1-3 LORD STREET, BOTANY

ECONOMIC IMPACT ASSESSMENT

FUZ BOTANY, HENDRIKX BOTANY & ORTH BOTANY TRUST

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EXECUTIVE SUMMARY

BACKGROUND

The Orth Botany Trust, The Fuz Botany Trust and The Hendrikx Botany Trust are preparing a Planning Proposal (the Proposal) for 1-3 Lord Street Botany (the Site) to amend building height limits and floorspace ratio (FSR) controls. Specifically, the following amendments are proposed:

- Building height from 10 metres to 16.5 metres.
- FSR from 1:1 to 1.75:1.

The Site is strategically located in close proximity to the Sydney Airport and Port Botany Trade Gateways, the Southern Employment Lands and Sydney CBD. Situated within a B7 Business Park zone, the Proposal will work in tandem with neighbouring business parks to elevate the Lord Street business park precinct as a key employment area, enabling higher employment growth and density on Site.

The Proposal envisages the conversion of the existing warehouse and ancillary office spaces on the Site into a multi-storey building including ground floor warehouse/commercial floorspace (621sqm), commercial floorspace (3,750sqm) on the upper levels and basement parking for 92 cars.

The Proposal strives to respond to the changing nature of employment floorspace requirements by intensifying business functions on the Site, enabling the co-location of commercial and warehouse floorspace and provide greater opportunity for commercial uses. The redevelopment serves to encourage an intensification of commercial uses on Site for occupants with diverse floorspace requirements and/or those seeking to combine various functions on one site. The supply of employment lands, and, indeed, land itself is finite and therefore facilitating an intensification of uses on the Site would assist in addressing demand.

The majority of employees in the precinct generally rely on private vehicles to commute to work. An adequate number of car spaces is imperative to accommodate business and employee needs. The Proposal's provision of basement car spaces addresses this requirement.

AEC Group (AEC) is engaged by Orth Botany Trust, The Fuz Botany Trust and The Hendrikx Botany Trust to prepare an Economic Impact Assessment to analyse the economic impacts likely to result from implementation of the Proposal.

PLANNING AND MARKET CONTEXT

Planning Context

Planning policies at both state and local levels recognise the need to respond to economic trends and evolving business requirements. Specific to the Proposal:

- The Greater Sydney Region Plan seeks to increase competitiveness and connectivity along identified Economic Corridors
- The Eastern City District Plan seeks to ensure adequate planning retention, and management of industrial and urban services lands.
- The Botany Bay Planning Strategy 2013 envisages an expansion of commercial activity to Botany's north (Lord Street to Bay Street), by increasing FSR and expanding the business park precinct on Lord Street with the objective of creating a strong commercial cluster.

The Proposal responds directly to the Region Plan and District Plan's objectives and priorities to retain urban services lands, but importantly to facilitate a greater amount of floorspace to accommodate employment growth in an area constrained for future supply.

Market Context

The Botany Employment Precinct (the Botany Precinct) is an important employment area within the broader South Sydney region, and extends well beyond the Lord Street business park precinct and encompasses land that is zoned business park, light industrial, local and neighbourhood centres, mixed use. The Botany Precinct is traditionally an industrial/urban services area accommodating a variety of business activity, also serving as a thoroughfare to key freight nodes. Research into the market context and floorspace requirements affirm the importance of hybrid-type business functions in the Botany Precinct.

The demand profile of industrial and commercial occupants is varying and demonstrating healthy growth, with the main occupants of freestanding warehouses typically being small-scale manufacturers, repairs/servicing technicians and light industrial users. Commercial occupants with smaller floorspace requirements are attracted by the affordability of the area (with office rents achieving between $180/sqm to $350/sqm) and proximity to the Sydney CBD, while those requiring larger floorplates typically locate along Lord Street to cluster with larger, more renowned businesses.

Research investigations into sales activity indicate a tightly held market, with fewer than 10 sites transacted in the past year. Informal discussions with local agents have indicated that interest levels in site sales have been high, with prospective buyers already located in the area and seeking to upgrade to larger premises to allow a hybrid of functions to co-locate.

The redevelopment of Botany Quarter by Dexus Property Group is already met with enthusiasm from industrial and commercial occupants alike. The redevelopment will prove to be a game-changer in the South Sydney region, comprising creative office suites, high-tech industrial units, storage units, neighbourhood retail and onsite lifestyle/recreation facilities (childcare, gym facilities).

ASSESSMENT OF ECONOMIC IMPACTS

The following sections examine the estimated economic activity supported through the operations of businesses locating to the Site if it was redeveloped under proposal compared to if it remained in its existing use.

- **Base Case**: The Base Case assumes the Site continues its current operations accommodated in the existing improvements and assesses the economic impacts should the Site remain in its existing use.
- **Proposal Case**: The Site is redeveloped under the Proposal's amended planning controls to facilitate higher intensification use on site, with increased height and commercial floorspace.

The economic impacts have been assessed at the Bayside Local Government Area (LGA) level.

Economic Impacts During Construction

The construction phase associated with the Proposal is expected to support the following economic activity for the Bayside LGA, including businesses and workers through direct and flow-on impacts (over the course of the construction phase):

- $10.4 million in output (including $4.8 million in direct activity).
- $3.9 million contribution to GRP (including $1.2 million in direct activity).
- $2.1 million in incomes and salaries paid to households.
- 28 FTE jobs (including seven directly employed in the construction activity).

Net Economic Activity During Operations

The economic impacts/contribution of the Proposal can be traced through the economic system via:

- **Direct Impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Indirect Impacts (Flow-on Impacts)**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales.

The Proposal is anticipated to result in a net increase in economic activity compared to what the existing improvements support in the Base Case. through the direct and flow-on impacts associated (per annum):

- $117.9 million in output (including $47.5 million in direct activity).
- $52.6 million contribution to GRP (including $18.7 million in direct activity).
- $30.6 million in incomes and salaries paid to households.
- 439 FTE jobs (including 167 additional jobs directly related to activity on the Site).

Table ES.1 summarises the outcomes in the Base Case and Proposal Case.

Table ES.1: Economic Activity, Base Case v Proposal Case

Impact	Output ($M)	Gross Regional Product ($M)	Incomes ($M)	Employment (FTEs)
Base Case				
Direct	$11.4	$5.1	$2.9	29
Type I Flow-On	$3.2	$1.5	$0.8	10
Type II Flow-On	$6.9	$3.7	$2.0	30
Total	**$21.5**	**$10.3**	**$5.7**	**69**
Proposal Case				
Direct	$58.9	$23.8	$14.8	196
Type I Flow-On	$36.6	$15.4	$8.9	120
Type II Flow-On	$43.9	$23.7	$12.6	192
Total	**$139.5**	**$62.9**	**$36.3**	**509**
Net Increase in Economic Activity				
Direct	$47.5	$18.7	$11.9	167
Type I Flow-On	$33.4	$13.9	$8.1	110
Type II Flow-On	$37.0	$20.0	$10.6	162
Total	**$117.9**	**$52.6**	**$30.6**	**439**

Source: AEC

CONCLUSION

Land that is close to existing employment centres and public transport networks is scarce and valuable. As cities grow there is commensurate pressure on scarce lands to be developed for a variety of uses. The benefits of enabling more intensive use of land which is a finite asset are therefore obvious.

In comparison to the other employment areas examined, the Botany Precinct and its surrounds experienced very modest employment growth over the 2006-2016 period, averaging a lacklustre 0.5% average annual growth compared to 1.5% to 3.4% in comparison areas. Employment growth in the Botany Precinct and its surrounds has been weak despite strong market demand and occupier interest.

Opportunities to accommodate greater intensity of employment are needed. Investigations suggest a lack of commercial floorspace opportunities in the Botany Precinct and broader South Sydney Region. Given the Botany Precinct's proximity to key centres and Trade Gateways, it is necessary to ensure commercial opportunities are available to attract new business but also facilitate growth and expansion in a diverse range of business activities.

In the case of the Site, state government policy has focused equally on intensifying employment opportunities and accommodating businesses' changing requirements for how they use land and floorspace. The Proposal seeks to meet these objectives by providing commercial opportunities for a range of business activity and importantly, maximising the economic intensity of the Site. The Proposal demonstrates alignment with the objectives and aspirations of state planning policy and strategy.

The Study considers the economic impact of the Proposal to be net positive and thereby presenting a compelling case for consideration.

TABLE OF CONTENTS

1. INTRODUCTION

1.1 BACKGROUND

1-3 Lord Street Botany (the Site) is located approximately 12 kilometres south of the Sydney CBD, and approximately five kilometres and seven kilometres from Sydney Airport and Port Botany respectively. The Site is currently occupied by Marine Product Marketing Proprietary Limited, a supplier of frozen food products to food service businesses and retailers.

The Site is zoned B7 Business Development, with a permissible floorspace ratio (FSR) of 1:1 and a building height limit of 10 metres, in accordance with the Botany Bay local environmental plan.

The Orth Botany Trust, The Fuz Botany Trust and The Hendrikx Botany Trust are preparing a Planning Proposal (the Proposal) to amend the Site's building height and floorspace controls. Specifically, the following amendments are proposed:

- Building height from 10 metres to 16.5 metres.
- FSR from 1:1 to 1.75:1.

AEC Group (AEC) is engaged by Orth Botany Trust, The Fuz Botany Trust and The Hendrikx Botany Trust to prepare an Economic Impact Assessment to analyse the economic impacts likely to result from implementation of the Proposal.

1.2 SCOPE AND APPROACH

AEC has been engaged by The Orth Botany Trust, The Fuz Botany Trust and The Hendrikx Botany Trust to the prepare an Economic Impact Assessment (EIA) to analyse the economic impacts likely to result from the proposed planning controls amendments and subsequent redevelopment of the Site.

To assess the economic impacts of the Proposal, a Base Case and Proposal Case were developed.

- **Base Case:** The Site is currently improved by a two storey building which accommodates warehousing/storage uses and ancillary commercial uses. The Base Case assumes the Site continues its current operations accommodated in the existing improvements.
- **Proposal Case:** The Site is redeveloped under the Proposal's amended planning controls to facilitate an intensification of use, with increased height and greater provision of commercial floorspace.

The purpose of the EIA is two-fold:

1 To carry out property market research to consider the need for the Proposal while examining the employment and market profile of the broader precinct as an employment area.

