Concord West Socio-economic Study

PREPARED FOR

City of Canada Bay

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CONTENTS

EXECUTIVE SUMMARY **10**
How the Precinct Is Changing 11
Socio-Economic Assessment of Planning Scenarios 13
Consistency with S117 Direction 15
Implications of Scenario 3 to Existing Employment Lands 15
Recommendations 16

1. INTRODUCTION **18**
1.1 Study Purpose 18
1.2 Study Aims and Objectives 18
1.3 What is an Economic or Social Impact? 19
1.4 Study Structure 19

PART A -THE PRECINCT TODAY **20**

2. THE PRECINCT **21**
2.1 Precinct Location 21
2.2 Precinct Characteristics 22
2.3 Precinct Land Use Audit 23
2.4 Land Use Change in the Precinct 2006-2013 25
2.5 Current Function of the Precinct 26

3. STAKEHOLDER CONSULTATION **27**
3.1 Stakeholder Consultation Workshops 27
3.2 Strengths 27
3.3 Weaknesses 28
3.4 Stakeholder Submissions 29

4. EXISTING POLICY CONTEXT **30**
4.1 NSW 2021 (2011) 30
4.2 Draft Metropolitan Strategy for Sydney (2013) 30
4.3 Draft Inner West Subregional Strategy (2007) 32
4.4 Draft Canada Bay Futures Plan20 32
4.5 Canada Bay Local Planning Strategy 33
4.6 City of Canada Bay – Planning Instruments 34
4.7 Employment Lands Development Program 34
4.8 Local Planning Directions 35
4.9 Relevant Studies and Research 35

PART B: CONCORD WEST IN THE FUTURE **37**

5. TREND ANALYSIS **38**
5.1 The Australian Economy 38
5.2 The New Economy 38
5.3 Industrial Trends 39
5.4 Residential Trends 40
5.5 Commercial Office Trends 41
5.6 Retail Trends 44

5.7 City of Canada Bay's Demographic Trends and Drivers 45
5.8 Implications of Trends and Drivers for the Precinct 46

6. MARKET DEMAND IN THE PRECINCT 47
6.1 Industrial Market Overview 47
6.2 Residential Property Market Overview 51
6.3 Key Findings and Implications 54

7. DEVELOPMENT ECONOMIC ANALYSIS 55
7.1 Methodology of Approach 55
7.2 Development Options Analysed 57
7.3 Performance Criteria 58
7.4 Modelling Results and Conclusions 58

8. HOW EMPLOYMENT IS CHANGING IN THE PRECINCT 60
8.1 Employment Change in Canada Bay LGA 60
8.2 How Employment Has Changed in the Precinct 61
8.3 Forecasts for Employment Change 64
8.4 Translating Employment Change into Land Demand 68

9. POTENTIAL PLANNING SCENARIOS 71
9.1 Scenario 1 – No Change / Base Case 71
9.2 Scenario 2 – B7 Business Park 71
9.3 Scenario 3 – Residential 71

PART C: SOCIO-ECONOMIC AND POLICY CONSIDERATIONS 73

10. SOCIAL, ECONOMIC AND POLICY IMPLICATIONS OF EACH SCENARIO 74
10.1 Principles for Employment Lands 74
10.2 General Principles for the Precinct Regarding FSRs 76
10.3 Scenario 1 – No Change 77
10.4 Scenario 2 – B7 Business Park 80
10.5 Scenario 3 – Mixed Employment and Residential 84
10.6 Summary of Scenario Pros and Cons 89

11. POLICY IMPLICATIONS & RECOMMENDATIONS 91
11.1 Policy Criteria for Assessment 91
11.2 Assessment of Outcomes 92
11.3 Consistency with State Government Policy 93
11.4 Implications to Other Employment Lands 96
11.5 Recommendations and Next Steps 97

Appendix 1 - Details of Precinct Audit 2013
Appendix 2 - Minutes from Consultation Workshops
Appendix 3 - Employment Yields
Appendix 4 - Feasibility Modelling Assumptions
Appendix 5 - Feasibility Modelling Summary Sheets

LIST OF FIGURES

Figure 1 - The Precinct 10
Figure 2 - Zoning Plan of the Precinct 21
Figure 3 - Location of the Precinct in the Broader Context of the Canada Bay LGA 22
Figure 4 - Map of the Precinct 24
Figure 5 - Industrial Lands Strategic Assessment Checklist for Rezoning of Existing Industrial Land 31
Figure 6 - Retail Trade in Australia November 2008 to November 2012 44
Figure 7 - Precinct Travel Zone 61

