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Contents

1	Introduction	1
2.0	Background and Site Context	3
2.1	Site location	3
2.2	Site Context	3
2.3	Development Considerations for Subject Site	5
2.4	Demographic Profile	6
3.0	Strategic Policy Overview	9
3.1	A Metropolis of Three Cities	9
3.2	North District Plan	9
3.3	St Leonards and Crows Nest 2036 Plan (Draft)	10
3.4	Economic Feasibility Review - October 2018	11
3.5	Ministerial Directions - Section 9.1 Direction and 1.1 Business and Industrial Zones	11
4.0	Economic Role and Function of the Subject Site	13
4.1	Ability of Subject Site to Achieving Jobs Target Under Current Controls	13
4.2	Employment on the Subject Site Under Current Controls	13
4.3	How the Subject Site can Assist in Achieving the Jobs Target	14
4.4	How the Jobs Target Can be Achieved	15
5.0	Economic Implications of the Planning Proposal	16
5.1	Employment Outcomes	16
5.2	Increased Local Expenditure	17
5.3	Retail Spending	17
5.4	Residential and Housing Trends	19
5.5	Other implications	20
6.0	Appendix	21

1 Introduction

This economic advice report accompanies the planning proposal to North Sydney Council (Council) on behalf of Lindsay Bennelong Developments Pty Ltd (Lindsay Bennelong). The proposal is to amend the *North Sydney Local Environment Plan 2013* (the North Sydney LEP) as it applies to 27-57 Falcon Street, Crows Nest (the Subject Site).

The analysis in this report is informed by the indicative design concept prepared by Allen Jack and Cottier Architects (AJC). The AJC concept demonstrates that the site's location and size is able to accommodate increased density without generating any unacceptable environmental impacts. Therefore, the Planning Proposal seeks to:

- Rezone the Subject Site from the B4 Mixed Use to R4 High Density Residential zone (whilst retaining retail uses on the site).
- Accommodate non-residential GFA of 340 m² within building A.
- Four residential buildings between three to six storeys, with a mix of studio, one bedroom, two bedroom and three bedrooms. Amend the maximum building height to part 24.5 metres and part 14.5 metres.
- Apply a maximum floor space ratio of 1.85:1 to the site.
- Remove the non-residential floor space ratio requirement.

The proposal will facilitate the provision of approximately 87 dwellings (79 apartments and 8 townhouses) in an appropriate location within easy walking distance of the proposed Crows Nest Metro Station and Crows Nest Town Centre.

Summary of Conclusions

The main findings of the report are as follows:

- Limited market interest to develop the Subject Site has existed under current planning controls over the last few decades. Currently the site is significantly underutilised and detracts from the amenity of the surrounding area. One of the lots has been vacant for almost twenty years, while other buildings on the site are boarded up and being used for non-commercial purposes (either vacant or residential).
- Changing the planning controls of the site to enable the planning proposal will not adversely affect the ability achieve the strategic centres jobs target of 10,080 jobs set by the State Government. Indeed, redevelopment of the Subject Site consistent with the indicative concept design will provide a boost to local demand for goods and services, and assist in improving the viability of population servicing businesses within the surrounding area. This will encourage an environment of further business investment and lower business vacancies and greater employment densities within the Crows Nest area. Some on-site employment will also be generated by the proposal.

Other findings are:

- The planning proposal supports some of the key visions of strategic land use policy, including the St Leonards and Crows Nest Economic Feasibility Review

- The indicative concept design supports a housing type that fits the prevailing demographic profile of the surrounding area
- Development of the indicative concept design will help North Sydney Council achieve its 6 to 10 year housing targets, particularly given the loss of momentum in the North Sydney residential market in recent years
- Development of the site will provide benefits for the local economy and support the local retail environment in the core areas of the Crows Nest Town Centre. Development of the site consistent with the indicative concept design will boost spending on local retail goods and services by approximately \$3.4 million per annum.
- The site's proposed development outcome is primarily residential with a minor retail component and is consistent with the edge-of-centre location
- Around 210 FTE jobs are expected to be generated as a result of the construction phase of the project with around 10 ongoing jobs from the retail component.
- A number of local service jobs will also be generated from additional demand generated by residential dwellings, such as cleaning services, food services and delivery.

2.0 Background and Site Context

2.1 Site location

The Subject Site is located at 27-57 Falcon Street, Crows Nest and comprises approximately 4,342m² of land across seven lots.

Located at the eastern fringe of the Crows Nest's Town Centre and with established residential areas to the north, south and east, the Subject Site has extensive frontage to Falcon Street which functions as an important local east-west link.

A gradual slope exists from the Subject Site up to the town centre in the west. This slope means that limited sight lines exist to the site from the town centre, thus limiting the ability of any commercial activity at the Subject Site and adjacent areas to attract customers and activity.

The Subject Site has generally good public transport access, including:

- Adjacent to bus stops that provide a short journey to Chatswood, Epping, Lane Cove, St Leonards Station, Manly and Mosman.
- A two-minute walk to the Pacific Highway, where several bus routes run to the city, McMahon's Point, Botany, Bondi Junction, North Sydney Station, Epping, Gore Hill, Gladesville, St Leonards Station, Lane Cove, Denistone East and Ryde.
- A four-minute walk to the new Crows Nest Metro Station (opening 2024), which will provide regular services to Bankstown, through the city and to Rouse Hill. Trains will take approximately 11 minutes to travel to Central Station.

2.2 Site Context

The Subject Site has been underutilised for a significant amount of time under the current planning controls.

For example, according to aerial imagery 27 Falcon street has been vacant for at least twenty years.

Other buildings on the site are generally of low amenity, no longer meet contemporary commercial requirements, and in some instances are boarded up and closed. Several of the buildings have been defaced with graffiti. Most of the buildings have roller doors and roller windows and generally detract from the amenity of the surrounding area.

Overall, there has been little market interest to develop the site under current controls. The lots comprising the Subject Site remain underdeveloped and underutilised despite occupying what is otherwise a strategic edge-of-centre location to the Crows Nest Town Centre.

Importantly, this outcome is not restricted to the Subject Site itself, with commercial buildings on the northern side of Falcon Street also of low amenity and with a high vacancy rate.

Figure 1 to Figure 4 below show the buildings on the site and area in vicinity to the Subject Site.



