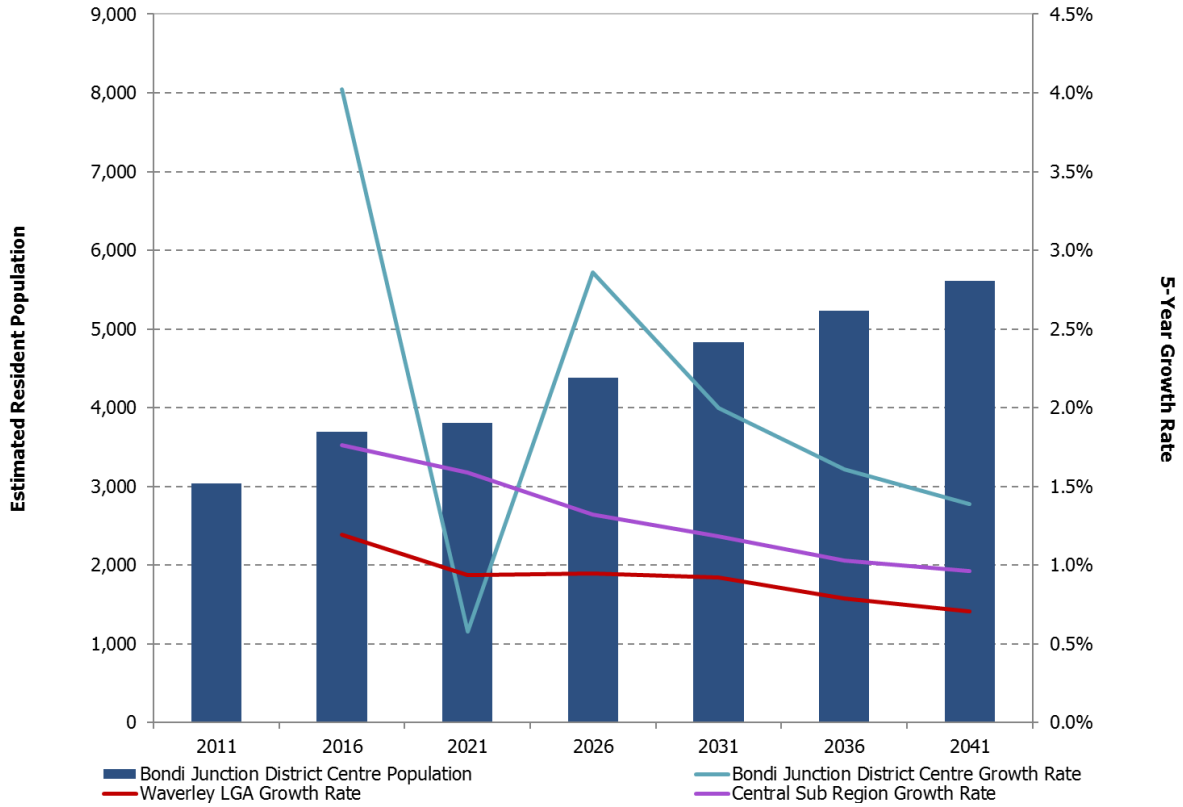
4.3.1 Population Projections

Based on population forecasts by the BTS, Bondi Junction's total population is expected to grow considerably over the timeframe from 2011-2041. By 2041, it is expected that Bondi Junctions population will grow to 5,609, an average annual increase of 2.1% in the 30 years to 2041. This rate is twice that of the projected rate for the Waverley LGA (0.8%) and higher than the Central Subregion (1.3%) over the same timeframe.

Although the 5-year annual average growth rate for Bondi Junction District Centre projected population is expected to remain positive, it is forecast to steadily slow over the timeframe.

In 2041, it is projected that the 5-year annual average growth rate of the Centre's population will slow to 1.4%, while still slightly higher than the expected rate for the LGA (0.7%) and Subregion (1.0%).

Figure 4.4: Projected Population Growth, Bondi Junction District Centre, 2011-2041



Source: BTS (2014b)

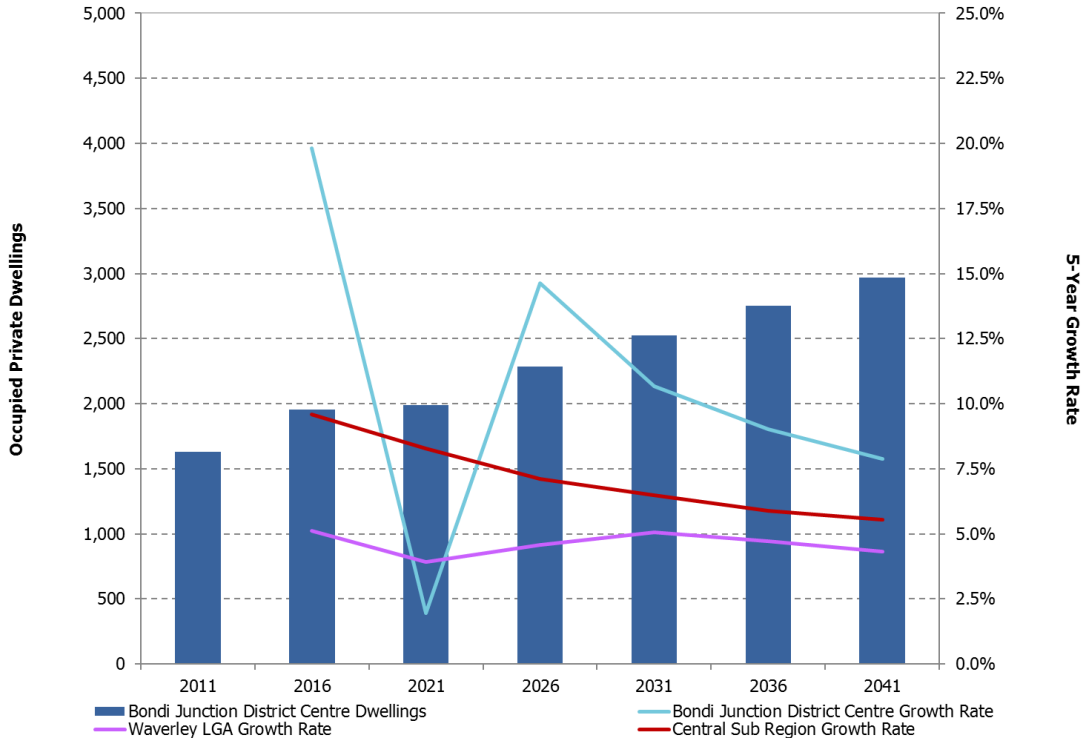
4.3.2 Dwelling Projections

Based on dwelling forecasts by the BTS, the total number of dwellings in Bondi Junction District Centre is expected to grow considerably over the timeframe from 2011-2041. By 2041, it is expected the total number of dwellings in Bondi Junction District Centre will grow to 2,972, an average annual increase of 2.0% in the 30 years to 2041. This rate is greater than that projected for the LGA (1.5%) and even higher than that compared to the Central Subregion (1.4%) over the same timeframe.

Although the 5-year annual average growth rate for projected dwellings in Bondi Junction District Centre is expected to remain positive, it is forecast to steadily slow over the timeframe.

In 2041, it is projected that the 5-year annual average growth rate for dwellings in Bondi Junction District Centre will drop to 1.2%, while still slightly higher than the expected rate for the LGA (0.7%) and Subregion (0.9%).

Figure 4.5: Projected Dwelling Growth, Bondi Junction District Centre, 2011-2041



Data is presented for Occupied Private Dwellings
Source: BTS (2014b)

4.3.3 Employment Projections

Based on employment forecasts by the Bureau of Transport and Statistics, total employment in Bondi Junction District Centre is expected to continue to grow over the timeframe from 2011-2041. By 2041, it is expected that employment in Bond Junction District Centre will grow to 14,012 jobs, an average annual increase of 1.1% from 2011. This rate is in line with both the LGA and the Central Subregion.