LIST OF TABLES

Table 1 - Feasibility Modelling Results Options 1-3 12
Table 2 - Ranking of Likely Outcomes of Scenarios 1-3 against Policy Criteria 14
Table 3 - Consistency of Scenario 3 with Ministerial Direction 1.1 Business & Industrial Zones 15
Table 4 - Precinct Land Use Audit 24
Table 5 - Land Use Audit Comparison 2006-2013 25
Table 6 - Canada Bay LGA and Concord West Precinct Population Forecasts 46
Table 7 - Key Indicators of Sydney's Inner West Industrial Market 47
Table 8 - Industrial Sale Transactions for Auburn and Silverwater 2012 – Land Values 48
Table 9 - Industrial Sales Transactions Auburn and Silverwater based on Building Area 49
Table 10 - Industrial Rental Transactions Based on the Building Area 49
Table 11 - Recent Sales Activity of Residential Units 53
Table 12 - Performance Criteria for Development Options 58
Table 13 - Options Analysed for Test Site 58
Table 14 - Employment Forecasts for Canada Bay 2011, 2031, 2046 for Industrial Uses 61
Table 15 - Population, Employment and Workforce Change 2006 -2011 62
Table 16 - Jobs by Industry in the Precinct 2006-2011 63
Table 17 - Adjusted Forecast Employment Change in the Precinct 2006 – 2031 66
Table 18 - Adjusted Net Change in Industrial Jobs 2006-2031 67
Table 19 - Summary of Employment Change Options – Floorspace Requirements 2011 – 2031 69
Table 20 - Summary of Employment Change Options - Floorspace and Land 2011 - 2031 69
Table 21 - Proportion of Precinct as Commercial Land 2011 – 2031 by Option 70
Table 22 - Summary of General FSR Principles for the Precinct 76
Table 23 - Summary of Pros and Cons of Each Planning Scenario 90
Table 24 - Ranking of Likely Outcomes of Scenarios 1, 2 and 3 against Policy Criteria 92
Table 25 - Consistency of Scenario 3 with Ministerial Direction 1.1 Business & Industrial Zones 94
Table 26 - Strategic Checklist for Employment Lands - Draft Metropolitan Strategy 95

LIST OF ABBREVIATIONS

Australian Bureau of Statistics	ABS
Bureau of Transport Statistics	BTS
Census Collection District	CCD
Development Control Plan	DCP
NSW Department of Planning and Infrastructure	DP&I
Employment Lands Demand Model	ELDM
Floor Space Ratio	FSR
Gross Floor Area	GFA
Gross Lettable Area	GLA
Hectares	Ha
Household Expenditure Survey (ABS)	HES
Journey to Work	JTW
Local Environmental Plan	LEP
Local Government Area	LGA
Primary Trade Area	PTA
State Environmental Planning Policy	SEPP
Square metre	sqm
Secondary Trade Area	STA
Transport Data Centre	TDC
Travel Zone	TZ

DEFINITION OF TERMS

Affordable Housing – A term for housing for very low income households, low income households or moderate income households. This covers households earning up to 120% of the median income for the area where they live and the household pays more than 30% of that gross income in rent.

B6 Enterprise Corridor – Land use zoning which permits with consent: Business premises; Car parks; Commercial premises; Community facilities; Emergency services facilities; Garden centres; Hardware and building supplies; Hotel or motel accommodation; Information and education facilities; Landscaping material supplies; Light industries; Medical centres; Passenger transport facilities; Places of public worship; Plant nurseries; Residential flat buildings; Roads; Schools; Seniors housing; Service stations; Serviced apartments; Shop top housing; Signage; Storage premises; Vehicle repair stations; Veterinary hospitals; Warehouse or distribution centres; Water recycling facilities; Wholesale supplies (source: Canada By Local Environmental Plan 2008).

Business Park – A large distinct employment space independent of a mixed use centre, which is generally master planned or under a single management regime.

Census Collection District (CCD) – the smallest geographic area defined in the Australian Standard Geographical Classification (ASGC). It can be defined as an area which one census collector can cover delivering and collecting census forms in a specified period. On average there are about 150 - 250 dwellings per CCD.

Discounted Cash flow Analysis – A method of analysing investment opportunities in which the annual cash flows are discounted to arrive at their Net Present Value (NPV) or Internal Rate of Return(IRR).

Employment Lands – Land that is predominantly used for commercial or industrial activities resulting in employment.

