

DECISION OF 3659th COUNCIL MEETING HELD ON 15 DECEMBER 2014

550. CIS07: North Sydney Economic Development Strategy and associated Planning Proposals

Report of Mark Yee, Strategic Planner

Council has commenced preliminary investigations to inform preparation of the '*North Sydney Economic Development Strategy*'. The strategy is identified as project '3.1.2.1.1 *Prepare Economic Development Strategy*' in Council's Delivery Program.

North Sydney is one of the State's most economically important areas with the North Sydney CBD forming part of Global Sydney and the Global Economic Corridor as identified under the Sydney Metropolitan Strategy. To maintain this status, Council must lead by actively planning for economic growth and developing clear strategies. This should include a clear commitment to planning for the provision of jobs.

The primary objective of the Economic Development Strategy is to outline Council's plan for economic development in a consolidated policy document. In particular, the Strategy will:

- Provide an understanding of the existing operation of all employment land in the North Sydney LGA;
- Identify recent development trends and their impact on the provision of employment generating floor space;
- Provide an understanding of the market conditions which affect existing economic activity in North Sydney LGA and greater Sydney;
- Provide an understanding of the opportunities and constraints for future employment growth in the North Sydney LGA;
- Identify the demand for employment generating floor space in the North Sydney LGA;
- Address state government targets;
- Set strategies to actively encourage the provision of additional employment generating floor space and uses.

A key issue to be addressed is the decline in employment generating floor space (commercial floor space) being provided in the *B4 Mixed Use* zone. Preliminary research indicates that since 2007 there has been a loss of approximately 80,000sqm (as approved) of commercial floor space in the *B4 Mixed Use* zone, with developers seeking to maximise the amount of residential floor space.

From the preliminary research, Council staff have identified two amendments to North Sydney Local Environmental Plan 2013 (NSLEP 2013), which will support the provision of employment floor space as an interim measure whilst the broader *Economic Development Strategy* is being prepared. These amendments include:

- Amending clause 4.4A to NSLEP 2013 such that the maximum non-residential floor space requirements are removed, thereby providing greater flexibility regarding the provision of employment generating floor space.
- Amending clause 4.4A (8) to NSLEP 2013 to exclude serviced apartments from the calculation of non-residential floor space, thereby preventing the non-residential floor space ratio controls from being undermined where serviced apartments are proposed and protecting employment floor space in the *B4 Mixed Use* zone.

Two Planning Proposals have been prepared and form Attachments 1 and 2 to this report. It is recommended that Council forward the attached Planning Proposals to the Department of Planning and Environment seeking a Gateway Determination.

Funding for the preparation of the Economic Development Strategy has been identified in the 2014/15 and 2015/16 budget.

Recommending:

1. THAT Council notes the commencement of the *North Sydney Economic Development Strategy*.

2. THAT Council resolves to forward the two attached Planning Proposals to the Minister for Planning in order to receive a Gateway Determination in accordance with Section 56 of the Environmental Planning and Assessment Act, 1979.

It was moved by Councillor Baker and seconded by Councillor Barbour

1. THAT Council notes the commencement of the *North Sydney Economic Development Strategy*.

2. THAT Council resolves to forward the two attached Planning Proposals to the Minister for Planning in order to receive a Gateway Determination in accordance with Section 56 of the Environmental Planning and Assessment Act, 1979.

3. THAT Council staff be congratulated on this Strategy.

4. THAT a Councillor briefing on the Strategy be held in the New Year.

It was moved as an amendment by Councillor Gibson and seconded by Councillor Bevan

1. THAT the matter be deferred to the earliest Councillor Briefing in the New Year for further information on possible impacts on the revitalisation of the North Sydney CBD.