2 To carry out economic modelling to assess the economic impacts of the Proposal.

1.3 STRUCTURE OF THE STUDY

The purpose of the Economic Impact Assessment (EIA) is to consider if direct economic impacts of the Proposal Case are net positive compared to the Base Case. The EIA is structured as follows:

Chapter 2 reviews the Site and its surrounds, and strategic planning policies of relevance to the Site and Proposal.

Chapter 3 analyses the employment and economic activity occurring in and around the Site, to understand the profile of employment and industry activity. This chapter additionally investigates the market context and trends influencing land use in and around the Site.

Chapter 4 assesses the economic impacts of the Proposal against the Base Case.

Chapter 5 undertakes a Policy Assessment of the economic impacts arising from the Proposal.

2. SITE CONTEXT

2.1 LOCATION

1-3 Lord Street Botany (the Site) is located approximately 12 kilometres south of the Sydney CBD, and approximately five kilometres and seven kilometres from Sydney Airport and Port Botany respectively. Botany is located within the Bayside Local Government Area (LGA), which was formed from the amalgamation of Botany Bay and Rockdale LGAs in 2016. The Site is accessible via major arterial roads including Botany Road and the M1 Motorway and is located approximately 250 metres east of the Botany Road and Street intersection.

The Site is currently occupied by Marine Product Marketing Proprietary Limited, a supplier of frozen food products, occupying the freestanding warehouse and office space.

Figure 2.1: The Site

Source: Nearmap

In accordance with the Botany Bay Local Environment Plan (LEP) (2013) the Site is zoned B7 Business Park with a permissible floorspace ratio (FSR) of 1:1 and a building height limit of 10 metres. Existing improvements comprise a freestanding warehouse with a building area of approximately 1,438sqm situated on a site of approximately 2,556sqm in area (RP Data). The Site straddles two allotments.

The Site is on the western-most of fringe of the Lord Street B7 Business Park Zone and borders an R3 Medium Residential zone. It is situated between St. Matthew's Anglican church, and Service NSW on Lord Street.

Lord Street accommodates a wide range of businesses and activity, predominantly contained within two business parks, the Lakes Business Park and Sir Joseph Banks Corporate Park. The presence of these prominent business park complexes on Lord Street contributes to elevating the area's profile as a key employment area in the South Sydney region.

Lakes Business Park

Commercial and warehouse floorspace along Lord Street is dominated by the Lakes Business Park (2-13 Lord Street), an eight-hectare business park containing approximately 44,000sqm in net lettable area (NLA) of commercial and warehouse floorspace across seven freestanding buildings. The business park is bisected by Lord Street, forming a north precinct (approximately 29,000sqm NLA) and south precinct (14,000sqm NLA) on either side of Lord Street, with the majority of businesses located in the north precinct.

Dexus secured planning approval for partial redevelopment of the north precinct which will increase commercial floorspace to 44,000sqm across seven 6 storey buildings (Urbis, 2015). Subsequent to this, rezoning approval was obtained to facilitate redevelopment of the south precinct into a mixed use creative hub, Botany Quarter to incorporate creative office suites, high-tech industrial units, storage units, and retail facilities.

The business park accommodates a broad range of businesses: freight and logistics companies, warehousing, small-scale manufacturers, distributors, and providers of corporate services. Utilisation of floorspace is divided between warehousing and commercial uses. The warehousing component is utilised for distribution of goods, and general storage whilst commercial uses provide space for general offices and meeting and/or training rooms.

Sir Joseph Banks Corporate Park

Sir Joseph Banks Corporate Park is situated at the eastern end of Lord Street (28-30 Lord Street). The corporate park comprises in the order of 31,700sqm of commercial and warehouse floorspace across three buildings. Major businesses include Schindler Lifts Australia (lifts manufacturers and maintenance), Konami Australia (computer and arcades manufacturer), and Sims Metal Management (metal collection and processing).

Figure 2.2 shows the Lakes Business Park and Sir Joseph Banks Corporate Park with respect to the Site.

Figure 2.2: Lord Street Major Business Park Complexes

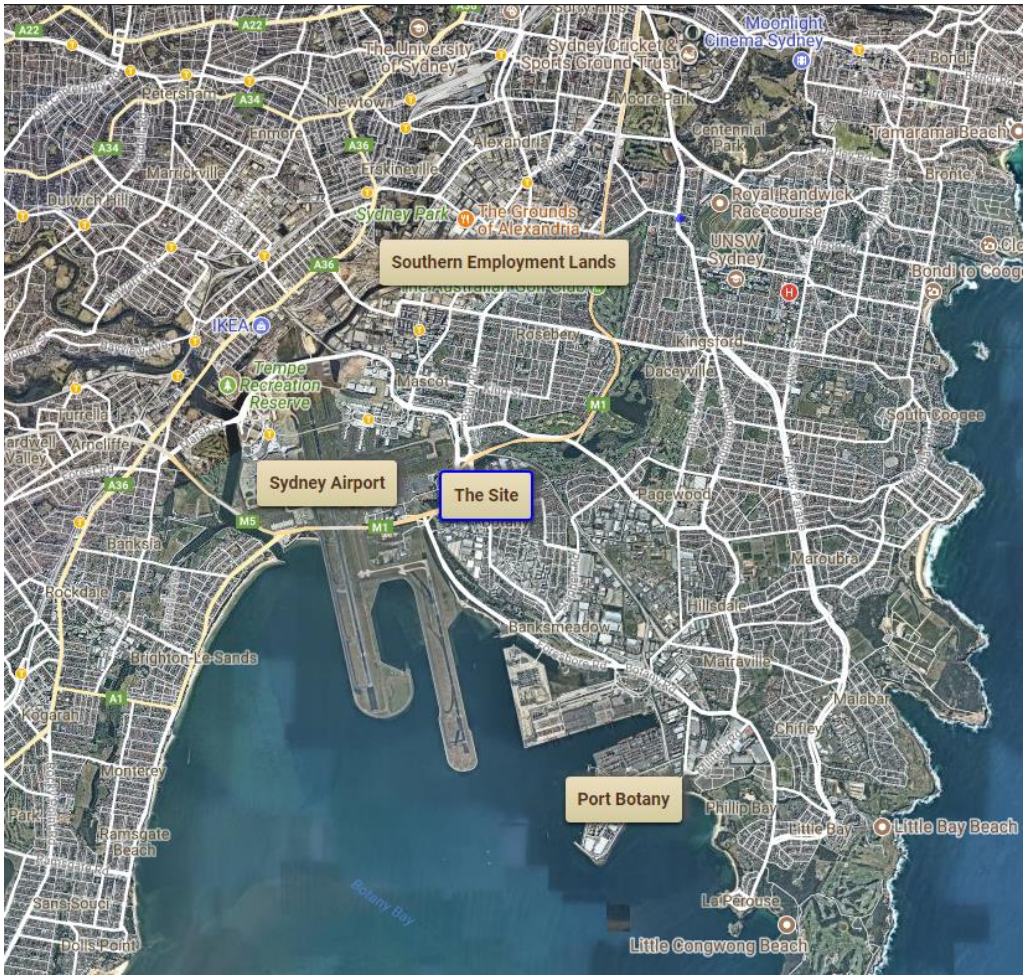
Source: Nearmap

Both the Lakes Business Park and Sir Joseph Banks Corporate Park are owned by Dexus Property Group. Whilst in a business park setting, however, amenity on Lord Street is modest, with only an on-site café in each and no directly accessible recreational facilities (such as a gym). Employees wishing to pursue leisure activities in their free time are limited to the Botanic Aquatic Centre on Lord Street's eastern fringe.

2.2 SURROUNDING USES

The Site is situated in close proximity to critical economic infrastructure (Port Botany and Sydney Airport) and the major employment region of South Sydney. Figure 2.3 illustrates.

Figure 2.3: The Site and Surrounding Uses



Source: Nearmap

Port Botany and Sydney Airport

Port Botany is located approximately six kilometres south-east of the Site and is accessible via Botany Road and Foreshore Road. Port Botany accommodates Sydney's largest port, and is a major employment area, forming a vital part of logistics and supply chain network in NSW. In addition to housing NSW's largest container facility it is also the NSW's primary bulk liquid and gas port, and Australia's largest dedicated common user facility of this type.

Facilities at Port Botany include: three independently operated container vessels, liquids and gas facilities, and eight kilometres of road network, warehousing, container packing and unpacking facilities, Customs facilities and container packing and unpacking facilities. Port Botany operates 24 hours a day, seven days a week (NSW Ports).

Sydney Airport is approximately two kilometres west of the Site and is one of the longest continuously operated commercial airports internationally (Sydney Airport, 2018). Sydney Airport has a total of four terminals, three passenger terminals and one freight terminal, dedicated to international freight operations.

South Sydney Employment Region

The South Sydney employment region is the economic engine that provides critical support to Sydney Airport and Port Botany, servicing population and businesses across metropolitan Sydney. Significant intensification over the last decade is observed across the South Sydney region in line with business requirements and utilisation trends.

2.3 EMPLOYMENT CHARACTERISTICS

The Botany Employment Precinct (the Botany Precinct) is an important employment area within the broader South Sydney region. In order to understand employment and business activity occurring in the Botany Precinct, ABS Census data was analysed for the period between 2006 and 2016 using statistical geographic boundaries of Destination Zone (DZ).

Figure 2.4: The Botany Employment Precinct Statistical Area of Analysis

Source: ABS

The Botany Employment Precinct area of analysis extends well beyond the Lord Street business park precinct (comprised of the B7 Business Park zoned land to the Botany Precinct's north) and encompasses land that is zoned light industrial, local and neighbourhood centres, mixed use.

Table 2.1 provides an overview of the Botany Precinct's employment profile. The industries with the largest share of employment in 2016 were Construction, Manufacturing, and Transport, Postal and Warehousing. Notably, employment numbers are largely unchanged over the 2011-2016 period.

Table 2.1: Employment Profile, The Botany Precinct

Indicator	Outcome
Total Employment	
2016	7,586
2011	8,461
Key Industries (2016, % of Total Employment)	
Construction	20.8%
Transport, Postal and Warehousing	19.4%
Manufacturing	13.0%
Key Occupations (2016, % of Total Employment)	
Technicians and Trades Workers	21.1%

Indicator	Outcome
Clerical and Administrative Workers	18.0%
Managers	15.7%

Source: ABS (2012, 2017a)

2.3.1 Employment By Industry

Table 2.2 shows the Botany Precinct's employment by industry for the period between 2006 and 2016 at the ANZSIC 1-Digit Level. In that period, the overall workforce experienced growth of approximately 5.1%, or 367 employees.