Gross Floor Area – Gross Floor Area (GFA) is Gross Lettable Area plus common mall spaces (including amenities), centre management area and plant rooms. In a typical indoor centre with at least one department store and supermarket the GLA makes up around 72% to 75% of the GFA.

Gross Lettable Area – Gross Lettable Area (GLA) is the common measure used for lease and for other descriptive purposes in retail centres and shops. It is usually defined as the total area of the lease and includes back of house, storage, offices and mezzanine levels but usually excludes loading docks and common mall spaces. GLA is more commonly used in the industry because it defines the area of the lease. Shopping centre owners report rents and turnover figures on the leased area and benchmarking is usually made on the GLA. For the purpose of Hill PDA's demand modelling all floor areas expressed are in GLA.

Household – One or more persons that usually reside in the same private dwelling**.**

IN1 General Industrial – Land use zoning which permits with consent: Animal boarding or training establishments; Biosolids treatment facilities; Car parks; Community facilities; Depots; Emergency services facilities; Freight transport facilities; Garden centres; General industries; Hardware and building supplies; Horticulture; Industrial retail outlets; Industrial training facilities; Landscaping material supplies; Light industries; Liquid fuel depots; Medical centres; Mortuaries; Neighbourhood shops; Passenger transport facilities; Plant nurseries; Recreation areas; Recreational facilities (indoor); Recreational facilities (outdoor); Roads; Service stations; Signage; Storage premises; Timber yards; Transport depots; Truck depots; Vehicle body repair workshops; Vehicle repair stations; Veterinary hospitals; Warehouse or distribution centres; Waste or resource management facilities; Water recycling facilities; Water treatment facilities; Wholesale supplies (source: Canada By Local Environmental Plan 2008).

Infill Development – New development that occurs within established urban areas where the site or area is either vacant, or has previously been used for another urban purpose.

Internal Rate of Return – The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate of a project with the present value of capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on the invested capital and the return on the original investment, which are basic considerations of potential investors.

Journey to Work data – Comprises datasets which analyse employment distribution and trends, including commute patterns.

Local Centres – These are centres of a small scale. They consist of Town Centres, Villages and Neighbourhood Centres.

Net Lettable Area– Used to calculator tenancy areas for office tenants.

Project Internal Rate of Return (IRR) – the discount rate where the Net Present Value (NPV) equals zero.

Primary Trade Area – The area from within which a centre or retail facility will draw the majority of its trade.

Residual Land Value (RLV) – the purchase price for the land to achieve a zero Net Present Value (NPV)

Secondary Trade Area – The area from within which a centre or retail facility will draw some trade, but a significantly lesser proportion than in the Primary Trade Area.

Statistical Division – A Statistical Division (SD) is an Australian Standard Geographical Classification (ASGC) defined area which represents a large, general purpose, regional type geographic area. SDs represent relatively homogeneous regions characterised by identifiable social and economic links between the inhabitants and between the economic units within the region, under the unifying influence of one or more major towns or cities. They consist of one or more Statistical Subdivisions (SSDs) and cover, in aggregate, the whole of Australia without gaps or overlaps. They do not cross State or Territory boundaries and are the largest statistical building blocks of States and Territories.

Statistical Local Area – The Statistical Local Area (SLA) is an Australian Standard Geographical Classification (ASGC) defined area. SLAs are Local Government Areas (LGAs), or parts thereof. Where there is no incorporated body of local government, SLAs are defined to cover the unincorporated areas. SLAs cover, in aggregate, the whole of Australia without gaps or overlaps.

Tertiary Trade Area – The area from within which the centre or retail facility will draw a small proportion of trade from residents who visit it on an infrequent basis.

Travel Zone – A small geographic area used as the basis for Bureau of Transport Statistics (formerly Transport Data Centre) modelling and data analysis. Travel Zones provide a level of analysis between Census Collection District (CD) and Statistical Local Areas (SLA) as defined by the Australian Bureau of Statistics.