Figure 1 Graffitied and underutilised buildings on the Subject Site

Source: Ethos Urban



Figure 2 Boarded up building and vacant land on the Subject Site

Source: Ethos Urban



Figure 3 View of vacant land looking towards Crows Nest Town Centre

Source: Ethos Urban



Figure 4 Graffitied 'for lease' sign opposite the Subject Site

Source: Ethos Urban

A map showing the Subject Site context and surrounding uses is highlighted in **Figure 5** on the following page. Key highlights are as follows:

- The Subject Site is located at an edge-of-centre location on the south-eastern edge of the Crows Nest Town Centre, although integration with the high intensity uses along Alexander Street and Willoughby Street is limited by a sloping topography.
- Commercial activity in Falcon Street at, and surrounding, the Subject Site is relatively modest and limited market interest in redeveloping the area within current planning controls has been identified. High vacancy levels for shops in Alexander Street also indicate low levels of commercial development demand in the direct vicinity of the Subject Site.
- The Subject Site and surrounds have generally low levels of activity and exposure than other areas of the Crows Nest Town Centre, and in particular along Willoughby Street.
- Notwithstanding the current zoning (B4 Mixed Use), very limited mixed-use development exists within the immediate area. The site is primarily surrounded by residential uses.

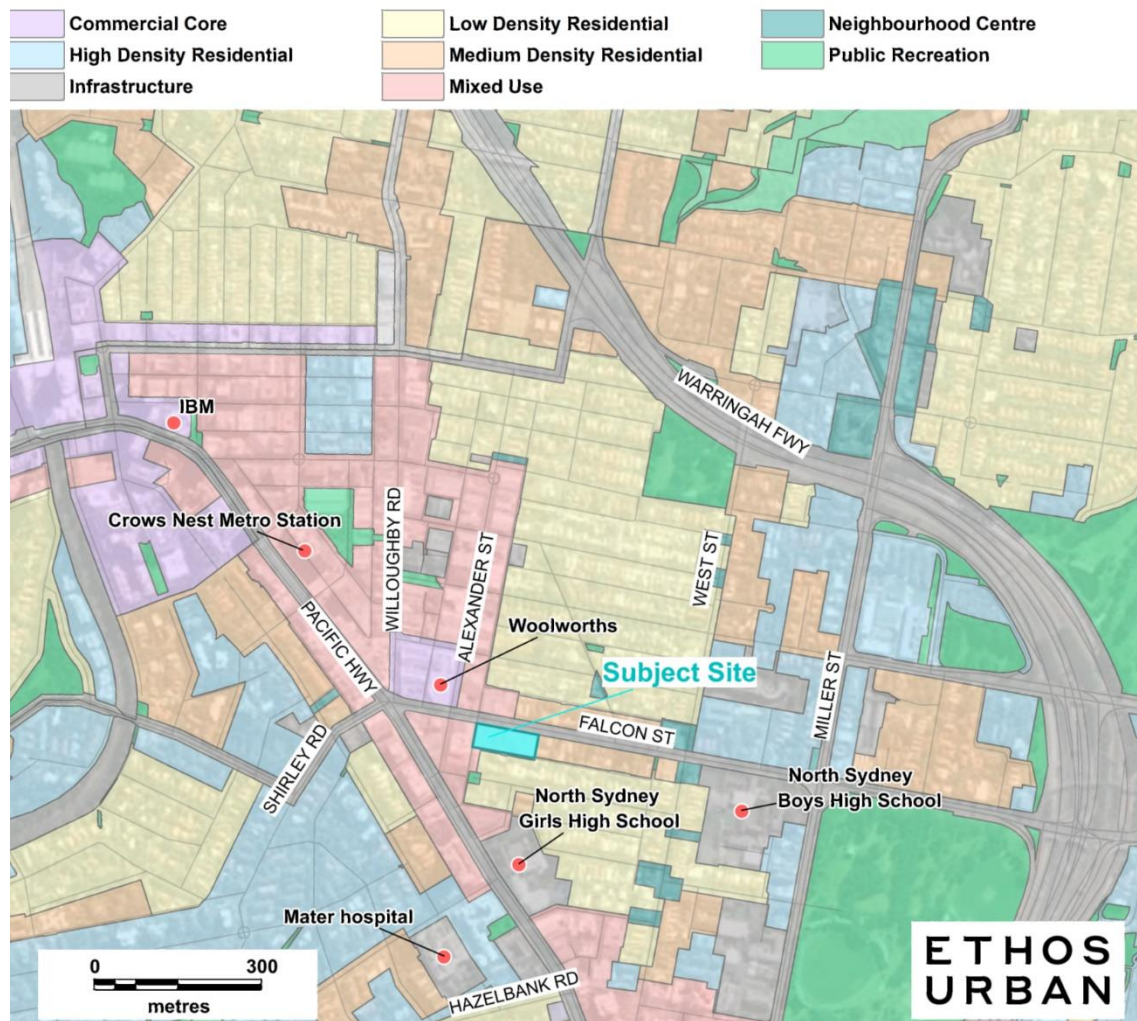


Figure 5 Site Context

Source: Ethos Urban

2.3 Development Considerations for Subject Site

It is appropriate to reconsider the future strategic planning direction for the Subject Site with a view to a more appropriate and intensive use of the site given factors such as:

- The strategic location of the Subject Site on the edge of the Crows Nest Town Centre
- The overall scale of the Subject Site (4,342m² of land across seven lots)
- The lack of developer interest over the past 20-years under current planning controls
- The overall low levels of land utilisation and poor amenity (visual and practical) of the existing buildings.

A previous planning proposal was submitted to Council in March 2015 which sought to rezone the Subject Site to R4 High Density Residential and increase the height on the site to a mix of 10, 16 and 19 metres. It also sought to remove the non-residential floor space ratio and retain *retail premise* as a permitted land use on the site. Council officers provided in principle support subject to minor

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amendments. Council considered the proposal before the amendments were made and resolved to not support its progress to gateway.

The current proposal is generally consistent with the fundamental components of the 2015 planning proposal.

Indicative Design Concept

An indicative design concept has been prepared to demonstrate the site's capacity to accommodate higher density residential development. For the purposes of the economic assessment in this report, the indicative concept design delivers the following:

- Four residential buildings between three to six storeys, with a mix of studio, one bedroom, two bedroom and three bedrooms
- A retail component on the north eastern corner of the site, with a GFA of 340 m².
- Apply a maximum floor space ratio of 1.85:1 to the site.

The site plan in **Figure 6** below illustrates the indicative concept plan for the site.

