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1 INTRODUCTION

SGS Economics and Planning was engaged by Canterbury Council to conduct an independent assessment of a planning proposal for change to residential uses in an existing industrial zoned precinct in Croydon Park (15-33 Brighton Avenue). The independent assessment addresses the following issues:

- the site context and the existing supply of employment lands
- distinguishing features of the site compared to other employment land
- why the site may or may not be suitable for retention of employment land
- assessment of the rezoning against the *draft Metropolitan Plan for Sydney*, namely the *Industrial Lands Strategic Assessment Checklist* for rezoning of existing industrial land to other uses.

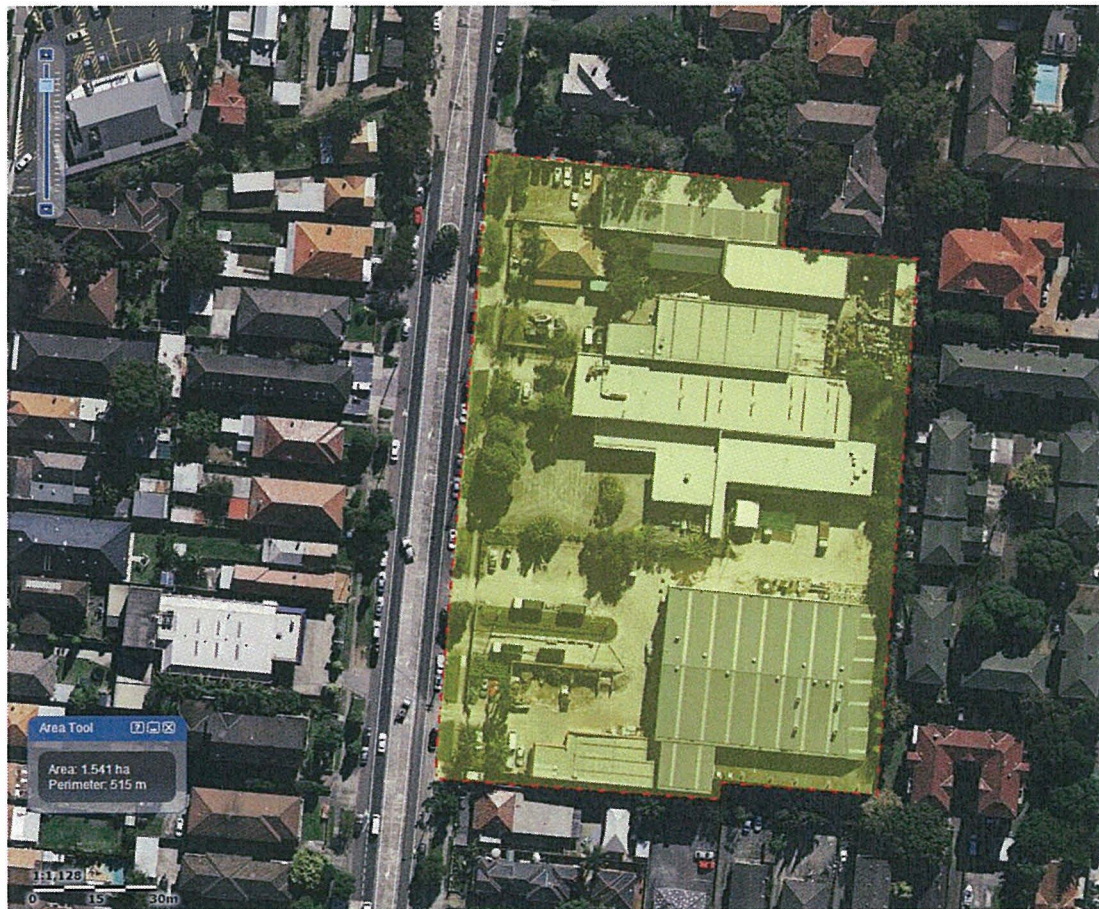
This report documents the findings and includes recommendations as to whether the proposal for rezoning should be supported in regards to employment lands demand and supply and whether the current industrial zoning should be retained. The recommendations in this report are specific to this site alone and it would not be appropriate to infer recommendations for the assessment of other sites within the Canterbury local government area.

2 CONTEXT

2.1 Precinct

The industrial precinct in Croydon Park is located at 15-33 Brighton Avenue, Croydon Park. The precinct is approximately 14,700 square metres and is zoned IN2 Light Industrial under the Canterbury Local Environmental Plan 2012. The precinct is near the Croydon Park local centre (B2 Local Centre zone) along Georges River Road (along the border of Canterbury and Burwood local government areas). The site is some two kilometres from the nearest rail station at Croydon.

FIGURE 1. SUBJECT INDUSTRIAL PRECINCT



Source: Land and Property Information, 2014

The precinct currently contains:

- AAA Radiator who supply radiators, condensers and fans (19 Brighton Ave)
- a vacant site where the Australia Post delivery centre was formerly located (23-25 Brighton Ave)
- Croydon Park Building Supplies (31-33 Brighton Ave)
- Mix of small office/light manufacturing.

The surrounding sites are zoned R4 High Density Residential and is characterised by older walk up apartment buildings (two to three storeys).

Under the South Subregion draft Subregional Strategy (2007), the subject precinct is identified as Category 1 industrial land (strategic site) and characteristically light manufacturing.

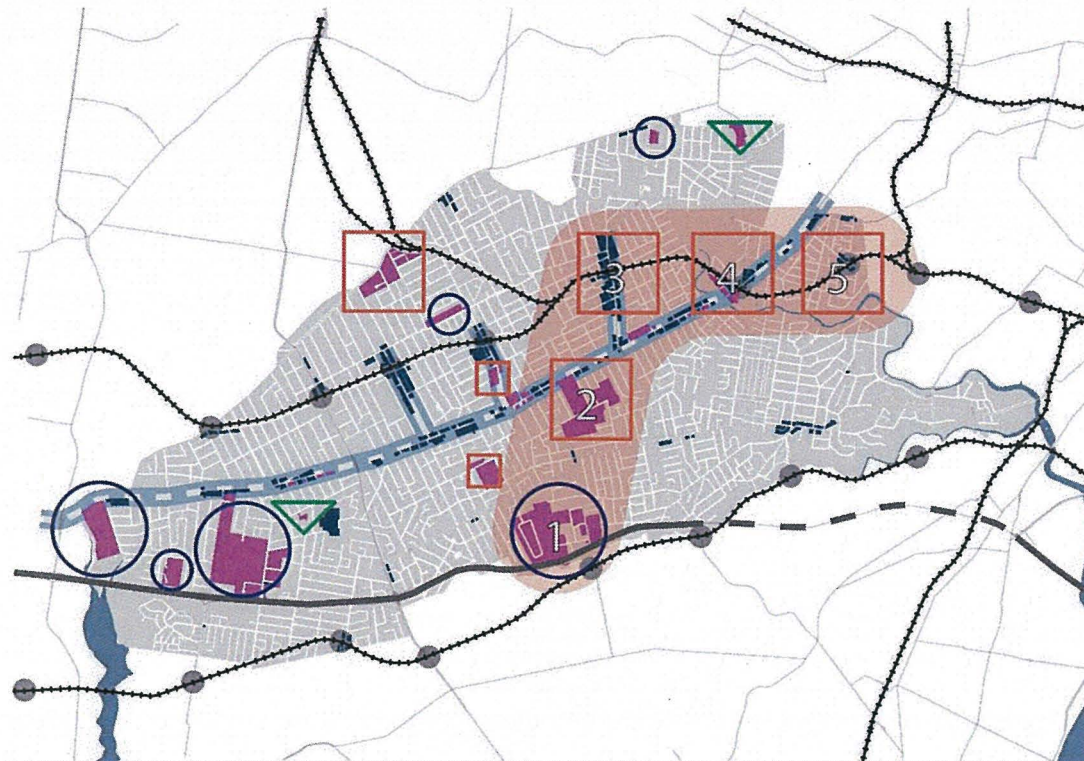
“This precinct is approximately 1.5 ha in size and houses industrial businesses such as Blue Circle Southern Cement and Australia Post (Croydon Park Delivery Centre) as well as building supplies. This area is considered to strategic and should be retained” (Department of Planning, 2007).