The notable uptick in Construction (114%, 842 jobs) is in line with trends observed in the area, and the rest of Greater Metropolitan Sydney. By comparison, Bayside LGA experienced an increase of 120%, or 3,944 jobs. The growth in the Construction industry is a trend that has been observed across Greater Metropolitan Sydney for the past decade, driven by a construction boom and government infrastructure investment.

Between 2006 and 2016, the Botany Precinct experienced an increase of 163 jobs (82%) in Professional, Scientific & Technical Services and Health Care & Social Assistance (143 jobs, 70%).

A declining Manufacturing industry is a common trend observed across most parts of Greater Sydney, as the nation has transitioned away from traditional manufacturing towards niche and advanced manufacturing and knowledge-intensive jobs. The Botany Precinct lost 577 jobs (-37%) in Manufacturing between 2006 and 2016.

The Wholesale Trade industry has also experienced a decline of 588 jobs (-58%). Disaggregation of the Wholesale Trade industry to the 3-digit level reveals that no notable sub-sectoral decline and suggests this is an organic transition away from Wholesale Trade in the Botany Precinct.

Surprisingly, Transport, Postal & Warehousing trended downwards in the Botany Precinct. Analysis of the industry at the 3-digit level reveals the main contributor to decline was Road Freight Transport (loss of 304 jobs, -4.6%).

Table 2.2: Employment by Industry ANZSIC 1-Digit, The Botany Precinct

Industry	2006		2011		2016		Change (06-16)	
	No.	%	No.	%	No.	%	No.	%
Agriculture, Forestry and Fishing	2	0.0%	7	0.1%	31	0.4%	30	1799%
Mining	1	0.0%	0	0.0%	0	0.0%	0	-60%
Manufacturing	1,564	21.7%	1,569	18.5%	987	13.0%	-577	-37%
Electricity, Gas, Water and Waste Services	30	0.4%	96	1.1%	70	0.9%	39	129%
Construction	738	10.2%	1,116	13.2%	1,580	20.8%	842	114%
Wholesale Trade	1,016	14.1%	1,408	16.6%	428	5.6%	-588	-58%
Retail Trade	329	4.6%	346	4.1%	412	5.4%	83	25%
Accommodation and Food Services	131	1.8%	151	1.8%	191	2.5%	60	46%
Transport, Postal and Warehousing	1,717	23.8%	1,924	22.7%	1,469	19.4%	-248	-14%
Information Media and Telecommunications	211	2.9%	198	2.3%	267	3.5%	55	26%
Financial and Insurance Services	226	3.1%	155	1.8%	78	1.0%	-149	-66%
Rental, Hiring and Real Estate Services	56	0.8%	63	0.7%	143	1.9%	87	156%
Professional, Scientific and Technical Services	198	2.7%	290	3.4%	361	4.8%	163	82%
Administrative and Support Services	181	2.5%	233	2.7%	390	5.1%	209	115%
Public Administration and Safety	132	1.8%	152	1.8%	191	2.5%	59	45%
Education and Training	104	1.4%	111	1.3%	170	2.2%	66	63%
Health Care and Social Assistance	204	2.8%	278	3.3%	347	4.6%	143	70%
Arts and Recreation Services	53	0.7%	64	0.8%	152	2.0%	99	185%
Other Services	323	4.5%	298	3.5%	317	4.2%	-6	-2%
Total	**7,219**	**100%**	**8,461**	**100%**	**7,586**	**100%**	**367**	**5.1%**

Source: ABS (2012, 2017a)

The marked increase in Professional, Scientific & Technical Services and Health Care & Social Assistance employment has direct implications for the type of floorspace required to accommodate this business activity. The profile of industry growth suggests more commercial floorspace is required.

Comparison of the Botany Precinct's employment growth profile with comparison areas of Bayside LGA, Southern Employment Lands, Port Botany and Sydney Airport shows it (the Botany Precinct) experienced distinctly ***modest*** growth. The Botany Precinct's employment growth over the 2006-2016 period averaged an annual growth of 0.5% while the comparison areas achieved average annual growth of 1.5% at a minimum and up to 3.4%. Table 2.3 illustrates the employment profile of the Botany Precinct against its comparison areas.

Table 2.3: Employment by Industry ANZSIC 1-Digit, The Botany Precinct and Comparison Areas

Area	2006	2011	2016	Change (2006-16)	Avg. Annual Growth
The Botany Precinct	7,219	8,461	7,586	5.1%	0.5%
Bayside LGA	67,352	75,918	77,797	15.5%	1.5%
Southern Employment Lands	38,954	43,121	45,130	15.9%	1.5%
Port Botany	3,136	3,828	4,370	39.3%	3.4%
Sydney Airport	12,554	13,906	16,335	30.1%	2.7%

Source: ABS (2012, 2017a)

Growth in Construction jobs across all areas was observed over the 2006-16 period in line with a construction boom and government infrastructure investment. The Southern Employment Lands' employment profile is considered to bear similarities with that of the Botany Precinct's, comprised of a mix of industrial and business zoned lands.

The Southern Employment Lands (SEL) experienced significant increases in the following industries:

- Construction (1,957 additional jobs, 129%).
- Professional, Scientific and Technical Services (1,820 additional jobs, 120%).
- Retail Trade (2,147 additional jobs, 82%).
- Health Care and Social Assistance (817 additional jobs, 63%).

Industries which have notably declined include:

- Manufacturing (1,623 jobs lost, -37%).
- Wholesale Trade (1,394 jobs lost, -25%).
- Information Media and Telecommunications (215 jobs lost, -20%).

Traditional industrial activity (i.e. heavy and 'dirty' industrial uses) is increasingly no longer undertaken in the area (and indeed Sydney's inner ring suburbs) due to access constraints and the high cost of land, many heavier industrial uses thereby relocating to Sydney's south and western suburbs. There has been a corresponding increase in demand from light industrial, local/urban services and mixed business activity in support of a growing population.

The Botany Precinct's change in employment characteristics indicates a precinct in transition, moving away from industrial activities to a mixed enterprise and services base.

As the South Sydney region continues its transition to light industrial and mixed business activity, there is a noticeable shift in business floorspace requirements with many lighter industrial and business uses (e.g. arts and recreation uses, professional services, food and beverage manufacturing uses) requiring smaller floorplates and a mix of floorspace types.

2.3.2 Employment by Occupation

Between 2006 and 2016, the occupational mix in the Botany Precinct has remained steady, with Technicians & Trades Workers forming the dominant occupational group (23.7%), followed by Clerical & Administrative Workers (16.1%) and Managers (16.1%).

Table 2.4: Employment by Occupation, The Botany Precinct

Occupation	2006		2011		2016	
	No.	%	No.	%	No.	%
Managers	928	18.3%	1,127	18.7%	857	16.1%
Professionals	832	16.4%	1,058	17.5%	846	15.8%
Technicians and Trades Workers	1,021	20.1%	1,179	19.5%	1,265	23.7%
Community and Personal Service Workers	249	4.9%	332	5.5%	362	6.8%
Clerical and Administrative Workers	1,070	21.1%	1,206	20.0%	861	16.1%
Sales Workers	227	4.5%	270	4.5%	303	5.7%
Machinery Operators and Drivers	464	9.2%	534	8.8%	395	7.4%
Labourers	283	5.6%	333	5.5%	449	8.4%
Total	**5,075**	**100%**	**6,039**	**100%**	**5,338**	**100%**

Source: ABS (2012, 2017a),

Notably, the proportion of professionals and managers of total workers declined over the 2011-16 period, conceivably a result of relocation of a significant tenant. Community and personal service workers increased from 4.9% (2006) to 6.8% (2016), reflective of the Botany Precinct's transition to accommodate mixed business and services.

2.3.3 Journey to Work

Table 2.5 shows the top ten LGAs from which employees working in the Botany Precinct travel.

Despite the majority of employees residing within or in neighbour LGAs of Sydney and Randwick (over 75% collectively), the majority of employees travelling to the Botany Precinct for work travel by car (60%).

Table 2.5: Journey to Work by Origin, The Botany Precinct

LGA	Employees (No.)	Employees (%)
Bayside	1,030	31.1%
Sydney	940	28.3%
Randwick	535	16.1%
Inner West	98	3.0%
Waverley	75	2.3%
North Sydney	60	1.8%
Woollahra	57	1.7%
Georges River	50	1.5%
Willoughby	47	1.4%

Source: BTS (2012)

2.4 PLANNING CONTEXT

2.4.1 Greater Sydney Region Plan

The Greater Sydney Region Plan (the Region Plan, GSC, 2018a) sets out a vision, objectives, strategies and actions for a metropolis of three cities across Greater Sydney.

A framework for the liveability, productivity and sustainability of the metropolis of three cities is detailed in the Region Plan. 10 directions, each comprised of a series of objectives to deliver and monitor the Region Plan.

The objectives of direct relevance to the Proposal are:

Objective 15: The Eastern, GPOP and Western Economic Corridors

Greater Sydney's Eastern Economic Corridor is a vital part of the economic ecosystem, with high concentrations of jobs and good road and transport links. The Region Plan seeks to strengthen economic opportunities in existing and developing Economic Corridors, to optimise agglomeration benefits and boost productivity with ongoing investment and new opportunities for businesses in the Eastern Harbour City.

Major assets in the Eastern Economic Corridor include the emerging Green Square, Sydney Airport and Port Botany Trade Gateways. Trade Gateways are major ports and airports of national or State significance, which are supported by on-site industrial lands and in nearby areas.

The Site is situated proximate to Sydney Airport and Port Botany Trade Gateways, thereby contributing to accommodate businesses extending from the Trade Gateways within the freight and logistics network.

Objective 23: Industrial and Urban Services Land

Industrial and urban services land refers to employment lands identified in the Employment Lands Development Monitor (DPE) and includes industrial zoned land and some business zoned land which permits a number of industrial uses. This land can include a range of activities from major freight and logistics and heavy manufacturing to light industry, urban services, integrated enterprises with a mix of administration, production, warehousing, research and development and new economy or creative uses.

Employment lands in Botany are depicted in Figure 2.5.

Figure 2.5: Botany Employment Lands

Source: DPE

The Region Plan states that management of industrial and urban services lands should evolve in response to changing business practices and needs and manage uses to allow sites to transition to higher-order employment activities to maximise business productivity, efficiency and competitiveness.