The amendment was put and **lost**

Voting on the amendment was as follows: For/Against 3/8

Councillor	Yes	No	Councillor	Yes	No
Gibson	Y		Barbour		N
Reymond		N	Morris		N
Clare		N	Burke	Y	
Baker		N	Marchandean		N
Carr		N	Bevan	Y	
Beregi		N			

The Motion was put and **carried**.

Voting was as follows: For/Against 9/2

Councillor	Yes	No	Councillor	Yes	No
Gibson		N	Barbour	Y	
Reymond	Y		Morris	Y	
Clare	Y		Burke	Y	
Baker	Y		Marchandean	Y	
Carr	Y		Bevan		N
Beregi	Y				

RESOLVED:

1. THAT Council notes the commencement of the *North Sydney Economic Development Strategy*.

2. THAT Council resolves to forward the two attached Planning Proposals to the Minister for Planning in order to receive a Gateway Determination in accordance with Section 56 of the Environmental Planning and Assessment Act, 1979.

3. THAT Council staff be congratulated on this Strategy.

4. THAT a Councillor briefing on the Strategy be held in the New Year.

**Report to General Manager**

Attachments:

1. Planning Proposal - Removal of maximum non-residential FSR requirements
 2. Planning Proposal - Serviced apartments in the B4 Mixed Use zone
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SUBJECT: North Sydney Economic Development Strategy and associated Planning Proposals

AUTHOR: Mark Yee, Strategic Planner

ENDORSED BY: Joseph Hill, Director City Strategy

EXECUTIVE SUMMARY:

Council has commenced preliminary investigations to inform preparation of the '*North Sydney Economic Development Strategy*'. The strategy is identified as project '*3.1.2.1.1 Prepare Economic Development Strategy*' in Council's Delivery Program.

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The primary objective of the Economic Development Strategy is to outline Council's plan for economic development in a consolidated policy document. In particular, the Strategy will:

- Provide an understanding of the existing operation of all employment land in the North Sydney LGA;
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floor space in the *B4 Mixed Use* zone, with developers seeking to maximise the amount of residential floor space.

From the preliminary research, Council staff have identified two amendments to North Sydney Local Environmental Plan 2013 (NSLEP 2013), which will support the provision of employment floor space as an interim measure whilst the broader *Economic Development Strategy* is being prepared. These amendments include:

- Amending clause 4.4A to NSLEP 2013 such that the maximum non-residential floor space requirements are removed, thereby providing greater flexibility regarding the provision of employment generating floor space.
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Two Planning Proposals have been prepared and form Attachments 1 and 2 to this report. It is recommended that Council forward the attached Planning Proposals to the Department of Planning and Environment seeking a Gateway Determination.

FINANCIAL IMPLICATIONS:

Funding for the preparation of the Economic Development Strategy has been identified in the 2014/15 and 2015/16 budget.

RECOMMENDATION:

1. **THAT** Council notes the commencement of the *North Sydney Economic Development Strategy*.
 2. **THAT** Council resolves to forward the two attached Planning Proposals to the Minister for Planning in order to receive a Gateway Determination in accordance with Section 56 of the Environmental Planning and Assessment Act, 1979.
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LINK TO DELIVERY PROGRAM

The relationship with the Delivery Program is as follows:

Direction: 2. Our Built Environment

Outcome: 2.2 Improved mix of land use and quality development through design excellence

Direction: 3. Our Economic Vitality

Outcome: 3.1 Diverse, strong, sustainable and vibrant local economy
3.2 North Sydney CBD is one of Australia's largest commercial centres

BACKGROUND

The strategy is identified as project '*3.1.2.1.1 Prepare Economic Development Strategy*' in Council's Delivery Program and is set to be delivered at the completion of 2015.

The primary objective of the Strategy will be to outline Council's plan for economic development in a consolidated policy document.

CONSULTATION REQUIREMENTS

Community engagement will be undertaken in accordance with Council's Community Engagement Protocol.