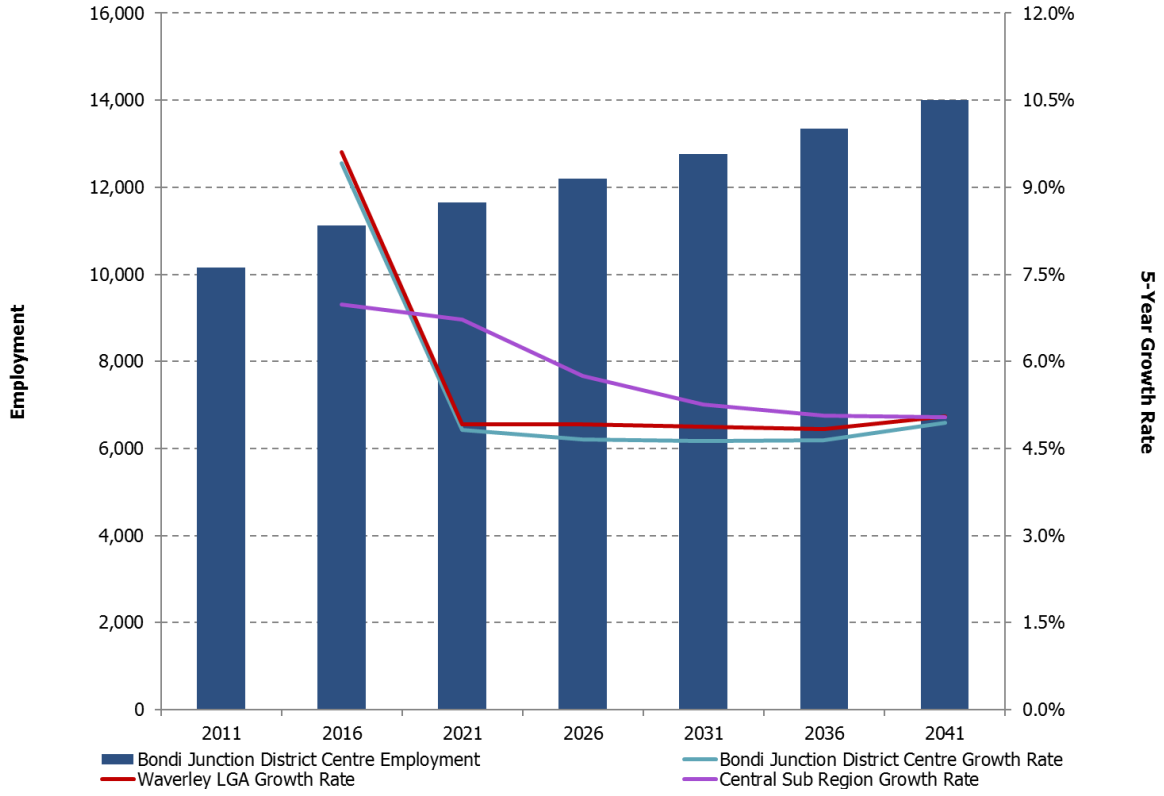
The 5-year annual average growth rate for projected employment in Bondi Junction is expected to steadily grow over the timeframe.

By 2041, it is projected that the 5-year annual average growth rate of employment in Bondi Junction District Centre will be 1.0%. This is in line with the expected employment growth rate in the LGA and Subregion.

The BTS employment projections for Bondi Junction District Centre demonstrate the top 5 industries of growth towards 2041 will be:

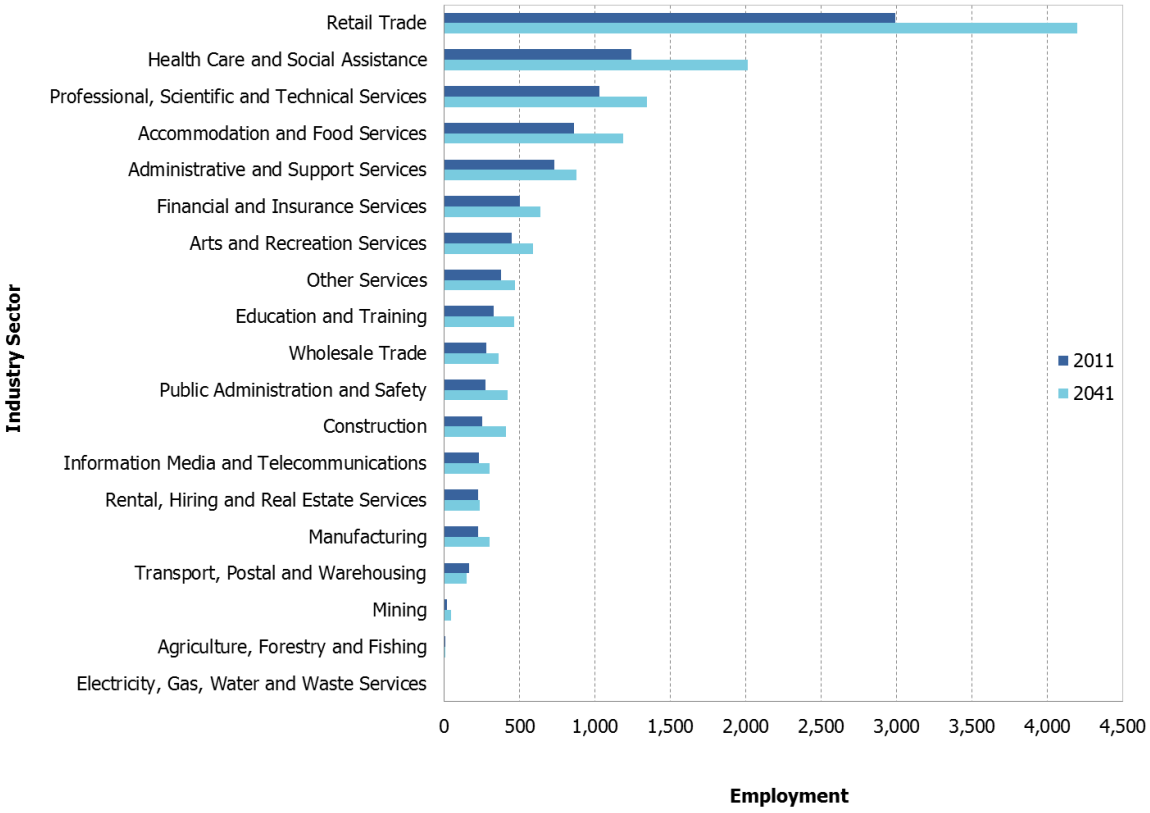
- Health Care and Social Assistance (+1,716);
- Retail Trade (+1,558);
- Education and Training (+917);
- Construction (+903); and
- Accommodation and Food Services (+868).

Figure 4.6: Projected Employment Growth, Bondi Junction District Centre, 2011-2041



Source: BTS (2014b)

Figure 4.7: Employment by Industry, Bondi Junction District Centre, 2011-2041



Source: BTS (2014b)

4.4 NEED FOR THE PROPOSAL

Bondi Junction's employment profile comprises a broad industry mix, with a dominance in retail trade and healthcare and social assistance. Trends demonstrate the major industries of growth between 2006-2011 were: professional and scientific services (+207), health care and social assistance (+181) and arts and recreation services (+150).

The housing data suggests that Woollahra LGA contains a low proportion of households fully owned (23.3% in 2011), compared to the Subregion (25.4%) and the Metropolitan area (31.1%). This is one of indicators of housing stress. The signals the need for more affordable homes.

Together, housing and employment growth projections suggest that Bondi Junction District Centre will grow significantly toward 2041. By 2041, it is expected the total number of dwellings in Bondi Junction District Centre will grow to 2,972, an average an average annual increase of 2.0% in the 30 years to 2041. This rate is greater than that projected for the LGA (1.5%) and even higher than that compared to the Central Subregion (1.4%) over the same timeframe.

By 2041, it is expected that employment in Bondi Junction District Centre will grow to 14,012 jobs, an average annual increase of 1.1% from 2011. This rate is in line with both the LGA and the Central Subregion.

BTS employment projections forecast that Bondi Junction District Centre's growth will occur in a number of key industries. These are:

- Health Care and Social Assistance (+1,716);
- Retail Trade (+1,558);
- Education and Training (+917);
- Construction (+903); and
- Accommodation and Food Services (+868).

This growth profile is in line with national employment trends. The Proposal will facilitate development of floorspace required to accommodate these jobs in growth. More specifically the retail floorspace provided will incorporate a greater range of retailers and food catering businesses, medical and health related occupiers as well as non-retail service occupiers.

The analysis demonstrates that in order to accommodate future growth in Bondi Junction District Centre, additional floorspace will be needed for both residential and employment uses.

In relative quantum terms, approximately 1,341 additional dwellings are forecast to be required to accommodate population growth. At an average employee ratio per square metre of 25sqm, an additional 3,815 employees (projected 14,012 employees less 10,161 employees at 2011) would require 95,375sqm of additional floorspace.