Factors considered in review of changing business practices and needs take into account the evolution in industries which impact the changing demand for land, the changing nature of industries, and current levels of industrial and urban services land supply.

2.4.2 Eastern City District Plan

The Eastern City District Plan (the District Plan) is a 20-year plan to manage growth in the context of economic, social and environmental matters to achieve the 40-year vision for Greater Sydney.

The District Plan assists councils to plan for and deliver growth and change and align their local planning strategies to place-based outcomes, through a set of planning priorities and actions. The planning priorities and actions align with the 10 Directions of the Region Plan and their corresponding objectives.

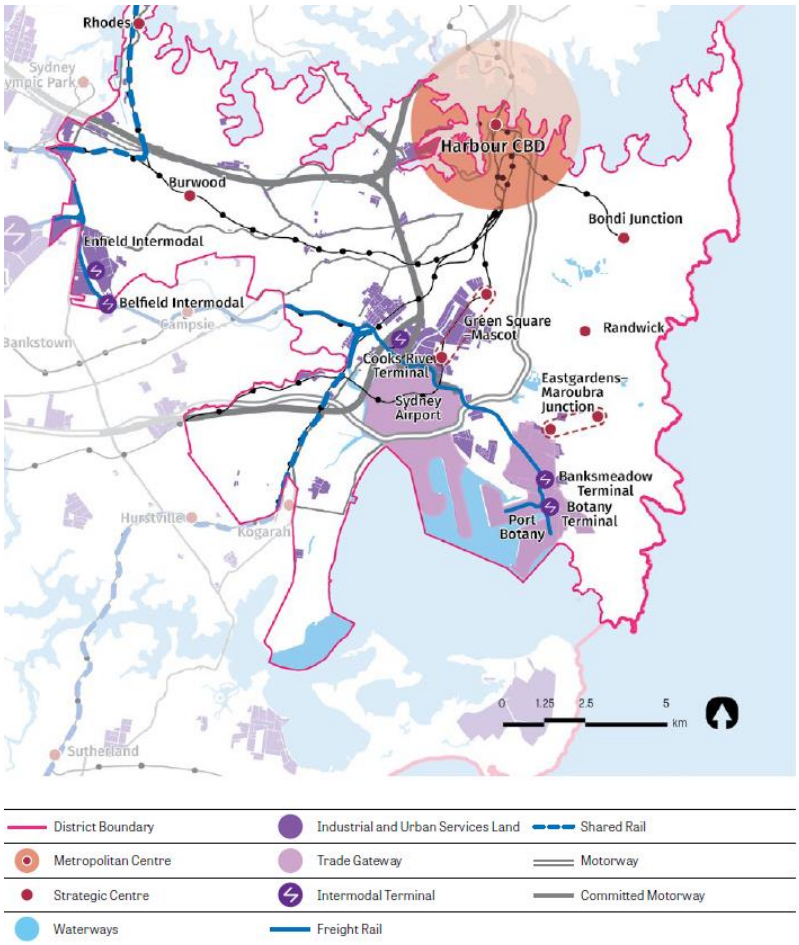
Planning Priority E12: Retaining and managing industrial and urban services land

Industrial and urban services land in the Eastern City District provides cost competitive and well-located land for industries and services that support businesses in the Harbour CBD, other centres and Greater Sydney's two existing international trade gateways of Port Botany and Sydney Airport.

Urban services include activities such as motor vehicle services, printing, waste management, courier services and concrete batching plants. These activities serve local communities and businesses across the District.

Figure 2.6 shows the Eastern City District's employment lands.

Figure 2.6: Eastern City District Employment Lands



Source: GSC, 2018b

Demand for urban services land will increase commensurate with population growth. Good local access to these services reduces the need to travel to other areas, minimising congestion on the transport system. Industrial and urban services land in the Eastern City District is highly constrained due to the development of residential dwellings and large-scale retail, which are higher-return land uses, and the lack of opportunities for new supply. There is strong competition for space from non-urban services industries that seek proximity to Sydney Airport, Port Botany, Sydney CBD and health and education precincts. While these businesses must be supported in a service-oriented modern economy, capacity for industrial and essential urban services must be retained.

Future employment growth across all industries and urban services will require additional floor space, additional land or both. Urban services are often less able to increase their floor space efficiency or locate in multi-storey buildings. Therefore, the retention, growth and enhancement of industrial and urban services lands in the Eastern City should reflect the city's needs and its local context.

The District Plan states that Councils and relevant planning authorities have the responsibility to facilitate the contemporary adaptation of industrial and warehouse buildings through increased floor to ceiling heights.

2.4.3 Local Planning Policy

Botany Bay LEP (2013)

The Site is zoned B7 Business Park in accordance with the Botany Bay Local Environment Plan (LEP) (2013).

The objectives of the B7 zone are to:

- Provide a range of office and light industrial uses.
- Encourage employment opportunities.
- Enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.
- Encourage uses in the arts, technology, production and design sectors.

Permitted uses include: Home occupations, centre-based child care facilities; dwelling houses; food and drink premises; garden centres; hardware and building supplies; home industries; light industries; neighbourhood shops; office premises; passenger transport facilities; respite day care centres; roads; vehicle sales or hire premises; warehouse or distribution centres.

Prohibited uses include: advertising structures; agriculture; air transport facilities; airstrips; amusement centres; animal boarding or training establishments; biosolids treatment facilities; boat launching ramps; boat sheds; camping grounds; caravan parks; cemeteries; charter and tourism boating facilities; correctional centres; crematoria; depots; eco-tourist facilities; electricity generating works; entertainment facilities; environmental facilities; environmental protection works; exhibition homes; exhibition villages; extractive industries; farm buildings; forestry; freight transport facilities; heavy industrial storage establishments; helipads; highway service centres; home-based child care; home occupations (sex services); industrial training facilities; industries; jetties; marinas; mooring pens; moorings; mortuaries; open cut mining; port facilities; recreation facilities (major); recreation facilities (outdoor); registered clubs; research stations; residential accommodation; resource recovery facilities; restricted premises; retail premises; rural industries; sewage treatment plants; sex services premises; tourist and visitor accommodation; transport depots; truck depots; vehicle body repair workshops; vehicle repair stations; waste disposal facilities; water recreation structures; water recycling facilities; water supply systems; wharf or boating facilities.

Botany Bay Planning Strategy 2013 (2009)

The former Botany Bay City Council developed the Botany Bay Planning Strategy 2013 (the Planning Strategy) in 2009 to inform development of the Botany Bay LEP (2013). The Planning Strategy provided an overview of economic activity in the then Botany Bay LGA, addressing housing and employment directions, urban renewal, and reviving and protecting trade gateways.

A number of areas within the LGA were identified in the Planning Strategy and specifically designated with associated directions and strategies to address demand for employment floorspace. These employment areas included Hillsdale, Banksmeadow, Pagewood, Botany, Lord Street, Hale Street, Eastgardens, Rosebery, Mascot, Eastlakes, and the airports and surrounding environs.

The Planning Strategy stated that Botany was deemed unsuitable for residential intensification, more suited to employment intensification with a greater commercial and regional retail role. The concept of the needs of the Botany Road 'spine' should be extended to include the Lord Street business park commercial activities.

Specifically relevant to the Proposal is Action 2.2.5 in the Planning Strategy: Facilitate expansion of commercial activity potential north of Botany centre (Lord Street to Bay Street). This Action considered establishing FSRs

between 1.2:1 and 1.5:1 to expand the business park precinct on Lord Street, and applying a B7 Business Park zone along Lord Street to expand the business park uses with the objective of creating a strong commercial cluster in this location.

Whilst the Planning Strategy was published almost one decade ago, it reflects Council's intention to designate the area as a notable commercial precinct, as even then it was anticipated that an expansion of the B7 Business Park zone to permit higher levels of commercial activity was needed

2.5 THE PROPOSAL

The Orth Botany Trust, The Fuz Botany Trust and The Hendrikx Botany Trust are preparing a Planning Proposal (the Proposal) to amend existing planning controls to increase the FSR and building height limits to facilitate a redevelopment of the Site to include:

- Basement and ground level carparking for 92 vehicles
- Warehouse and commercial floorspaces and a lobby on the ground floor (621sqm).
- Three levels of commercial floorspaces on upper floors (3,750sqm).

Table 2.6: Summary of Existing and Proposed Planning Controls

Planning Control	Existing	Proposed
FSR	1:1	1.75:1
Height Limit (m)	10	16.5 plus plant

Source: BuiltConsult

The Proposal's inclusion of commercial floorspace will facilitate accommodation of a range of businesses and office users who have diverse floorspace requirements not necessarily requiring location within a CBD environment.

The Proposal responds directly to the Region Plan and District Plan's objectives and priorities to retain urban services lands, but importantly to facilitate a greater amount of floorspace to accommodate employment growth.

The District Plan highlights the challenges that face industrial and urban services land in the Eastern City District, as strong competition and tension between land uses constrains the capacity for additional floorspace in the future.

The Site is strategically located in close proximity to the Sydney Airport and Port Botany Trade Gateways. It has the potential to play an important role in accommodating employment growth, particularly businesses who require floorspace in the increasingly competitive South Sydney region.

The next section explores the economic and market context as is relevant to the Proposal.

3. BASELINE RESEARCH

This chapter carries out baseline research to identify economic and market trends that influence land use in the Lord Street business park precinct (referred to hereinafter as 'the Lord Street Precinct') which is within the Botany Employment Precinct (the Botany Precinct) examined in Section 2.3.

3.1 BUSINESS AND INDUSTRY ACTIVITY

A range of factors influence business activity and land uses in the Lord Street Precinct and other areas in Sydney's inner ring. Some of these are centric to the local area while many are not. Significant influences on business activity are driven at the global and national level. Understanding the broader context in which the Lord Street Precinct's business activity operates is essential to understanding future demand and the nature of that demand for employment on the Site.

Traditional manufacturing in Australia is rapidly changing in a bid to survive on the global market. Manufacturers are redefining their operations and the scope of their activities through the use of technology and knowledge. A structural shift in Australian business is affirmed by historical declines in employment in traditional industry sectors and the rise of employment in the service sectors.

Diversification of Function and Uses

In order to remain competitive, businesses recognise the need to leverage technology and knowledge and embrace new ways of doing business.

