



# Further Economic Analysis of Redevelopment of 2 Bachell Avenue, Lidcombe

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FINAL – Prepared for Pacific Planning by PPM Consulting

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**COMMERCIAL – IN – CONFIDENCE**

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## Executive Summary

The Cumberland City Local Planning Panel met on Wednesday, 27 May 2020 to deliberate on the planning proposal for 2 Bachell Avenue, Auburn. The Panel recommend that the request not proceed until the following issues are addressed:

- the Panel was not persuaded that an FSR in excess of 2.5:1 has been justified by the proponent and if the amendment is to proceed, further justification for the increased FSR is necessary
- further, the economic study should be updated to address the impact of the additional permitted uses and proposed office and business premises floor space cap on nearby centres.

The Panel's concerns are summarised as follows:

- is the advancement of the proposal as recommended by council staff aligned with Cumberland City Council's strategic vision for the Eastern Gateway precinct?
- is the project still viable at a floorspace ratio (FSR) of 2.5:1 rather than the 3:1 proposed?
- will the project compete with the Lidcombe town centre?

The proposed concept for the site is a mix of commercial and industrial uses over up to seven storeys.

### **Is the Proposed Development Aligned With Council's Strategy?**

The proposal is closely aligned with:

- *A Metropolis of Three Cities*
- the Central City District Plan
- *Auburn Employment Lands Strategy 2015*
- *Cumberland Council Employment And Innovation Lands Strategy & Land Use Planning Framework 2019*
- the draft Local Environmental Plan for Cumberland LGA.

The proponent and Council have been working closely to ensure that the proposed development meets the vision that is contained within the strategic documents of the NSW government and Council.

The proposed development closely aligns with the vision for the precinct where the proposed development is located, as well as for the Lidcombe Town Centre. This alignment of the project with the established and consistent policy vision of the Council is a key reason why the Council staff report strongly recommends the progression of the proposal as amended in response to the conditions of the Gateway.

### **Is the Proposed Development Viable at an FSR of 2.5:1?**

A viable development is one where the developer receives a return commensurate with the costs and risks of development sufficient for them to risk investing in the development. If the return is not great enough, the development does not get built. In normal circumstances, a development is generally deemed viable if it has a developer margin in

excess of 15 per cent (in a COVID-19 economy, this risk premium may be higher for some higher risk developments).

Table E-1 shows that if the development is to have capped office space, then it would only viable at 3:1.

**Table E-1: Estimated Developer Margin**

Developer Margin (%)	
<b>2.5:1 Jan 20 (No Office Space)</b>	3.7
<b>3:1 Concept (No Office Space)</b>	12.9
<b>2.5:1 Capped Office Space</b>	9.3
<b>3:1 Capped Office Space</b>	15.8
<b>2.75:1 Capped Office Space</b>	13.3

Source: : MRAs, Proposed Development Concept Design,  
2 Bachell Avenue, Lidcombe, October 2018, January 2020; PPM Consulting

As can be seen, the concept that has come through the Gateway process at 2.5:1 with no office space is not viable, with a margin of 3.7 per cent. Even with a small amount of capped office space, an FSR of 2.5:1 is not viable.

It should also be noted that the stormwater remediation has been costed at approximately \$1.5 million. This is a fixed cost and would need to be paid by whoever remediates the site. The only way to ensure this cost can be sufficiently offset, and the site remediated, is to ensure that there is sufficient GFA for the proponent to sell to recoup their costs. It is fundamental to the viability of this, or any proposal to remediate this site, that this be taken into consideration when deciding the FSR that should apply to the site, otherwise (as has been stated previously) the site will not be redeveloped and the jobs that the Council's strategies call for will not come to fruition.

Allowing 7,000m<sup>2</sup> of office space within the development (or 26.7 per cent of the GFA) would make the development viable at an FSR of 3:1. At lower densities, the development slips below the vital 15 per cent threshold.

Unviable developments do not get built. Therefore, the jobs and increased amenity (including the remediation of stormwater) would not come to fruition.

The planning environment has also recently been significantly affected by the economic environment as the COVID-19 pandemic has resulted in the loss of hundreds of thousands of jobs and businesses, which may take years to recover. Setting an FSR that would make this development unviable would mean that the employment it would have created would be lost, possibly forever, as any subsequent developer would also find the site unviable for development with a 2.5:1 FSR.

In the context of COVID-19, employment opportunities are going to be very important. To have a piece of land lie fallow when it could be turned into productive employment land seems like a missed opportunity.

It follows that the more employment floorspace there is, the more potential jobs there are. It also follows that the less employment floorspace there is, the fewer jobs there are. Therefore, it is extremely important from a macroeconomic viewpoint that the amount of floorspace for this site (and other employment lands) be maximised (rather than minimised) to ensure that the jobs potential is as high as possible. The economy no longer has the luxury of setting FSRs at the bare minimum. In this case it is noted that all other planning matters pertaining to environmental impact have shown that a density of 3:1 can be accommodated without any undue impacts.

### **Would The Proposed Development Compete with the Lidcombe Town Centre?**

It is the considered opinion of PPM Consulting that the proposed development would not compete with the Lidcombe Town Centre, because:

- the proposed uses do not compete with the Town Centre
- the demand for floorspace is likely to outstrip supply
- there are few rental vacancies for offices and light industries in the local area.

Businesses located in Town Centre locations, for the most part, are not compatible with the type of businesses likely to be attracted to the proposed development. This includes retailers like pharmacies, supermarkets, etc. In addition, businesses that rely on agglomerations like accountants, doctors, dentists, pathologists and solicitors are likely to be located in Town Centres; there is unlikely to be a demand for floorspace from these types of businesses in the proposed development.

By 2031, household spending within a 1.5 kilometre radius of Lidcombe Train Station is projected to increase by 41 per cent to \$412 million. While some of this spending will be spent outside of the Lidcombe Town Centre, there will be a need to service an additional \$51 million in food and grocery expenditure, \$4 million in packaged liquor expenditure, \$47 million in food catering (such as cafes and restaurants, hotels, bars, clubs and taverns), \$5.7 million on general retail (such as florists, jewellers, pharmacies, etc) and \$3 million on retail services (such as hair dressers and barbers, newsagents, beauticians, etc). This will require more floorspace for retail in the Lidcombe Town Centre to ensure that local people are able to fulfil their daily needs within a reasonable travel time.

Out of centre business parks do not generally compete with nearby town centres. This is because the business needs of the tenants are different for the different settings. In all five case studies presented in this report, the tenant mix in out of centre developments, such as the one proposed for 2 Bachell Avenue, are completely different and serve a completely different purpose.

### **Conclusion**

The current controls for the 2 Bachell Avenue, Lidcombe, are very unlikely to facilitate redevelopment of the site. It is possible that the factory currently on the site will continue to be underutilised.

In addition, the 2.5:1 concept without office premises space appears to be unviable, and no developer (the applicant or any subsequent developer) would find it viable to redevelop the site at 2.5:1. With office premises space capped at 7,000m<sup>2</sup>, a concept at 3:1 could be viable, and even then only marginally. It is also noted that no other environmental impact assessment item related to the project concludes that a density 3:1 is unacceptable.

If the FSR for the site is set at a low level such that development is unviable, the economic stimulus provided by the development, as well as the ongoing jobs facilitated by the floorspace, would be lost, as it is likely that the site would remain unchanged into the foreseeable future. This would be a lost opportunity for Lidcombe, Cumberland LGA and Sydney, as in a COVID-19 world, the more opportunities for jobs, the better it will be for the whole of the economy. The site with controls that allow for a viable development could assist the Cumberland LGA and Sydney to see some economic recovery following the pandemic.