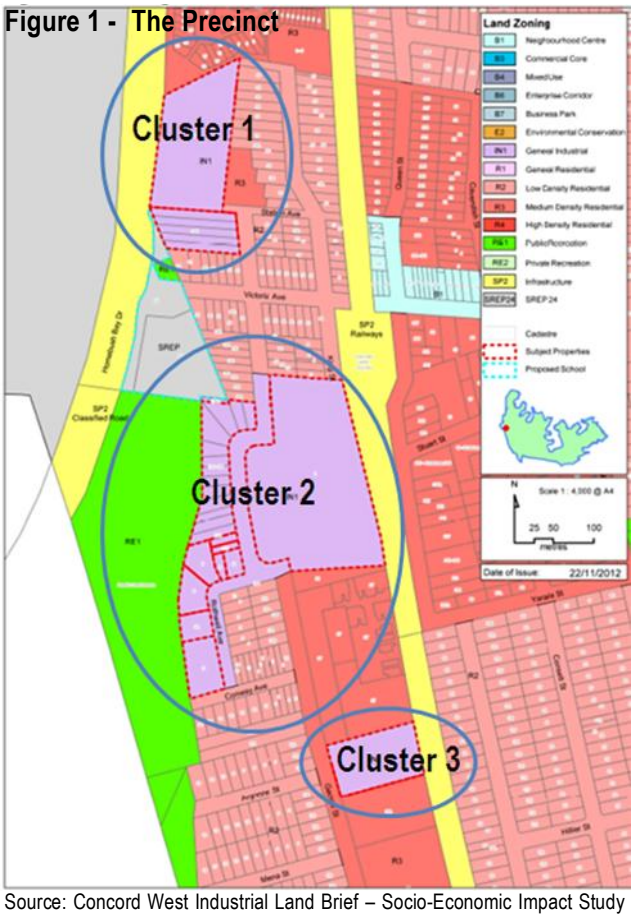
EXECUTIVE SUMMARY

Historically the Concord West 'peninsula' was an area of predominantly general industrial uses located within Sydney's Inner West. Over the past few decades as Sydney has expanded, industry has changed and Sydney's inner city suburbs have regenerated and rejuvenated with their growing diversity of uses placing increasing pressure on employment lands to adapt and become more effective generators of jobs or to relocate to alternative locations.

These pressures have been compounded in locations such as Concord West where the characteristics of the area are well suited to residential uses. As a case in point Concord West benefits from strong public transport (Concord West Station), direct access to regionally significant open space (Bicentennial Park), schools, retail and employment centres (Rhodes and Sydney Olympic Park). In response the suburb and broader area has been changing in recent decades with the steady growth of medium density housing and a mix of business, recreation and community services.

The Concord West employment Precinct represents three clusters of industrial land (7.6ha combined) located at the northern end of the Concord West peninsula. The Precinct is bound by the Liberty Grove residential development to the north, Homebush Bay Drive to the west, the Northern Rail Line to the east and residential dwellings and apartments to the south. It represents the last components of IN1 General Industrial land in the suburb.

Figure 1 - The Precinct



Source: Concord West Industrial Land Brief – Socio-Economic Impact Study amended by Hill PDA

The Canada Bay Local Planning Strategy 2010-2031 recognised that the Precinct was not a major employment generating area however it recommended its retention for General Industrial uses for the medium term. It also recommended a review and potential rezoning within 5 years of the Strategy's adoption (as of 2010). In anticipation of this review, and in light of the changing character of the locality, this Study has been commissioned by the City of Canada Bay (Council). The Study aims to determine the most appropriate zoning and land use controls to apply to the Precinct as part of a coordinated approach for the area's redevelopment.

These local intentions form part of a bigger picture planning strategy for Sydney. In accordance with Sydney's Metropolitan Objectives, there is an ongoing need to *"Provide a well located supply of industrial lands"* (Objective 13) to support the function of local areas as well as the economic competitiveness of Sydney and NSW. The same Strategy also seeks to *"Deliver a mix of well-designed housing that meets the needs of Sydney's population"* (Objective 6) whilst recognising balanced growth requires good transport connections (Objective 3).

HOW THE PRECINCT IS CHANGING

In order to inform the Study, an Audit of the Precinct and its land uses was undertaken with the results compared to an Audit undertaken by Council in 2006. It was found that:

- Since 2006 two major printing businesses, employing an estimated 350 persons had relocated from the Precinct. As a consequence there is no industry cluster or predominant theme to the industrial Precinct;
- Since 2006 Westpac has leased the largest single site in the Precinct (41% of land area). The data centre employs an estimated 1,000 persons representing 89% of all jobs generated in the Precinct as of 2013;
- The Precinct is now predominantly occupied by commercial uses (46%) with a notable increase in residential and recreational uses since 2006 (+13%) and a corresponding decline in uses that are typically permissible within the IN1 General Industrial Zone; and
- Since 2006 the number of vacant properties and the proportion of vacant land has increased from 2 to 4 and from 4% to 13% respectively.