The Site is well positioned and can respond to the growth of Bondi Junction District Centre and comprise a greater mix of uses to keep pace with the demands of the ever-changing urban centre. As urban centres evolve, workers will be attracted to housing options in close proximity to their place of work (i.e. people will want to live and work locally). This has broader economic benefits as it promotes self-containment, improving health of the local economy.

5. COMMERCIAL/RETAIL LAND USE DEMAND

5.1 COMMERCIAL LAND USES

5.1.1 Drivers of Demand

This section outlines key macro and micro trends that influence demand for commercial floorspace in Bondi Junction District Centre. A review of these trends and their potential implications is important in assisting with understanding if and how the Proposal would complement the Bondi Junction commercial market.

Commercial office buildings have a significant market presence in Bondi Junction as many corporate headquarters and government departments locate in the area underpinning demand for commercial office space from large and smaller businesses.

The central location of Bondi Junction positions it as a desirable suburban office market.

The market for commercial floorspace has primarily been underpinned by strong fundamentals including:

- Forecast economic growth and employment activity.
- Low interest rates driving the commercial investor market.
- Population growth which drives demand for commercial and support services.
- Strongly performing retail/commercial centre driving further demand for commercial floorspace.

As populations grow, so too does the demand for, inter alia, white collar services, accordingly driving demand for commercial floorspace. These fundamentals ultimately form the core drivers to demand for commercial floorspace.

Benefiting from strong transport links, various sites are planned for redevelopment for mixed use and provide A Grade commercial floorspace to meet ongoing demand in Bond Junction.

5.1.2 Economic and Market Trends

Gross office supply across Sydney's suburban market maintained its growth momentum in 2016 with new additions totalling 44,063sqm, a 45% increase year-over-year. The strong gross supply over the past twelve months, however, was overwhelmed by a higher level of withdrawal. A total of 56,055sqm of office space has been withdrawn from the market last year, equivalent to 2% of the total stock at the beginning of the year. There have been a number of commercial buildings which have been taken offline for residential redevelopment over the past 12 months, this is one of key reasons for the reduced stock. Looking forward, gross supply is expected to decline over the next 12 months before increasing in 2018.

Investment activity in Sydney's suburban market has surged strongly over the past 12 months, underpinned by offshore investors and local unlisted funds increasing appetite for suburban properties. The total annual sales volume ($10 million+) jumped by 33% year on year to $1.8 billion in 2016. This is the highest investment level into the suburban market since the GFC in 2008.

Demand for investment opportunities has been strong as interest rates remain low and this has been reflected in strong sales results. The strong demand for commercial investment properties continues with many investors priced out of the Sydney CBD market seeking fringe locations where floorspace remains affordable.

The overall tenant demand remains largely solid across the Sydney suburban market, but there is a high degree of variation in absorption between precincts. The City Fringe (which includes Bondi Junction) registered the strongest tenant demand with a positive net absorption of 20,251sqm in 2016.

5.1.3 Bondi Junction Commercial Market

The demand for office floorspace in Bondi Junction is strong, with very limited vacancy. The location appeals to many occupiers as buildings are typically of good quality and provide good public transport access and relative proximity to Sydney CBD. Major commercial tenants in Bondi Junction include: St George Bank, HCF, Fitness First Headquarters and Travelcorp.

Commercial space located in strip locations i.e. Oxford Street, generally achieve lower rents as the buildings are aged in comparison to Westfield and office towers located in Grafton Street. Cheaper commercial office space is popular with commercial services such as real estate agents and other financial services or businesses starting up or relocating to more affordable premises.

Anecdotal evidence suggests that increasingly tenants are seeking smaller office space, in the order of 50sqm-60sqm (rather than 100sqm+). This is due to the changing nature of how businesses operate, with more sole practitioners and sub-contractors seeking office space. It also because office space of this size is more price competitive. Anecdotal evidence suggests leasing rates are in the order of $400/sqm-$700/sqm (gross).

There have been limited commercial transactions in Bondi Junction. 434 Oxford Street Bondi Junction sold in 2015 for $13.4 million on a 4.9 per cent yield. It is leased to St George Bank. Located on the Oxford Street Mall, the three-storey building comprises 957 square metres of retail on a 360sqm site and comprises ground-floor retail banking, first-floor business banking premises and a lower ground floor. A property located at 80 Bronte Road, Bondi Junction (containing a retail shop front of approx. 75sqm plus first floor office of approx. 41sqm with rear lane access for 2 car spaces) sold for $1,750,000 in April 2016.

Changing Occupier/Tenant Requirements

As a proportion of total business cost, property occupancy costs (e.g. rents, outgoings, etc.) represent a small proportion, suggested to be in the region of 5%-10%. A key proportion of business cost is employees. As a consequence, despite the importance of cost in the location and building selection process, research suggests that the extent and quality of worker amenity is an increasingly important factor in location selection as employers seek to minimise employee cost by optimising employee productivity and retention.

Colliers International carries out annual office tenant surveys to identify trends in tenants' leasing decision making to assist building owners and investors respond to occupier needs and requirements as they evolve. The most recent survey was carried out in 2012 where 300 telephone interviews were carried out with key decision makers. Australian tenants surveyed represented 5.5% of all office space in Australia. These tenants were across Sydney, Melbourne, Brisbane, Perth, Adelaide, Canberra, Auckland and Wellington. The following responses are of direct relevance for this EIA:

- Increasing importance of building choice to attract and retain staff (61% of respondents indicated a "high importance rating" compared to 47% respondents in 2010).
- Reasons for the importance of building choice for attracting and retaining staff were suggested as:
    - Central location (51%).
    - Accessibility for staff (47%).
    - Staff happiness (37%).
    - Importance of image (32%).
    - Proximity to amenities (27%).
- An increasing importance placed on certain building attributes, specifically buildings with access to gyms, swimming pools, childcare facilities, bike racks, green space and a CBD location was observed between 2010 and 2012.
- A decline in importance in other building attributes, specifically car parking and ESD (environmentally sustainable design) was observed between 2010 and 2012.

Overwhelmingly, occupier needs are focused on cost-cutting and achieving workspace efficiencies. That said, there is increasing importance placed on location selection for attracting and retaining staff and with a focus on staff health and employee wellbeing. As a consequence, the provision of significant informal, social and communal space within workplaces has increased.

5.2 RETAIL LAND USES

5.2.1 Drivers of Demand

This section outlines key macro and micro trends that influence demand for retail floorspace in Bondi Junction District Centre. A review of these trends and their potential implications is important in assisting with understanding if and how the Proposal would complement the Bondi Junction retail market.

Retail buildings have a significant market presence in Bondi Junction, with Westfield Bondi Junction acting as the retail anchor of the centre.

The market for retail floorspace has primarily been underpinned by strong fundamentals including:

- Low interest rates.
- Transition away from mining investment towards service sectors i.e. retail.
- Growth in household income.
- Lower petrol prices, which support discretionary spending.
- Increasing consumer confidence.

As the population grows, so too does the demand for, retail floorspace. These fundamentals ultimately form the core drivers to demand for retail floorspace.

5.2.2 Bondi Junction Retail Market

The demand for retail floorspace in Bondi Junction is strong, with very limited vacancy – particularly for prime retail space i.e. floorspace in Westfield and on the periphery of Westfield.

Anecdotal evidence suggests that strip retail rent is in the order of $1,000-$3,000/sqm (gross), with rent in Westfield upwards of this. Increasingly, tenants are relocating out of Westfield to strip retail as they can obtain more price competitive space with fewer restrictions.

5.3 NEED FOR THE PROPOSAL

As demand continues to grow for residential uses across Sydney there is equally a need to redevelop mixed use sites to accommodate commercial/retail floorspace to accommodate employment and economic growth.

The Site is presently improved with 2-3 storey retail/commercial buildings. Owing to the value of subsisting uses, in order for the Site to be redeveloped to provide for contemporary retail and commercial floorspace, cross-subsidisation by residential uses is necessary. The financial feasibility of developing a retail/commercial building is examined in section 6.3.

Ultimately, providing a mix of retail, commercial and residential uses recognises the importance to retain Bondi Junction as a District Centre, and provide a variety of different high density land uses within walking distance from the Bondi Junction train station.

6. ECONOMIC IMPACT ASSESSMENT

This chapter assesses the economic impacts of the Masterplan by investigating four cases, these include:

Base Case 1: the economic impacts of the Site in its existing use.