Many high-tech and creative industrial businesses are located in South Sydney (specifically Alexandria, Zetland, Rosebery, Waterloo) where they are able to co-locate various functions under one roof. This has led to a proliferation of new development types wherein factory and industrial space is combined with commercial suites, high-tech industrial units and warehouse space.

The co-location of warehouse and office functions is an increasing trend observed across employment areas, particularly those close to Sydney's urban centres. This is in line with the clustering of multiple business functions within the same premises. Warehouses with floorspaces circa 300-700sqm have a notable presence in the Botany Precinct, which is unsurprising given that contemporary requirements for occupants do not necessarily require large floorplates, but rather, smaller spaces to accommodate commercial showrooms and wholesalers, niche manufacturing and small-scale production, as well as retailers and sales support services.

This trend is emerging in the Botany Precinct and presents an opportunity for the Site to facilitate more business activity and employment, also allowing tenants to combine a variety of functions under one roof.

Service Industry/Urban Services

As Sydney continues to grow, population growth will be a major driver of household and business consumption. In response to consumption growth it is likely that trend for growth of imports will continue, increasing local demand for warehousing, transport and logistics industries to service imports growth. Continued growth in e-commerce has implications for demand to accommodate time-critical supply chain logistics across metropolitan Sydney.

Many urban support services have time critical requirements for delivery to inner/middle ring locations. Owing to service delivery standards (particularly where there are cold storage requirements), this industry requires accommodation in easily accessible locations proximate to key markets.

There are numerous service industry businesses within the Botany Precinct that service a local market. Many of these businesses are locally owned and operated as small businesses. There will always be a role for local service industry to play in the Botany area, given the proximity to Sydney CBD, Sydney Airport, Port Botany and its central locality to the rest of metropolitan Sydney.

Intensification of Commercial Floorspace

Over the years, the economic theory of agglomeration has been increasingly examined to understand the benefits which firms enjoy when co-locating in areas with a higher density of economic and employment activity. Taking up

premise in an area of dense economic activity encourages the flow of knowledge and spill-on effects, is more efficient in resource-matching and enables businesses to take advantage of economies of scale.

The Lord Street Precinct's proximity to key economic assets (Sydney CBD, Sydney Airport, Port Botany and populous catchments) and affordability make it a popular choice for businesses who need commercial floorspace but not a CBD location. The Proposal's large commercial floorplates provide opportunities for a wide range of businesses to take up accommodation on the Site. As businesses are increasingly preferring to locate their business functions in one location rather than dispersed in multiple smaller locations, more commercial floorspace opportunities are needed.

Permitting a greater amount of commercial floorspace on the Site will enable accommodation of mixed business activity and some industrial-type activity and will respond to occupier need.

3.2 MARKET CONTEXT

This section provides an overview of the industrial and commercial property market in the Lord Street and Botany Precincts and surrounding area to understand the nature and drivers of market activity and land use.

Market Demand and Occupier Profile

The Lord Street Precinct's proximity to key freight nodes and the Sydney CBD make it a popular choice for businesses seeking to locate within an accessible and relatively affordable location. Despite this, a key driver enticing commercial and/or industrial occupants is its affordability of employment floorspace.

Residential encroachment and the conversion of employment lands in the South Sydney region in recent years has seen an exodus of businesses priced out of industrial/commercial floorspaces in a shrinking and increasingly competitive market. The Botany and Lord Street Precincts have been relatively exempt from residential conversions, due its proximity to Sydney Airport and Port Botany. The preservation of these trade gateways and employment and urban services lands in its immediate surrounds is critical in supporting the functions of Sydney Airport and Port Botany and maximising efficiency in the freight and logistics network.

With the exception of Botany Town Centre to the north of Botany Road with accommodates strip retail and upper level offices, the majority of employment floorspace in the Lord Street and Botany Precincts is a hybrid of warehouse and office space. Freestanding warehouses with an office component have a significant presence in the north and south of Botany, and large industrial estates are situated to the west, along Foreshore Drive.

The demand profile of industrial and commercial floorspace occupiers is diverse and is understood to be growing healthily. Occupants in freestanding warehouses are typically small-scale manufacturing, repairs/servicing technicians, and light industrial users. Commercial occupants with smaller footprint requirements are typically small businesses/sole traders who are attracted to the relative affordability of the area, proximity to the Sydney CBD and arterial roads, and not necessarily requiring a prestigious address. Larger businesses, such as Mazda, Service NSW and University of Technology Sydney's Botany Tech Lab, which require larger floorplates are located along Lord Street, which is perceived as a more premium 'business park' precinct.

Sales Activity

A limited number of sales have occurred in Botany over the past 12 months. These are outlined in Table 2.1 below.

Table 3.1: Sales Evidence, 12 Months to June 2018

Address	Floor Area (sqm)	Zone	Sale Price (Sale Date)	Analysis ($/sqm)	Commentary
3/8 Sir Joseph Banks St	356	IN1	$1,350,000 (January 2018)	$4,141	Factory located in a complex of six with first floor office space, roller doors, raised storage areas and internal clearance of 5.1-5.8m. Includes four car spaces.
2-12 Underwood Ave	1,043	B7	$2,750,000 (October 2017)	$2,637	Empty land with a small asbestos unit which was purchased to redevelop into a warehousing/distribution centre for an owner-occupier already located in the area.

Address	Floor Area (sqm)	Zone	Sale Price (Sale Date)	Analysis ($/sqm)	Commentary
11 Erith St	989	IN1	$2,550,000 (October 2017)	$2,578	Free standing warehouse with roller doors and high clearance.
11 Aylesbury St	378	B4	$1,650,000 (August 2017)	$4,435	Boutique freehold warehouse with roller shutter access, air-conditioned office space and outdoor deck.
5-7 Tenterden Rd	720	B7	$2,650,000 (June 2017)	$3,681	Two industrial units sold under one title, comprising onsite parking, loading dock and amenities
9 Tenterden Rd	370	B7	$1,900,000 (June 2017)	$4,146	Industrial unit comprising onsite parking, loading dock and amenities

Source: CoreLogic

Despite a tightly held market, interest levels are observed to have been high. Interested parties tend to already be located in the area and seeking to upgrade to larger premises allowing for co-location of functions. An escalation in sale prices in recent years is testament to the demand levels and competitive nature of the market.

The next section investigates current leasing activity within and in close proximity of Botany.

Leasing Activity

Informal discussions with local agents active in the area have indicated that Botany is well received due to its proximity to the Sydney CBD and key freight nodes, and its relative affordability. Market activity has been relatively stable in the past 12-18 months with healthy levels of enquiries.

The rental market has performed moderately well, owing to the location and relative affordability. Letting agents have indicated that demand for freestanding warehouses is witnessed from a broad range of businesses including, but not limited to: small-scale manufacturers, food storage, equipment repairs/servicing, and tradespeople, who typically require some yard access and attached office spaces with their warehouses. Freestanding warehouses with roller door access, high clearances, and an office component are observed to achieve rents between $220/sqm to $250/sqm.

As the demand for industrial lands is evolving, premises which were once designed and utilised for traditional heavy manufacturing is increasingly seen as accommodation for other light industrial/business occupants (e.g. creative users, sales/marketing, small-scale manufacturers/distributors) who find the features of warehouses on the markets suitable for their hybrid of functions. The main detriment to light industrial occupants is Council's restrictions on container transportation in and around the area, limiting the range of business activities to those who do not require large truck and container access.

Leasing agents have revealed that those requiring commercial floorspaces are attracted by the area's relative affordability and proximity to the Sydney CBD. Office rents in the area typically achieve between $180/sqm to $350/sqm (with floor areas ranging from 100sqm-200sqm). By comparison, offices between 100sqm to 200sqm in the Southern Employment Lands (Alexandria, Zetland, Rosebery, etc.) achieve rents between $320/sqm to $500/sqm, indicative of the premium paid by tenants to locate closer to a heavy rail station and the Sydney CBD.

Major commercial developments nearby include the Bayview Tower and the Discovery Cove Industrial Estate in Banksmeadow. Bayview Tower offers modern office spaces approximately 100sqm to 640sqm and is situated adjacent to the Port Botany container terminal. Discovery Cove Industrial Estate enables a hybrid of functions to be accommodated on their site, offering modern warehouse units and office spaces between 477sqm to 3,726sqm. Like Bayview Tower, Discovery Cove Industrial Estate is proximate to Port Botany, and offers an on-site café and parking. Bayview Tower and Discovery Cove Industrial Estate are ideal for businesses in the distribution and logistics sector who would benefit from proximity to major Trade Gateways and the M5 Motorway.

Development Activity

The most notable development project in Botany is 11-13 Lord Street (Lakes Business Park South) by Dexus. Dexus acquired the Lakes Business Park in 2015 with plans to redevelop it into the Botany Quarter mixed-use precinct. Redevelopment of the Lakes Business Park South will facilitate creative office suites, high-tech industrial units, storage units, neighbourhood retail and onsite lifestyle/recreation facilities (childcare, gym facilities), offering Botany a much needed 'face-lift' and rejuvenation.

Botany Quarter will be redeveloped into three buildings.

- Building A (7,657sqm): Building A is to comprise warehousing and commercial floorspaces across two storeys, including six high-clearance warehouses with mezzanine and displays, indoor recreation space, and creative office suites with flexible configurations
- Building B (6,187sqm): Building B overlooks Booralee Park and will comprise of commercial and retail floorspaces across two storeys, and will include 10 high-tech commercial units with mezzanine, 12 food and beverage and retail suites, 14 creative office suites, and a proposed childcare centre.
- Building C: Building C will include high-tech industrial, commercial and storage space across three storeys, comprising 45 high-tech industrial units, 15 high-tech commercial suites and 100 storage units.

The development will accommodate contemporary employment floorspace opportunities, detailed in Table 3.2.

Table 3.2: Employment Floorspace Pricing, Botany Quarter

Building	Type	Floorspace (sqm)	Asking Price ($/sqm)
A	Ground floor industrial unit, mezzanine office, retail display	537sqm - 759sqm	$6,000
A	Industrial unit and recreational space	487sqm - 606sqm	$6,100 - $8,000
A	Commercial units	85sqm - 272sqm	$7,500 - $8,100
B	High-tech industrial units with mezzanine offices	266sqm - 814sqm	$6,200 - $7,000
B	Retail and commercial	84sqm - 98sqm	$8,100 - $8,500
B	Commercial units	49sqm - 167sqm	$7,700 - $8,750
C	High tech industrial units with mezzanine offices	122sqm - 452sqm	$6,200 - $7,500
C	High tech industrial units	116sqm - 165sqm	$6,800 - $7,000

Source: Colliers

Informal discussions with the marketing agents indicate market enquiries have been strong since marketing commenced in June 2018. A lack of commercial office opportunities in the South Sydney region has resulted in a pent-up demand for commercial suites of all sizes. Notable interest is commented to be received from owner occupiers. The mix of business functions which can be accommodated in Botany Quarter meet the demands and trends of the current market, as evident from interest levels. Together with the incorporation of much-needed retail and recreational facilities in a business park setting, the redevelopment is likely to be a game changer for Botany.