Stakeholder Consultation

The results of the 2013 Audit were reviewed by landowners and business representatives (Stakeholders) interviewed during the course of the Study. Landowners generally recognised the changing character of the area to residential with some having bought land in the Precinct from which to operate their businesses in the short to medium term with longer term aspirations to redevelop to residential. Others had bought their sites with the intention of redeveloping to residential imminently.

Stakeholders identified the challenges associated with finding industrial tenants largely relate to ageing building stock in the Precinct; the limited road access in and out of the Precinct and the need for trucks and servicing vehicles to travel via residential streets into the area. Another concern related to the proximity of residential uses and the perceived impact this would have to the likelihood of gaining planning approval and in turn operating industrial businesses.

Market Research

The issues raised by Stakeholders during the consultation workshops were reinforced by our market research that identified Concord West as a secondary industrial location. It was also found that interest in industrial properties in the Precinct is poor, with smaller properties taking 3-6 months to lease and larger sites at least 6-12 months. Tenant enquiries have been limited to local interest with poor access to major freeways and truck access seeming to be the dominant reasons for poor demand from a broader market.

Furthermore there was a strong perception that the industrial properties were old and had very little to offer in the way of rental growth for an investor. This perception was reinforced by local agents who indicated that current industrial rents in the Precinct were as low as the rents achieved ten years ago with broader trends such as the GFC having a compounding effect on the Sydney industrial property market. As a result our research found that Concord West has achieved limited sale transactions over the last ten years.

The effects of the surrounding areas being successfully rezoned over the past two decades and hence a prospective rezoning for land within the Precinct should also be acknowledged. Interviews with Stakeholders shows that there is market expectation that the Precinct may eventually be permitted for mixed use development (residential and local commercial), translating into a cycle of a 'wait-and-see' attitude by owners not committing capital expenditure to upgrade or refurbish the existing stock which is tired and ageing and in turn causing poor demand and returns for existing space, the latter also arguably the cause of the former.

Employment Forecasts

Despite the challenges of finding tenants in the Precinct, the Bureau of Transport Statistics forecasts a notable increase in jobs over the Study period. On closer investigation, the vast majority of forecast job growth relates to the printing industry (which has subsequently entirely relocated from the Precinct) and jobs in the finance and insurance sector (which are not permissible within the IN1 General industrial Zone).

Adjusting for these two industries, the Precinct would experience a notable decline in industrial jobs and thereby demand for employment lands. The Study therefore modelled a third scenario whereby commercial uses were permitted within the Precinct as a result of its rezoning. On this basis it was found that whilst demand for floorspace would increase, demand for land would still decline owing to the higher building and employment density of these uses.

Feasibility Analysis

Another piece of the jigsaw puzzle was investigated through the assessment of the financial viability of redeveloping a 'typical site' within the Precinct for industrial, commercial and residential uses. In essence it was found that in the current market, rents and capital values are generally below that of replacement cost and therefore there is no financial incentive to refurbish or redevelop for general industrial purposes. Explaining this point further:

- As there is limited demand for industrial space (unless heavily discounted or incentivised) in the Precinct;
- There is minimal financial incentive to buy and redevelop land within the Precinct for industrial uses.

Our modelling also showed that should the same 'typical' site be rezoned to permit medium density residential, its redevelopment would be marginal with the existing parking controls being a defining factor. In this regard, once the parking controls were reduced by 0.5 spaces per unit, the development becomes a far more attractive option from a financial point of view[1]. Therefore if given the choice, is it likely a developer would opt for Option 3 – redevelopment to residential with less car parking as summarised in the Table below.

Table 1 - Feasibility Modelling Results Options 1-3

Site/Option Specifics	Option 1: Industrial FSR 1:1	Option 2: Residential FSR 1.3:1 Code Parking	Option 3: Residential FSR 1.3:1 Reduced Parking
Site Area	7,866sqm	7,866sqm	7,866sqm
Developable Area[1]	6292.8sqm	10,225sqm	10,225sqm
Development Yield		102 units	102 units
Performance Indicators:			
Land Purchase Price	4,700,000	$9,650,000	$9,650,000
Residual Land Value (RLV)	$3,026,114	$8,280,413	$10,391,059
RLV ($/sqm of site area)	$385	$1,052	$1,321
Project IRR	(3.16%)	14.83%	19.75%
Development Margin	(7.5%)	12.42%	18.71%
Feasibility	Not feasible	Not feasible	Feasible

Overall our feasibility modelling found that for sites that Council considers appropriate for re-development for residential purposes, or seeks to attract significant development to, an FSR of at least 1.3:1 (and likely higher)

[1] It should be noted that although the density option at FSR 1.3:1 with a reduction of car parking to 1.5 per dwelling returns a favourable feasibility outcome, this option has not been subject to urban design testing or other environmental considerations that would be required to assess the suitability of a development of a given scale on a site.

would be required. More specifically our modelling found that an FSR over 1.3:1 would be required if the full extent of Council's existing car parking rate was to be secured or if development sites required remediation (a likelihood) or other environmental improvements (i.e. traffic improvement measures etc.). Whilst it is not the role of this Study to make a definitive recommendation regarding FSR for the Precinct, we would recommend an FSR in excess of 1.3:1 for the residential option.