Base Case 2: the economic impacts of the Site if it was redeveloped under Council's existing planning controls (i.e. no change to planning controls).

Proposal: this scenario assumes that the sites remain in separate ownership, planning controls are amended and it is redeveloped in the manner as proposed by the development scheme.

This chapter also explores the likelihood of Base Case 2 being delivered by the market.

6.1 APPROACH

The following sections examine the estimated economic activity supported through the construction and operational phases of the base and proposal scenarios. The economic impacts have been assessed at the Waverley Local Government Area (LGA) level.

An Input-Output model, including the development of a series of specific regional Input-Output transaction tables, was developed to reflect the economic structure of the Waverley LGA (refer to Appendix A).

Input-Output modelling describes economic activity through the examination of four types of impacts which are defined and described in the table below.

Table 6.1: Economic Indicators

Indicator	Description
Output	Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
Gross Product	Refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g., Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
Income	Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the Project.
Employment	Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow on activity, and is expressed in terms of Full-Time Equivalent (FTE) positions. One FTE job is defined as one person working full time for a period of one year.

Source: AEC

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending.

Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

The following estimates consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

6.2 MODEL DRIVERS

6.2.1 Construction Phase (Proposal Case)

For modelling purposes, construction costs (including contingency) were broken down into their respective Australian and New Zealand Standard Industrial Classification (ANZSIC) industries. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity as highlighted in the table below.

Table 6.2: Proposal Construction Costs Allocation (Incl. Contingency)

Item	ANZSIC	Cost ($M)
Demolition and temporary works	Construction Services	$0.5
Commercial	Non-Residential Building Construction	$41.5
Residential	Residential Building Construction	$18.0
Car Parking (spaces)	Non-Residential Building Construction	$2.5
Professional Fees	Professional, Scientific and Technical Services	$7.6
Total		**$70.2**

Source: AEC

Only the construction activity expected to be undertaken within the Waverley LGA has been included in the economic impact assessment. For the purposes of this assessment it was assumed:

- Approximately 50% of the direct expenditure on construction activity would be sourced from local businesses and labour (including construction and professional services activity).
- Approximately 25% of purchases on goods and services (supply chain related activity) made by construction-related businesses sourced from outside the Waverley LGA would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in Waverley LGA).
- Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e., 5% of the Type II flow on activity associated with non-local workers is assumed to represent additional local activity in Waverley LGA).

6.2.2 Operational Phase (Base and Proposal Cases)

Estimates of direct operational phase activity have been developed utilising Gross Floor Area (GFA) and employment density ratios for the existing and redeveloped Site options as per the assumptions in the tables below. For modelling purposes, operational activities were allocated to the most relevant Input-Output industries, based on ANZSIC categories.

Based on these employment levels, estimates for direct turnover were developed using the output to employment ratios outlined in the Input-Output transaction table developed for Waverley LGA as part of this project (see Appendix A).

It should be noted that in developing these estimates a 'steady state' of operations (whereby all facilities have been developed and long-term average utilisation rates prevail) has been assumed.

Table 6.3: Employment and Turnover Estimates

ANZSIC Sector	GFA (sqm)	Employee Ratios (sqm)	Employment (FTE)	Turnover ($M)
Base Case 1 (Existing Buildings)				
Professional, Scientific and Technical Services	2,676	20	134	$33.7
Retail Trade	300	28	11	$1.4
Education and Training	3,181	30	106	$20.9
Personal Services	582	30	19	$2.0
Total	**6,739**	**24.96**	**270**	**$58.1**

ANZSIC Sector	GFA (sqm)	Employee Ratios (sqm)	Employment (FTE)	Turnover ($M)
Base Case 2 (Under Council's Existing Controls)				
Retail Trade	4,918	25	197	$26.6
Health Care and Social Assistance	2,787	16	174	$24.2
Professional, Scientific and Technical Services	2,459	16	154	$38.7
Food and Beverage Services	1,639	16	102	$13.2
Employment, Travel Agency and Other Administrative Services	1,148	16	72	$28.0
Public Administration and Safety	820	16	51	$11.3
Financial and Insurance Services	820	16	51	$33.9
Arts and Recreation Services	656	100	7	$0.9
Other Services	656	30	22	$4.6
Education and Training	492	30	16	$3.2
Total	**16,394**	**19.4**	**846**	**$184.8**
Proposal Case				
Retail Trade	3,763	25	151	$20.3
Health Care and Social Assistance	2,132	16	133	$18.5
Professional, Scientific and Technical Services	1,881	16	118	$29.6
Food and Beverage Services	1,254	16	78	$10.1
Employment, Travel Agency and Other Administrative Services	878	16	55	$21.4
Public Administration and Safety	627	16	39	$8.7
Financial and Insurance Services	627	16	39	$26.0
Arts and Recreation Services	502	100	5	$0.7
Other Services	502	30	17	$3.5
Education and Training	376	30	13	$2.5
Total	**12,543**	**19.4**	**647**	**$141.4**

Source: AEC

6.3 MODEL RESULTS

6.3.1 Construction Phase

The construction phase associated with the Proposal is expected to support the following economic activity through direct and flow on impacts:

- $78.1 million in additional output.
- A $32.0 million contribution to Gross Regional Product (GRP).
- $18.6 million in incomes and salaries paid to households.
- 248 FTE jobs.

The breakdown of modelling outcomes is provided in the table below.

Table 6.4: Construction Phase Impacts ($2017)

Impact	Output ($M)	GRP ($M)	Income ($M)	Employment (FTE)
Direct Impact	$35.1	$9.4	$5.0	66
Indirect Impact (Type I)	$19.0	$9.1	$5.1	61
Indirect Impact (Type II)	$23.9	$13.5	$8.4	121
Total Impact	**$78.1**	**$32.0**	**$18.6**	**248**

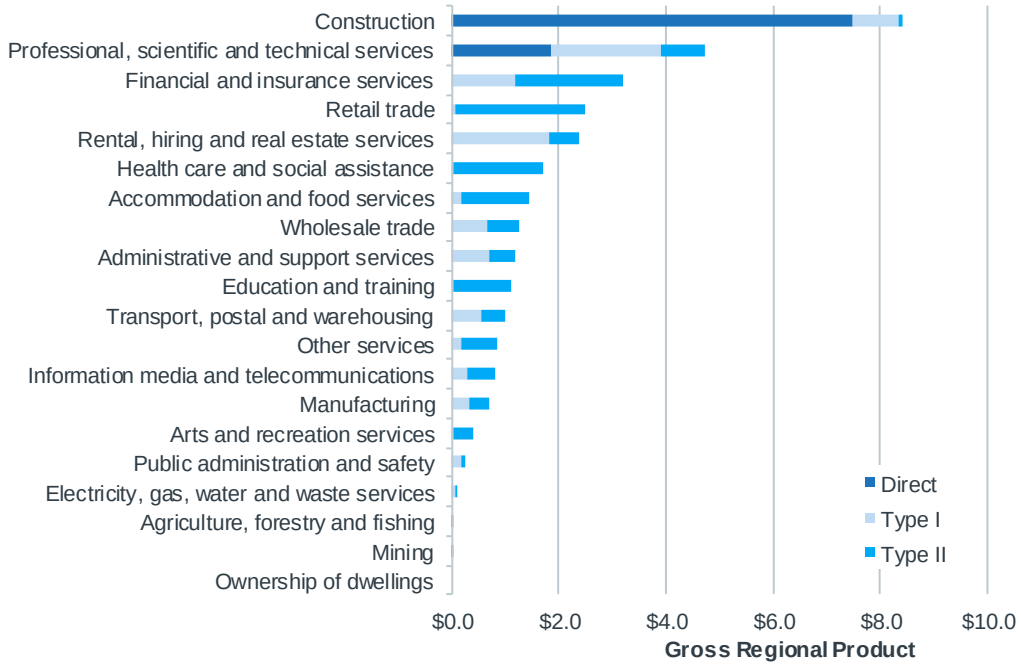
Note: Totals may not sum due to rounding.
Source: AEC

Major industry beneficiaries of the construction phase of the redevelopment within the Waverley LGA include:

- Construction (GRP $8.4 million).
- Professional, scientific and technical services ($4.7 million).

- Financial and insurance services ($3.2 million).