# 1. Introduction

The Cumberland City Local Planning Panel met on Wednesday, 27 May 2020 to deliberate on the planning proposal for 2 Bachell Avenue, Auburn.

The Panel recommend that the request not proceed until the following issues are addressed:

- the Panel was not persuaded that an FSR in excess of 2.5:1 has been justified by the proponent and if the amendment is to proceed, further justification for the increased FSR is necessary
- further, the economic study should be updated to address the impact of the additional permitted uses and proposed office and business premises floor space cap on nearby centres.

The Panel's concerns are summarised as follows:

- is the advancement of the proposal as recommended by council staff aligned with Cumberland City Council's strategic vision for the Eastern Gateway precinct?
- is the project still viable at a floorspace ratio (FSR) of 2.5:1 rather than the 3:1 proposed?
- will the project compete with the Lidcombe town centre?

PPM Consulting has been commissioned by Pacific Planning to undertake this further economic study. This analysis looks at:

- the strategic vision and how the proposed development is aligned, particularly with the 2015 Auburn *Employment Lands Strategy* (ELS) and the Cumberland *Employment And Innovation Lands Strategy & Land Use Planning Framework 2019* ("the strategies")
- further explains the issues around viability at an FSR of less than 3:1 and reiterates the potential economic and employment impacts of the proposal not proceeding
- outlines how the proposal does not compete with Lidcombe Town Centre.

## 1.1 Background

The site is 8,738m<sup>2</sup>, and sits in the Lidcombe East industrial precinct (part of the broader "Eastern Gateway" precinct identified in the *Employment And Innovation Lands Strategy & Land Use Planning Framework 2019*). Immediately to the west are houses, predominantly single dwelling houses, but also including some flats/townhouses. The site is currently zoned IN1 General Industrial in the Auburn Local Environmental Plan (LEP) 2010 and contains a pre-existing 2,250m<sup>2</sup> underutilised industrial building.

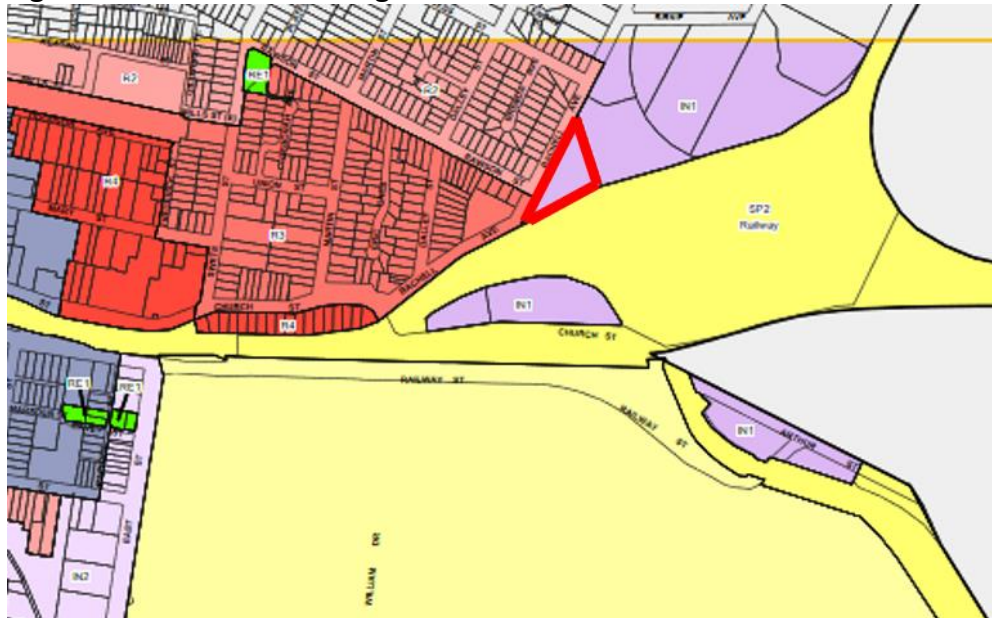
The freestanding warehouse currently located on the site was constructed in 1972 and has been home to an industrial printing company until recently. The warehouse is now occupied by a dry cleaning company. The building was constructed over a stormwater drainage channel that runs in a south to north-west direction through the site. The remaining part of the drainage channel is exposed. The site is within the flood planning area and contains land below the foreshore building line.

The site is a wedge in the southern-most part of the Lidcombe East precinct. It has a high level of connectivity, with direct access to the Parramatta Road and almost-direct access to

the Western Motorway. The subject site also has high connectivity to adjacent industrial precincts and employment centres such as Sydney Olympic Park via Parramatta Road.

Figure 1 shows the site along with the zoning.

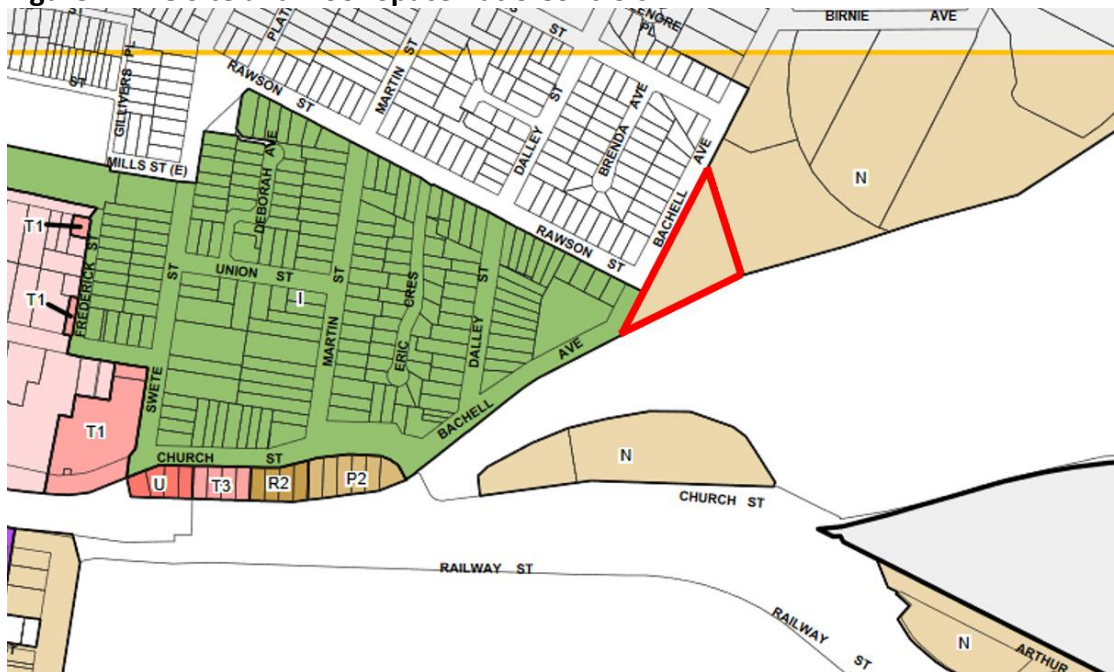
**Figure 1: The Site and Zoning**



Source: Auburn LEP 2010

The site has a floor space ratio control of 1:1, as shown in Figure 2.