SOCIO-ECONOMIC ASSESSMENT OF PLANNING SCENARIOS

In light of the research, modelling, testing and consultation results discussed above, three planning Scenarios were identified for further assessment as follows:

Scenario 1: The No Change or Base Case Scenario - this Scenario does not alter the Precinct's existing General Industrial land use zone;

Scenario 2: The B7 Business Park Scenario - this Scenario seeks to intensify employment generating uses within the Precinct by allowing for higher yield commercial and light industrial uses; and

Scenario 3: Mixed Use Scenario - this Scenario allows for the rezoning of parts of the Precinct for residential uses (Cluster 1 and part of Cluster 2 excluding 1 King Street), parts for commercial (1 King Street in Cluster 2) and the retention of some industrial lands for general industrial uses (Cluster 3 – 25 George Street).

In order to test the social and economic impacts of each Scenario, five key local and state government planning policies were identified. The implications of each Scenario and their contributions to each of the five key policy areas were subsequently ranked against each criterion in a simple matrix as shown below.

Ranking	
Negative Impact	
Neutral – Modest Impact	
Positive Impact	

Table 2 - Ranking of Likely Outcomes of Scenarios 1-3 against Policy Criteria

Hill PDA	Scenario 1 No Change	Scenario 2 Business Park Zone	Scenario 3 Mixed Employment with Residential	Comment
Policy Assessment Criteria				
1. Retain strategically important employment lands				Scenario 1 would safeguard all of the existing employment lands, Scenario 2 would retain the option for light industrial uses but no general industrial whilst Scenario 3 protects 10% for general industrial and 40% for commercial / light industrial.
2. Support for job growth, investment and economic prosperity				Scenario 1 would not encourage investment or growth. Scenario 2 has potential although achieving success would be challenging. Scenario 3 is the most likely to incentivise growth and change
3. Support for additional housing and housing choice				Scenario 3 would be the only one that included housing and thereby addressed this criterion.
4. Support for connectivity and accessibility				Scenario 1 would not lead to an intensification of uses and would have neutral benefit to this policy. Scenarios 2 and 3 would enhance the number of jobs and houses respectively in close proximity to Concord West Station as well as an array of local and regional services and facilities.
5. Enhance the visual and environmental amenity of the Precinct				Scenario 1 would lead to the stagnation of the environment and character of the area. Scenario 2 could lead to notable improvements yet with an FSR of 2:1 could be greater in density across the precinct than Scenario 3.

Having applied the five policy criteria to each of the three planning Scenarios, it is apparent that Scenario 3 - *Mixed Employment with Residential* addresses the majority of the criteria positively. Scenario 3 also ranks more positively when compared to the same assessments for Scenarios 1 – *No Change* and 2 – *Business Park Zone*. For these reasons Scenario 3 has been identified as the Preferred Scenario.

Scenario 3 protects some existing employment lands, recognising and protecting the major employment generator in the Precinct (Westpac) with a zone that better reflects the nature of its existing use. Scenario 3 also protects existing land that provides urban support services and land for local businesses whilst providing a range of local employment and service options. In addition, Scenario 3 maximises opportunities for additional investment and housing provision making best use of scarce resources in Canada Bay LGA whilst leveraging off the Precinct's infrastructure strengths including Concord West Station, Bicentennial Park, Powells Reserve, existing school and the proposed new primary school.

Whilst Scenario 2 – *Business Park* has some positive benefits, it ranks less strongly than Scenario 3 as it would require a higher density of development (that could have a greater amenity impact to the area) and would not retain IN1 General Industrial land or provide additional housing outcomes. It would also require a co-ordinated and capital intensive programme to upgrade the Precinct so that it could compete against major business parks that

are already operating within the locality. This would require landowner buy in to the vision which is considered unlikely based on workshop discussions.

CONSISTENCY WITH S117 DIRECTION

Section 117 Direction 1.1 relates to Business and Industrial zones. The following table assesses the consistency of Scenario 3, as the preferred Scenario, against the five key requirements of the Direction for strategies concerning employment lands.