Figure 6.1: Construction Phase GRP Impacts by Industry ($M)



Source: AEC

6.3.2 Operations Phase

Base Case 1 (Existing Buildings)

Current activity supported at the Site are estimated to support (including direct and indirect activity) annually:

- $162.2 million in output.
- A $91.3 million contribution to GRP.
- $57.4 million in incomes and salaries paid to local workers.
- 755 FTE jobs.

Table 6.5: Current Economic Activity Supported ($2017)

Impact	Output ($M)	GRP ($M)	Income ($M)	Employment (FTE)
Direct Impact	$58.1	$33.6	$26.1	270
Indirect Impact (Type I)	$27.0	$14.1	$8.8	95
Indirect Impact (Type II)	$77.0	$43.6	$27.1	390
Total Impact	**$162.2**	**$91.3**	**$57.4**	**755**

Note: Totals may not sum due to rounding.
Source: AEC

Base Case 2 (Under Council's Existing Controls)

Activity supported at the Site under Council's existing controls is estimated to support (including direct and indirect activity) annually:

- $464.0 million in output.
- A $269.5 million contribution to GRP.
- $167.5 million in incomes and salaries paid to local workers.

- 2,135 FTE jobs.

Table 6.6: Base Case 2 Economic Activity Supported ($2017)

Impact	Output ($M)	GRP ($M)	Income ($M)	Employment (FTE)
Direct Impact	$184.8	$114.1	$72.1	846
Indirect Impact (Type I)	$71.2	$37.7	$22.4	236
Indirect Impact (Type II)	$208.1	$117.7	$73.1	1,053
Total Impact	**$464.0**	**$269.5**	**$167.5**	**2,135**

Note: Totals may not sum due to rounding.
Source: AEC

Proposal Case

Once established and in steady state operations (i.e., whereby all facilities have been developed and long-term average utilisation rates prevail), the redeveloped Site under option A is estimated to support on an ongoing annual basis:

- $355.0 million in output.
- A 206.2 million contribution to GRP.
- $128.2 million in incomes and salaries paid to local workers.
- 1,634 FTE jobs.

Table 6.7: Redeveloped Site, Operational Economic Activity Supported ($2017)

Impact	Output ($M)	GRP ($M)	Income ($M)	Employment (FTE)
Direct Impact	$141.4	$87.3	$55.2	647
Indirect Impact (Type I)	$54.5	$28.9	$17.1	181
Indirect Impact (Type II)	$159.2	$90.0	$55.9	806
Total Impact	**$355.0**	**$206.2**	**$128.2**	**1,634**

Note: Totals may not sum due to rounding.
Source: AEC

The estimated increase in activity supported by the Proposal case versus the existing buildings (Base Case 1) and Base Case 2 scenarios are presented in the table below. It should be noted that this analysis does not consider the potential for either the transfer of activity from other Waverly LGA centres into the redeveloped site or the transfer of existing Site activity to alternative centres within the Waverly LGA as a result of the redevelopment.

Table 6.8: Proposal Case Comparative Economic Impacts

Impact	Output	GRP	Income	Employment (FTE)
Proposal Case v Base Case 1 (Existing Buildings)				
Direct Impact	$83.3	$53.7	$33.6	377
Indirect Impact (Type I)	$27.5	$14.8	$8.3	86
Indirect Impact (Type II)	$82.2	$46.4	$28.8	416
Total Impact	**$192.8**	**$114.9**	**$70.7**	**879**
Proposal Case v Base Case 2 (Under Existing Planning Controls)				
Direct Impact	-$43.4	-$26.8	-$16.9	-199
Indirect Impact (Type I)	-$16.7	-$8.9	-$5.3	-55
Indirect Impact (Type II)	-$48.9	-$27.6	-$17.2	-247
Total Impact	**-$109.0**	**-$63.3**	**-$39.3**	**-502**

Note: Totals may not sum due to rounding.
Source: AEC

6.4 FEASIBILITY ANALYSIS

AEC undertook a feasibility analysis of Base Case 2 (i.e. if the site was to be redeveloped under Council's existing planning controls) to determine if it a 100% retail/commercial building could realistically be developed i.e. if it represents a commercial proposition. The findings from this analysis are outlined in the table below.

The Hypothetical Development or Residual Land Value (RLV) approach has been adopted as the method of assessment, utilising development feasibility software Estate Master. The RLV approach involves assessing the value of the end product of the development, allowing for development costs, and making a further deduction for the profit and risk that a developer would require to take on the project.

The Residual Land Value (RLV) can be defined to be the maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop the site, whilst achieving target hurdle rates for profit and project return. This approach involves assessment of the value of the completed product, making a deduction for development costs and further deduction for profit and risk whilst ensuring the development achieves the target project margin and return.

The RLV is compared against the 'as is' values (existing-use values). The larger the difference between RLV and existing-use value, the greater the financial incentive to redevelop the site. If existing-use values are greater than or the same as the RLVs, there would be little incentive for development to displace existing uses.

Prevailing property prices ('as is' values) are a key factor to development feasibility. Sites with significant and valuable buildings will expectedly have higher property values and therefore cost more to amalgamate into a development block.

Development Typology Tested

Generic feasibility testing examined a hypothetical development of a retail/commercial building with an FSR of 4:1 and an FSR of 6:1 respectively.

In order to be feasible to develop, the RLVs of each development type must exceed the 'as is' value (or existing-use value) of a site in order to displace its existing uses. Based on market evidence analysed and a valuation of 110 Ebley Street, site values for retail/commercial premises in Bondi Junction achieve rates of $10,000 to $25,000/sqm of site area. Based on a valuation sighted for 110 Ebley Street and other research undertaken, we have assumed the value of the Site is $32 million (i.e. $10,000/sqm of site area).

The results demonstrate that both a retail/commercial building with and FSR of 4:1 and a retail/commercial building with an FSR of 6:1 are not feasible. As a result, Base Case 2 and the economic benefits identified in **Table 6.6** are at best theoretically, as this development typology is not financially feasible i.e. it is not valuable enough to displace the existing uses.

Feasibility testing assumptions are contained in Appendix B.

Table 6.9: Feasibility Testing Outcome

Description	Retail/Commercial	Retail/Commercial
Land Use Split	100% retail/commercial	100% retail/commercial
Assumed Total FSR*	4:1	6:1
Average Revenue ($/sqm)[1]	$6,694	$6,400
Average Cost ($/sqm)[2]	$4,093	$3,982
Residual Land Value (RLV)		
$/sqm of site area	$5,607	$7,296
$/sqm of GFA	$1,402	$1,216
Performance Indicators		
Development Margin	-1.23%	9.87%
Project Internal Rate of Return	1.84%	8.67%
Feasible?	No	No

Notes: 1 - normally based on internal area, reported on GFA, 2 - normally quoted based on GBA, reported on GFA
Source: Rawlinsons (2015), RLB (2015), AEC

Table 6.9 demonstrates that if developed, the new commercial building would not be valuable enough to displace the existing use. As a development site for retail/commercial with an FSR of 4:1, a residual land value of $5,607/sqm ($18m) results, while a residual land value of $7,296/sqm ($24m) results if the Site were developed into a retail/commercial building with an FSR of 6:1.

Compared to the assumed existing-use value of $32m, the residual land value of the Site if developed into a retail/commercial building with an FSR of 4:1 and 6:1 ($18m and $24m respectively) would not be enough to displace the existing uses. Furthermore, the development margin and project internal rate of return are well below the target margin of 20%.

The feasibility analysis suggests an important role played by residential floorspace to cross-subsidise the provision of retail/commercial floorspace.

6.5 OTHER IMPACTS

The modelling conducted for this study indicates that the proposed redevelopment options will make a significant contribution to the Waverley LGA economy through its construction phase and the ongoing activities of the redeveloped Site.

Once the redevelopment is completed and fully operational, the Site will continue to provide a strong ongoing contribution to the Waverley economy. The redevelopment of the Site represents a significant development for the Waverley LGA and has been identified as providing substantial economic benefits.

6.5.1 Housing Impacts

An upshot of the Proposal is the development of approximately 39 residential units.

Contribution to Housing

The Sydney metropolitan area is experiencing significant demand for housing and growing housing affordability issues, largely as a result of population growth. As a response State government is focused on ensuring that the planning system facilitates increased housing development.

A Plan for Growing Sydney sets out State government objectives for the Sydney metropolitan area over the period of the Plan (2011 to 2031). The Plan states have the accelerated delivery of new housing is a major goal with approximately 664,000 additional homes required in the 20 year period, equivalent to 33,200 new homes per annum. This is in response to population growth of 1.58 million.