‘Towards 2032 - Canterbury Economic Development and Employment Strategy’ (SGS 2009) identifies that the Croydon Park industrial precinct contained 260 jobs in 2001 (1% of 2001 share) and was projected to experience a decline in employment to 239 jobs by 2031 (adjusted forecast). A land audit, conducted as part of the study, identified freight and logistic uses, dispersed activity, light manufacturing and vacant buildings within the precinct. The precinct was identified as one of a number of fragmented employment lands precincts which were considered together. The Strategy identifies a strategic direction for the precinct; to preserve and nurture local businesses and employment lands. The precinct was recommended to be retained as light industrial because the ‘precinct is accessible and located in proximity to a local centre’ (SGS 2009). The nearby Ashbury industrial precinct was recommended to be rezoned under the Strategy, however Council decided to retain this precinct for industrial purposes and it is currently also zoned IN2 Light Industrial.

The Strategy identified a corridor for growth with the majority of employment growth to be concentrated in Kingsgrove, as well as within the large industrial precincts such as the Riverwood precinct located along the M5 (refer to Figure 2).

Since 2009, there have been changes to the employment composition in this precinct and the surrounding area which warrants a reassessment of this precinct through this peer review of the planning proposal to rezone the site to residential uses.

FIGURE 2. STRATEGIC DIRECTIONS MAP



- KEY:
- Employment 'Ribs and Spine': key assets and opportunities for new business
 - Preserve and nurture local businesses and employment lands
 - Opportunities for new employment uses, residential and Live-work arrangements
 - Rezone to residential
 - 'Canterbury Business Link': Reviving Canterbury, Campsie, Kingsgrove
 - M5 Motorway
 - Canterbury Road
 - Cooks River

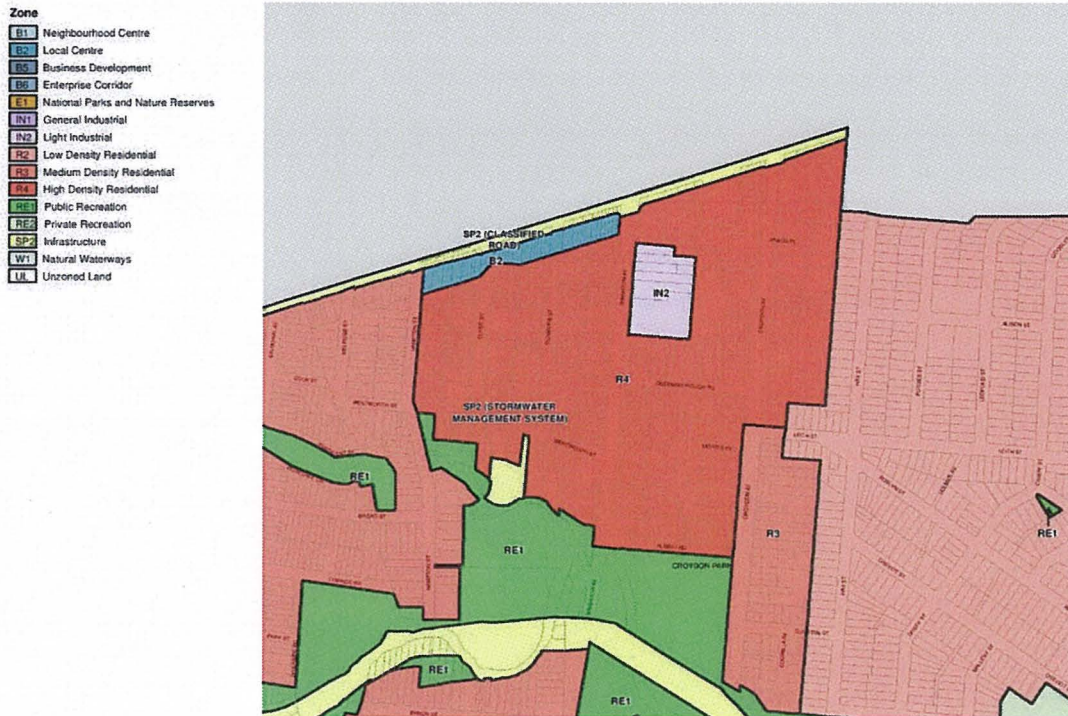
1. Kingsgrove – Enhance Kingsgrove's strategic employment role, protect land for key uses and enhance amenity. Investigate use of Council land for 'catalyst' infrastructure or development. Modify road and access arrangements. Enhance connections to Kingsgrove station and create a focus for worker amenities. Investigate opportunities for consolidation of employment opportunities from existing residential areas
2. Campsie/Belmore – Retain the majority of light industrial land and consider opportunities, in the surrounding area, for low-rise, medium density housing, medical related business and a small centre close to Canterbury Road.
3. Campsie – Concentrate residential, creative economy and employment at Campsie and investigate opportunities for affordable housing.
4. Canterbury Town Centre – Develop lifestyle, live-work environment at Canterbury Town Centre with a focus on new employment opportunities, recreation and sports connections and a potential future business park on the racecourse site.
5. Hurlstone Park – Focus residential development and encourage shop top housing. Promote this area as a location for small business.

Source: SGS Economics and Planning, 2009

2.2 Existing controls

The existing zoning controls for the precinct and surrounding area are shown in Figure 3. As noted previously, the subject precinct is zoned IN2 Light Industrial and the surrounding area is zoned R4 High Density Residential.

FIGURE 3. LAND ZONING MAP



Source: Canterbury Council, 2012

The objectives of the IN2 zone include:

- to provide a wide range of light industrial, warehouse and related land uses.
- to encourage employment opportunities and to support the viability of centres.
- to minimise any adverse effect of industry on other land uses.
- to enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.
- to support and protect industrial land for industrial uses.