3.3 IMPLICATIONS FOR THE SITE

In line with national trends, the Lord Street and Botany Precincts have recorded notable declines in the historically dominant Manufacturing and Wholesale Trade industries, attributable to global and regional economic pressures. Total employment in the Botany Precinct contracted between 2011 and 2016, despite an uptick in Construction and Professional, Scientific and Technical Services industries, suggesting there is a need for existing built form to align with industry trends by providing commercial floorspace opportunities.

Across the Botany Precinct, distinctly modest growth was experienced in the 10 years to 2016 (0.5% average annual growth), relative to comparison areas (SEL, Port Botany, Sydney Airport) which achieved average annual growth ranging 1.5% to 3.4%.

Market research suggests that multi-function business premises are highly sought after in the South Sydney region by prospective tenants and owner-occupiers, as they combine knowledge, technology, logistics and storage in dynamic workspaces that are flexible.

The Proposal's provision of commercial floorspace over three floors aligns with the analysis of the Lord Street Precinct's transition into a mixed enterprise and services base, and aligns well as market demand and activity observed.

4. ECONOMIC IMPACT ASSESSMENT

This chapter examines the economic impacts arising from the Proposal Case as compared to the Base Case.

4.1 DRIVERS OF ECONOMIC IMPACT

The following sections examine the estimated economic activity supported through the operations of businesses locating to the Site if it was redeveloped under proposal compared to if it remained in its existing use.

- **Base Case**: The Base Case assumes the Site continues its current operations accommodated in the existing improvements and assesses the economic impacts should the Site remain in its existing use.
- **Proposal Case**: The Site is redeveloped under the Proposal's amended planning controls to facilitate higher intensification use on site, with increased height and commercial floorspace.

The economic impacts have been assessed at the Bayside Local Government Area (LGA) level. An Input-Output model, including the development of specific regional Input-Output transaction tables, was developed to reflect the economic structure of the Bayside LGA (refer to Appendix A). Input-Output modelling describes economic activity through the examination of four types of impacts which are defined and described in the table below.

Table 4.1: Economic Indicators

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

Source: AEC

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending. Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

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

Drivers of Economic Activity

In order to understand the economic impacts likely to result from the Proposal, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent in nature following construction completion and operations commencement.

- **Construction Phase**: Construction activity will draw resources from and thereby generate economic activity in Bayside LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.
- **Operations Phase**: On completion of development, the Site is expected to generate ongoing economic/ operational activity through the direct turnover generated by the warehousing and commercial operational activities.

4.1.1 Construction Phase

For modelling purposes, construction costs (including contingency) were broken down into their respective ANZSIC industries. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

Table 4.2: Construction Costs Allocations (Inc. Contingency), Proposal Case

Component	Proposal ($M)	ANZSIC
Demolition	$0.3	Construction Services (100%)
Ground Floor Warehouse	$0.97	Non-Residential Building Construction (100%)
Commercial	$7.83	Non-Residential Building Construction (100%)
Site Works/Infrastructure	$0.18	Construction Services (100%)
Professional Fees	$0.91	Professional, Scientific and Technical Services (100%)
Total	**$10.2**	

Source: AEC, BuiltConsults

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

- Approximately 50% of the direct expenditure on construction-related (i.e. Non-Residential Building Construction and Construction Services) activity would be sourced from local businesses and labour. Of this:
    - Approximately 25% of purchases on goods and services (supply chain related activity) made by construction-related businesses sourced from outside the Bayside LGA would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in Bayside LGA).
    - Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e., 5% of the Type II flow on activity associated with non-local workers is assumed to represent additional local activity in Bayside LGA).
- Approximately 15% of the direct expenditure on professional, scientific and technical services activity would be sourced from local businesses and labour.
    - Only flow-on activity of locally sourced professional, scientific and technical services activity is included, as it is not anticipated professional, scientific and technical services businesses located outside of Bayside LGA would purchase goods/ services from within Bayside LGA.

4.1.2 Operational Phase

Base Case

For modelling purposes, operational employment levels were broken down into their respective ANZSIC industries. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

The Base Case assumes the existing warehouse space will continue its existing operations, thereby with the capacity to accommodate 29 FTEs.

Table 4.3: Operational FTE Allocation, Base Case

Activity	ANZSIC Allocation	GFA (sqm)	GFA (sqm)/FTE	FTE
Industrial	Transport, Postal and Warehousing (100%)	1,017	70	15
Commercial	Wholesale Trade (83%)	289	20	12
	Administrative and Support Services (17%)			2
Total		**1,306**		**29**

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

Employment by industry estimates were converted to an output value using a multiplier based on the national transaction table (ABS, 2017b; ABS, 2017c). The resultant estimates of output were modelled as the direct activity associated with the Base Case.

Table 4.4: Operational Output Drivers, Base Case

ANZSIC Sector	Output ($M)
Transport, Postal and Warehousing	$6.6
Wholesale Trade	$4.2
Administrative and Support Services	$0.6
Total	**$11.4**

Source: ABS (2017b, 2017c), AEC

Proposal Case

For modelling purposes, estimated operational employment levels for the Proposal Case (according to uses based off increased FSR and height limits) were broken down into their respective ANZSIC industries. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

The Proposal Case assumes the increase in the commercial floorspace provision will be occupied by an aggregate of industries that have shown growth in the Botany Precinct over the 2006-2016 period.

Table 4.5: Operational FTE Allocation, Proposal Case

Activity	ANZSIC Allocation	GFA (sqm)	GFA (sqm)/FTE	FTE
Industrial	Transport, Postal and Warehousing	621	20	9
Commercial	Agriculture, Forestry and Fishing	3,750	70	188
	Electricity, Gas, Water and Waste Services			
	Construction			
	Retail Trade			
	Accommodation and Food Services			
	Information Media and Telecommunications			
	Rental, Hiring and Real Estate Services			
	Professional, Scientific and Technical Services			
	Administrative and Support Services			
	Public Administration and Safety			
	Education and Training			
	Health Care and Social Assistance			
	Arts and Recreation Services			
Total		**4,371**		**196**

Source: AEC, BuiltConsult

Employment by industry estimates were converted to an output value using a multiplier based on the national transaction table (ABS, 2017b; ABS, 2017c). The resultant estimates of output were modelled as the direct activity associated with the Proposal Case.

Table 4.6: Operational Output Drivers, Proposal Case

ANZSIC Sector	Output ($M)
Agriculture, Forestry and Fishing	$0.9
Electricity, Gas, Water and Waste Services	$1.3
Construction	$34.4
Retail Trade	$0.2
Accommodation and Food Services	$0.8
Information Media and Telecommunications	$1.9
Rental, Hiring and Real Estate Services	$1.8
Professional, Scientific and Technical Services	$5.5
Administrative and Support Services	$5.2
Public Administration and Safety	$1.1
Education and Training	$1.0
Health Care and Social Assistance	$2.4
Arts and Recreation Services	$2.3
Total	**$58.9**

Source: ABS (2017b, 2017c) AEC

4.2 ECONOMIC ACTIVITY AND IMPACTS

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

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

The premise behind Type I and Type II indirect impacts applies across both the construction and operations phase, except the impacts on industry will be different. For example, Type I impacts during the construction phase may include professional services (e.g. architects, engineers) and manufacturing (steel, construction materials) while examples of Type I impacts during the operations phase may include manufacturing (food and beverage and related) and administrative and support services (e.g. building cleaning, employment services, travel agencies).

4.2.1 Construction Phase

The construction phase associated with the Proposal is expected to support the following economic activity for Bayside LGA businesses and workers through direct and flow-on impacts (over the course of the construction phase):

- $10.4 million in output (including $4.8 million in direct activity).
- $3.9 million contribution to GRP (including $1.2 million in direct activity).
- $2.1 million in incomes and salaries paid to households.
- 28 FTE jobs (including seven directly employed in the construction activity).

Table 4.7: Construction Impacts, Bayside LGA, Proposal Case

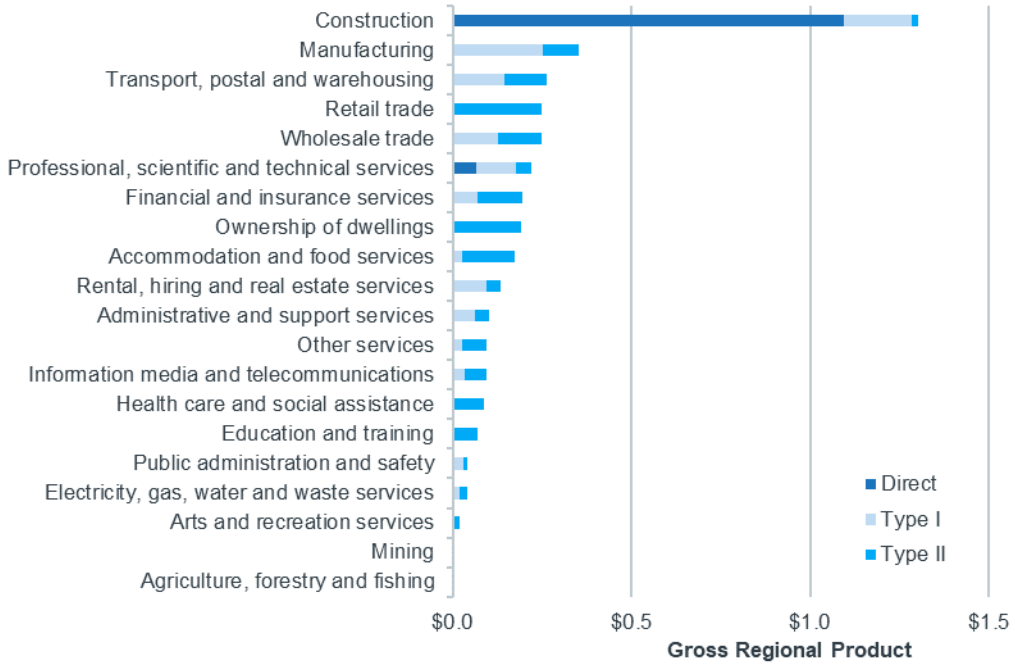
Impact	Output ($M)	Gross Regional Product ($M)	Incomes ($M)	Employment (FTEs)
Direct	$4.8	$1.2	$0.6	7
Type I Flow-On	$2.8	$1.2	$0.7	9
Type II Flow-On	$2.8	$1.5	$0.8	12
Total	**$10.4**	**$3.9**	**$2.1**	**28**

Source: ABS (2017b, 2017c) AEC

Major industry beneficiaries of the construction phase of the development include:

- Construction (GRP of $1.3 million).
- Manufacturing ($0.4 million).
- Transport, postal and warehousing ($0.3 million).