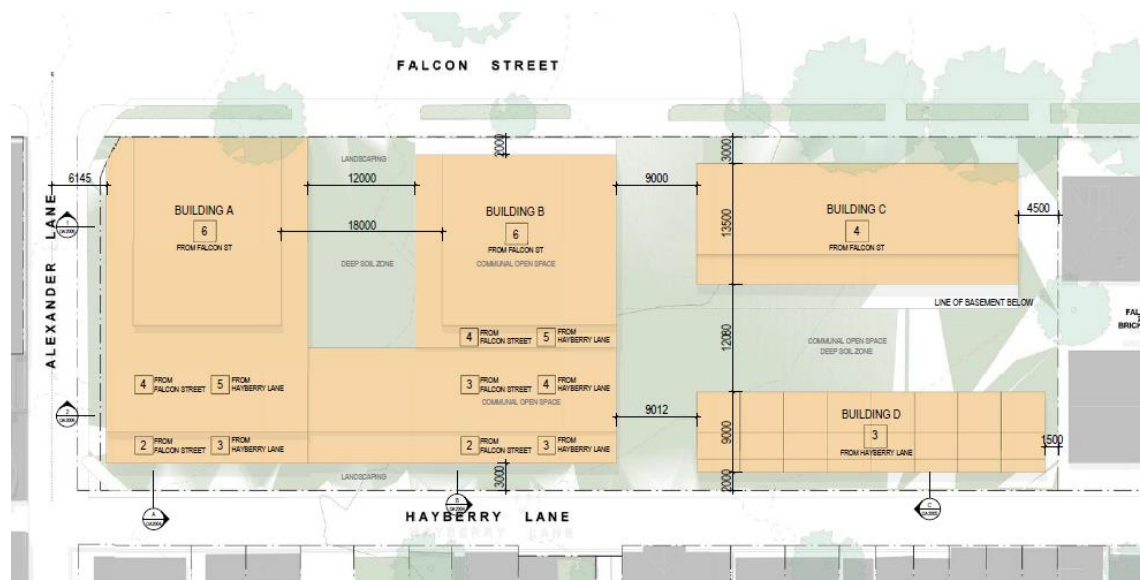


Figure 6 Final Site Plan

Source: Allen Jack and Cottier Architects

Overall, the proposed scheme represents a more effective utilisation of the Subject Site in a manner which retains a viable commercial component (retail shop on north-east edge of site) while responding to housing demand and need in the region.

2.4 Demographic Profile

In this section, an overview of the demographics for the Study Area has been provided. For the purposes of this analysis, the Study Area has been compared against North Sydney LGA and

Greater Sydney. Figure 7As identified in the previous Chapter, below illustrates the Study Area for the purposes of the demographic analysis.

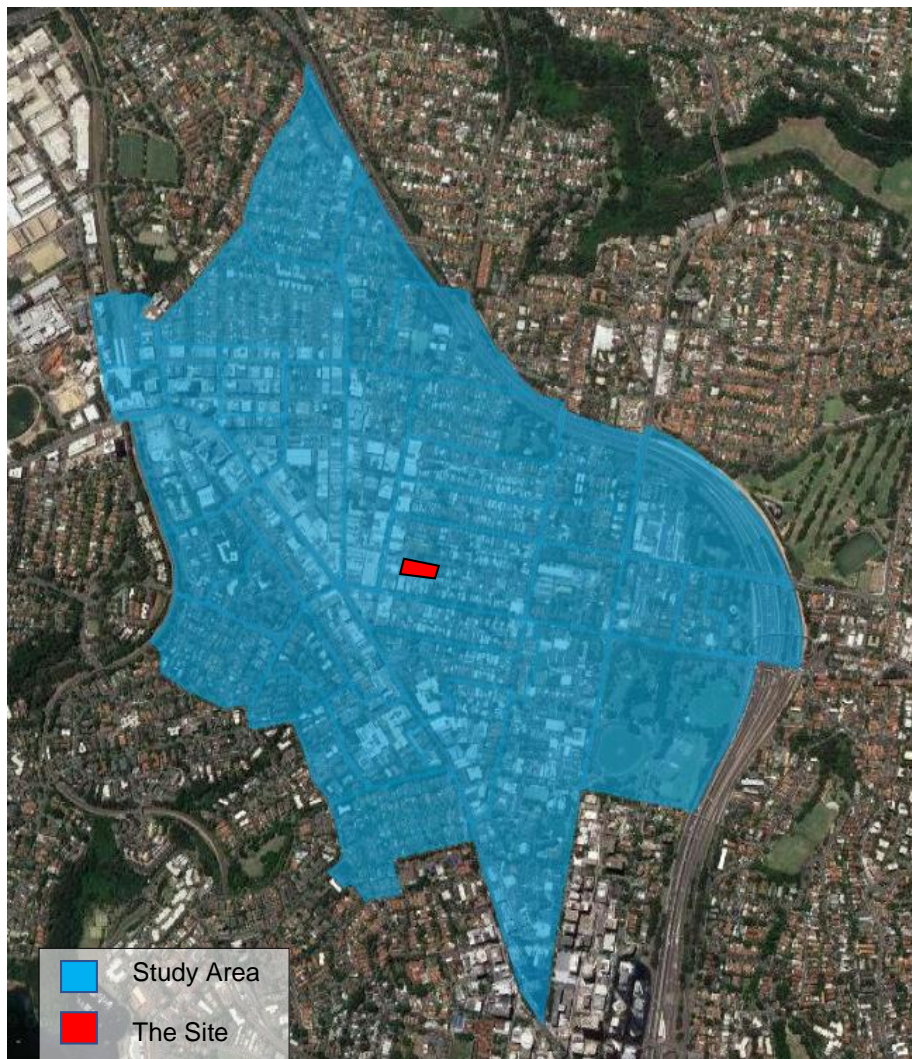


Figure 7 North Sydney Building Approvals and Completions

Source: Department of Planning and Environment; ABS; Ethos Urban

A detailed summary of statistics is available in **Appendix 1**. The key findings of the demographics analysis are as follows:

- As at the 2016 Census, there were around 17,380 persons living within the Study Area.
- The population within the study area is relatively young, with a median age of 34.0 years, compared to 37.7 years in North Sydney LGA, and 36.4 years in Greater Sydney.
- Driving this younger population profile, is the relatively high share of young professionals living within the Study Area. The 20 to 34 year age group accounted 34.7% of the population compared to 29.3% in the North Sydney Council area and 23.1% in Greater Sydney.

- The share of family households is relatively low compared to Greater Sydney, while the share of lone person households and group households relatively high. These household formations can be explained in part due to the high share of young professionals in the Study Area.
- The majority of dwellings were being rented. And the vast majority of dwellings were flats, units or apartments, which accounted for 75.0% of all dwellings, compared to only 28.2% in Greater Sydney.

On the basis of the above review, the proposed residential component of the Subject Site is consistent with the demographic profile of the Study Area. In particular, the proposed development outcome provides residential options for the young professionals demographic who are over-represented in the area.

It is anticipated that demand for housing at the Subject Site will be strong based on the likely buyer profile, in contrast to the established long-term lack of demand for commercial development at the same location.