The following uses are permitted with consent:

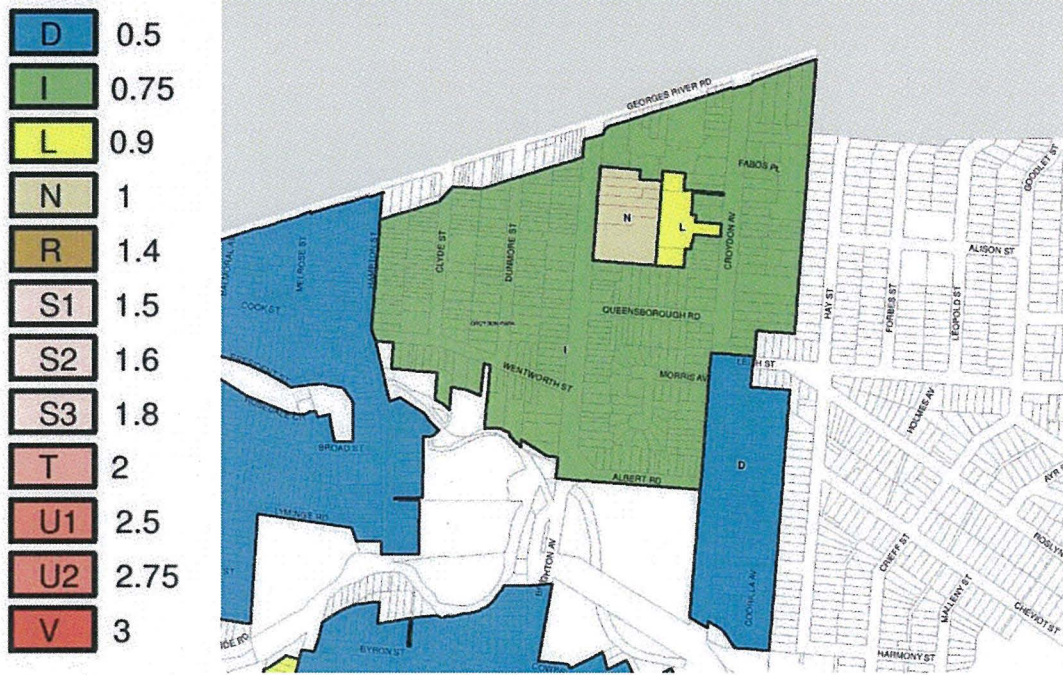
Agricultural produce industries; Depots; Garden centres; Hardware and building supplies; Industrial training facilities; Landscaping material supplies; Light industries; Markets; Neighbourhood shops; Plant nurseries; Restaurants or cafes; Roads; Take away food and drink premises; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Any other development which is not prohibited.

The following uses are prohibited:

Agriculture; Airstrips; Amusement centres; Boat launching ramps; Boat sheds; Camping grounds; Caravan parks; Cemeteries; Charter and tourism boating facilities; Commercial premises; Correctional centres; Crematoria; Eco-tourist facilities; Educational establishments; Environmental facilities; Exhibition homes; Exhibition villages; Extractive industries; Forestry; Freight transport facilities; Function centres; General industries; Health services facilities; Heavy industrial storage establishments; Heavy industries; Helipads; Highway service centres; Home occupations (sex services); Information and education facilities; Jetties; Marinas; Mooring pens; Moorings; Open cut mining; Passenger transport facilities; Recreation facilities (major); Recreation facilities (outdoor); Registered clubs; **Residential accommodation**; Restricted premises; Rural industries; Sex services premises; Tourist and visitor accommodation; Water recreation structures; Wharf or boating facilities

The subject precinct currently has development controls allowing a floorspace ratio of 1:1. The surrounding residential developments have planning controls with a floorspace ratio of 0.75:1, with an adjacent precinct having a floorspace ratio of 0.9:1 (refer to Figure 4).

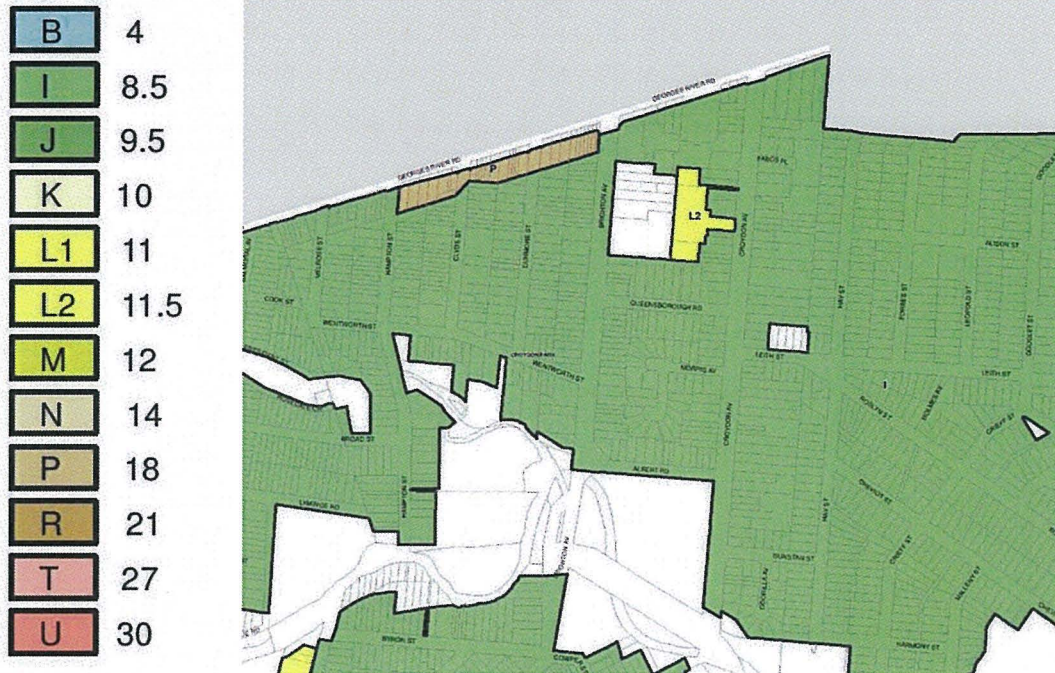
FIGURE 4. FLOORSPACE RATIO



Source: Canterbury Council, 2012

The subject precinct does not currently have a height control. The adjacent site has a height control of 11.5 metres and the surrounding area has a control of 8.5 metres (refer to Figure 5).

FIGURE 5. MAXIMUM BUILDING HEIGHT (M)



Source: Canterbury Council, 2012

2.3 Planning proposal

The planning proposal proposes the precinct be rezoned to R4 High Density Residential with an FSR of 2.5:1 and height of 26 metres. This is zoning consistent with surrounding residential areas but with a higher FSR and height control.