Table 3 - Consistency of Scenario 3 with Ministerial Direction 1.1 Business & Industrial Zones

Relevant Matters	Comment and Consistency
Objectives of the Direction	Scenario 3 would protect the parts of the Precinct that are viable for employment growth and the continued operation of industry. It would rezone parts of the Precinct that are stagnating and have little opportunity for employment growth or intensification to permit residential uses. These uses would generate additional demand for retail and business services which would help to support the viability of identified strategic centres (consistent with objective 1.C).
Retain existing business and industrial zones	Scenario 3 would retain 10% of the Precinct as IN1 General Industrial and 41% as B7 Business Park which provides opportunities for higher intensity uses whilst retaining opportunities for light industrial. The remaining 49% is recommended to be rezoned to non-business / industrial uses.
No net loss of potential floorspace for employment uses and related public services in business zones	Scenario 3 would result in the loss of 3.7ha of employment land yet retains land that generates 93% of jobs in the Precinct. In pure numerical terms it would also not result in the net loss of potential employment generating floorspace (i.e. commercial or industrial) subject to an increase in permissible FSR (i.e. for commercial uses) at 1 King Street.
Not reduce the potential floorspace area for industrial uses in industrial zones	Scenario 3 would result in the 49% reduction in the potential for industrial uses and floorspace in the Precinct. Notwithstanding this, in practice if retained, the Study has found that this land would not be likely to attract or encourage new industrial floorspace or uses. Consequently whilst land would be retained it would not be effective in generating jobs or supporting businesses.
In accordance with a Strategy approved by the Direction General of DP&I	Scenario 3 responds and accords with Objectives 3, 5, 6, 10, 14 and 24 of the draft Metropolitan Plan as well as actions A1.1.2, A1.2.3, A1.3, A1.9.1, A1.9.2, B4, C1 and C2 of the Draft Inner West Subregional Strategy.

In summary, whilst Scenario 3 does not directly support all of the objectives of the Section 117 Direction or draft Metropolitan Strategy Checklist, it does best enable the growth and efficient use of an accessible location in Sydney's Inner West Subregion. The rezoning is also considered appropriate to facilitating the renewal of a declining employment area and making efficient use of a location that benefits from good infrastructure (i.e. close access to rail, regionally open space and schools).

As a result Scenario 3 would balance the demands for growth and housing whilst protecting genuine employment generating uses and urban support services in the Precinct.

IMPLICATIONS OF SCENARIO 3 TO EXISTING EMPLOYMENT LANDS

As outlined above, Scenario 3 would result in the rezoning of 3.7ha of IN1 General Industrial land to residential representing an 11.5% loss of existing employment lands in the LGA and 1.1% in the Subregion[2]. Looking at the effective use of this land, only 1.4ha of the 3.7ha recommended for rezoning is presently occupied by genuine

[2] Based on ELDP Report 4 – Inner West Subregion 2010

industrial uses. The remaining 2.3ha are presently occupied by largely commercial, recreational and residential uses or are vacant. As a consequence the potential loss of land effectively used for industrial uses would represent 4% of the LGA's[3] employment lands and 0.4% of the Subregions.

Consequently should the area be rezoned and these businesses required to relocate they would need to find approximately 1.3ha of employment lands elsewhere in the Subregion. Owing to the nature of three of the four sites affected[4] (which support warehouse and distribution uses as opposed to local urban support services) there is limited reliance on staying in close proximity to the suburb of Concord West. Rather they are more reliant on sites that are of a suitable scale with good road connectivity to their markets as confirmed through discussions with these Stakeholders.

Interviews with the Stakeholders affected by the recommendation have found their support in principle for the permission of residential in time. For the broader public benefit however it is recommended that options for their businesses to relocate within the locality are identified and discussed further during any subsequent rezoning processes. This would allow for the retention of jobs generated by these businesses in the LGA where possible.

One such option relates to a former study undertaken by Hill PDA that recommended the retention of the Five Dock, Parramatta Road employment lands precinct for industrial, warehouse and business enterprise uses. These lands were found to be well located within the LGA, with good road access and a number of existing industry clusters. This location could provide an alternative opportunity for existing businesses. Alternative options for relocation could also be provided by the 34ha of undeveloped employment land located the Subregion (as calculated by the ELDP in 2010) in locations such as South Strathfield, Enfield or Silverwater.