3.0 Strategic Policy Overview

A review of key strategic planning and policy documents relevant to the project from an economic perspective are provided below. Note that this is not intended as a comprehensive overview of the strategic planning and policy framework for the site, which is provided within the planning proposal report.

3.1 A Metropolis of Three Cities

The Plan for Growing Sydney identifies key challenges facing Sydney including a population increase of 8 million by 2056, and the need to facilitate 725,000 dwellings and 817,000 jobs.

In this respect, the proposed development provides additional housing and employment opportunities at a strategic location on the edge of a key activity centre and with excellent public transport access. The ability to utilise the future Crows Nest metro station is a further consideration given the priority of metropolitan policy to support higher density residential activity in proximity to high capacity public transport.

3.2 North District Plan

The North District Plan gives effect to The Greater Sydney Region Plan on the north shore of Sydney including Crows Nest. Under the productivity objective, the following priorities are of relevance:

- *Growing investment, business opportunities and jobs in strategic centres*
- *Delivering integrated land use and transport planning and a 30-minute city*

The Subject Site is part of the St Leonards strategic centre, with the Subject Site being located on the edge of the identified employment area. A baseline jobs target of 54,000 jobs by 2036 is identified in the North District Plan and a higher aspirational target of 64,500 jobs also set.

Implementing the planning proposal will assist Council in achieving this jobs target by supporting existing businesses within the precinct, providing jobs on site through the provision of retail GFA, and improving general amenity of the surrounding area.

The planning proposal provides an increase in demand for local goods and services by increasing the number of local residents spending both time and money in the precinct. As noted in the section below, these residents will spend a relatively high proportion of their income on local goods and services. This increase in local demand, will in turn improve business viability in the area, place downward pressure on vacancy rates and incentive businesses to invest and new businesses to enter the local market.

The boost to local demand will occur at a critical time for the retail market, which is currently experiencing generally weak trading conditions (noting a cluster of vacant shops in the Crows Nest Town Centre near the Subject Site). In addition, the planning proposal provide housing that is close to jobs and major employment centres within the region.

By supporting the proposed changes to planning controls, Council will facilitate development of the site that will assist in achieving job targets and the productive use of currently underutilised land.

Of relevance to the Subject Site are the following priorities under the liveability objectives of the North District Plan:

- *Providing housing supply, choice and affordability, with access to jobs, services and public transport; and*
- *Creating and Renewing great places and local centres, and respecting the District's heritage.*

The North District plan has a housing target of 25,950 additional dwellings for the period 2016 to 2021. North Sydney Council is to contribute 3,000 dwellings to the district target in that time period.

As such, the proposal for the Subject Site will assist the Council achieve its housing target – particularly given that the project represents a net increase in dwelling numbers (i.e. no replacement of existing dwellings) equivalent to 3% of the total target.

In addition, the proposal will also help to achieve the liveability objectives highlighted above, by creating a mixed used development which responds to contemporary market demand for the site – including a relatively a low appetite for commercial uses. In addition, it will help contribute to greater housing choice and affordability within the area, at a location with excellent access to jobs, services and public transport.

The indicative concept design provides for retail at the ground level and can be the catalyst for renewal of an area in Falcon Street (including both the Subject Site and adjacent properties) which has remained underutilised for at least a decade.

3.3 St Leonards and Crows Nest 2036 Plan (Draft)

The St Leonards and Crows Nest 2036 Plan is a land use and infrastructure implementation plan for the St Leonards and Crows strategic centre. The draft plan sets out the vision for St Leonards and Crows Nest to 2036.

Of relevance for this planning proposal are the jobs target and areas designated as employment lands, with a key criteria of the 2036 plan is establishing how and where jobs will be accommodated within the district.

As set out in the North District Plan, St Leonards and Crows Nest has a jobs target of 16,500 new jobs by 2036 to meet the high target of 63,500 jobs. The draft plan identifies that within Crows Nest, there is a target of an additional 1,950 to 3,020 jobs to achieve its 2036 low and high jobs targets. The majority of jobs are expected to be within Knowledge Intensive industries, which are expected to account for 66% of jobs within Crows Nest. This is followed by 24% of jobs being within Population Serving (which also includes construction jobs), and 10% in Health and Education.

The Subject Site is on the fringe of the employment lands within the St Leonards. Jobs in knowledge intensive industries are expected to be located closer to the Crows Nest Metro station, while jobs population serving industries are expected to be located within Crows Nest village, with the majority of these jobs to be within businesses along Willoughby Street.

In this regard, the Subject Site is not part of the core employment lands within the strategic centre, and is non-critical to achieving the identified jobs targets.

The planning proposal will assist in creating demand conditions be able to support employment within employment lands and in this respect assist Council in achieving its target. A rezoning of the site therefore will not adversely impact Council's ability to achieve the identified employment targets.

Failure to adopt the planning proposal risks the lots on the Subject Site remaining underutilised and making no meaningful contribution to either employment or housing targets. It will also mean that businesses within the local area will not benefit from the boost in demand arising from an increase in the number of residents on the site.

3.4 Economic Feasibility Review - October 2018

Supporting the draft 2036 Plan is the St Leonards and Crows Nest Economic Feasibility Review. This is an economic feasibility study for employment and residential uses undertaken by SGS on behalf of the Department of Planning and Environment.

Commercial activity is expected to be viable and concentrated around the Crows Nest Metro station and along the Pacific Highway, in areas with existing commercial uses. However, a key finding of the report is the limited market appetite for commercial and retail development in the area. Indeed, the report notes that:

“The value of land and existing improvements in the Precinct means that there is currently little market interest in redeveloping occupied sites for small, standalone office buildings of up to five storeys.” (SGS, 2018, p. 45)

The report also addresses a number of other relevant issues that are addressed below.

Mixed Use Development

An important finding of the report is that pure office commercial buildings are generally not feasible within the St Leonards and Crows Nest Area given land prices, development costs and achievable returns.

As such, the report suggests any commercial and retail activity can be supported through mixed use development which incorporates residential activity.

The indicative concept for the Subject Site retains a mixed use outcome through delivering a commercially viable ground floor retail component, in combination with the proposed housing.

‘Crowding out’ phenomenon

The report also notes the potential for a “crowding out” of non-residential land. However, this is not applicable to the Subject Site given the extensive history of being underutilised for non-residential uses. As previously noted, several lots have been vacant for at least twenty years and other buildings on the site appear unusable for non-commercial purposes given contemporary tenant requirements.