**Figure 2: The Site and Floor Space Ratio Controls**



Source: Auburn LEP 2010

Residential development is considered to be not an option for the site. The employment strategies recommend retaining the site as IN1, but with a more flexible approach to



permissibility. The proposed concept is predicated on the site being rezoned to allow office uses (by rezoning the land as B6 Enterprise Corridor, with a cap), which would be consistent with both the strategies, and found to be viable by the economic analysis undertaken by PPM Consulting in February 2020.

The current site characteristics are shown in Table 1.

**Table 1: Site Characteristics**

<b>Site size</b>	8,738m <sup>2</sup>
<b>FSR</b>	1:1
<b>Current Industrial Floorspace</b>	2,250m <sup>2</sup>
<b>Current Zoning</b>	IN1 General Industrial

The site will require:

- demolition of the factory and remediate the land, at a cost of \$1.5 million
- significant storm water and flood mitigation works at a cost of \$1.5 million
- the construction of a two-storey basement.

The proposed concept for the site is a mix of commercial and industrial uses over up to seven storeys.

Figure 3 shows the concept plan for the site.

**Figure 3: Concept Site Plan**



Source: MRAs, Proposed Development Concept Design, 2 Bachell Avenue, Lidcombe 31 January 2020

The January 2020 concept was for a gross floor area (GFA) 21,842m<sup>2</sup> of warehousing, light industrial, food retail and high tech industrial floorspace, at a floor space ratio (FSR) of 2.5:1. This is lower than the original concept, which was at 2.85:1 and a GFA of 22,842m<sup>2</sup>. As shown in Chapter 3 of this report, and in the *Supplementary Economic Analysis of Redevelopment of 2 Bachell Avenue, Lidcombe* (PPM Consulting, February 2020), a development with a cap on office space would not be viable at an FSR of 2.5:1.

## 2. Is the Proposed Development Aligned With Council's Strategy?

The proposal is closely aligned with Council's strategy and vision for the Eastern Gateway precinct. The proponent and Council have been working closely to ensure that the proposed development meets the vision that is contained within the strategic documents of the NSW government and Council.

The proposal closely aligns with *A Metropolis of Three Cities*, the Central City District Plan, *Auburn Employment Lands Strategy 2015*, the *Cumberland Council Employment And Innovation Lands Strategy & Land Use Planning Framework 2019*, and the draft Local Environmental Plan for Cumberland LGA.

### 2.1 A Metropolis of Three Cities – The Greater Sydney Region Plan

In March 2018, the NSW Government published *A Metropolis of Three Cities – The Greater Sydney Region Plan* (The Plan). The Plan is built on a vision of three cities where most residents live within 30 minutes of their jobs, education, health facilities, services and great places. The subject site is within the Central River City. The population of the Central River City is projected to increase from 1.3 million people to 1.7 million people over the next 20 years.

The subject site is within the Lidcombe East Industrial Precinct and is located in the Greater Parramatta and the Olympic Peninsula (GPOP). Lidcombe East is located on the boundary between the "essential urban services, advanced technology and knowledge sectors" quarter and the Olympic Park Lifestyle Super Precinct quarter within the Corridor. The GPOP is integral to the vision of A Metropolis of Three Cities and the Central River City.

Greater Sydney's three cities identified in the Greater Sydney Region reach across five districts. The subject site is within the Central City District, which is forecast to grow substantially, capitalising on its location close to the geographic centre of Greater Sydney.

The Planning Proposal aligns with the objectives and directions of the NSW Government's strategic planning framework. The Planning Proposal will provide the potential to create new jobs in an established urban services area, creating the conditions for a stronger economy (Productive Direction). The Planning Proposal, through the broadening of employment uses and intensification of employment floorspace realises the vision to "grow a stronger and more competitive Greater Parramatta" and "maximise opportunities to attract advanced manufacturing and innovation in industrial and urban services."

### 2.2 Central City District Plan (March 2018)

The Greater Sydney Commission's Central City District Plan notes that industrial and urban services land in Cumberland Local Government Area is required for emerging innovative industries in digital innovation, media, arts, creative industries, food and beverage manufacturing, allied health, research and development and advanced technology manufacturing.

It goes on to say that the proximity to Greater Parramatta and access to transport and freight routes ideally position these sites to provide innovation and important urban services that support the growth of the Central City District.

The Greater Sydney Commission endorses Cumberland Council's draft *Employment and Innovation Lands Strategy and Land Use Planning Framework* (now finalised, see 2.4), acknowledging that it recognises the opportunity to transition the Cumberland economy into higher order and productive industries and the knowledge-intensive economy. It goes on to support the development of an "innovation ecosystem" and the growth of key sectors: digital technologies/media, advanced manufacturing, food and beverage, manufacturing, creative industries, fashion, allied health, advanced knowledge services and freight and logistics.

### 2.3 Auburn Employment Lands Strategy 2015

The site is currently zoned IN1 General Industrial and forms the most southerly portion of the Lidcombe East Industrial Precinct. The site is 8,738m<sup>2</sup> and currently has a maximum floor space ratio (FSR) of 1:1.

The site is within "Precinct 10" (Lidcombe East) in the former Auburn ELS. The precinct is generally well occupied with direct access off Parramatta Road without having to traverse residential land.

The ELS recommends the following for the precinct:

*Retain as IN1 General Industrial and promote the precinct as one of Auburn's important industrial areas.*

*Adopt a flexible approach to considering a range of employment/industrial uses that may have different access and floor space requirements, e.g. office-type floor space, loading and circulation requirements.*

As there is no vacant land in the precinct, the increase in floor space envisaged by the ELS can only be fulfilled through redevelopment of sites or changes to planning controls that permit additional uses. Relevant to the proposed development, the ELS states that Lidcombe East has, "large lots, enabling potential subdivision or densification in the future."

### 2.4 Cumberland Council Employment And Innovation Lands Strategy & Land Use Planning Framework 2019

The *Cumberland Council Employment And Innovation Lands Strategy & Land Use Planning Framework* (the Strategy) placed Lidcombe East in the "Eastern Gateway" precinct, which is a "cluster of premium high tech industrial units, closely aligned with the commercial corridor."

This vision for the Eastern Gateway closely reflects the vision of the proponent for the proposed development. The Framework for the Strategy expands on this vision (p104):

*The Commercial Corridor, Specialised Cluster and Eastern Gateway includes the lands in the north east of the local government area that are complementary to each other and provide an environment that is high in amenity, well connected, with premium high-tech units closely aligned with the Commercial Corridor between Parramatta and Sydney. It facilitates uses that need a collaborative environment and not a traditional CBD setting, providing an Eastern Gateway to the LGA. The vision is for uses along and off Parramatta Road to be renewed for continued productive employment uses, including but not limited to*

*sectors such as digital technologies/ media, advanced knowledge services and creative industries. The vision should also draw on the synergies between food and beverage businesses and the Tooheys Brewery in particular.*

The Strategy targets advanced manufacturing, supporting food and beverage and creative industries in the precinct, which again is what the vision of the proposed development is.

It should also be noted that Council's planning principles include reinforcing the Parramatta Road (Auburn) corridor lands as an established and consolidated retail/bulky goods corridor. In effect, Council is ensuring that retail and bulky goods are drawn towards Parramatta Road, Auburn, and not towards the proposed development.