Figure 4.1: Gross Regional Product (GRP) Impacts by Industry, Bayside LGA, Proposal Case



Source: ABS (2017b, 2017c) AEC

4.2.2 Operational Phase

Base Case

The activity associated with the Site based off current operations is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- $21.5 million in output (including $11.4 million in direct activity).
- $10.3 million contribution to Gross Regional Product (GRP, including $5.1 million in direct activity).
- $5.7 million in incomes and salaries paid to households.
- 69 full-time equivalent (FTE) jobs (including 29 direct employees of the Site).

Table 4.8: Operational Impacts, Bayside LGA, Base Case

Impact	Output ($M)	Gross Regional Product ($M)	Incomes ($M)	Employment (FTEs)
Direct	$11.4	$5.1	$2.9	29
Type I Flow-On	$3.2	$1.5	$0.8	10
Type II Flow-On	$6.9	$3.7	$2.0	30
Total	**$21.5**	**$10.3**	**$5.7**	**69**

Source: ABS (2017b, 2017c) AEC

Major industry beneficiaries from existing activities on the Site in terms of contribution to GRP include:

- Transport, postal and warehousing ($3.5 million).
- Wholesale trade (GRP of $2.5 million).
- Administrative and support services ($0.6 million).
- Retail trade ($0.6 million).

Figure 4.2: Gross Regional Impacts (GRP) by Industry, Bayside LGA, Base Case

Source: ABS (2017b, 2017c) AEC

Proposal Case

The Proposal is estimated to support the following annual economic activity through the direct and flow-on impacts associated (per annum):

- $139.5 million in output (including $58.9 million in direct activity).
- $62.9 million contribution to GRP (including $23.8 million in direct activity).
- $36.3 million in incomes and salaries paid to households.
- 509 FTE jobs (including 196 directly related to activity from the Site).

Table 4.9: Operational Impacts, Bayside LGA, Proposal Case

Impact	Output ($M)	Gross Regional Product ($M)	Incomes ($M)	Employment (FTEs)
Direct	$58.9	$23.8	$14.8	196
Type I Flow-On	$36.6	$15.4	$8.9	120
Type II Flow-On	$43.9	$23.7	$12.6	192
Total	**$139.5**	**$62.9**	**$36.3**	**509**

Source: ABS (2017b, 2017c) AEC

Significant industry beneficiaries of the Proposal include:

- Construction (GRP $15.4 million per annum)
- Professional, scientific and technical services ($5.2 million)
- Administrative and support services ($4.4 million).

4.2.3 Net Impact on Economic Activity

The Proposal is anticipated to result in a net increase in economic activity through the direct and flow-on impacts associated (per annum):

- $117.9 million in output (including $47.5 million in direct activity).
- $52.6 million contribution to GRP (including $18.7 million in direct activity).
- $30.6 million in incomes and salaries paid to households.
- 439 FTE jobs (including 167 additional jobs directly related to activity on the Site).

The potential increase in ongoing economic activity supported by the Proposal (compared to the Base Case) is presented in Table 4.10.

Table 4.10: Estimated Net Operational Impacts in Bayside LGA

Impact	Output ($M)	Gross Regional Product ($M)	Incomes ($M)	Employment (FTEs)
Direct	$47.5	$18.7	$11.9	167
Type I Flow-On	$33.4	$13.9	$8.1	110
Type II Flow-On	$37.0	$20.0	$10.6	162
Total	**$117.9**	**$52.6**	**$30.6**	**439**

Source: ABS (2017b, 2017c) AEC

5. POLICY ASSESSMENT

5.1 NET COMMUNITY BENEFIT TEST

To compare the outcome of the Base Case versus the Proposal, each of the identified impacts compared to the Base Case are summarised and ranked based on the rating system outlined in Table 5.1.

- **Base Case:** The Site is currently improved by a two storey building which accommodates warehousing/storage and ancillary commercial uses. The Base Case assumes the Site continues its current operations in its existing improvements.
- **Proposal Case:** The Site is redeveloped under the Proposal's amended planning controls to facilitate an intensification of use on site, with increased height and greater provision of commercial floorspace.

Table 5.1: Economic Impact Rating Matrix

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

Source: AEC

Table 5.2 identifies the economic impacts and derives a total score for Proposal using the Base Case as the starting point of '0'. The higher the positive score the greater the net positive economic impact from a community perspective, the lower the score the greater the adverse economic impact.

Table 5.2: Economic Impact, Base Case v Proposal Case

Impact	Base Case	Rating	Proposal Case	Rating
Employment & Economic Impact				
Output ($M)	$21.5	+1	$139.5	+3
GRP ($M)	$10.3	+1	$62.9	+3
Incomes ($M)	$5.7	+1	$36.3	+3
Employment (FTE)	69	+1	509	+3
Construction				
Output ($M)	n.a.	0	$10.4	+3
GRP ($M)	n.a.	0	$3.9	+3
Incomes ($M)	n.a	0	$2.1	+3
Employment (FTE)	n.a	0	28	+3
Total		**4**		**24**

Source: AEC

In comparison to the Base Case, the Proposal Case clearly exhibits a positive economic impact. As the Lord Street business park precinct continues to evolve in response to industry trends, the economic impact identified in this Assessment would be even more pronounced.

5.2 SECTION 117 DIRECTION

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

Table 5.3: Consistency with Section 117(2) Objectives

No.	Objective	Proposal Case
1	Encourage employment growth in suitable locations	The Site currently contains a freestanding warehouse, accommodating approximately 29 jobs. The Proposal envisages development of the Site to accommodate: 3,750sqm of commercial floorspace and 621sqm of commercial/industrial floorspace. This floorspace combined will accommodate 196 jobs on Site, representing a net increase of 167 direct jobs. The Proposal Case complies with this objective.
2	Protect employment land in business and industrial zones	The planning amendment sought would lead to an increase in the quantum of land zoned for employment generating land uses in the Bayside LGA. The total number of jobs generated on the Site is estimated at 196 jobs (representing an increase of 167 direct jobs). The Proposal complies with this Objective.
3	Support the viability of identified strategic centres	The Site is not identified as a strategic centre, hence this Objective is of no direct relevance to the Proposal.

Source: AEC

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

Table 5.4: Planning Authority Considerations

Consideration	Achieved?	Explanation
Give effect to the objectives of this direction	Yes	Table 5.3 has established that the objectives of the direction would be achieved via the Proposal.
Retain the areas and locations of existing business and industrial zones	Yes	The land use zone of B7 Business Park would remain unchanged. Overall the planning amendment sought would lead to an increase in the quantum of land zoned for employment generating land uses in the Bayside LGA. The existing improvements on Site provide 289sqm of commercial floorspace and 1,017sqm of industrial floorspace. The Proposal would provide 3,750sqm of commercial floorspace and 621sqm of commercial/industrial floorspace, resulting in a net increase in employment floorspace, in response to the changing industry trends observed.
Not reduce the total potential floor space area for employment uses and related public services in business zones	Yes	See above.
Not reduce the total potential floor space area for industrial uses in industrial zones	No	The Site is not located in an industrial zone.
Ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning		As established in this EIA, the Proposal Case is consistent with State and local government objectives to support jobs, economic development, efficient and effective use of land and accelerate housing supply in suitable locations. It complies with this condition.

Source: AEC

5.3 CONCLUSION

The Proposal demonstrates alignment with the objectives and aspirations of state planning policy and strategy:

- Greater Sydney Region Plan.
- Eastern City District Plan.

Land that is close to existing employment centres and public transport networks is scarce and valuable. As cities grow there is commensurate pressure on scarce lands to be developed for a variety of uses. The benefits of enabling more intensive use of land which is a finite asset are therefore obvious.

In comparison to the other employment areas examined, the Botany Precinct and its surrounds experienced very modest employment growth over the 2006-2016 period, averaging a lacklustre 0.5% average annual growth compared to 1.5% to 3.4% in comparison areas. Employment growth in the Botany Precinct and its surrounds has been weak despite strong market demand and occupier interest.

Opportunities to accommodate greater intensity of employment are needed. Investigations suggest a lack of commercial floorspace opportunities in the Botany Precinct and broader South Sydney Region. Given the Botany Precinct's proximity to key centres and Trade Gateways, it is necessary to ensure commercial opportunities are available to attract new business but also facilitate growth and expansion in a diverse range of business activities.

In the case of the Site, state government policy has focused equally on intensifying employment opportunities and accommodating businesses' changing requirements for how they use land and floorspace. The Proposal seeks to meet these objectives by providing commercial opportunities for a range of business activity and importantly, maximising the economic intensity of the Site. The Proposal demonstrates alignment with the objectives and aspirations of state planning policy and strategy.

The Study considers the economic impact of the Proposal to be net positive and thereby presenting a compelling case for consideration.

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APPENDIX A: INPUT-OUTPUT METHODOLOGY

Input-Output Model Overview

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

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

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

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

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

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

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

Model Development

Multipliers used in this assessment are derived from sub-regional transaction tables developed specifically for this project. The process of developing a sub-regional transaction table involves developing regional estimates of gross production and purchasing patterns based on a parent table, in this case, the 2014-15 Australian transaction table (ABS, 2017b).

Estimates of gross production (by industry) in the study area were developed based on the percent contribution to employment (by place of work) of the study area to the Australian economy (ABS, 2012), and applied to Australian gross output identified in the 2014-15 Australian table.

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

Where appropriate, values were rebased from 2014-15 (as used in the Australian national IO transaction tables) to current values using the Consumer Price Index (ABS, 2017c).