The following uses are currently permissible in R4 High Density Residential zones under the Canterbury LEP:

Attached dwellings; Bed and breakfast accommodation; Boarding houses; Building identification signs; Business identification signs; Business premises; Car parks; Child care centres; Community facilities; Dual occupancies; Dwelling houses; Environmental protection works; Exhibition homes; Flood mitigation works; Home-based child care; Home businesses; Hostels; Multi dwelling housing; Neighbourhood shops; Office premises; Places of public worship; Recreation areas; Residential flat buildings; Respite day care centres; Restaurants or cafes; Roads; Semi-detached dwellings; Serviced apartments; Shop top housing; Shops

The planning proposal to rezone the precinct also includes details of a proposed development for 33 Brighton Avenue, the southern portion of the precinct (refer to Figure 6). The development includes 600 square metres of ground floor retail floorspace and 155 apartments over four buildings of eight storeys each (including ground floor). The proposal suggests this development form could be replicated on the rest of the precinct.

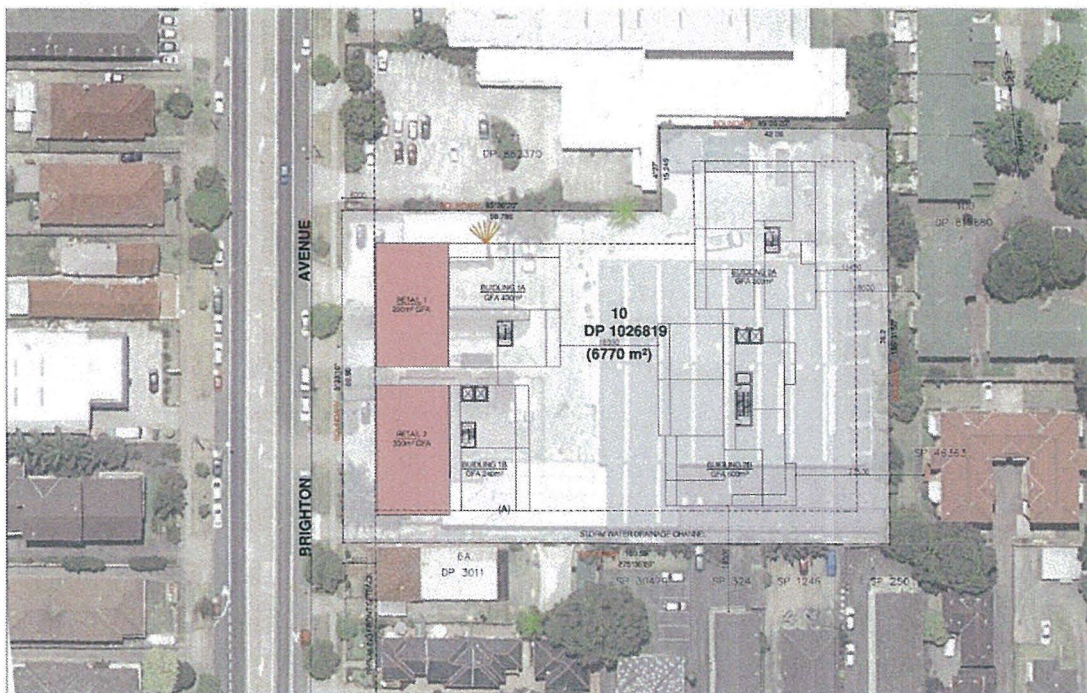
FIGURE 6. 33 BRIGHTON AVENUE – PROPOSED DEVELOPMENT SITE



Source: Land and Property Information, 2014

The ground floor plan for the proposed development at 33 Brighton Avenue is detailed in Figure 7.

FIGURE 7. GROUND FLOOR PLAN, 33 BRIGHTON AVE



Source: Dickson Rothschild, 2014

An aerial view of the entire precinct containing the proposed development on both portions of the site is shown in Figure 8. Figure 9 shows the perspective of the development proposed at 33 Brighton Avenue from Brighton Avenue.

FIGURE 8. AERIAL VIEW OF ENTIRE PRECINCT (SOUTH FROM GEORGES RIVER RD)



Source: Dickson Rothschild, 2014

FIGURE 9. PERSPECTIVE OF 33 BRIGHTON AVE FROM BRIGHTON AVE



Source: Dickson Rothschild, 2014

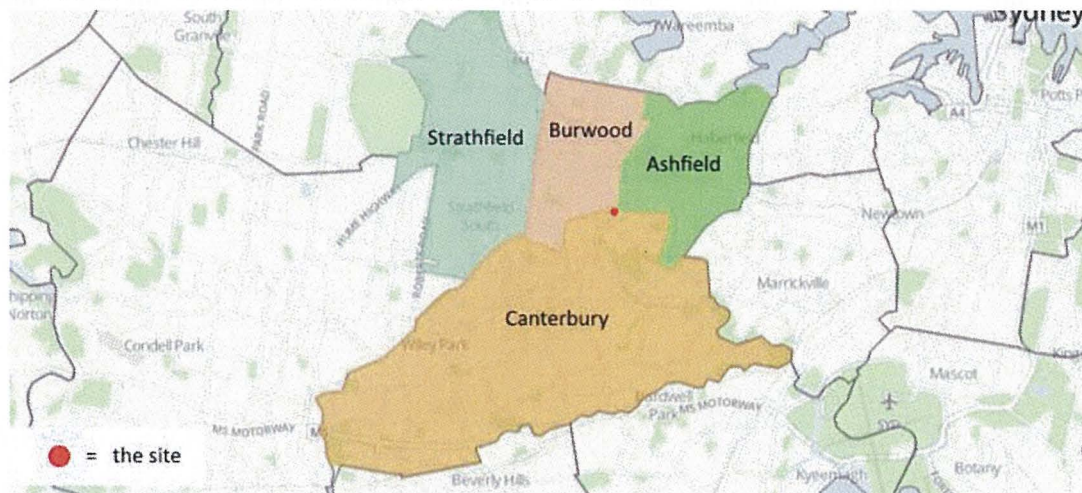
3 ASSESSMENT

Based on the context discussed above, there is a need to establish whether the industrial precinct is of strategic importance and should be retained for industrial land uses. The following assessment will consider the demand for and supply of employment lands in the region and the suitability of the precinct for employment and non-employment uses. An assessment against the strategic assessment checklist will also be conducted to determine whether the precinct meets the criteria for a rezoning to non-industrial uses.

3.1 Demand for employment lands

Analysis of employment projections was undertaken to determine the future industrial land demand for the region. The demand region was identified as Canterbury LGA and the adjacent LGAs, which are in close proximity to the precinct: Ashfield, Burwood and Strathfield LGAs (refer to Figure 10).

FIGURE 10. PRECINCT CONTEXT IN TERMS OF LGAS



Source: SGS Economics and Planning, 2014

Bureau of Transport Statistics (BTS) produces employment forecasts at a travel zone level regardless of land use zones. SGS has forecast the future demand for employment land at a high level based on these BTS projections. The steps in this SGS analysis are:

1. Breakdown employment by precinct using BTS travel zone definitions.
2. Distribute jobs by ANZSIC industry to appropriate SGS Broad Land use Categories (BLCs), which were developed in previous employment land planning investigations with the NSW Department of Planning and Infrastructure.
3. Identify relevant BLC jobs according to current land use by precinct.
4. Apply projected growth to derive job demand by land use and by ANZSIC industries at an LGA Level.