## 2.5 Planning Proposal - Draft Local Environmental Plan

Cumberland Council has their draft Local Environmental Plan (LEP) on exhibition. The Planning Proposal essentially seeks to harmonise the three existing LEPs in the city into a consistent approach, however there are key exceptions including:

- implementation of the Parramatta Road Strategy, which is to increase housing (amount and range) and employment/business opportunities in the corridor including to introduce B1 and B6 zoning in selected places and to amend height and FSR controls for these zones which will support the redevelopment envisaged by the Strategy
- as initiated under the *Auburn and Lidcombe Town Centres Strategy* and subsequently progressed through Council, to increase development potential in the Auburn and the Lidcombe Town Centres through changes to planning controls (notably maximum building height) to enable increased local human and economic activity as well as improve built form outcomes.

In effect, Council is seeking to make Lidcombe Town Centre more attractive for business, and create more employment floorspace there. As shown in Chapter 4, there is very little floorspace for lease in and around Lidcombe. Allowing redevelopment of sites within the Town Centres of Auburn and Lidcombe would ensure that uses that are compatible with a town centre setting are kept within the town centres. In doing this, the draft LEP is ensuring that the Lidcombe Town Centre is vibrant and attractive and ensuring that there is no spillover of incompatible uses into precincts such as where the proposed development is located.

## 2.6 Comment on Strategic Alignment

It is the considered view of PPM Consulting that the proposed development closely aligns with the Greater Sydney Commission's strategy, all of Council's strategic documents and the vision of Council itself for the specific site. This includes the vision for the precinct where the proposed development is located, as well as for the Lidcombe Town Centre. In any case, the Lidcombe Town Centre and the proposed development will have complementary uses, as their tenant mixes will be totally different. It is also considered that this alignment of the project with the established and consistent policy vision of the Council is a key reason why the Council staff report strongly recommends the progression of the proposal as amended in response to the conditions of the Gateway.

### 3. Is the Proposed Development Viable at an FSR of 2.5:1?

#### 3.1 Viability

Viability is not about whether the development would, once established, remain sustainable among its competitors in the surrounding area. Viable in the development context means “would the developer receive a return commensurate with the costs and risks of development sufficient for them to risk investing in the development.” In normal circumstances, a development is generally deemed viable if it has a developer margin in excess of 15 per cent (in a COVID-19 economy, this risk premium may be higher for some higher risk developments). Any less, and the risk that the developer will not receive their return becomes too great, and the development will likely not occur. In the case of the proposed development, if the developer return is not high enough to justify the investment risk, it is likely that no development of the site will occur at all, because of the underlying characteristics of the site.

At the moment, the site is a rundown factory supporting minimal jobs.

The site is a very complicated one, and requires the mitigation of a major stormwater channel, which would be a cost to any potential developer of the site. It is extremely likely that no developer would be interested in redeveloping the site with its current controls (FSR of 1:1). Leaving the site as it is would be a wasted opportunity to turn a difficult, costly site into a high employment generating site.

It is our understanding that on 27 May 2020, the Local Planning Panel accepted the following:

- the 7,000m<sup>2</sup> cap on office floorspace
- the height of the buildings.

However, we understand that the Planning Panel was reluctant to support the development with an FSR of greater than 2.5:1. Therefore, it follows, that with a cap on commercial space, the Local Planning Panel would rather see the amount of light industry, industrial retail, high tech industry, digital technology and creative industry curtailed on the site. This is surely an unintended consequence of this reasoning, and far from Council’s vision for the site (see Chapter 2). A 2.5:1 FSR would create a GFA of 22,375m<sup>2</sup>, of which 15,375m<sup>2</sup> would likely be for industrial and other urban services employment uses (as office space has higher returns, it is likely that any developer would seek to use the maximum of office space); at 3:1 it is likely that 19,850m<sup>2</sup> of total of 26,850m<sup>2</sup> would be industrial and urban services uses. The drop in this floorspace between the two densities of 4,475m<sup>2</sup> would be extremely significant in the context of the vision Council has for the site and the precinct (see Chapter 2).

As was stated at the Panel Meeting, the Gateway decision limiting the amount of commercial space meant that all previous viability calculations were no longer valid. The viability calculations in the February 2020 report by PPM Consulting are therefore to be taken as *replacements* of any earlier calculations.

Furthermore, as shown in the *Supplementary Economic Analysis of Redevelopment of 2 Bachell Avenue, Lidcombe* from February 2020 by PPM Consulting, if a development is to have capped office space, then it is only viable at 3:1. Table 2 shows the estimated return on the investment, as shown by the developer margin, from the earlier report.

**Table 2: Estimated Developer Margin**

	Developer Margin (%)
<b>2.5:1 Jan 20 (No Office Space)</b>	3.7
<b>3:1 Concept (No Office Space)</b>	12.9
<b>2.5:1 Capped Office Space</b>	9.3
<b>3:1 Capped Office Space</b>	15.8
<b>2.75:1 Capped Office Space</b>	13.3

Source: : MRAs, Proposed Development Concept Design, 2 Bachell Avenue, Lidcombe, October 2018, January 2020; PPM Consulting

As can be seen, the concept that has come through the Gateway process at 2.5:1 with no office space is not viable, with a margin of 3.7 per cent. Even with a small amount of capped office space, an FSR of 2.5:1 is not viable.

It should also be noted that the stormwater remediation has been costed at approximately \$1.5 million. This is a fixed cost and would need to be paid by whoever remediates the site. The only way to ensure this cost can be sufficiently offset, and the site remediated, is to ensure that there is sufficient GFA for the proponent to sell to recoup their costs. It is fundamental to the viability of this, or any proposal to remediate this site, that this be taken into consideration when deciding the FSR that should apply to the site, otherwise (as has been stated previously) the site will not be redeveloped and the jobs that the Council's strategies call for will not come to fruition.

Allowing 7,000m<sup>2</sup> of office space within the development (or 26.7 per cent of the GFA) would make the development viable at an FSR of 3:1. At lower densities, the development slips below the vital 15 per cent threshold.

While it is understood that the controls would allow ancillary office use, it cannot be included as "office premises" in any scenario that does not explicitly allow office space. This is because the risk that Council may not view the offices as ancillary uses is too great to rely on in viability calculations.

### 3.2 Comment on Viability

It is important that the Local Planning Panel carefully understands what viable and unviable means in the context of this development. Unviable developments do not get built. Therefore, the jobs and increased amenity (including the remediation of stormwater) would not come to fruition.

The planning environment has also recently been significantly affected by the economic environment as the COVID-19 pandemic has resulted in the loss of hundreds of thousands of jobs and businesses, which may take years to recover. Setting an FSR that would make this development unviable would mean that the employment it would have created would be

lost, possibly forever, as any subsequent developer would also find the site unviable for development with a 2.5:1 FSR.

In the context of COVID-19, employment opportunities are going to be very important. To have a piece of land lie fallow when it could be turned into productive employment land seems like a missed opportunity.

It follows that the more employment floorspace there is, the more potential jobs there are. It also follows that the less employment floorspace there is, the fewer jobs there are. Therefore, it is extremely important from a macroeconomic viewpoint that the amount of floorspace for this site (and other employment lands) be maximised (rather than minimised) to ensure that the jobs potential is as high as possible. The economy no longer has the luxury of setting FSRs at the bare minimum. In this case it is noted that all other planning matters pertaining to environmental impact have shown that a density of 3:1 can be accommodated without any undue impacts.

It is the considered view of PPM Consulting that the FSR should be set at 3:1.