Modelling Assumptions

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

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

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

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

- It is assumed the sub-region has similar technology and demand/ consumption patterns as the parent (Australia) table (e.g. the ratio of employee compensation to employees for each industry is held constant).
- Intra-regional cross-industry purchasing patterns for a given sector vary from the national tables depending on the prominence of the sector in the regional economy compared to its input sectors. Typically, sectors that are more prominent in the region (compared to the national economy) will be assessed as purchasing a higher proportion of imports from input sectors than at the national level, and vice versa.

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18 September 2018

Nathan Fuz
Fuz Botany, Hendrikx Botany & Orth Botany Trust

Sent via email: nathan@cdconstruction.com.au

Dear Nathan,

RE: SUPPLEMENTAL ISSUE TO ECONOMIC IMPACT ASSESSMENT OF 1-3 LORD STREET, BOTANY

We refer to the Economic Impact Assessment (EIA) prepared to accompany a planning proposal to amend the planning controls that relate to 1-3 Lord Street, Botany (the Site). Specifically, the Proposal proposed:

- Increase in building height from 10m to 16.5m.
- Increase in FSR from 1:1 to 1.75:1.

Further to submission of the planning proposal, SGS were engaged by Bayside Council (Council) to carry out a peer review of the EIA prepared by AEC.

This supplemental letter responds the issues raised. We outline the key issues raised and respond in turn.

Employment Data Analysis

SGS questions the boundaries selected for analysis of employment profile and characteristics.

The EIA explains on page 5 that the "Botany Employment Precinct" area of analysis is selected to include not just the Lord Street business park (B7) but also to include industrial zones, local and neighbourhood centres and mixed use zones. The intention is to profile employment in not just the business park but its surrounds. The area of analysis excludes the airport and the port; employment therein expected to be subject to different drivers. The area of analysis selected is not the Botany suburb.

SGS question the accuracy of job numbers in the area of analysis, identifying that jobs reported in the EIA in 2011 and 2016 differ from ABS Table Builder. SGS have provided the job numbers from ABS for the suburb of Botany.

The job numbers in ABS Table Builder do not account for the fact there are jobs in 'not fully defined' (nfd) geography components, resulting in an undercount of total jobs across the sum of areas. The DZs selected sum to SA2 Botany.

In the case of the SA2 Botany, the 'nfd' components was very high in 2011. The 'nfd' in 2011 was 1,307 workers, calculated by comparing:

- 6,095 workers for the sum of the DZs that add up to the SA2 Botany, and
- 7,394 workers for the SA2 Botany.

So despite there being 6,095 workers stated for the sum of the DZs in ABS Table Builder, there are actually a large number of workers who are not accounted for (as indicated by the SA2 Botany total workers), meaning the 6,095 workers is an undercount.

AEC's approach accounts for this by re-distributing these 'nfd' geographies back to the individual areas. This includes nfds at the SA2 level, as well as other geography levels. As a result the AEC reported job numbers will differ from those presented in ABS Table Builder.

ABS data at the small area level (such as DZ level) should be reconciled against larger geographies to ensure consistency and to prevent an undercount where there are 'nfd' or industries are 'not stated', etc.

SGS correctly highlight an error in the job numbers in Table 2.4. These should be identical to the job numbers in Table 2.2.

Historic Growth in Mature Economies

SGS note that areas that have been developed for some time and have mature local economies are less likely to have available developable land or high vacancy rates. As a result, growth will inevitably be lower than other areas because there is less ability to grow. SGS conclude that historic growth as a measure of future demand in an area of fixed supply is of limited value.

It is worth noting that employment growth can occur through *densification* or *intensification* of built form.

- **Densification** refers to an increase in density, typically associated with greater floorspace or building heights. Measures of density can be represented by FSR, building heights and setbacks, site coverage ratios, etc. Building densities vary by region, higher density buildings are generally located on higher value lands.
- **Intensification** of use is not necessary accompanied by an increased density of floorspace. Increased intensification can occur without increased density and measured in any of the following metrics:
    - Increase economic and employment activity (e.g. more employees per sqm, more output per sqm, etc.).
    - More efficient use of land and resources.
    - Extending the lifespan of available industrial lands.

    Intensification can occur in different ways for different sectors, from greater use of technology and automation with higher building ceilings to more intense employee/floorspace ratios (which is generally associated with more office-type floorspace).

As land prices and rents in established areas rise, users who find themselves 'priced out' will relocate to lower cost locations while other users who play a local role and depend on labour/supply inputs from the region will remain.

For those users who remain, there will be a need to either increase productivity and output or reduce cost in order to remain competitive. As such many users will look to achieve increased densities and/or an intensification of use.

In 'successful' employment precincts, employment growth is often witnessed even without an increase in capacity (or supply is "fixed" as SGS put it). This is where intensification of use occurs (i.e. more employees occupy the fixed amount of space, or surplus capacity in height spans are used to accommodate more workers and activity).

Marrickville/Sydenham is an example of a sought after employment precinct. Land use zones comprise a mix of IN1, IN2, B7. Over the 2011-2016 period, despite no increase in supply, the number of workers increased from 8,035 workers to 9,622 workers (representing an almost 20% growth in workers).

Given there was no increase to supply, it is reasonable to conclude there was *intensification of use* that occurred in Marrickville/Sydenham. Rents and prices in Marrickville/Sydenham have experienced robust growth, and accordingly incremental addition of floorspace could present an economic proposition.

Table 1: Employment by Industry, Marrickville/Sydenham (2011-2016)

Industry	2011		2016		Change (2011-2016)	
	No.	%	No.	%	No.	%
Agriculture, Forestry and Fishing	0	0.0%	35	0.4%	34	3,500.0%
Mining	5	0.1%	1	0.0%	-4	-80.0%
Manufacturing	2,739	34.1%	2,519	26.2%	-220	-8.0%
Electricity, Gas, Water and Waste Services	31	0.4%	32	0.3%	1	3.2%
Construction	802	10.0%	1,288	13.4%	486	60.6%
Wholesale Trade	1,270	15.8%	1,068	11.1%	-202	-15.9%
Retail Trade	571	7.1%	621	6.5%	50	8.8%
Accommodation and Food Services	269	3.3%	599	6.2%	330	122.7%
Transport, Postal and Warehousing	466	5.8%	592	6.1%	126	27.0%

Industry	2011		2016		Change (2011-2016)	
	No.	%	No.	%	No.	%
Information Media and Telecommunications	75	0.9%	139	1.4%	64	85.3%
Financial and Insurance Services	119	1.5%	248	2.6%	129	108.4%
Rental, Hiring and Real Estate Services	48	0.6%	112	1.2%	64	133.3%
Professional, Scientific and Technical Services	291	3.6%	415	4.3%	124	42.6%
Administrative and Support Services	194	2.4%	397	4.1%	203	104.6%
Public Administration and Safety	190	2.4%	265	2.8%	75	39.5%
Education and Training	89	1.1%	160	1.7%	71	79.8%
Health Care and Social Assistance	172	2.1%	263	2.7%	91	52.9%
Arts and Recreation Services	165	2.0%	280	2.9%	115	69.7%
Other Services	541	6.7%	589	6.1%	48	8.9%
Total	**8,035**	**100.0%**	**9,622**	**100.0%**	**1,585**	**19.7%**

Source: ABS (2017, 2012), AEC

Employment growth of other employment precincts in the region were examined in Table 2.3 of the EIA where the Botany Employment Precinct demonstrated the most modest growth.

Market signals are a useful indicator of how functional the planning controls are. Where planning controls are able to accommodate floorspace requirements and industry growth needs, increase in output and/or employment activity will be the result (such as in Marrickville/Sydenham).

Property market research indicates there is robust market demand for industrial/employment floorspace in the South Sydney region (including at Botany). Rising capital values and leasing rates are testament to this.

Where despite strong demand for floorspace in comparable markets, if vacancy rates are high or employment/ economic activity is in decline, a review into the competitiveness of an employment precinct may be necessary to understand if there are any impediments to accommodating industry activity and growth.

In the case of the EIA, the decline in employment over the 2011-2016 period could be an indicator that greater (deliverable) supply capacity is required to cater to market demand. The issue of “deliverability” is considered next.

Development to Existing Planning Controls

SGS query why the Base Case in the EIA does not assume development to the permitted FSR of 1:1.

The Site is currently improved with a 2 storey building (approximately 1,500sqm building area, to an FSR 0.6:1), with a cold room on the ground level and offices on the first level. Owing to the existing building layout and configuration, any addition to floorspace capacity would require comprehensive redevelopment to ensure the total floorspace can be accommodated within the maximum building heights and to provide for the additional parking required in a basement level.

It is for this reason, development to the FSR of 1:1 is not considered a likely scenario. The Proposal provides the opportunity for additional floorspace capacity while ensuring the delivery of net additional floorspace is able to offset the cost of basement parking required.

While the permitted FSR of 1:1 provides some additional capacity for floorspace increase, this additional capacity (1,000sqm) is considered to be theoretical and is not likely to be delivered given the need for demolition and construction of basement parking. It is for this reason the EIA considers the Site’s existing operations to be a more realistic representation of the base case.

Market Context

Property market investigations in section 3.2 detail sales and leasing activity. SGS note that the information presented is based on anecdotal information and is not independently verified. Table 3.1 presents sales activity of industrial and commercial buildings in Botany, the relatively high prices reflective of its sought-after nature.

Leasing data is typically sourced from commercial databases and verified with respective leasing agents as unlike sales information that is gathered from LPI (Land and Property Information) transactional data, leases in locations such as Botany are not compiled in the same manner. Leases in major CBDs can be sourced from commercial databases such as Cityscope, but in suburban locations, short of searching the leases registered on title, verification through informal discussions with leasing agents is usual and accepted practice.

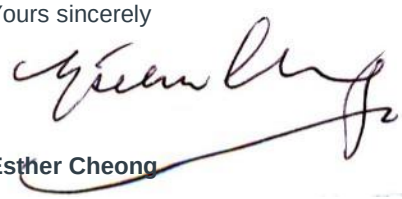
Limitations of Input-output Modelling

SGS highlight the limitations of the economic modelling, in that it assumes that the economy can respond, i.e. there are no supply-side constraints. The limitation of the modelling is clearly highlighted in Appendix A. The limitations of Type II impacts are also highlighted as often overstating economic activity.

Overall we are comfortable with the approach taken in the EIA and the results and conclusions thereafter drawn.

We trust this assists with your discussion with Council.

Yours sincerely



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