The priority for new housing delivery is established areas, particularly those with access to transport infrastructure and in particular centres. This maximises the use of existing infrastructure and lowers the need to develop new greenfield land. New housing delivery is recognised as boosting economic activity, supporting the viability of infrastructure and stimulating business investment opportunities.

The Draft Central District Plan details the key objectives for housing, of most relevance the Draft Plan outlines the importance of improving housing choice, understanding market demand and creating housing capacity. The Plan's housing target for Waverley is 1,250 additional dwellings between 2016-2021.

The provision of approximately 39 residential units on the Site constitutes a strong positive economic impact.

Contribution towards Easing Housing Affordability

The Sydney metropolitan area is in the midst of a housing affordability crisis. The Plan recognises that house prices in Sydney are high comparative to other Australian capitals and that government can assist to place downwards pressure on price rises through facilitating greater volumes of supply. In particular, additional units are noted as ensuring more people can access residential product which matches their lifestyle and budget.

Waverley is less affordable compared to the wider Sydney metropolitan area. The latest Housing Sales and Rent Report (FACS, 2016) indicates that the median price of a unit in the Waverley LGA in June quarter 2016 was $949,000 compared to a Greater Sydney median of $696,000 and a Sydney Inner Ring (within which the Waverley LGA is situated) of $860,000.

Increasing the volume of housing supply is a government imperative because it assists to ensure affordability by tempering the pace of house price growth. The provision of dwellings on the Site would help to achieve this and constitutes a strong positive economic impact.

Providing Housing Choice

A Plan for Growing Sydney identifies the need to accelerate housing supply and local housing choice (Action 2.1.1) and acknowledges that increasing housing supply and addressing housing affordability and choice will assist in reaching the target.

Importantly the Plan acknowledges that Government and local Councils need to understand and respond to the housing market in each and every Local Government Area. The housing market reflects consumer demand and willingness to pay for particular types of housing in particular locations. It is the role of the private sector to build new houses. The private sector will only develop housing on rezoned sites where there is sufficient consumer demand for it, at a price that provides a return to the developer. Local councils should assist housing production by identifying and rezoning suitable sites for housing.

Furthermore the Plan states that housing choice should be improved to suit different needs and lifestyles (Direction 2.3). The Plan acknowledges that research indicates a current shortage of semi-detached houses across Sydney and a shortage of apartments in the middle and outer areas of the city. This is affecting the capacity of people to buy or rent a home. The Plan states that in order to respond to these issues, the Government will introduce planning controls that increase the number of homes in established urban areas to take advantage of public transport, jobs and services.

In addition, one of the key aims of the Draft Central District Plan is to improve housing choice. The Draft Plan sets out the following approach to improve housing choice:

- Delivery: creating conditions to support the supply of housing in well-planned locations served by sufficient local and regional infrastructure.
- Capacity: so that existing planning controls and new investigation areas are creating sufficient opportunity for housing supply targets by 2036.
- Diversity and adaptability: the diversity of housing types including small lot housing, terraces and apartments in a variety of configurations (one, two and three+ bedrooms) and more adaptable and accessible forms of housing for older people, people with disabilities and families.
- Affordability: building on the direction in A Plan for Growing Sydney by setting a target for the provision of affordable rental housing in new urban renewal and land release areas for the low and very low income households that are the most vulnerable.

The Proposal would assist in the meeting these actions and directions by providing greater housing choice by increasing the supply of units in the Waverley LGA.

Providing Homes Close to Jobs and Infrastructure

Providing homes close to jobs, public transport, civic functions, retail and entertainment options is a community benefit. Doing so lowers the needs for residents to travel to access employment and the other services they require and promotes public transport use. As a result negative externalities of travel in terms of lost time commuting, monetary expenses of travel, pollution, congestion, traffic, noise and so on are minimise. For this reason A Plan for Growing Sydney aims to provide homes closer to jobs (Direction 2.2/Action 2.2.2) and focus new housing in centres which have public transport that runs frequently and can carry large numbers of passengers.

The Draft Central District Plan states the importance of increasing the range of jobs and other opportunities that people can access within 30 minutes requires better transport connections and stronger major economic and employment centres.

The Waverley LGA is an ideal place to concentrate new housing development. Amendments to the planning controls of the Site and subsequent development as of approximately 39 apartments in this location in addition to new employment opportunities on site constitutes a strong positive economic impact.

6.5.2 Other Impacts

Efficient and Effective Use of Infill Land

By enabling a more economically efficient use of the Site to be achieved and by delivering much needed higher density residential development in close proximity to important transport nodes, the Proposal would maximise the development potential of this infill site. In doing so it would assist to achieve planning policy aims by concentrating new development on locations most capable of accommodating it. It may assist to alleviate pressure for new housing development in locations less suitable for such uses, such as outer lying suburbs or greenfield sites not well connected to public transport infrastructure, services, jobs and retail uses. The Proposal would ensure efficient and effective use of land.

While in theory Base Case 2 would deliver the greatest economic impact by accommodating the highest number of jobs, it is unlikely to be pursued. It is an unfortunate reality in many suburban commercial markets that often existing retail/commercial uses require cross-subsidisation by residential uses to be redeveloped.

7. ACCOMMODATING FUTURE GROWTH

7.1 THE DEMANDS OF GROWTH

The analysis suggests there is growing pressure on existing commercial, retail and residential floorspace in Bondi Junction District Centre. This is brought about on several fronts, new growth as well as current floorspace requirements which are evolving:

- **New residents and workers**

  By 2041, it is expected that Bondi Junction's resident population will grow to 5,609, an average annual increase of 2.1% in the 30 years to 2041. This rate is twice that of the projected rate for the Waverley LGA (0.8%) and higher than the Central Subregion (1.3%) over the same timeframe. This is an additional 2,575 residents (from 2011) requiring around 1,341 new dwellings.

  By 2041, it is expected that employment in Bondi Junction District Centre will grow to 14,012, an average annual increase of 1.1% from 2011. This is an additional 3,815 employees (projected 14,012 employees less 10,161 employees at 2011) would require 95,375sqm of additional floorspace.

- **Demand for commercial floorspace**

  The demand for commercial floorspace in Bondi Junction is strong. As identified in section 5.1.3, tenant requirements are evolving and as a consequence many tenants are increasingly selective about the buildings they lease, demanding more worker amenity.

  In order to respond to this evolving demand for commercial floorspace the Proposal proposes approximately 12,543sqm of combined commercial/retail floorspace to respond to demand (replacing the quantum of commercial floorspace currently on the Site).

- **Demand for retail floorspace**

  In line with phenomenal growth projected for Bondi Junction District Centre commensurate retail floorspace is required. In order to respond to this demand the Proposal proposes to provide approximately 12,543sqm of combined commercial/retail floorspace.

- **Demand for residential floorspace**

  By 2041, it is expected the total number of dwellings in Bondi Junction District Centre will grow to 2,972 (more than 1,341 new dwellings), an average annual increase of 2.0% in the 30 years to 2041. This rate is greater than that projected for the LGA (1.5%) and even higher than that compared to the Central Subregion (1.4%) over the same timeframe. The Proposal aims to cater to some of this demand by providing 39 apartments.

7.2 CHALLENGES OF ACCOMMODATING GROWTH ON INFILL/BROWNFIELD SITES

Brownfield/infill land located within towns and cities is often in an excellent location to redevelop in order to leverage existing infrastructure. There are ample brownfield sites in Sydney, however, often they lie undeveloped to their full potential.

The reasons for this lack of development are complex. A key point may be that the construction sector is overly reliant on profit driven, large-scale house builders looking to maximise value from each new home sold and to capitalise on cost efficiencies to boost profitability. The inevitable result is that the land which is the cheapest to purchase and the most efficient to develop will be targeted.

Commercial viability is a key obstacle that prevents brownfield/infill development. To carry out construction, developers require profit levels of around 20% while they also need to factor into appraisals a realistic price that will incentivise landowners to part with their land.

Due to the high expense of the development process and multiple landowners with often unrealistic perceptions about how much a developer can pay to secure their land, brownfield sites are often perceived as unviable. Complex land ownership structures on brownfield sites hinder development.

Brownfield land can often have significant physical issues that increase site preparation costs. While contamination is often cited as a key issue, developers can also face abnormal costs such as the relocation of underground services/utility infrastructure, demolition of existing buildings and the irregular shape of multiple plots of land required for site assembly. These abnormal costs can severely impact upon the viability of development schemes.