## 4. Would The Proposed Development Compete with the Lidcombe Town Centre?

It is the considered opinion of PPM Consulting that the proposed development would not compete with the Lidcombe Town Centre.

The proposed development will not compete with the Town Centre because:

- the proposed uses do not compete with the Town Centre
- the demand for floorspace is likely to outstrip supply
- there are few rental vacancies in the local area.

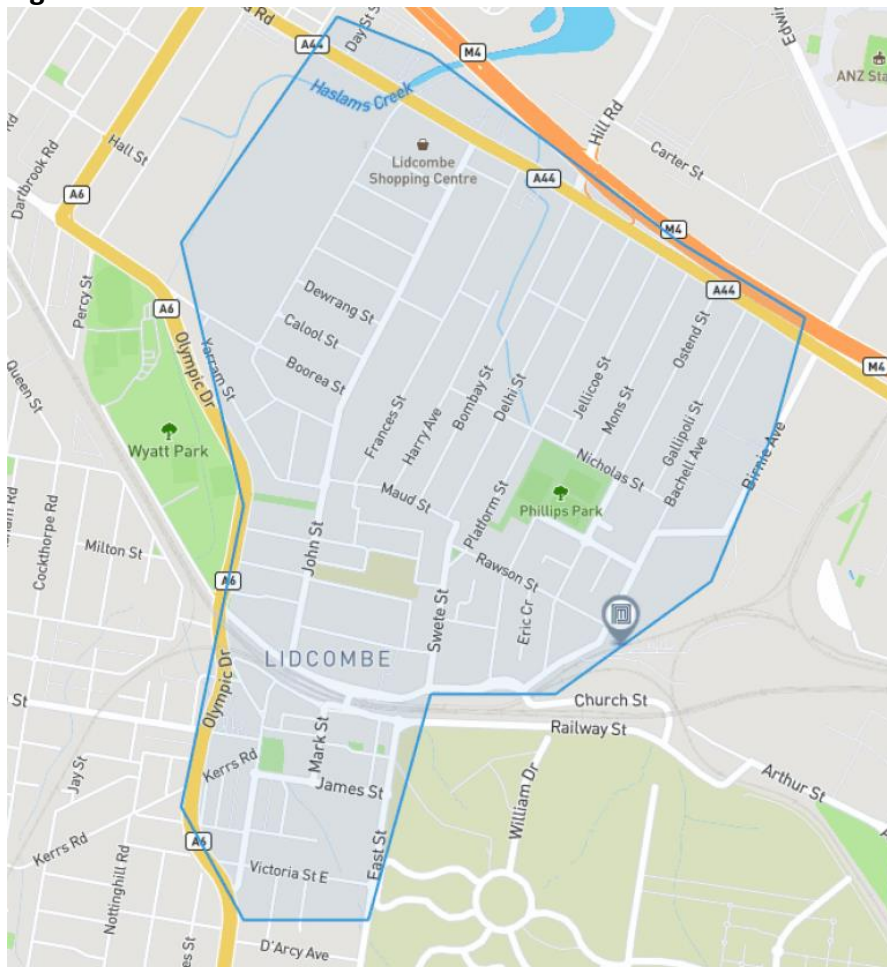
### 4.1 The Proposed Uses Do Not Compete With the Town Centre

Using the phraseology of planning, the proposed uses include the following:

- food and drinks, shops, recreation, etc
- light industries, industrial retail, hardware, etc
- high technology industry, office premises, digital technology, creative industry, etc
- warehouse, storage, wholesale suppliers, etc

The Lidcombe Town Centre (including the industrial area and Parramatta Road precinct) is shown in Figure 4.

**Figure 4: Lidcombe Town Centre**



Source: GapMaps

GapMaps data, supplemented by a Google search and local knowledge, shows that there are at least 60 businesses operating in the Lidcombe Town Centre (the area shown in the map in Figure 4). The current uses in the Town Centre are shown in Table 3. The table is not an exhaustive list.

**Table 3: Businesses Operating in Lidcombe Town Centre and Parramatta Road Corridor**

Type	Number
Accountants	10
Aged Care & Retirement Living	1
Child Care	5
Clinical Services	8
Dental Services	5
Fast Food	4
Large Format Retail	2
Mini-Majors	1
Pathology Services	5
Petrol Retail	3
Pharmacy	3
Real Estate Agents	9
Solicitors	3
Supermarket and Grocery Stores	1

Source: GapMaps, Google

These businesses, for the most part, are not compatible with the type of businesses likely to be attracted to the proposed development. This includes retailers like pharmacies, supermarkets, etc. In addition, businesses that rely on agglomerations like accountants, doctors, dentists, pathologists and solicitors are likely to be located in Town Centres; there is unlikely to be a demand for floorspace from these types of businesses in the proposed development.

Demand for commercial floorspace on Parramatta Road will come from businesses seeking exposure and access to a major transport corridor or the regional road network and would not seek floor space in a location that does not have this access or exposure. These types of businesses include bulky goods retailers, showrooms and car dealerships, all of which are heavily featured in the Lidcombe section of Parramatta Road. Other major road corridors have a mix of service stations (as Parramatta Road does, as shown in Table 3), hotels/motels, head offices of medium-sized companies with large floorspace needs over several floors, restaurants, hardware stores, etc. These are not considered as part of the tenant mix for the proposed development.

#### 4.2 The Demand For Floorspace Is Likely To Outstrip Supply

The *Auburn Employment Lands Study* forecast a reduction in industrial floor space demand in Auburn LGA of approximately 204,400m<sup>2</sup> over the period to 2031. Despite this, the ELS projected that Lidcombe East will experience an additional demand for employment floor space by 2031. More than half of this additional floor space is based on more intensive commercial and retail employment uses being located within the precincts. However, this is difficult to fulfil as “office premises” and “retail premises” are currently prohibited in the current zoning (although neighbourhood shops, restaurants and cafes are permissible with consent). A similar forecast is not included in *Cumberland Employment and Innovation Lands Strategy*, meaning 2015 is the latest data available.

Gapmaps data shows that the population within a 1.5 kilometre radius of Lidcombe Train Station is projected to increase from 29,167 to 36,598 – an increase of 7,431 people or a 25 per cent increase. The increase in population is likely to bring with it an increase in household spending. In 2019, household spending within a 1.5 kilometre radius of Lidcombe Train Station totalled \$292.3 million on the following items:

- food and groceries
- packaged liquor
- food catering
- apparel
- household goods
- leisure retail
- general retail
- retail services.

By 2031, household spending in this area is projected to increase by 41 per cent to \$412 million. While some of this spending will be spent outside of the Lidcombe Town Centre, there will be a need to service an additional \$51 million in food and grocery expenditure, \$4 million in packaged liquor expenditure, \$47 million in food catering (such as cafes and restaurants, hotels, bars, clubs and taverns), \$5.7 million on general retail (such as florists, jewellers, pharmacies, etc) and \$3 million on retail services (such as hair dressers and barbers, newsagents, beauticians, etc). This will require more floorspace for retail in the Lidcombe Town Centre to ensure that local people are able to fulfil their daily needs within a reasonable travel time.

#### 4.3 There Are Few Rental Vacancies In The Local Area

Data from GapMaps and Domain show that there is currently no office space for lease in the Lidcombe Town Centre. The vacancy rate is therefore 0 per cent. Any business trying to establish itself in Lidcombe would need to go elsewhere for office space.