SUSTAINABILITY STATEMENT

The following table provides a summary of the key sustainability implications:

QBL Pillar	Implications
Environment	The protection of employment floor space in existing areas will assist the ongoing protection of environmental lands.
Social	The provision/retention of employment in the North Sydney LGA is a vital issue for both residents and workers.
Economic	The development of an 'Economic Development Strategy' is necessary for ensuring the continued economic growth of the North Sydney LGA.
Governance	The strategy is identified as project '<i>3.1.2.1.1 Prepare Economic Development Strategy</i>' in Council's Delivery Program.

DETAIL

1. INTRODUCTION

Council has commenced preliminary investigations to inform preparation of the ‘North Sydney Economic Development Strategy’. North Sydney is one of the State’s most economically important areas with North Sydney identified as part of Global Sydney and the Global Economic Corridor in the Sydney Metropolitan Strategy.

The economic strength of the North Sydney LGA is largely based on the area’s proximity to the Sydney CBD and other commercial centres, its excellent transport links and its access to a highly skilled workforce.

The North Sydney LGA provides valuable employment floor space with the 2013 Global Competitive Index (University of Canberra and the Commonwealth Department of Immigration and Citizens) finding that the North Sydney LGA has the Sydney region’s highest proportion of workers in knowledge-intensive industries.

However for North Sydney retain its status as the principal economic engine of Sydney’s North Shore, Council must be proactive in planning for economic growth. This requires the development of robust strategies and a clear commitment to the provision of additional jobs. This work is required to ensure that North Sydney can continue to compete with other commercial centres such as the Sydney CBD and Macquarie Park/North Ryde.

2. STUDY AREA

The Strategy will address all land in the North Sydney LGA which can provide employment floor space. The sites are located in the following zones:

- B3 Commercial Core
- B4 Mixed Use
- B1 Neighbourhood Centre
- IN2 Light Industrial
- IN4 Working Waterfront
- SP1 Special Activities
- SP2 Infrastructure

These zones are highlighted in the following map.