In the case of the Site, there is clear demand for commercial and retail floorspace in Bondi Junction District Centre. As such, the Proposal responds by incorporating a mix of commercial and retail floorspace to be co-located with residential uses. However, in order for the development to represent a commercial proposition, residential uses (which are not currently permitted by the Waverley LEP) are needed to cross-subsidise provision of the commercial and retail floorspace.

7.3 NEED FOR THE PROPOSAL

The Site is improved with retail and commercial buildings. However, there is demonstrated need for more retail and commercial floorspace in Bondi Junction and the Proposal proposes a comprehensive redevelopment to increase the quantum of commercial/retail floorspace which is currently located on the Site and develop new office space to meet the ever-changing needs of commercial tenants.

In order for the redevelopment of retail and commercial floorspace to be a commercial proposition, residential uses (which are not currently permitted by the Waverley LEP) have been incorporated into the Proposal to cross subsidise the redevelopment of employment floorspace.

8. POLICY ASSESSMENT

8.1 NET COMMUNITY BENEFIT TEST

To compare the outcome of the Base Case versus the Proposal, each of the identified impacts compared to the Base Case are summarised and ranked based on the rating system outlined in **Table 8.1**.

Table 8.1: Economic Impact Rating Matrix

Severity of Impact	Score	Explanation
Strong Positive Impact	**+3**	The scenario would make a strong positive contribution towards this impact compared to the Base Case
Slight Positive Impact	**+1**	The scenario would make a slight positive contribution towards this impact compared to the Base Case
Neutral Impact	**0**	The scenario would make neither positive or a negative contribution towards this impact compared to the Base Case
Slight Negative Impact	**-1**	The scenario would make a slight negative contribution towards this impact compared to the Base Case
Strong Negative Impact	**-3**	The scenario would make a strong negative contribution towards this impact compared to the Base Case

Source: AEC

Table 8.2 identifies the direct economic impacts and derives a total score for the Proposal using the Base Case 1 as the starting point of '0'. It also scores Base Case 2, in order to provide a comparison. The higher the positive score the greater the net positive economic impact from a community perspective, the lower the score the greater the adverse economic impact.

Table 8.2: Economic Impact of Base Case 1 and Base Case 2 versus the Proposal

Impact	Base Case 1	Rating	Base Case 2	Rating	Proposal	Rating
Employment & Economic Impact (Direct)						
Jobs	270	+1	846	+3	647	+3
Output ($M)	$58.1	+1	$184.8	+3	$141.4	+3
GRP ($M)	$33.6	+1	$114.1	+3	$87.3	+3
Income ($M)	$26.1	+1	$72.1	+3	$55.2	+3
Retail/Commercial Demand						
Support Retail/Commercial Demand	6,739sqm	+1	16,394	+3	12,543	+3
Housing Impact						
Housing supply	n.a.	0	n.a.	0	39	+3
Homes close to jobs	n.a.	0	n.a.	0	Yes	+3
Construction						
Output ($M)	n.a.	0	n.a.	0*	$35.1	+3
Jobs	n.a.	0	n.a.	0*	66	+3
Income ($M)	n.a	0	n.a.	0*	$5.0	+3
Total		**5**		**15**		**30**

Source: AEC
* the economic benefits from the construction phase were not measured for Base Case 2 as this option is theoretically only and unlikely to be developed from a feasibility perspective.

The Proposal would deliver a clear, strong positive economic impact comparative to Base Case 1.

While in theory Base Case 2 would deliver the greatest economic impact, accommodating the highest number of jobs, it is unlikely to be pursued. It is an unfortunate reality.

8.2 SECTION 117 DIRECTION

The Section 117(2) direction was previously considered in this Assessment with Section 1.1 Business and Industrial Zones identified as being relevant. The objectives are identified below together with their consideration in the context of the Proposal.

Table 8.3: Consistency with Section 117(2) Objectives

No.	Objective	Proposal Case
1	Encourage employment growth in suitable locations	The Site currently contains five commercial/retail buildings. Combined, the buildings currently located on Site generate approximately 270 jobs. The Proposal envisages development of the Site to accommodate 12,543sqm of retail/commercial floorspace on the Site. This floorspace combined will generate 647 jobs on Site, representing a net increase of 377 direct jobs. The Proposal complies with this objective.
2	Protect employment land in business and industrial zones	The planning amendment sought would lead to an increase in the quantum of land zoned for employment generating land uses in the LGA. The total number of jobs generated on the Site is estimated at 647 jobs (representing an increase of 377 direct jobs) for the Proposal. The Proposal complies with this objective.
3	Support the viability of identified strategic centres	The Proposal would increase the quantum of retail expenditure generated by workers and residents and provide a net positive addition to the pool of expenditure available to be captured by local businesses. For these reasons, the Proposal would fulfil this Objective.

Section 117 Directions set out five requirements for planning authorities to consider when preparing a planning proposal that will affect land within an existing or proposed business or industrial zone. This are considered below in relation to the Proposal.

Table 8.4: Planning Authority Considerations

Consideration	Achieved?	Explanation
Give effect to the objectives of this direction	Yes	**Table 8.3** has established that the objectives of the direction would be achieved by the Proposal.
Retain the areas and locations of existing business and industrial zones	Yes	The land use zone of B4 Mixed Use would increase the mix of uses on the Site and comply with *A Plan for Growing Sydney*. Furthermore, the *draft Central District Plan* states that Bondi Junction should expand the function and type of land uses in the centre including attracting A-Grade office tenants and knowledge-intensive jobs. Overall the planning amendment sought would lead to an increase in the quantum of land zoned for employment generating land uses in the LGA. The existing improvements on Site provide 6,739sqm of retail/commercial floorspace. The Proposal envisages development of the Site to accommodate 12,543sqm of retail/commercial floorspace on the Site.
Not reduce the total potential floor space area for employment uses and related public services in business zones	Yes	The Proposal envisages development of the Site to accommodate 12,543sqm of retail/commercial floorspace on the Site. The Proposal would result in a greater intensification of employment uses on the Site. Based on the analysis undertaken, amending the zone to B4 Mixed Use will enable redevelopment of retail/commercial and residential uses to occur. As evidenced by the feasibility analysis undertaken (refer to section 6.9) redevelopment under Council's existing controls is unlikely to result, as it is not feasible.
Not reduce the total potential floor space area for industrial uses in industrial zones	Yes	N/A
Ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning	Yes	As established in this EIA, the Proposal is consistent with State and local government objectives to support jobs, economic development, efficient and effective use of land and accelerate

		housing supply in suitable locations. They comply with this condition.

REFERENCES

ABS (2007). Census of Population and Housing, 2006. Cat. No. 2068.0. ABS, Canberra.

ABS (2012). Census of Population and Housing, 2011. Cat. No. 2001.0, ABS, Canberra.

ABS (2014a). Regional Population Growth, Australia, 2014. Cat. No. 3218.0. ABS, Canberra

ABS (2014b). Population by Age and Sex, Regions of Australia, 2012. Cat. No. 3235.0. ABS, Canberra

ABS (2015a). Australian National Accounts: Input-Output Tables – Electronic Publication, 2012-13 Tables. Cat. No. 5209.0.55.001, ABS, Canberra.

ABS (2015b). Consumer Price Index, Australia. Cat. No. 6401.0, ABS, Canberra.

BTS (2014a). Employment Forecasts. Bureau of Transport Statistics, 2014

BTS (2014b). Population Forecasts by Dwelling. Bureau of Transport Statistics, 2014

Colliers International (2012). Colliers International Office Tenant Survey 2012. Alternative Workplace Strategies.

Department of Family and Community Services (2014). Rent and Sales Report. December quarter 2014. Sydney

Environmental Planning and Assessment Act (1979). Section 117(2) (S117(2)) Directions. Available from: http://www.planning.nsw.gov.au/Portals/0/LocalPlanning/Local-PlanningDirections-January-2015.pdf

Knight Frank (2017). Sydney Suburban Office Market Overview (March 2017). Available from: https://kfcontent.blob.core.windows.net/research/308/documents/en/sydsub1703-4568.pdf

NSW DPC (2011). NSW State Plan. NSW Department of Premier and Cabinet.