BTS employment projections for four LGAs were used rather than only for the precinct. This is because the BTS projections may be constrained by the current zoning and controls applying multiple precincts. The regional-level employment growth is more likely to reflect underlying demand for employment overall.

The industrial BLCs for which future demand has been assessed include:

- Local light industrial and urban support.
- Manufacturing light.
- Manufacturing heavy.
- Freight and logistics.
- Urban services.

Table 1 presents a guide to interpretation of these BLCs, highlighting some of the locational characteristics of these uses. The current uses of the precinct mostly relate to local light industrial land uses.

TABLE 1. BROAD LAND USE CATEGORIES

BLC	BLC Name	Types of activities	Description
FL	Freight and Logistics	Warehousing and distribution activities. Includes buildings with a number of docking facilities; 'hard stand' areas with trucks or goods awaiting distribution; and large storage facilities	Warehousing and distribution is a metro level issue with activities preferably locating close to air, sea and inter-modal inland ports, or with access to the motorway system
LL	Local Light	Car service and repair; joinery, construction and building supplies; and domestic storage	Wide range of businesses that service other business (components, maintenance and support) and Sub-regional populations. Need to be accessible for population centres
MH	Manufacturing Heavy	Large scale production activity. Likely to be characterised by high noise emission; emission stacks; use of heavy machinery; and frequency of large trucks	Industrial areas. Heavy manufacturing is in decline in Sydney, but will continue to cluster in some locations such as Wetherill Park, Campbelltown/ Ingleburn etc. There are strong arguments for collocation in terms of raw material delivery and to concentrate externalities (though impacts on surrounding uses are generally moderate).
ML	Manufacturing Light	Small scale production with lower noise and emission levels than heavy manufacturing	Industrial areas but with a lower requirement for distance from population than heavy manufacturing
US	Urban Services	Concrete batching, waste recycling and transfer, construction and local and state government depots, sewerage, water supply, electricity construction yards	These typically have noise dust and traffic implications and need to be isolated or buffered from other land uses. Needed in each sub-region

Source: SGS Economics and Planning, 2014

Within the broader region, there are currently 26,000 jobs within these industrial uses (refer to Table 2). There is a large proportion of local light industrial and urban support jobs (11,500) and the majority of these are located in Strathfield LGA. In terms of growth, there is projected to be demand for an additional 500 local light industry jobs by 2031 and an additional 300 freight and logistics jobs by 2031, with growth confined to Strathfield LGA (refer to Table 3). Declines are projected in manufacturing – light and urban services.

In terms of land requirements, an additional four hectares of land will be required for local light industrial uses and an additional three hectares will be required for freight and logistics uses to meet this future demand. Over the same period, due to the declines projected in other uses, there is expected to be an additional 11 ha of surplus industrial land available. Whether or not this land will be appropriate to accommodate the project growth in local light industry and freight and logistics will depend on the location, size and state of these lands.

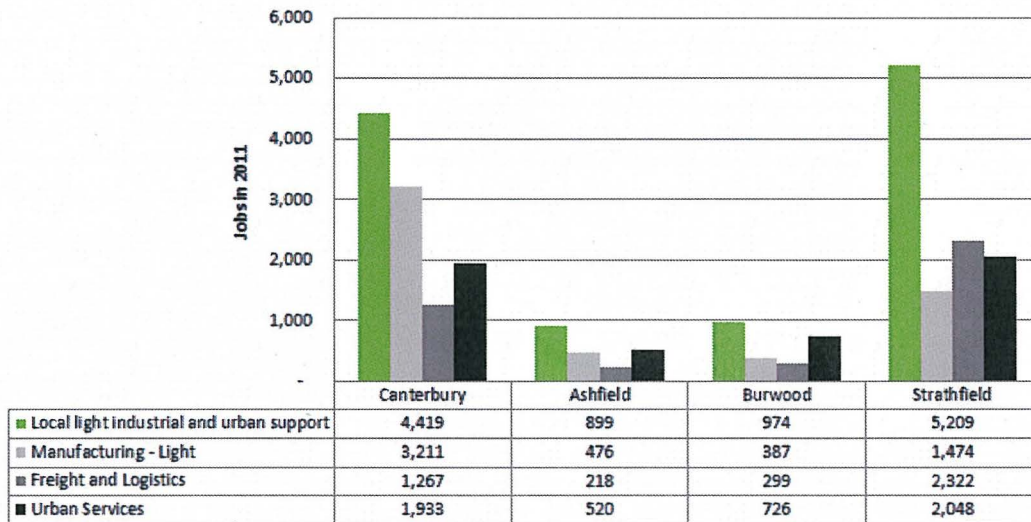
TABLE 2. FUTURE INDUSTRIAL LAND DEMAND, REGION: CANTERBURY, ASHFIELD, BURWOOD AND STRATHFIELD LGAS (2031)

Land uses	Current jobs	Current floorspace demand (ha)	Job growth	Floorspace per job ratio	Additional floorspace demand (ha)	FSR	Additional land requirement (ha)
			A	B	C=A*B/10000	D	C/(Dx10000)
Local light industrial and urban support	11,500	92.0	481	80	3.85	0.6	6.9
Manufacturing - Light	5,548	44.4	-1230	80	-9.84	0.6	-15.7
Manufacturing - Heavy	-	-	0	150	0.00	0.4	0.0
Freight and Logistics	4,106	41.1	262	100	2.62	0.3	8.9
Urban Services	5,228	104.6	-61	200	-1.22	0.2	-6.1
Total	26,382	282.0	-548		-4.59		-6.1

Source: SGS Economics and Planning, 2014

As highlighted in Figure 11, Strathfield and Canterbury contain a significant proportion of jobs in the local light industrial and urban support land use categories. These categories of employment will remain the dominant industrial employment type in Canterbury LGA, projected to only experience a decline of 120 jobs (refer to Table 3), 3% of current employment. Strathfield LGA is the only LGA which is projected to experience positive growth in jobs between 2011 and 2031.

FIGURE 11. JOBS BY INDUSTRIAL LAND USE CATEGORY BY LGA, 2011



Source: SGS Economics and Planning, 2014

TABLE 3. JOB GROWTH BY LGA, 2011-2031

Land uses	Canterbury	Ashfield	Burwood	Strathfield	Region
Local light industrial and urban support	-124	-27	-74	705	480
Manufacturing - Light	-703	-95	-90	-342	-1,230
Freight and Logistics	-33	-24	-51	370	262
Urban Services	-59	-10	14	-5	-60
Total	-919	-156	-201	728	-548

Source: SGS Economics and Planning, 2014

3.2 Supply of employment lands

Table 4 details the employment land supply by LGA. The region contains around 380 hectares of employment lands with 53% of these lands located in Strathfield LGA and 45% of these lands located in Canterbury LGA. These employment lands cater for a variety of uses including local industry and manufacturing-light. Strathfield LGA also has a major freight and logistics precinct of around 116 hectares in Enfield, which is approximately five kilometres from the Croydon Park precinct.