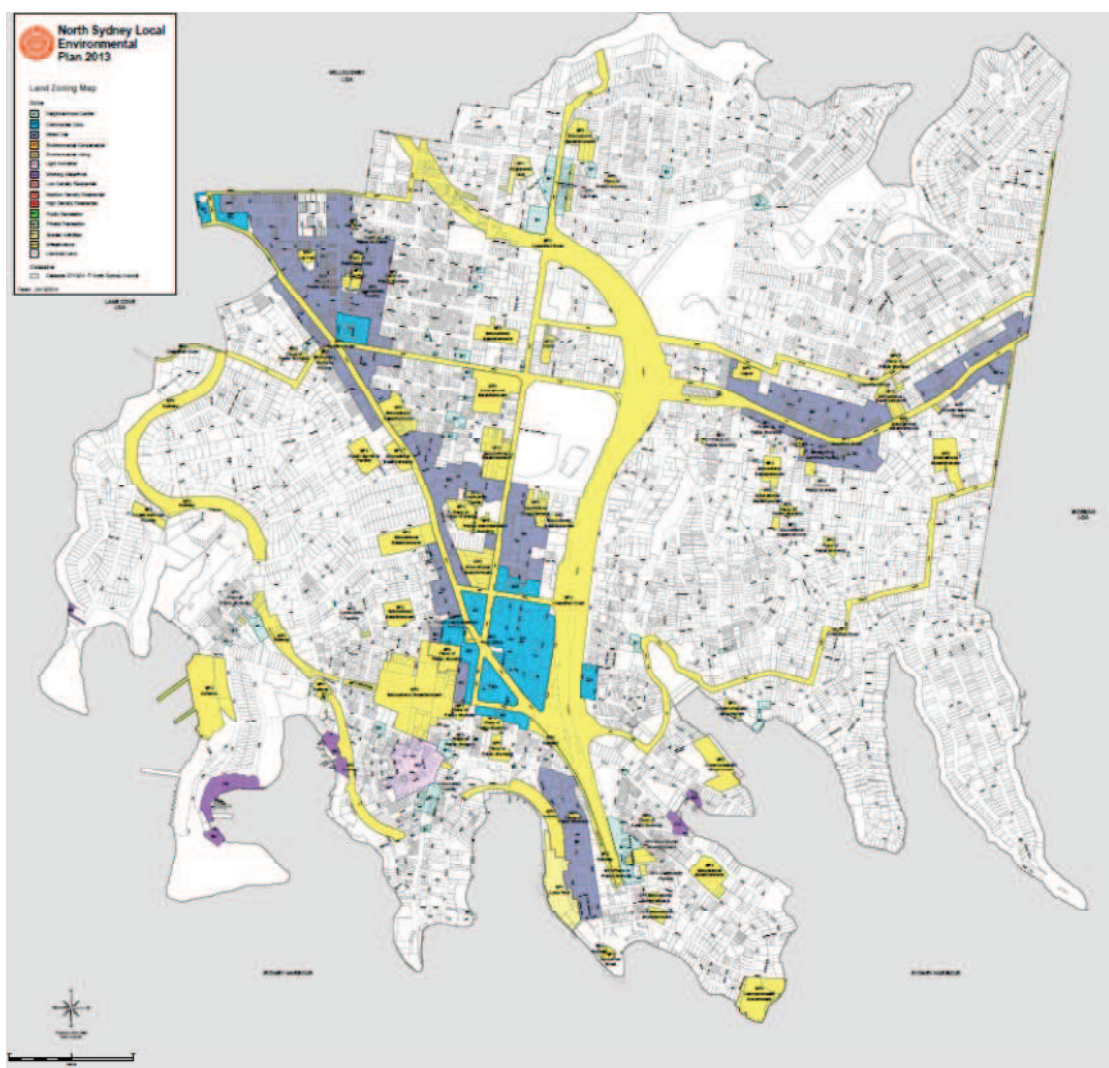


Figure 1: Extract of zoning map showing zones capable of accommodating employment generating development

The majority of jobs are provided in the major centres of North Sydney, St Leonards/Crows Nest and Milsons Point. Jobs are also located in other pockets such the neighbourhood shops and along foreshore areas.

3. NEED TO UNDERTAKE PROJECT

3.1 Delivery Program

The strategy is identified as project '3.1.2.1.1 Prepare Economic Development Strategy' in Council's Delivery Program. Funding for this project has been incorporated in the 2014/15 and 2015/16 budgets.

3.2 Existing Economic Issues

The importance of developing an Economic Development Strategy has increased due to the decline in employment floor space in the *B4 Mixed Use* zone. Outside of the *B3 Commercial Core* zone, this is the principle zone which provides significant employment capacity in the LGA.

Preliminary research indicates that there has been a loss of approximately 80,000sqm (as approved) of commercial floor space in the *B4 Mixed Use* zone since 2007. These losses have predominantly occurred in St Leonards/ Crows Nest and Milsons Point.

These losses are often permitted by NSLEP 2013 where minimum non-residential FSR requirements are below the existing quantum provided.

Significant losses have been approved at the following sites:

Address	Loss of non-residential floorspace
74-80 Alfred Street, Milsons Point	8,489m ²
1A Eden Street, North Sydney	1,826m ²
225-235 Pacific Highway, North Sydney	2,283m ²
100 Christie Street, St Leonards	5,583m ² *
200-220 Pacific Highway Crows Nest	13,533m ²
144-154 Pacific Highway, North Sydney	2,265m ²
221 Miller Street, North Sydney	1,151m ²
225 Miller Street, North Sydney	2,310m ²
239-247 Pacific Highway, North Sydney	1,359m ²
211-213 Pacific Highway, North Sydney	3,826m ²
225-235 Pacific Highway, North Sydney	2,283m ²
10-18 Cliff Street, Milsons Point	200m ²
545 Pacific Highway, St Leonards	535m ²