3.5 Ministerial Directions - Section 9.1 Direction and 1.1 Business and Industrial Zones

Directions issued by the Minister for Planning to relevant planning authorities under section 9.1(2) of the Environmental Planning and Assessment Act 1979. These directions apply to planning proposals lodged with the Department of Planning and Environment

Section 9.1 Directions has the following three objectives under business and industrial zones:

- a) *Encourage employment growth in suitable locations*

The planning proposal will assist in achieving this objective by providing a boost to local demand for goods and services, while also delivering a commercially viable employment outcome.

b) Protect employment land in business and industrial zones

While at present the Subject Site is zoned as employment land, the market has shown a long-term lack of interest in development under current controls. This is evident by the three vacant lots on the Subject Site that have been vacant for at least twenty years. Furthermore, a number of other buildings on the Subject Site are either underutilised or appear to be vacant or being used for non-commercial purposes. This is evident by these buildings being boarded up and a lack of signage. That these commercial buildings are being used for non-commercial purposes demonstrates that the market cannot deliver employment outcomes on these sites.

Development of the site consistent with the indicative concept design attached to this planning proposal would help protect employment land in more suitable areas.

c) Support the viability of identified centres

The planning proposal will assist in improving the viability of the St Leonards and Crows Nest centre. Currently the Subject Site is not making any meaningful contribution to the trading performance of this centre, and in fact the low amenity is reducing the attractiveness of the area for potential tenants and developers.

Development of the Subject Site consistent with the indicative concept design will improve the amenity and vitality of the area, with the potential for this to benefit adjacent properties which are also underutilised.

It is forecast that the additional residents on the Subject Site will increase demand for local goods and services, with the retail spending of residents expected to be in the order of \$3.4 million. This increase in local demand will support existing local businesses, reduce current levels of underutilisation in the centre, place downward pressure on vacancies, incentivise further business investment and support greater employment densities within the centre.

4.0 Economic Role and Function of the Subject Site

As identified in the previous Chapter, the North District Plan has a baseline jobs target of 54,000 jobs with Crows Nest targeting an additional 1,950 jobs by 2036.

Demonstrated market demand over the past 20-years suggests that it is unlikely that the Subject Site will assist in meeting the jobs targets established by the North District Plan under current planning controls.

The economic role and function of the Subject Site and the implications for the jobs target are discussed in the remainder of this section under the following themes:

- The ability of the Subject Site to achieve the jobs target under current controls
- Viability of employment on the Subject Site
- How the Subject Site can assist in achieving the jobs target
- How the jobs target can be achieved if planning controls on the Subject Site are changed

4.1 Ability of Subject Site to Achieving Jobs Target Under Current Controls

As highlighted in Chapter 1, the Subject Site is located on the eastern edge of the Crows Nest activity centre. This area has relatively lower levels of exposure and accessibility, including poor sight lines from the commercial areas of Alexander Street and Willoughby Road. As a reflection of this, a number of retail and commercial vacancies exist in the surrounding area and building stock is typically of a lower quality.

On the Subject Site itself, three of the lots have remained vacant for at least 20 years, while a number of the other buildings on the site do not appear to be actively used for commercial purposes.

This demonstrates limited market interest to develop the site for a primarily commercial use. Indeed, that 27 Falcon Street has remained vacant for at least twenty years, while Greater Sydney has undergone a construction and development boom, suggests barriers exist which prevent the market delivering an outcome that could better utilise the site.

In our view, this includes a planning control which does not appropriately reflect market demand for future use of the Subject Site.

Under current controls, it is likely that this site will remain underutilised, with lots either remaining vacant or being used for non-commercial purposes. Such an outcome would mean that under current controls the Subject Site is unlikely to achieve the identified job targets.

4.2 Employment on the Subject Site Under Current Controls

In the unlikely and hypothetical situation that the Subject Site was developed under current controls, a predominantly retail use is likely combined with relatively low intensity commercial activity.

This is primarily due to the locational context of the Subject Site itself, as well as that higher-order commercial offices and knowledge intensive industries are better suited to locations along the Pacific Highway. Health and Education uses are likely to locate either to the North or South of Crow Nest at the existing health and education precincts.

Over recent years, conditions within the retail sector generally have been weak. Spending on retail goods and services has experienced relatively modest growth by historic standards, with conditions expected to remain subdued over the near term. Household consumption growth (i.e. household spending) is expected to remain subdued for at least the next 3 years according to most reputable industry forecasts, and this is leading to what some commentators have described as a 'retail recession'.¹

At the street level, this has translated into a high number of vacant shops in areas with insufficient demand.

This is evident in parts of the Crows Nest Town Centre. While shops with high exposure along Willoughby Street have generally fared relatively well, outside this core, a high number of vacancies can be observed. This vacancy rate is a direct impediment to retail development, including within a mixed-use development outcome.

If development of the site were to occur inline with current controls, a high risk exists that this would lead to vacancies and underutilised retail and commercial space within the precinct and the Crows Nest Town Centre. Currently, numerous mixed-use developments within Sydney are characterised by ground floor retail vacancies.² Furthermore, if excess retail space is developed, this runs the risk of the Subject Site itself being characterised by vacant shops. This 'vacancy risk' at the Subject Site is an existing impediment to development.

This point is recognised in the SGS 2018 report, which states that:

“oversupplying one type of employment floorspace will either divert demand away from a nearby centre or industrial precinct or if the centre is not strong enough to attract demand away from those other centres/precincts, then vacancies will result.” (SGS, 2018, p. 43)

Overall, current conditions in the retail market suggest the potential for an excess supply of retail space in Crows Nest. This is evident by weak retail spending growth and high vacancies outside core retail areas.

In this context, a retail component of appropriate scale which relies primarily on demand from local residents should be delivered. This outcome is consistent with the indicative design concept for the Subject Site.

4.3 How the Subject Site can Assist in Achieving the Jobs Target

Changing the controls of the Subject Site consistent with the planning proposal will not adversely affect the ability of Council to achieve the jobs target established by metropolitan planning policy.

Redevelopment of the Subject Site consistent with the indicative concept design will provide a boost to local demand for goods and services. This increase in demand for local goods and services can then be directed towards areas of Crows Nest more suitable for business growth. This will improve

¹ See for instance: www.smh.com.au/business/companies/levels-not-seen-since-the-gfc-nab-calls-the-retail-recession-20190613-p51xbr.html

² See for instance: <https://www.commercialrealestate.com.au/news/forcing-new-unit-developments-in-inner-sydney-to-include-shops-could-force-up-vacancy-rates-expert-says-846724/>

the viability and vibrancy of surrounding businesses, increasing the utilisation of these areas, placing downward pressure on vacancy rates within the area and in turn encouraging business investment.