TABLE 4. EMPLOYMENT LANDS SUPPLY BY LGA

LGA	Supply (ha)	Primary industrial uses
Canterbury	165.4	Variety of industrial uses with the largest being Riverwood
Ashfield	7.9	Local industry with some manufacturing-light
Burwood	1.2	Local industry, only one precinct
Strathfield	198.4	Variety with majority freight and logistics (Enfield) and business/office in Flemington
Total	377.8	

Source: SGS Economics and Planning, 2014. Supply data sourced from ELDP (Department of Planning and Infrastructure 2011) and primary land uses sourced from draft subregional plans for south and inner west subregions (Department of Planning 2007).

According to the high-level regional industrial lands demand and supply analysis conducted above, at a regional level, there is enough current supply to meet demand in the next 20 years due to projected patterns of employment change including declines in industrial employment. Employment demand in Canterbury LGA is declining and there is enough supply to meet existing and projected demand to 2031. An additional seven hectares of local light and nine hectares of freight and logistics land will be required to meet the growing employment in Strathfield with the introduction of the freight and logistics intermodal terminal and there is potential for existing 'manufacturing light' land to turnover to local light, however these lands may not be considered suitable for these uses and would require further assessment.

3.3 Suitability for employment uses

The assessment of the precinct suitability for industrial uses is based on the detail provided above for each BLC which has been repeated in Table 5, with the addition of higher value employment uses such as office and business park uses.

TABLE 5. BROAD LAND USE CATEGORIES

BLC	BLC Name	Types of activities	Description
FL	Freight and Logistics	Warehousing and distribution activities. Includes buildings with a number of docking facilities; 'hard stand' areas with trucks or goods awaiting distribution; and large storage facilities	Warehousing and distribution is a metro level issue with activities preferably locating close to air, sea and inter-modal inland ports, or with access to the motorway system
LL	Local Light	Car service and repair; joinery, construction and building supplies; and domestic storage	Wide range of businesses that service other business (components, maintenance and support) and Sub-regional populations. Need to be accessible for population centres
MH	Manufacturing Heavy	Large scale production activity. Likely to be characterised by high noise emission; emission stacks; use of heavy machinery; and frequency of large trucks	Industrial areas. Heavy manufacturing is in decline in Sydney, but will continue to cluster in some locations such as Wetherill Park, Campbelltown/ Ingleburn etc. There are strong arguments for collocation in terms of raw material delivery and to concentrate externalities (though impacts on surrounding uses are generally moderate).
ML	Manufacturing Light	Small scale production with lower noise and emission levels than heavy manufacturing	Industrial areas but with a lower requirement for distance from population than heavy manufacturing
US	Urban Services	Concrete batching, waste recycling and transfer, construction and local and state government depots, sewerage, water supply, electricity construction yards	These typically have noise dust and traffic implications and need to be isolated or buffered from other land uses. Needed in each sub-region
BP	Business Park	Integrated warehouse, storage, R&D, 'back-room' management and administration with up to 40% office component	Traditional business park environments offer large land parcels and attractive site aspects. Business park locations are heavily driven by strategic positioning with respect to arterial infrastructure. For business park land uses with higher industrial components proximity to population centres is not desirable.
O	Office	Office buildings that are independent (i.e. are not ancillary to another use on site) and likely to accommodate a significant number of administration staff	Typically require commercial centre locations. Need to have good accessibility for office workers.

Source: SGS Economics and Planning, 2014

The precinct is located within a residential area and does not have high levels of accessibility to the motorway network or motorway ramp (around four kilometres from the M5 motorway). It is also around 1.5 kilometres from the railway line and even further from intermodal facilities. As a result of the location, the precinct is not considered as preferred for the location of freight and logistics, or manufacturing heavy or urban services due to its proximity to surrounding residential communities.

The location is also not ideal for business park or office uses which are most suitable in identified strategic or commercial centres. The site is not located in a strategic or commercial centre. The closest centre is Croydon Park which is a small village centre and not suitable for these high value employment uses.

The precinct is considered to be suitable for population-serving industrial uses and low impact manufacturing uses, however as detailed above these uses are projected to decline in employment. These uses could also be accommodated in nearby locations zoned B2 Local Centre such as the Croydon Park centre to the west of the precinct, or the large concentrations along Beamish Street and Canterbury Road, and Ashfield (town centre) and Burwood (major centre) centres to the north. The majority of uses which are permissible in an IN2 zone are also permissible in the B2 zone including hardware and building supplies, landscaping material supplies, light industries, timber yards, vehicle sales or hire premises and warehouse or distribution centres.

FIGURE 12. LAND ZONING MAP FOR SURROUNDING AREA



Source: Canterbury Council, 2012

3.4 Suitability for residential uses

The site is also considered suitable for residential development in terms of compatibility with the surrounding development and redevelopment due to the larger sites within the precinct which prevents the need for site amalgamation. The site is also located along a bus corridor with connections to the inner west and central Sydney.

Under the draft *Metropolitan Strategy for Sydney*, the south subregion is projected to grow by 76,000 additional people between 2011 and 2031 and require an additional 42,000 additional dwellings to accommodate this growth. The population of Canterbury LGA is projected to grow from 145,100 people in 2011 to 181,850 people in 2031, (an additional 36,800 people over 20 years).

Under the 2007 *South Subregion draft Subregional Strategy* Canterbury LGA had a dwelling target of 7,100 additional dwellings between 2001 and 2031. According to the Canterbury Residential Development Strategy (GLN Planning 2013), there is enough supply of residential land to meet expected demand (263 dwellings per annum):

‘Even if only half of the theoretical potential (or 14,400 dwellings) was assumed to be a realistic residential development ‘bank, there would be about 55 years supply base on the current annual average housing target of the LGA’ (GLN Planning 2013, p. 70)

LGA level dwelling targets have not been updated since 2007, however dwelling projections were recently released by the Department of Planning and Environment (2014). Canterbury LGA is expected to accommodate an additional 15,150 dwellings between 2011 and 2031. This is over double the 2007 dwelling target and is over a much shorter timeframe, 20 years compared with 30 years. It is not clear whether rezoning this site for residential uses is necessary to meet these higher dwelling projections. At any rate, the Canterbury Residential Development Strategy suggests that additional locations can be investigated for residential development in the event of significantly revised dwelling targets for Canterbury LGA.

3.5 Strategic assessment checklist

The NSW Government have developed a strategic assessment checklist for proposals to rezone existing industrial lands in Sydney. Under the *draft Metropolitan Strategy for Sydney*, proposals to rezone existing industrial lands must be consistent with the checklist (refer to Table 6).