** This site was zoned Mixed Use at the time of approval under NSLEP 2001, however is now zoned B3 Commercial Core under NSLEP 2013*

This decline of employment floor space is primarily the result of recent market conditions where the value of residential floor space has far exceeded the value of commercial floor space. This has seen developers seeking to maximise the amount of residential floor space in the *B4 Mixed Use* zone, with minimal employment floor space being provided. This has resulted in two noticeable trends:

- Proponents seeking developments below the existing minimum non residential FSR requirement; and/or
- Developments proposing serviced apartments, which provide negligible employment generation, to meet the non-residential FSR requirements.

Section 7 of this report addresses these issues in further detail.

3.3 Employment Targets

Targets for employment floor space have been identified in State Government planning documents, principally the Sydney Metropolitan Plan/Strategy and the corresponding draft subregional strategy.

Council has continually strived to meet the targets outlined in these documents, primarily through the preparation of NSLEP 2013. To date the clearest employment target for the North Sydney LGA has been set within the draft Inner North Subregional Strategy (INSS).

For the North Sydney LGA the draft INSS set a job target of 15,000 additional jobs by 2031, with 11,000 jobs of these jobs to be within the North Sydney Centre. This results in a target of an additional 4,000 jobs for the remainder the North Sydney LGA.

Council should comfortably meet the jobs target for the North Sydney Centre. However given the overall loss of employment generating floor space in the *B4 Mixed Use* zone, Council is in danger of not being able to meet the employment target for areas outside of the North Sydney Centre.

The 'Economic Development Strategy' will set clear strategies to ensure that North Sydney will meet employment targets. It is anticipated that new targets will be provided once the draft 'Metropolitan Strategy for Sydney 2011-2031' is finalised and is supported by a corresponding subregional plan.

4. OBJECTIVES OF THE STRATEGY

The primary objective of the Economic Development Strategy is to outline Council's plan for economic development in a consolidated policy document. Other important objectives are to:

- Understand the existing operation of all employment land in the North Sydney LGA;
- Identify recent development trends and their impact on the provision of employment generating floor space;
- Understand the market conditions which affect existing economic activity in North Sydney LGA and greater Sydney;
- Understand the opportunities and constraints for future employment growth in the North Sydney LGA;
- Identity the demand for employment generating floor space in the North Sydney LGA;
- Address state government targets;
- Set strategies to actively encourage the provision of additional employment generating floor space and uses.

5. PROJECT TASKS

The Strategy will be completed in the following stages:

- **Stage 1** - Analysis of the existing operation of employment zones;
- **Stage 2** - Economic market analysis; and
- **Stage 3** - Setting of employment targets and developing strategies to meet these targets.

These stages are discussed in more detail in the following subsections.

5.1 Stage 1 - Audit

The first stage of the Strategy is to undertake a comprehensive audit of the current operation of all employment floor space. The analysis will assess the current supply of employment floor space and analyse recent development trends.

5.1.1 Database of existing floor space

A database of all employment floor space will be created. This database will detail:

- The location of all employment generating sites;
- The total supply of employment generating floor space/land;
- The amount of additional employment generating floor space which can be provided under Council's existing planning controls;
- Current occupancy/vacancy rates;
- Employment densities (i.e. workers/sum);
- What industries/land uses operate in North Sydney.

The databases will provide an insight into the existing operation/performance of all employment floor space in North Sydney. In particular, this database will reveal the current supply of employment floor space and what capacity exists for additional floor space to be provided under the existing controls.

The database will also highlight what industries are successfully operating within the LGA and where they are clustered. This information will assist Council when determining what forms of development Council should actively plan for and promote in the LGA.

5.1.2 Analysis of Development Trends

Recent development trends in the North Sydney LGA will be analysed. Focus will be given to the identified trend of significant employment floor space losses in the *B4 Mixed Use* zone.