It is noted that Council has previously endorsed this economic role and function of the site. The previous Planning Proposal in 2015 sought to rezone the site to R4 High Density Residential and increase the height on the site to a mix of 10, 16 and 19 metres. It also sought to remove the non-residential floor space ratio and retain retail premise as a permitted land use on the site. This outcome was supported at that time by Council officers.

4.4 How the Jobs Target Can be Achieved

Changing the controls of the Subject Site to be consistent with the Planning Proposal will not affect Councils ability to achieve the jobs target. The mechanisms by which the jobs target can be achieved are discussed below.

Increased utilisation of existing sites

In the near term, the jobs target will be achieved through greater utilisation of existing sites throughout the Crows Nest/St Leonards area. As noted above, there is a relatively high level of underutilisation of existing employment lands within area. This is evident by existing vacancies, business turnover and relatively limited business operating hours.

Ensuring that the Crows Nest activity centre is a viable place for businesses should be the immediate goal of Council. Supporting the planning proposal is one such way to help improve business viability by delivering additional local demand for goods and services which can be met by local shops.

Completion of the Crows Nest metro station and other residential developments within the area will also help in improving business viability through demand-side growth.

Redevelopment of existing employment lands

Most of the jobs target will be achieved through redevelopment of existing employment lands – where this is viable from a market perspective.

This will occur over the longer term and critically depends on maintaining a viable environment for businesses growth and development.

5.0 Economic Implications of the Planning Proposal

5.1 Employment Outcomes

Jobs supported by the indicative concept design will accrue through direct and indirect employment generated during the construction phase; and ongoing employment in the retail component of the concept.

5.1.1 Construction Phase

Direct employment in the *construction industry* is expressed as FTE job years. A 'job year' is a full-time job for one year.

Indirect or flow on employment will also be supported in other industries, for example, suppliers of materials and financial and legal services. Employment estimates in the wider economy are derived from ABS national accounts input-output analysis, specifically, employment multipliers.

Direct employment in the construction industry depends on the nature of the building, in particular, the capital intensity of the project.

It is estimated 1.96 FTE direct construction industry job years per \$1 million of expenditure (or 1.0 FTE job year per \$510,000) will be generated by the construction activity, based on research and the type of work expected to be undertaken in the construction phase of the site.

In addition, these direct construction industry jobs lead to demand for employment in supplier industries in the wider economy. The ABS construction multiplier is 2.6 - that is, for every single FTE job in the construction industry a further 1.6 FTE jobs are supported elsewhere in the economy.

Direct construction costs are estimated to be approximately \$40,846,000. Which includes all construction related expenses such as allowance for demolitions, and construction of residential, retail and commercial premises and excludes contingencies.

Total construction costs of \$40.8 million would support 80 FTE jobs *in the construction industry* and support a further 130 FTE jobs *in related (supplier) industries* over the development period. This equates to a total of around 210 FTE jobs being created directly or indirectly during construction. This is highlighted in the **Table 1** below

Table 1 Estimated Construction Phase Jobs

Job Type	Estimated FTE Jobs
Indirect	80 FTE
Direct	130 FTE
Total	210 FTE

Source: Ethos Urban

It is assumed that construction will take a total of around 2 years and would support an average of 40.0 direct and 64.0 indirect FTE jobs for each year of the development phase.

Local businesses, workers and jobseekers are likely to benefit from increased employment and contracts afforded by the construction phase of the project.

5.1.2 Operational Phase

During the operations phase, it is expected that a development consistent with the indicative concept design would generate approximately 10 retail jobs based on application of industry benchmarks (see **Table 2** below).

These jobs will most likely be within the Accommodation and Food Services industry and will be provided a range of employment types: casual, part-time and full-time. This type of job is highly suitable for the younger residents in the area, including people studying and for whom a casual retail position is important in achieving financial stability.

Table 2 Estimated Ongoing Jobs

Activity	GFA	Direct Job Ratio ¹	Estimated Jobs
Retail	340 m ²	1 job per 28 m ²	10

Source: Ethos Urban

1. Calculated on leasable area which is a 15% reduction on GFA

In addition, it is expected that a number of jobs will be generated on-site in the housing component of the development. These types of jobs will range from business and household services, such as cleaning services, food services and other delivery services.

5.2 Increased Local Expenditure

The additional workers located within the precinct will also increase retail expenditure available in the local area. This local retail expenditure is expected to be directed toward food-related purchases such as take-away, cafés, restaurant dining and take-home groceries, as well as other retail formats provided locally.

Assuming that the 10 retail workers spend an average of \$12 per working day on local food and beverages, this would result in a net increase in annual spending on local businesses of \$30,000 per annum. Spread across a number of traders, this will help support overall trading viability and profitability for businesses in Crows Nest. It will help increase demand for local goods and services and place downward pressure of vacancies

The remainder of workforce expenditure is dedicated to spending on retail goods, such as clothing and accessories, entertainment, leisure activities and personal services. As a result, the trading conditions of retailers near the proposed development will be benefited. The level of spending by workers on these non-food categories is more difficult to specifically forecast. However, local non-food businesses are expected to experience a positive impact on sales associated with exposure to a larger local workforce population.

5.3 Retail Spending

Estimates of retail spending by trade area residents have been prepared with reference to the *MarketInfo* retail spending model. *MarketInfo* is a micro-simulation model which uses a variety of data sources including ABS Household Expenditure Survey, ABS Census of Population and Housing data, ABS Australian National Accounts, and other relevant sources. Estimates of retail spending by catchment residents are provided for the following broad product categories:

- **Food, Liquor and Groceries (FLG)** – includes spending on fresh food, groceries and take-home liquor. This main category is relevant to supermarket-based shopping.

- **Food catering** – includes cafes, restaurants and take-away food.
- **Non-Food** – includes apparel, homewares, bulky merchandise, general merchandise.
- **Services** – includes hairdressers, beauty salons, dry cleaners, etc.

Estimates of total retail spending by trade area residents by spending categories are presented in **Table 3** below. These are based on the application of the average per capita spending levels. In addition, an allowance for real growth in average per capita retail spending has been applied that reflects long-term trends as measured by the ABS Australian National Accounts.

Table 3 Per Capita Retail Spending within the Study Area

Trade Area	Food, Liquor and Groceries	Food Catering	Non Food	Services	Total Retail
<u>Per Capita Spending (\$2019)</u>					
Study Area	\$6,552	\$4,089	\$8,350	\$967	\$19,957
<i>Greater Sydney</i>	<i>\$5,649</i>	<i>\$2,188</i>	<i>\$5,952</i>	<i>\$536</i>	<i>\$14,325</i>
<u>Variation from Greater Sydney average</u>					
Study Area	16.0%	86.9%	40.3%	80.4%	39.3%

Source: Marketinfo; Ethos Urban

The implications of the development of the site are highlighted in **Table 4** below. It is estimated that around 170 residents will occupy the site once development is complete. This will lead to an increase in total retail spending of \$6.9 million by residents within the Study Area.