TABLE 6. ASSESSMENT AGAINST INDUSTRIAL LANDS STRATEGIC ASSESSMENT

Criteria	Assessment
<ul style="list-style-type: none"> - Is the proposed rezoning consistent with State and/or council strategies on the future role of industrial lands? 	<ul style="list-style-type: none"> - Under the Employment Lands Development Program and the <i>South Subregion draft Subregional Strategy (2007)</i>, the precinct is listed as Category 1 industrial land to be retained for industrial purposes. - 'Towards 2032 - Canterbury Economic Development and Employment Strategy' identified the precinct as one of a number of fragmented industrial precincts in the LGA which were assessed as a group. A number of these precincts were recommended for rezoning, however the industrial precinct in Croydon Park was recommended to be retained for employment uses (strategy: preserve and nurture local businesses and employment uses). - Whilst recommended to be retained, the employment composition within the precinct and expected growth to 2031 has changed with an increasing employment focus now on health, education and professional services within the LGA. - In reviewing the <i>South Subregion draft Subregional Strategy</i> and previous Canterbury employment study, it is apparent that these documents are dated, with decisions being made post-strategy. A review of the current situation and role for employment for the site is considered appropriate.
<ul style="list-style-type: none"> - Is the site near or within direct access to key economic infrastructure? 	<ul style="list-style-type: none"> - The precinct is located near a main road (Georges River Road), which provides private vehicle access east towards Ashfield and west towards Bankstown. - The precinct is not located within a key centre, however is located close to the edge of Croydon Park (small village centre) and 1.5 kilometres north of Campsie (town centre).
<ul style="list-style-type: none"> - Is the site contributing to a significant industry cluster 	<ul style="list-style-type: none"> - The precinct does not contain a significant industry cluster but rather a mix of industrial uses. The significant industry clusters are located elsewhere in the LGA and in adjacent LGAs, such as the freight and logistics cluster in Enfield.
<ul style="list-style-type: none"> - How would the proposed rezoning impact the industrial land stocks in the subregion or region and the ability to meet future demand for industrial land activity? 	<ul style="list-style-type: none"> - In terms of land stock the precinct only represents 1% of the total stock for Canterbury LGA. The change of use of the precinct would not have a significant impact on supply if the site were to be rezoned. The precinct represents 0.4% of the stock of the regional stock (Canterbury, Strathfield, Ashfield and Burwood) of industrial land. - As discussed previously, demand for industrial floorspace is declining in Canterbury LGA with declines projected in all industrial land uses to 2031. Therefore the proposed rezoning is unlikely to impact on the ability for the LGA to meet demand for industrial land activity as this is declining. In terms of at a regional level, increases are projected in some industrial employment categories in Strathfield LGA, however, there is enough current supply to meet this demand.
<ul style="list-style-type: none"> - How would the proposed rezoning impact on the achievement of the subregion/region and LGA employment capacity targets and employment objectives? 	<ul style="list-style-type: none"> - The proposed rezoning is expected to have only a limited impact on the achievement of the sub-regional employment targets and employment objectives. The south subregion (in which Canterbury is located) has a subregional employment target of 43,000 new jobs between 2011 and 2031. Of this 5,000 jobs are for Hurstville and 2,000 jobs will be located in Kogarah. The rest of the jobs are to be allocated at an LGA level through the sub regional planning process. - As discussed, growth in employment is primarily projected to be in health care, education and public administration which is expected to be concentrated in existing or proposed health care and education facilities and government offices. - 'Towards 2032' highlighted that growth in employment in Canterbury is projected to be accommodated in larger centres and employment corridors. - The industrial precinct is not considered to be an appropriate location for this growth.

- Is there a compelling argument that the industrial land cannot be used for an industrial purpose now or in the foreseeable future and what opportunities may exist to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries?
- There are vacancies onsite and the planning proposal indicates that one of the major businesses onsite (Croydon Park Building Supplies) has been experiencing job declines.
- As discussed, the site is not considered suitable for higher value employment uses such as creative industries or general office employment due to its location out of centre, as these employment uses typically require commercial centre locations.
- Is the site critical to meeting the need for land for an alternative purpose identified in other NSW government or endorsed council planning strategies?
- There has been no indication that the site is critical to meeting the need for an alternative purpose. The investigation of these alternate purposes other than in regards to employment lands has not been considered in this assessment. However, the site can alternately play a role in meeting housing targets for the LGA and region if rezoned to residential.
- Since the 'Towards 2032 - Canterbury Economic Development and Employment Strategy' was prepared in 2009, employment has been declining within the precinct and across the LGA industrial employment has been declining and is projected to continue to decline.
- Whilst the Canterbury Development Residential Strategy (2013) suggests that there is more than enough supply of land to meet residential demand, the dwelling projections for Canterbury LGA released by the Department of Planning and Environment in 2014 are more than double what the 2007 *South Subregion draft Subregional Strategy* identified for Canterbury. This suggests that there is likely to be an increase in the target for Canterbury LGA within the new Subregional Delivery Plan for the South Subregion, which may place increasing pressure on Canterbury Council. The Canterbury Residential Development Strategy suggests that additional locations can be investigated for residential development in the event of significantly revised dwelling targets for Canterbury LGA.

3.6 Feasibility testing

In terms of feasibility, the high level feasibility of the development proposal (FSR of 2.5:1) was assessed and compared with a development of 0.75:1 and 0.9:1 (refer to Appendix).

Using the inputs and assumptions detailed in the Appendix, the feasibility ratio and the net profit (in addition to the 15 percent profit margin included in the development costs) were calculated for the proposed development using the RLV Model. The feasibility results, together with some calculations, are shown in . Along with the proposed development, FSRs of 0.9:1 and FSR of 0.75:1 were tested as these are the FSRs of the adjacent site and surrounding residential area. All three of the development scenarios tested are considered feasible.

TABLE 7. FEASIBILITY RESULTS – BASELINE ESTIMATES

Option	Development cost (incl. profit margin)	Sales revenue	Residual land value	Land cost (incl. GST credit)	Net profit ¹	Feasibility ratio
Base case development (FSR 2.5:1)	\$59,990,115	\$83,856,000	\$23,865,885	\$12,813,396	\$11,052,490	1.86
FSR 0.75:1	\$15,579,006	\$31,540,235	\$15,961,230	\$12,813,396	\$3,147,834	1.25
FSR 0.9:1	\$20,588,605	\$37,848,282	\$17,259,678	\$12,813,396	\$4,446,282	1.35

Source: SGS estimates, 2014

¹: The net profit is over and above the 15% profit margin included as a development cost within the modelling.

A range of sensitivity tests have been completed to identify the assumption that has the biggest bearing on the feasibility results, but also to test the development feasibility under a number of plausible scenarios.

The first sensitivity test was reducing the sales price by 10%. All options remained feasible, however the net profit for option with an FSR of 0.75:1 was \$0. When reduced by only 5% this option is still feasible with a net profit of \$1.5 million. The sensitivity tests suggest that the 0.75:1 FSR option is particularly sensitive to changes in the sales price of apartments.

The second sensitivity test involved increasing the construction costs by 10%. This sensitivity test resulted in all developments remaining feasible.

A sensitivity test was conducted which involved increasing the developer's profit margin from 15% to 20%. This sensitivity test resulted in a reduction in net profit for all development options, however all development options remained feasible.