The study will investigate where these losses have occurred and what industries have been leaving the LGA. The analysis will also examine what employment floor space is being provided in new developments.

5.2 Stage 2 - Market Analysis

Once the comprehensive analysis of employment generating land is completed, a property economics consultant will be engaged to undertake a detailed market analysis. Council has allocated \$100,000 in the 2015/16 budget to engage a consultant to undertake this work.

The market analysis will examine the economic operation of the North Sydney LGA and compare it to overall market trends throughout Sydney. The analysis will then outline the future market demand for employment generating floor space for the North Sydney LGA.

5.2.1 Identify Market Constraints

The market analysis will also identify the constraints that may exist in providing additional employment floor space. Recent experience has shown that whilst there is often a demand for employment floor space, market or regulatory conditions may exist that may limit the supply of such floor space.

The *Market Feasibility Study* prepared by SGS Economics and Planning as part of the St Leonards/Crows Nest Planning Study for Precincts 2 and 3 revealed that whilst there would be a demand for non-residential floor space in the precinct, as the value of residential floor space far exceeded non-residential floor space and as such developers have little incentive to provide non-residential floor space.

Should the study identify existing economic constraints, recommendations should be provided as to how to address these constraints and strengthen the employment function of the North Sydney LGA.

5.3 Stage 3 - Targets and Strategies

Once the market analysis is completed, the next stage of the Strategy will see employment targets proposed for the North Sydney LGA. These targets will outline:

- The overall target for employment generating floor space for the North Sydney LGA;
- Where this floor space will be provided, with separate targets for each suburb;
- What forms of land use should provide this floor space; and
- Whether Council needs to amend its planning controls to meet these targets.

5.3.1 Strategies to encourage Employment Floor space

Once the targets are set Council will also need to devise strategies to encourage the provision of greater employment generating floor space. These strategies should build on the recommendations identified in the market analysis study.

As stated earlier, there may be constraints for the provision of additional employment floor space. Council may therefore need to devise strategies to address these constraints such as planning incentives (e.g. increasing height limits or floor space bonuses). Council may also need to consider other innovative strategies to make the North Sydney LGA more appealing to businesses and workers such as marketing, public domain upgrades and other initiatives.

6. OTHER COUNCIL DOCUMENTS

Council has completed a number of studies in recent years which have examined economic activity and the provision of employment generating land. However, all of these studies have been focused around a particular location and have not addressed or planned for economic development in a comprehensive basis across the entire LGA.

The Economic Development Strategy will bring together many of the findings/strategies from these studies into a consolidated strategy for the whole of the North Sydney LGA. In particular, it will incorporate the work from the following previously completed studies:

- North Sydney Commercial Centre Study;
- North Sydney Centre Economic Study;
- St Leonards/Crows Nest Planning Study for Precincts 1, 2 & 3;
- Crows Nest South Planning Study; and
- Cliff Street Planning Study.

The Strategy will also feed into future projects such as the '*Capacity, Built Form and Land Use Study*' which will be undertaken as part of the *North Sydney Centre Review*. That Study will review the current supply of employment floor space in the North Sydney Centre and identify if additional employment floor space is needed and how it should be provided.

7. INTERIM ACTIONS

It is anticipated that the Economic Development Strategy will be finalised in 2015. However, there is potential for future losses of employment floor space prior to the Strategy being completed. Council staff have identified two interim measures to prevent further losses of employment floor space through amendments to NSLEP 2013 via the Planning Proposal process:

- Amending Clause 4.4A to remove the maximum requirements to the non-residential floor space ratio ranges;
- Amending Clause 4.4A to exclude serviced apartments from the calculation of non-residential floor space.

Details of the proposed two amendments are discussed in the following two subsections.

7.1 Planning Proposal - Removal of the maximum non-residential FSR requirement

This Planning Proposal forms Attachment 1 to this report.