Table 4 Retail Spending per Annum Current and with Proposed Development (\$2019)

Retail Category	Current (\$2019)	With Proposed Development (\$2019)	Increase in Spending (\$2019)
Study Area			
FLG	\$125.5m	\$126.9m	\$1.5m
Food Catering	\$78.1m	\$79.2m	\$1.1m
Non-Food	\$157.8m	\$161.8m	\$3.9m
Services	\$18.4m	\$18.7m	\$0.4m
Total Retail	\$379.8m	\$386.6m	\$6.9m

Source: Marketinfo; Ethos Urban

An important factor to consider is the proportion of this spending that will be directed locally. As noted above, businesses within the surrounding area are comprised primarily of local population servicing businesses such as retail.

A large proportion of FLG, food catering and services spending would likely occur within the immediate precinct. With the non-food component the main component directed more broadly, this could result in around 50 per cent of resident spending within the immediate precinct and surrounding area. This would imply an increase in spending on local retail businesses of approximately \$3.4 million.

This increase in spending will help activation in the precinct. It will improve the viability of businesses, incentivise business investment in the area, and place downward pressure on business vacancies.

It will also assist Council in achieving its jobs target by making the area more viable for businesses. Placing upward pressure on business hiring and encourage greater employment densities.

5.4 Residential and Housing Trends

The North District plan has a housing target of 25,950 new dwellings for the period 2016 to 2021, including 3,000 dwellings within the North Sydney Council area.

As of March quarter 2019, North Sydney has completed around 2,277 dwellings, which represents around 75.9% of the target. Around 723 additional dwellings are required to meet the target with a little over a year and a half remaining until the end of the period.

A look at recent patterns in housing approvals and housing completions reveals that North Sydney has benefited from the boom in the housing market, although this boom has now effectively ended.

As highlighted in **Figure 3**, building approvals and building net completions peaked in 2016. Since then approvals have fallen considerably in North Sydney, with a particularly significant drop in 2018. Indeed, each quarter of 2018 recorded levels of building approvals below their five year average.

Annualised forecasts of housing development from the Department of Planning (grey bars) also show a considerable drop off in dwelling completions over the next five years.

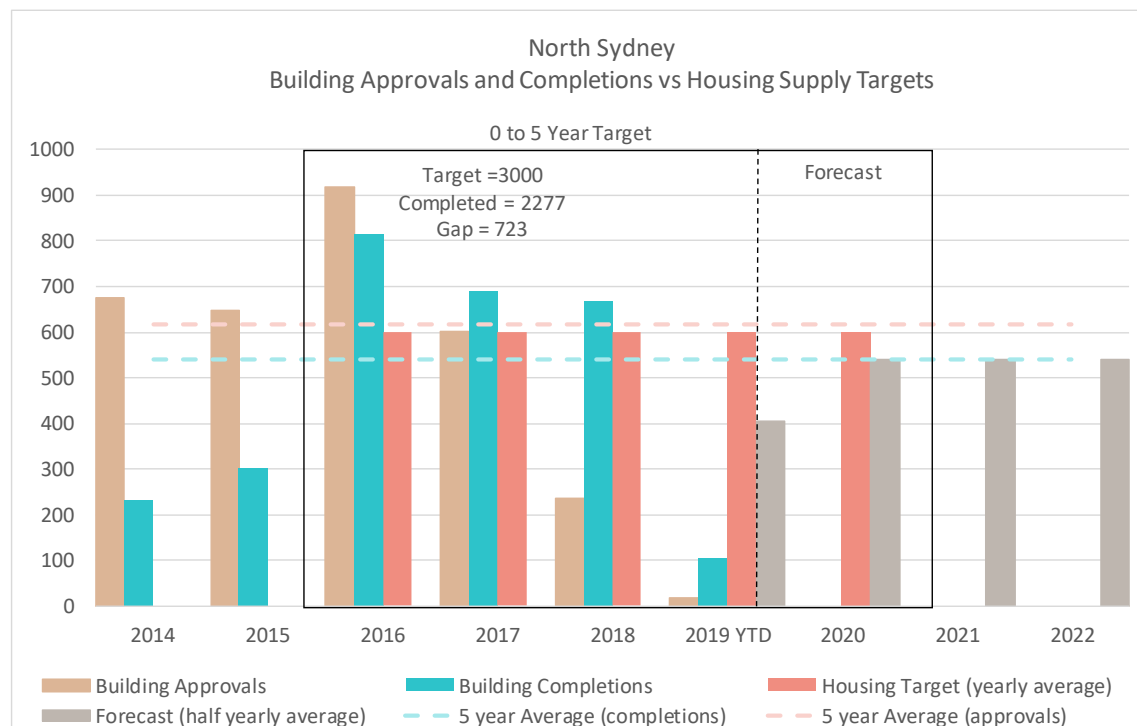


Figure 8 North Sydney Building Approvals and Completions

Source: Department of Planning and Environment; ABS; Ethos Urban

How the housing market will play out over the next year and a half will be critical in determining if North Sydney Council can achieve its housing target. Based on current trends and the Department of Planning forecasts, it is possible that North Sydney Council may fall short of these policy expectations.

A development consistent with the indicative concept design at the Subject Site will help North Sydney in delivering future housing supply which achieves the expectations of metropolitan policy.

5.5 Other implications

- **More efficient and productive use of land.** Development of the Subject Site consistent with the indicative concept design attached to the planning proposal will lead to a more efficient and productive use of the land. As noted above, the lots on the site are currently underutilised, with commercial buildings boarded up and being used for non-commercial purposes and the lot on 27 Falcon Street being vacant for upwards of twenty years. The underutilisation of these lots suggests that there is little market interest in the site under current planning controls.

By adjusting these controls as proposed in the application, the development can allow for a more efficient and productive use of the land by increasing the number of residents on the land, and providing retail component that does will not detract from retail already within the area.