As discussed in the Appendix, the land value of the subject site was based on two recent sales of industrial land within the precinct. The resulting land value is estimated at \$1,600 per square metre. Residential land values are only marginally higher in the area, at around \$1,900 per square metre. Adopting the residential land values, instead of the industrial land values results in all development options remaining feasible.

3.7 Development scale

The scale of the proposed development is considered to be out of context with the surrounding character of the area. A height of 26 metres and FSR of 2.5:1 is inconsistent with councils approach to planning controls and density. Higher density developments, such as this one, are better located within centres and close to railway stations.

4 CONCLUSION

The industrial precinct on Brighton Avenue in Croydon Park, currently zoned IN2 Light Industrial is not considered a strategic industrial precinct. The precinct is not part of a larger industrial or freight and logistics concentration and has experienced some decline in regards to use with low employment and vacancies. It is not contributing to significant industry clusters in the Canterbury LGA or surrounding region. The precinct is not assessed as being critical to meeting future employment demands in Canterbury LGA or the surrounding region or to the provision of land for population servicing light industrial land uses.

The regional employment context, along with the need to increase housing supply, presents residential as an appropriate use for the site. The site has been identified as suitable for residential land uses as it is located near a local centre and a bus corridor with access to the inner west and central Sydney. However, the development should be considered in line with the surrounding built context and character. The site is not located near a rail station, which could be considered as a preferred location to locate higher density residential forms.

Even though the surrounding residential area is zoned R4 High Density Residential, the planning controls reflect a medium density built form with FSRs of 0.75:1 and 0.9:1 (on the site to the direct east of the subject precinct where there is opportunities for a consolidated site area for redevelopment).

It is recommended that the precinct be considered for change to a non-employment related land use. From a strategic planning perspective, retail uses may be better located in the Croydon Park local centre which adjoins the precinct and this should be considered when assessing development proposals for the site.

This assessment is limited to the proposed zoning and controls for the site. Other development specific impacts (such as traffic considerations, appropriateness of character and scale, and the geographic environment) would need to be considered when assessing development applications for the site. Nevertheless, development feasibility has been assessed to highlight some preliminary considerations when considering the appropriate FSR (or height) controls for the site.

If a residential land use was considered for the site, there are opportunities with a larger site area to incorporate a development with higher FSR into the area. The FSR of 2.5:1 that has been proposed for the site does not appear to be required to make the redevelopment feasible, with our modelling showing that a lower FSR of 0.9:1 and height of 11.5 metres (as per the adjoining site) is sufficient to provide a feasible outcome, and may be more appropriate given the site's location.

APPENDIX: FEASIBILITY ASSESSMENT INPUTS

Residual Land Value model

Residual land value (RLV) represents the difference between total sales revenue from a development, and total development costs. In simple terms, RLV method computes the market value of land subject to its best use under current zoning.

This is particularly useful in determining whether a proposed development is feasible, by comparing its RLV and current land value with improvements. The latter gives an indication for the price paid by the developer for acquiring the land to enable the development.

Details of the RLV meth is explained below:

Method

Residual land value approach

The Residual Land Value (RLV) model calculates the residual value of a development after deducting all the development costs from the sales revenues, in the current market. The development costs include construction costs and contingencies, external works and other site works, professional fees, developer's profit margin, infrastructure levies or contributions and other council fees. This calculation is illustrated in the diagram below.

FIGURE 13. RESIDUAL LAND VALUE CALCULATION



Source: SGS, 2014

Key assumptions used to derive sales revenue and development costs are drawn from multiple sources. The details of these assumptions are given below.

Key inputs and assumptions

Land/property cost

Basic property cost

The current land value (or purchase cost) of the sites is one of the key inputs to the RLV model. It is important that land values are as accurate as possible. If inflated or undervalued they will have an erroneous influence on the feasibility analysis. The land value of the subject site was based on two recent sales of industrial land within the precinct (15 Brighton Ave in 2013 and 17 Brighton Ave in 2008). The 2008 sale was inflated to 2013 dollars and the average price per square metre was calculated based on these two sales. The resulting land value is estimated at \$1,600 per square metre.

Finance costs

It is assumed that half of the land purchase will be funded through borrowing, which will incur an interest expense to the developer. The potential finance cost for the land purchase is calculated by applying an interest rate of 10 percent p.a. to 50 percent of the land purchase price over a two year period.

No interest charge on construction costs were included in this analysis, as it is reasonable to assume that the profit margin included in the development cost would be sufficient to cover the finance cost of the construction cost.

Stamp Duty

Stamp duty was calculated at the rate as dutiable by the NSW Government. There is a lump sum and then proportional rate for any dollars over the threshold the lump sum is charged for. The proportional rate and lump sum vary according to the transfer value.

Development costs

Building costs

The per-square metre construction costs are sourced from the Rawlinson's Construction Handbook 2013 (Rawlinsons). The cost for residential, retail, and car parking is shown in the table below. These per square metre rates were applied to the residential and retail floor area in each development (see Table 8) to estimate the construction costs.

TABLE 8. PER-SQM CONSTRUCTION COST

Development types	Construction cost (\$/sqm), excl. GST
Apartment (above 3 storeys, with lift, medium standard of finish)	\$2,130
Suburban neighbourhood shops with 1 storey	\$690
Car Parking, fully underground	\$1,710

Source: Rawlinson's Construction Handbook, 2013

Other development costs

There are a number of other cost assumptions which go into the model. These are displayed in Table 9. These include professional costs as part of the development, as well as sales expenses, developer's profit margin. Note that the infrastructure contribution was calculated based on the current Section 94 contribution rate for a two bedroom dwelling of \$13,327.58 (Canterbury Council 2013).

TABLE 9. COST ASSUMPTIONS FOR THE RLV MODEL

Professional Fees	% of building cost
Architect	3%
Structural Engineer	1.0%
Mechanical Engineer	0.5%
Hydraulic Engineer	0.5%
Electrical Engineer	0.5%
Survey Fees	0.2%
Quantity Surveyor	0.5%
Project Management	3.0%
Total	9.2%
Other development costs	
Developer's profit margin	15% of development cost
DA fees	Not included
Revenue Assumptions	% of sales revenue
Commission on Sales	3.0%
Legal Fees	0.5%
Marketing	0.5%

Source: Rawlinsons, 2013 and SGS 2014

In reality, the profit margin set by a developer varies across different projects, depending on the level of risks involved, the risk appetite of the developer and the capital structure for the project. SGS considers a 15 percent profit margin to be typical for developers operating in this area and have included this in the feasibility analysis

Other costs

GST

No GST for both construction costs and sales revenue is included in this analysis. GST payable on the land purchase has been deducted from the land acquisition cost as input credits.

Revenue assumptions

An achievable sales price was determined to establish the likely revenue from the residential and commercial development. This was based on the recent sales price and asking price for off-the-plan apartment units in Canterbury LGA.

The sales price per apartment was estimated at \$550,000 for a two bedroom unit. A capitalisation rate of 10 percent was then applied to retail rent (estimated to be \$350/sqm) to calculate the capital value of the retail space which is inputted in the feasibility model as a sale revenue.

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