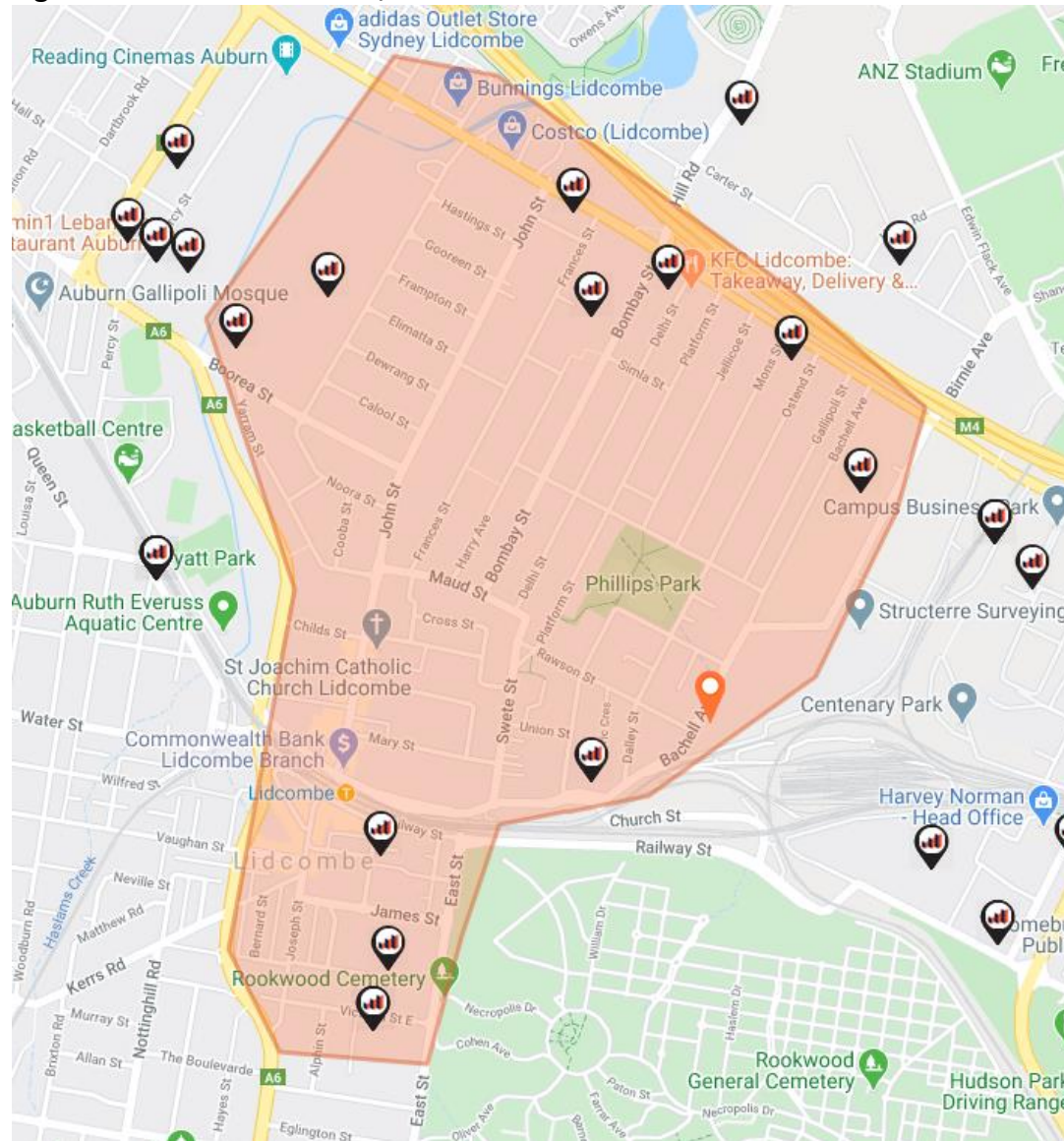
When the search is expanded to include industrial/warehouse space, the data shows that there are three spaces for lease in the Town Centre, with a total of only 989m<sup>2</sup> of floor space.

Expanding the search area to include the Parramatta Road precinct, there are another six premises for lease (three total 2,695m<sup>2</sup>, there is an empty furniture showroom with no floorspace details and two warehouses in Lidcombe West with no floorspace details).

Within the Lidcombe East precinct, there is one site for lease with 430m<sup>2</sup> of floorspace at 3-29 Birnie Avenue.

Premises for lease are shown in Figure 5.

**Figure 5: Premises For Lease, Lidcombe**



Source: GapMaps, Domain

#### 4.4 Demand for Out Of Centre Office Floor Space

There is demand for out of centre office and business floorspace. Businesses that seek out of centre office and business floorspace service a different client base to those companies seeking centre based or corridor based floorspace.

The types of offices that are likely to set up in the proposed development are:

- offices that are ancillary light industries, industrial retail, high technology industry digital technology, creative industry, warehouse, storage, wholesale suppliers, etc.
- small offices that supply business support to these businesses
- start up and smaller businesses that cannot afford a larger space, Parramatta Road or Town Centre location but need space to expand
- offices that do not rely on being close to their customers, such as business to business
- businesses such as party hire companies that require warehouse space as well as space for creative output
- trades who require a small office and space to keep supplies.

These kinds of businesses are not suited to a Town Centre or main road location, and are very seldom found in Town Centres or main road corridors. Therefore it is very unlikely that these kinds of businesses would be seeking to locate in the Lidcombe Town Centre or on Parramatta Road, and therefore they would not be competing with premises floorspace in these locations.

The lack of available space to rent for the kinds of businesses that the proposed development will be looking to attract shows that the supply of space is very limited. Therefore, more space is required to allow for the expansion of employment-generating businesses in the Lidcombe area.

Demand for commercial office floor space in the Lidcombe Town Centre will come from the growing population within the Town Centre and businesses that will service this population. This includes more of those kinds of businesses that are there already and are attracted to the visibility and central location on transport (road and rail) that the Lidcombe Town Centre has. These businesses will not be attracted to floorspace outside of the Lidcombe Town Centre, as they will be too far away from their customer catchment. The best evidence of this is the tenant mix in the Town Centre currently, which is unlikely to change, versus the tenant mix in the Lidcombe East precinct.



#### 4.5 Other Business Parks In Sydney Do Not Compete With Nearby Town Centres

Out of centre business parks do not generally compete with nearby town centres. This is because the business needs of the tenants are different for the different settings. This section presents five case studies of suburban business parks and their nearest Town Centre to show that the tenant mix in out of centre developments, such as the one proposed for 2 Bachell Avenue, is completely different and serves a completely different purpose.

##### 4.5.1 Newington Business Park, Newington

Newington Business Park is an office/light industrial park in Newington. It has 21 units, including warehousing, manufacturing and office space. A photograph of the business park is shown at Figure 6.

**Figure 6: Newington Business Park**



Source: Goodman Brochure

Tenants include:

- A.G. Coombs – building services
- Premium Beverages – brewer and beer distributor
- Partech Systems – avionics maintenance, repair, overhaul and upgrade
- Strike Force AMC – merchandising and sales support
- Hirotec – building services
- Robotic Automation – robotic system manufacture, warehousing and sales
- Komatsu Forest – forestry machines manufacturing and dealership

Approximately 500m away is the Newington Marketplace, which serves as the Town Centre for Newington (see Figure 7). Its tenants include:

- supermarket
- liquor retail
- banking
- pharmacy

- residential real estate
- dry cleaners
- travel agent
- cafes, restaurants, hotels, taverns and bars

**Figure 7: Newington Marketplace**



Source: Newington Marketplace

As can be seen, the mix of tenants at the business park is completely different from that in the Town Centre. While the proposed development at Bachell Avenue, Lidcombe will be different, the concept and the tenant mix are likely to be similar.