- **Support local retail environment.** The development will support retail within the area by increase demand for local goods and services. As noted earlier the current level of vacancies surrounding the Crows Nest 'core' suggest that there is insufficient demand to support current level of retail and commercial activity in the centre. Increasing the number of residents. The development will achieve this by increasing the number of residents within the area. These residents are likely to spend a proportion of their income locally on food and beverages and retail items such as clothing. This spending is likely to be directed towards retail surrounding the development, boosting the viability of these businesses, and placing downward pressure on vacancies within the area.
- **Catalyst for future redevelopment.** The indicative concept design as outlined in the planning proposal has the potential to be a catalyst for future redevelopment in the area. Currently, market interest in the area is low, as evident by the generally older and lower quality building stock. Furthermore, the number of vacancies in the area suggests that sales activity is low. This is made worse in light of the 'retail recession' currently being experienced by the retail sector in Australia. A development in line with the indicative concept design will increase the number of residents within the area, in turn increasing demand for goods and services in the local area, and further supporting the local retail environment.
- **Catalyst for revitalisation.** Redevelopment of the site in accordance with the indicative development concept will significantly improve the vitality and viability of the surrounding area. This will in turn promote an improved quality of retail offering at the centre and support an enhanced amenity and pedestrian experience.
- **Improved amenity and street activation.** The proposed development will improve the street frontage along Falcon Street. Currently the lots on the site are detracting from the amenity of the area with vacant land, and underutilised buildings on the site. The development will assist in improving the amenity of this area, which will assist in improving the local economy. Residential buildings on the site will also improve street activation throughout the day and improve pedestrian access to the site, and in turn improve public surveillance around the site and discourage antisocial behaviour.

- **Employment opportunities for younger residents.** The dedicated retail GFA of the proposed development means that the site can provide a range of businesses and job opportunities. It is expected that the site will provide retail services the local population and workers. In this dynamic environment, a range of working conditions, and job types will be provided.

6.0 Appendix

Category	Crows Nest Study Area	North Sydney LGA	Greater Sydney
<u>Income</u>	-	-	-
Median individual income (annual)	\$70,850	\$72,260	\$37,460
Variation from Greater Sydney median	89.1%	92.9%	na
% of persons (15 years or older) earning \$1,000pw or more	63.6%	63.7%	37.3%
Median household income (annual)	\$119,620	\$121,160	\$92,200
Variation from Greater Sydney median	29.7%	31.4%	na
% of Households earning \$2,500pw or more	44.7%	46.1%	31.8%
<u>Age Structure</u>	-	-	-
0-4 years	6.8%	5.7%	6.4%
5-19 years	8.5%	9.7%	18.2%
20-34 years	34.7%	29.3%	23.1%
35-64 years	40.7%	41.0%	38.3%
65-84 years	8.3%	12.7%	12.0%
85 years and over	1.0%	1.7%	2.0%
Total persons	17,380	67,660	4,823,900
Median Age (years)	34.0	37.7	36.4
<u>Country of Birth</u>	-	-	-
Australia	55.1%	58.8%	61.9%
Other Major English Speaking Countries	13.4%	16.2%	7.6%
Other Overseas Born	31.6%	25.0%	30.5%
% speak English only at home	67.8%	75.9%	62.0%
<u>Household Composition</u>	-	-	-
<i>Couple family with no children</i>	31.0%	31.1%	23.8%
<i>Couple family with children</i>	20.8%	19.7%	37.5%
Couple family - Total	51.7%	50.8%	61.3%
One parent family	6.3%	5.8%	11.1%
Other families	1.4%	1.3%	1.3%
Family Households - Total	59.4%	57.9%	73.7%
Lone person household	33.5%	35.4%	21.7%

Group Household	7.0%	6.7%	4.6%
<u>Dwelling Structure (Occupied Private Dwellings)</u>	-	-	-
Separate house	10.2%	11.0%	57.2%
Semi-detached, row or terrace house, townhouse etc.	14.5%	14.1%	14.0%
Flat, unit or apartment	75.0%	74.7%	28.2%
Other dwelling	0.3%	0.2%	0.5%
<i>Occupancy rate</i>	87.8%	88.4%	92.3%
Average household size	2.1	2.0	2.8
<u>Tenure Type (Occupied Private Dwellings)</u>	-	-	-
Owned outright	19.2%	25.5%	30.0%
Owned with a mortgage	24.7%	22.0%	34.2%
Rented	55.7%	51.9%	35.1%
Other tenure type	0.4%	0.6%	0.7%
<u>Housing Costs</u>	-	-	-
Median monthly mortgage repayment	\$2,720	\$2,190	\$2,240
Variation from Greater Sydney median	21.4%	-2.2%	0.0%
Median mortgage as a share of median household income	27.3%	21.7%	29.2%
Median weekly rents	\$570	\$580	\$450
Variation from Greater Sydney median	26.7%	28.9%	0.0%
Share of occupied dwellings connected to the internet	93.8%	93.3%	87.9%
<u>Car Ownership per Dwelling</u>	-	-	-
None	22.3%	17.7%	11.4%
One	56.7%	55.6%	38.5%
Two	17.4%	22.1%	34.0%
Three or more	3.5%	4.6%	16.2%
<u>Attending Education (% of those attending)</u>	-	-	-
Pre-school	8.9%	8.1%	6.9%
Infants/Primary	25.2%	27.2%	32.2%
Secondary	14.6%	17.4%	25.0%
Technical or Further Educational Institution	10.2%	7.6%	7.6%
University or other Tertiary Institution	35.8%	34.6%	24.2%
Other type of educational institution	5.4%	5.1%	4.0%
<i>% of total population attending education</i>	17.8%	17.7%	25.2%
<u>Highest Year of School Completed (% of population aged 15 years and over)</u>	-	-	-
Year 12 or equivalent	89.1%	88.1%	67.5%
Year 9-11 or equivalent	9.8%	10.9%	26.7%
Year 8 or below	1.0%	0.7%	4.4%
Did not go to school	0.2%	0.2%	1.5%
<u>Employment Status</u>	-	-	-

Unemployed/ looking for work	3.7%	3.7%	6.0%
Labour force participation rate	81.0%	77.1%	65.6%
<u>Occupation</u>	-	-	-
Managers	19.7%	21.3%	13.7%
Professionals	45.3%	43.8%	26.3%
Technicians and trades workers	5.6%	5.1%	11.7%
Community and personal service workers	5.9%	5.9%	9.6%
Clerical and administrative workers	12.5%	12.6%	14.6%
Sales workers	6.6%	6.6%	9.0%
Machinery operators and drivers	0.9%	0.9%	5.6%
Labourers	2.0%	2.0%	7.6%
Inadequately described or not stated	1.6%	1.7%	1.9%
<u>Industry of Employment (employed persons aged 15 years and over)</u>	-	-	-
Primary sector	0.3%	0.6%	0.4%
Secondary sector	6.4%	7.0%	14.0%
<u>Tertiary sector</u>	<u>89.8%</u>	<u>89.4%</u>	<u>80.4%</u>
<i>Producer services</i>	49.4%	48.6%	30.3%
<i>Consumer services</i>	40.4%	40.8%	50.1%
Inadequately described or not stated	3.5%	3.1%	5.2%