NSW DPE (2014). A Plan for Growing Sydney. NSW Department of Planning and Environment (DP&E). Available from: http://www.strategy.planning.nsw.gov.au/sydney/the-plan/

West, G. R. (1993). User's Guide, Input-Output Analysis for Practitioners An Interactive Input-Output Software Package Version 7.1. Department of Economics. University of Queensland, 1993.

Waverley Council (2012). Bondi Junction Local Environmental Plan (2012). Waverley Council, 2012.

APPENDIX A: INPUT-OUTPUT METHODOLOGY

INPUT-OUTPUT MODEL OVERVIEW

Input-Output analysis demonstrates inter-industry relationships in an economy, depicting how the output of one industry is purchased by other industries, households, the government and external parties (i.e. exports), as well as expenditure on other factors of production such as labour, capital and imports. Input-Output analysis shows the direct and indirect (flow-on) effects of one sector on other sectors and the general economy. As such, Input-Output modelling can be used to demonstrate the economic contribution of a sector on the overall economy and how much the economy relies on this sector or to examine a change in final demand of any one sector and the resultant change in activity of its supporting sectors.

The economic contribution can be traced through the economic system via:

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Indirect Impacts (Flow-on impacts)**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
    - **Indirect Impact (Type I)**, which represent the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services in the intermediate usage quadrant, and subsequent round effects of increased purchases by suppliers in response to increased sales.
    - **Indirect Impact (Type II)**, which represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the economic system.

These effects can be identified through the examination of four types of impacts:

- **Output**: Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
- **Value added**: Refers to the value of output after deducting the cost of goods and services inputs in the production process. Value added defines the true net contribution and is subsequently the preferred measure for assessing economic impacts.
- **Income**: Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the project.
- **Employment**: Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow-on activity, and is expressed in terms of full-time equivalent (FTE) positions.

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow-on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending.

Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

MODEL DEVELOPMENT

Multipliers used in this assessment are derived from sub-regional transaction tables developed specifically for this project. The process of developing a sub-regional transaction table involves developing regional estimates of gross production and purchasing patterns based on a parent table, in this case, the 2013-14 Australian transaction table (ABS, 2016).

Estimates of gross production (by industry) in the study area were developed based on the percent contribution to employment (by place of work) of the study area to the Australian economy (ABS, 2012), and applied to Australian gross output identified in the 2013-14 Australian table.

Industry purchasing patterns within the study area were estimated using a process of cross-industry location quotients and demand-supply pool production functions as described in West (1993).

Where appropriate, values were rebased from 2013-14 (as used in the Australian national IO transaction tables) to 2017 values using the Consumer Price Index (ABS, 2017).

MODELLING ASSUMPTIONS

The key assumptions and limitations of Input-Output analysis include:

- **Lack of supply-side constraints**: The most significant limitation of economic impact analysis using Input-Output multipliers is the implicit assumption that the economy has no supply-side constraints, so the supply of each good is perfectly elastic. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices**: Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using Input-Output multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. The system is in equilibrium at given prices, and prices are assumed to be unaffected by policy and any crowding out effects are not captured. This is not the case in an economic system subject to external influences.
- **Fixed ratios for intermediate inputs and production (linear production function)**: Economic impact analysis using Input-Output multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. That is, the input function is generally assumed linear and homogenous of degree one (which implies constant returns to scale and no substitution between inputs). As such, impact analysis using Input-Output multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount. Further, it is assumed each commodity (or group of commodities) is supplied by a single industry or sector of production. This implies there is only one method used to produce each commodity and that each sector has only one primary output.
- **No allowance for economies of scope**: The total effect of carrying on several types of production is the sum of the separate effects. This rules out external economies and diseconomies and is known simply as the “additivity assumption”. This generally does not reflect real world operations.
- **No allowance for purchasers’ marginal responses to change**: Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints**: Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.

Despite these limitations, Input-Output techniques provide a solid approach for taking account of the inter-relationships between the various sectors of the economy in the short-term and provide useful insight into the quantum of final demand for goods and services, both directly and indirectly, likely to be generated by a project.

In addition to the general limitations of Input-Output Analysis, there are two other factors that need to be considered when assessing the outputs of sub-regional transaction table developed using this approach, namely:

- It is assumed the sub-region has similar technology and demand/ consumption patterns as the parent (Australia) table (e.g. the ratio of employee compensation to employees for each industry is held constant).

- Intra-regional cross-industry purchasing patterns for a given sector vary from the national tables depending on the prominence of the sector in the regional economy compared to its input sectors. Typically, sectors that are more prominent in the region (compared to the national economy) will be assessed as purchasing a higher proportion of imports from input sectors than at the national level, and vice versa.

APPENDIX B: FEASIBILITY ASSUMPTIONS

Project Timing

Development application is assumed to be progressed immediately upon settlement with pre-sales occurring shortly thereafter.

Construction is staged and assumed to begin in Month 12 and span for 12-27 months depending on the scale of the development, sale of remaining floorspace to be completed immediately following.

Revenue Assumptions

End sale values of employment uses are as follows:

Table B.1: Revenue Assumptions (Average $/sqm)

L	Retail/ Commercial Building ($/sqm)
C	$6,000
R	$10,000

Source: AEC

- Revenue was assumed to escalate at 3% per annum.
- It was assumed that 50% of floorspace would be pre-sold prior to construction and the balance would be settled after construction.
- Other revenue assumptions:
  - GST is excluded on non-residential sales.
  - Sales commission and legal costs on sales was included at 1.5% of gross non-residential sales.
  - Legal cost on sales was included at 0.25% of gross sales.
  - Marketing costs are included at 1% of gross sales.

Cost Assumptions

Construction costs of employment uses and residential uses in each development type are as follows:

Table B.2: Construction Cost Assumptions (Average $/sqm)

L	Retail/ Commercial Building ($/sqm)
C	$2,000
R	$2,500
P	$45,000 per space

*Rawlinsons (2015), RLB (2015), AEC

- Demolition and clearing costs were costed at $100/sqm of building area, assumed at 100% of site area.
- Site works, excavation and services infrastructure at 1.5% of construction cost.
- Landscaping allowed at $200/sqm of 20% of site area.
- A further 5% construction contingency allowance was included.
- Professional fees at 10% of construction costs, 5.5% expended pre-construction and 4.5% during construction.
- Development management fee at 1% of project costs.
- DA and CC fees at schedule rates.
- Section 94 contributions at 1% of the construction costs.
- Land holding costs including land tax, Council and water rates based on assumed unimproved land values.
- Cost escalation of 3% per annum was assumed to commencement of construction.

Hurdle Rates and Performance Indicators

Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate. A number of performance indicators are relied upon when ascertaining the feasibility or otherwise of a development.

- **Development margin** - is the profit divided by total development costs (including selling costs). A target development margin of 20% is assumed.
- **Discount Rate** - this refers to the project internal rate of return (IRR) at which the net present values of an investment becomes zero. A target discount rate of 20% is assumed.
- **Residual Land Value** - this has been determined by establishing the maximum land value a developer is willing to pay based on a 20% internal rate of return (IRR) taking into account all other costs and project revenue.
- **Development Profit** - this represents the total revenue less total cost including interest paid and received.
- If the resulting profit from this feasibility analysis is large enough to meet the target hurdles (in this case the discount rate and development margin), the project is considered financially viable for redevelopment.

THIS PAGE INTENTIONALLY LEFT BLANK

BRISBANE
Level 5, 131 Leichhardt Street
Spring Hill QLD 4000
Australia
T: +61 (0)7 3831 0577

MELBOURNE
Level 13, 200 Queen Street
Melbourne VIC 3000
Australia
T: +61 (0)3 8648 6586

SYDNEY
Level 14, 25 Bligh Street,
Sydney NSW 2000
Australia
T: +61 (0) 2 9283 8400

BANGKOK
2024/129-130 Sukhumvit 50
Prakanong Klongtoey,
Bangkok, Thailand 10260
T: +66 2 107 0189

DARWIN
Level 1, 48-50 Smith Street
Darwin NT 0800
Australia
T: 1300 799 343

PERTH
Level 2, 580 Hay Street
Perth WA 6000
Australia
T: +61 (0) 8 6555 4940

TOWNSVILLE
233 Flinders Street East
Townsville QLD 4810
Australia
T: +61 (0)7 4771 5550

SHANGHAI
46F Hongkong New World Tower
300 Huahai Road Central
200021 China
T: +8621 6135 2310

aecgroupltd.com

OUTCOME DRIVEN

AEC
OUTCOME DRIVEN