#### ***4.5.2 Gateway Business Park, Silverwater***

The Gateway Business Park at 63-79 Parramatta Road, Silverwater, is 1 kilometre from Auburn Town Centre and around 2 kilometres from Lidcombe Town Centre.

Tenants include:

- ASUS Australia – computer manufacturing, assembly and sales
- Centech Group – electrical, data and lighting
- MSS Security – security
- The Foresight Foundation – head office of disability accommodation service
- Acromet Pumps Pty Ltd – metering and pumps manufacturing and distribution
- Spyros Electrical – lighting, data and communications
- Jandson Homes – head office of volume builder
- Link Property Services – industrial and commercial real estate agent
- LJ Hooker Commercial - industrial and commercial real estate agent
- Sydney Corporate Security Service – security

The business park is shown in Figure 8.

**Figure 8: Gateway Business Park, Silverwater**



*Source: Gateway Business Park*

Nearby Auburn Town Centre (shown in Figure 9) has the following businesses:

- banking
- supermarkets
- mens and womens hair
- brick aback
- cafes, restaurants, hotels and taverns
- jewellers
- bakers
- residential real estate
- local services such as library, police station
- medical and dental services
- accountancy and taxation services
- legal services.



**Figure 9: Auburn Town Centre**



Source: Googlemaps

The tenant mix for the Auburn Town Centre is almost completely unrelated to that of the Gateway Business Park. It is clear that the two do not compete for tenants.

#### **4.5.3 Campus Business Park, Homebush**

The Campus Business Park at 350 Parramatta Road, Homebush, is 2 kilometres from Lidcombe Town Centre. It provides a very good comparison between the tenant mix of a bbusiness park, such as the proposed development at Bachell Avenue.

The Campus Business Park is shown in Figure 10.

**Figure 10: Campus Business Park, Homebush**



Source: Googlemaps

The Campus Business Park contains the includes tenants:

- Acer – computer manufacturing, assembly and distribution
- Toshiba – household appliances warehousing and distribution
- NEP – broadcast services
- Wormald – security services
- DHL – freight and logistics services
- DB Schenker – freight and logistics
- Bluestar Direct – direct marketing
- Harry the Hirer – party, event and furniture hire
- Nissan Australia – car importer head office
- Barbecues Galore – outdoor living offices and distribution
- SG Fleet – fleet management and vehicle leasing offices

The Lidcombe Town Centre is shown in Figure 11.

**Figure 11: John Street, Lidcombe Town Centre**



Source: Googlemaps

As noted in Chapter 4.1, it contains the following business types:

- accountants
- aged care and retirement living
- child care
- clinical services
- dental services
- fast food
- large format retail
- mini-majors
- pathology services
- petrol retail



- pharmacy
- hair and beauty
- real estate agents
- solicitors
- supermarket and grocery stores

It is clear that the tenant mix at the Campus Business Park has a completely different tenant mix to that in the Lidcombe Town Centre. It is very unlikely that tenants more suited to a Town Centre location would locate in a business park, and vice versa.

#### ***4.5.4 Lane Cove West Business Park, Lane Cove West***

The Lane Cove West Business Park at 63-79 Parramatta Road, Silverwater, is 1 kilometre contains factories and warehouses of such companies as:

- Scitek Australia – science, technology, engineering and maths education
- Walkers Party Hire – event planning and hiring
- Alpha Appliance Repairs – appliance repairs
- Peninsular Appliances – appliance repairs, distributions and sales
- Kapsch TrafficCom Australia Pty Ltd – traffic management systems
- Prodigy Communications – IT sales and services
- Cynergex Group – training for dentists and doctors
- Multimedia Technology Pty Ltd – IT distribution and sales
- Ward Civil and Environmental – civil and environmental engineering consultants
- Netcomm Wireless Limited – computer networking distribution and sales
- Wicked Foods – specialty foods manufacture, distribution and sales

While it is not on a main road, it has access to the arterial transport network within close proximity. A representative photograph of the business park is shown in Figure 12.

**Figure 12: Lane Cove Business Park – Typical Tenancy**



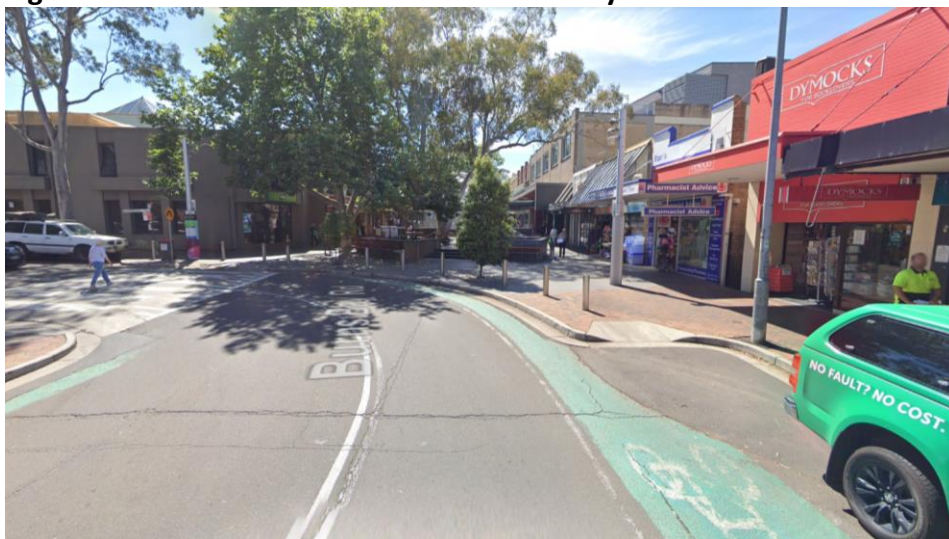
*Source: Googlemaps*

The Lane Cove Town Centre is 1.9 kilometres from the Lane Cove West Business Park. It includes the following business types:

- banking
- hair dressing and barbers
- cafes, restaurants, hotels, bars and taverns
- supermarkets
- pharmacies
- residential real estate agents
- legal services
- accountants and tax services
- domestic computer repair
- travel agents
- bakeries
- newsagents
- bookshops
- council services such as library.

Burns Bay Road and the Lane Cove Mall are shown in Figure 13.