7.1.1 Proposed LEP Amendment

The primary purpose of this Planning Proposal is to improve the flexibility of the existing planning controls by removing a restriction on the provision of employment floor space. In particular, it seeks to remove the maximum non-residential FSR requirements from clause 4.4A to NSLEP 2013 leaving only minimum non-residential FSR requirements.

The Planning Proposal seeks to achieve this by amending NSLEP 2013 as follows:

1. Amending clause 4.4A to remove the maximum non-residential floor space ratio requirements from affected lands;
2. Amending the definition of Non-Residential Floor Space Ratio Range Map within the Dictionary to NSLEP 2013; and
3. Replacement of the Non-Residential Floor Space Ratio Range Map with the Non-Residential Floor Space Ratio Map.

7.1.2 Planning Proposal Structure

The Planning Proposal (Refer to Attachment 1) is considered to be generally in accordance with the requirements under Section 55(2) of the Environmental Planning and Assessment Act 1979 (EP&A Act) and the Department of Planning and Environment's (DPE) '*A guide to preparing planning proposals*' (2012). In particular, the Planning Proposal adequately sets out the following:

- A statement of the objectives or intended outcomes of the proposed local environmental plan;
- An explanation of the provisions that are to be included in the proposed local environmental plan;

- Justification for those objectives, outcomes and provisions and the process for their implementation; and
- Details of the community consultation that is to be undertaken on the Planning Proposal.

7.1.3 Justification of the Planning Proposal

The proposed LEP amendment as detailed in the Planning Proposal (refer to Attachment 1) will enable increased flexibility in how a site can be developed without adversely restricting the ability to develop a fully non-residential development within the maximum building envelopes. Furthermore, the proposed amendment helps to achieve the aims and objectives of the EP&A Act by enabling the economic and orderly development of land.

7.2 Planning Proposal - Serviced Apartments in the B4 Mixed Use zone

This Planning Proposal forms Attachment 2 to this report.

7.2.1 Proposed Amendment

The primary purpose of this Planning Proposal is to prevent the provision of unviable serviced apartments and undermining of the objectives and controls to the provision of non-residential floor space in the B4 Mixed Use zone, that seek to protect and promote employment generation. In particular, it seeks to remove serviced apartments from the calculations of non-residential floor space.

The Planning Proposal seeks to achieve this by amending NSLEP 2013 as follows:

1. Amending clause 4.4A(1)(d) to reinforce the provision of employment floor space; and
2. Amending clause 4.4A(8) to include serviced apartments as an exclusion in calculating non-residential floor space.

7.2.2 Planning Proposal Structure

The Planning Proposal (Refer to Attachment 2) is considered to be generally in accordance with the requirements under Section 55(2) of the EP&A Act and the DPE's '*A guide to preparing planning proposals*' (2012). In particular, the Planning Proposal adequately sets out the following:

- A statement of the objectives or intended outcomes of the proposed local environmental plan;
- An explanation of the provisions that are to be included in the proposed local environmental plan;
- Justification for those objectives, outcomes and provisions and the process for their implementation; and
- Details of the community consultation that is to be undertaken on the Planning Proposal.

7.2.3 Justification of the Planning Proposal

The proposed LEP amendment as detailed in the Planning Proposal (refer to Attachment 2) will help to prevent the potential undermining of the objectives of the *B4 Mixed Use* zone, the objectives of the non-residential floor space ratio control; and the future integrity of an Economic Development Strategy for North Sydney LGA.

8. CONCLUSION

Council will commence work on the development of the 'North Sydney Economic Development Strategy' in accordance with the project tasks outlined in this report.

The Strategy will provide a clear direction for the North Sydney LGA to maintain employment, promote economic growth and ensure its position as the economic engine of Sydney's North Shore.

The Planning Proposals support the provision of employment floor space as an interim measure whilst the broader *Economic Development Strategy* is being prepared.