**Figure 13: Lane Cove Town Centre – Burns Bay Road and Mall**



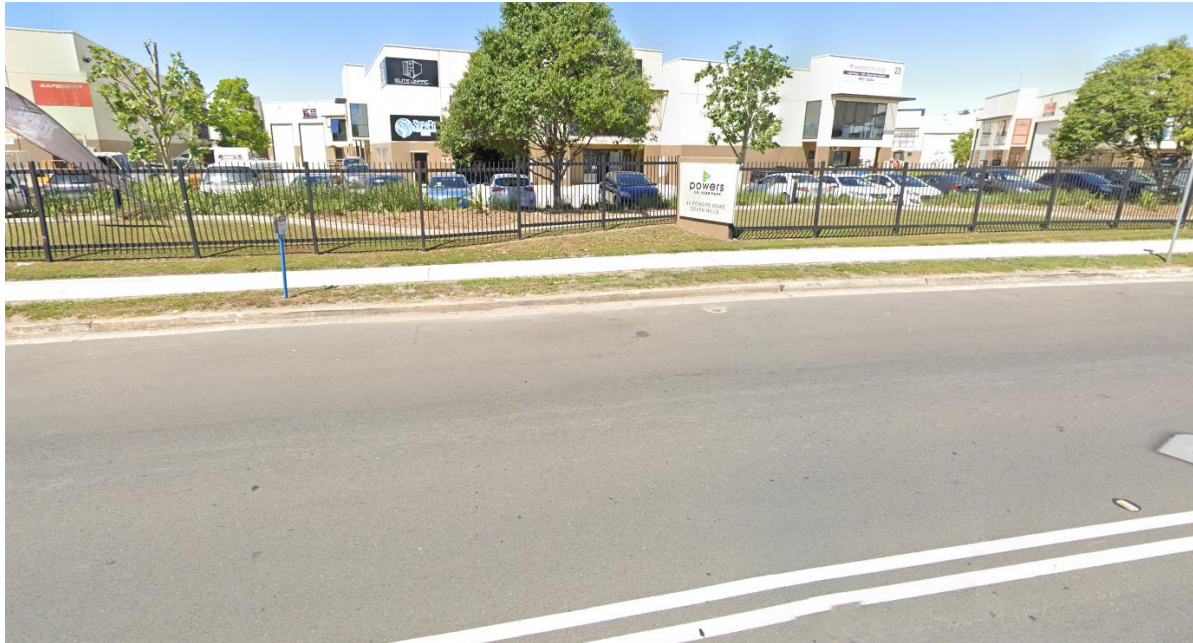
Source: Googlemaps

The Lane Cove Town Centre does not compete with the Lane Cove West Business park for tenants. The business mix and the needs of businesses in each location are completely different.

#### 4.5.5 Powers Business Park, Winston Hills

The Powers Business Park at 45 Powers Road, Winston Hills, is 1.4 kilometres from the Winston Hills Town Centre, and located in the vicinity of bulky goods, car dealerships, homewares, hardware and garden retail. The street frontage is shown in Figure 14.

**Figure 14: Powers Business Park, Winston Hills**



Source: Googlemaps

Powers Business Park has the following tenants:

- City Electric Supply Pty Ltd – electrical equipment supplier and distributor
- BSS LED Pty Ltd – electrical and lighting
- Anderson Packaging and Handling Equipment – packaging and bottling machine manufacture
- Priority Fuel Management – fuel handling and storage systems manufacture and distribution
- The Sydney Fan Company – fans and ventilation warehousing and distribution
- Azziz Tiling Suppliers – tiling products wholesale warehousing and distribution
- Safety Vend Australia – safety products warehousing, sales and distribution
- Grace Information Management – digital archiving.



The Winston Hills Town Centre, shown at Figure 15, has a completely different tenant mix to the Powers Business Park, including:

- supermarkets
- retail mobile phone shops
- cafes, restaurants, hotels, bars and taverns
- pharmacies
- mini-major discount department stores
- post office
- banks
- fashion retail
- hair and beauty
- jewellers
- optometrists
- homewares and entertainment
- residential real estate agents
- newsagents
- travel agents
- cinemas.

**Figure 15: Winston Hills Mall (Town Centre)**



Source: Googlemaps

As can be seen, the tenant mix of the business park is completely different to the tenant mix of the Winston Hills Mall (Town Centre).

#### 4.6 Comment On Competition

The existence of a very low vacancy rate, high demand and little supply coming on, and the difference in uses between the proposal and the Town Centre strongly suggest that the proposed development is very unlikely to compete with the Town Centre.

The case studies show very clearly that there is very little, if any, crossover between the tenant mix of a town centre and that of a business park. It is highly likely that the tenant mix of the proposed development will not impact the Lidcombe Town Centre.

Even if a new or redeveloped larger commercial or retail development is expected to have an effect on current businesses, this is no reason to prevent the new venture from coming to fruition. Competition is a good thing, and would be welcomed by consumers, as additional choice is offered. Competition could result in better products, better and more innovative service delivery, and cheaper goods and services for consumers. For current businesses, competition can be both a threat and an opportunity, but it is not up to planners to protect current businesses from competition (and thereby preventing the benefits of competition flowing to consumers). Current businesses competing with new businesses can find cheaper and better ways to do business, new offerings to consumers and can innovate in both products and service delivery. Stymying competition leads to higher prices for consumers, lower levels of service, further drive times, more congestion and less choice. Therefore, competition should be welcomed by planners, rather than looking for it to be managed.

## 5. Conclusion

The current controls for the 2 Bachell Avenue, Lidcombe, are very unlikely to facilitate redevelopment of the site. It is possible that the factory currently on the site will continue to be underutilised.

In addition, the 2.5:1 concept without office premises space appears to be unviable, and no developer (the applicant or any subsequent developer) would find it viable to redevelop the site at 2.5:1. With office premises space capped at 7,000m<sup>2</sup>, a concept at 3:1 could be viable, and even then only marginally. It is also noted that no other environmental impact assessment item related to the project concludes that a density 3:1 is unacceptable.

The employment strategies encourage Council to be flexible with the zoning and density of industrial land in the Eastern Gateway precinct. Allowing a greater range of uses, such as “office premises” and other business and commercial uses would allow the industrial employment to be maintained while increasing total employment on the site. To not allow office premises on this site, even at a capped amount, appears to contradict the strategy.

The only way for the development to go ahead is to ensure that it can be viable. A viable development would also:

- create jobs and generate wages and salaries during the construction phase
- be seen as a show of faith not only for the site but for the *Cumberland Council Employment Strategy*
- stimulate investment in other sites within the Eastern Gateway precinct
- create business opportunities in the area, helping the Employment Strategy to be fulfilled
- create an attractive new place to grow a business, work and play
- raise awareness of Lidcombe among potential investors, which could lead to further investment in the precinct, which in turn would promote the additional floorspace required to fulfil the Employment Strategy
- lead to an economic stimulus through some of the new workers’ wages and the profits of the businesses being spent in the local area, stimulating the local economy
- encourage some visitors to spend money in the Lidcombe Town Centre.

However, if the FSR for the site is set at a low level such that development is unviable, all of this would be lost, as it is likely that the site would remain unchanged into the foreseeable future. This would be a lost opportunity for Lidcombe, Cumberland LGA and Sydney, as in a COVID-19 world, the more opportunities for jobs, the better it will be for the whole of the economy. The site with controls that allow for a viable development could assist the Cumberland LGA and Sydney to see some economic recovery following the pandemic.



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The Director and Principal, Martin Musgrave, holds an honours degree in economics with 20 years of experience in government across a wide range of sectors in a number of jurisdictions. Martin is a highly experienced public policy professional, specialising in economic analysis, policy development and leadership, advocacy, and government relations. He is considered a highly skilled economist and policy professional who always acts with integrity.

Martin Musgrave has been a valued senior contributor in the following organisations:

- the Department of Planning and Environment
- the Urban Development Institute of Australia (National and Victorian Division)
- the Property Council of Australia (Residential Development Council)
- the Large Format Retail Association
- the Department of Premier and Cabinet (Victoria)
- the Department of the Prime Minister and Cabinet
- the Roads and Traffic Authority (NSW) (now known as RMS)
- the Hunter Valley Research Foundation (now known as the Hunter Research Foundation)

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