RECOMMENDATIONS

In light of the assessment and discussion provided in the preceding Sections and Chapters, this Study finds that Scenario 3 – *Mixed Employment with Residential* would have the best overall economic and social outcomes for the City of Canada Bay as well as the Inner West Subregion.

In summary Scenario 3 was found to best:

1. Recognise and retain the major job generating businesses in the Precinct;
2. Protect land that genuinely provides urban support services for the locality (i.e. 25 George Street); and
3. Make efficient use of land in highly accessible and suitable locations for new housing.

This Scenario would facilitate a land use that is in notable undersupply in Sydney within a location already providing an excellent level of amenity and social infrastructure. The challenge for this Study has not therefore been whether a residential rezoning for the Precinct could be accommodated in amenity terms or whether there was sufficient demand for housing, but rather whether there was good cause to retain the existing industrial zone. Despite best intentions to protect the prospect for general industrial uses within the Precinct for the benefit of employment lands in the Inner West Subregion, our economic analysis has identified that from the ground up, the

[3] Based on 34.9ha as per the draft Inner West Subregion Strategy

[4] Three of the four sites accommodate 1.32ha of the 1.4ha of land effectively used by industrial businesses

retention of the IN1 General Industrial Zone across the Precinct would result in limited employment growth and redevelopment over the study period. In turn this would lead to the ongoing stagnation of the Precinct and a missed opportunity for additional housing which a much-needed use in Sydney.

In light of the above matters, on balance we recommend:

1. The rezoning of General Industrial land within Cluster 1 of the Precinct to R3 Medium Density Residential;
2. The rezoning of land at 1 King Street in Cluster 2 to B7 Business Park Zone to reflect existing uses;
3. The rezoning of all other General Industrial land within Cluster 2 to R3 Medium Density Residential;
4. The retention of land within Cluster 3 (25 George Street) as General Industrial land to provide urban support services.

The Study cautions that land use and building densities are but two ingredients in a successful urban environment. Our research of successful mixed use areas points to the importance of good and functional design as well as adequate access for servicing vehicles, provision of retail and business amenities and good quality urban landscapes. Accordingly as next steps, we support the commissioning of complementary urban design and traffic and transport studies in order to test the implications of this Study's recommendations, and where possible maximise positive outcomes. As part of this process we also recommend the preparation of an overarching masterplan for the Precinct and broader locality that considers as a minimum:

- Pedestrian and road connectivity matters;
- Suitable design and building densities;
- The appropriate scale of car parking rates given the proximity of the rail station and the adverse impact the current rates are having to development viability;
- Appropriate measures to protect the successful operation of land for urban support services;
- The preferred location for convenience retail; and
- Longer term changes of use in the Precinct (i.e. possible changes at 1 King Street).

As part of this process we also recommend the active involvement of Council's economic development officer to work with any existing businesses that may choose to relocate from the Precinct. We suggest active engagement to make businesses aware of alternative locations within the LGA such as the Five Dock, Parramatta Road Industrial Area that may be better suited to their business requirements.

Subject to support for the Masterplan, we recommend that Council submit a comprehensive planning proposal to the Department of Planning and Infrastructure for the proposed changes to the Precinct. At this time the Department of Planing and infrastcuture have indicated that they would welcome more detailed discussions with Council regarding the suitability of proposed zones, planning controls and other relevant matters[5].

[5] Letter from NSW Department of Planning and Infrastructure dated 1st July 2013

1. INTRODUCTION

1.1 STUDY PURPOSE

The following Socio Economic Impact Study (hereafter referred to as 'the Study') relates to three clusters of employment land located within Concord West known as the *Concord West Industrial Precinct* (hereafter referred to as 'the Precinct'). The Study has been commissioned by the City of Canada Bay ('Council') to gather an evidence base and thereby investigate appropriate land uses for the Precinct and their possible social and economic implications.

The employment land contained within the Precinct is some of the last remaining industrially zoned land on the far western side of the Canada Bay Local Government Area (LGA). Council requested that the Study be undertaken following the rezoning of a number of previously industrial zoned sites to a mix of commercial and residential within the same locality.

The Study examines land use change within the Precinct, the existing role and functions of the Precinct, as well ways in which it could evolve in the future. It has been informed by a site visit, public consultation workshops, discussions with the Department of Planning and Infrastructure, trend analysis, market assessments and employment land modelling in addition to feasibility testing.

The Study provides recommendations to Council as to how employment lands within the Precinct could be efficiently and effectively used in the future. It tests a number of scenarios in order to ascertain the implications and ramifications of altering the IN1 General Industrial zone which currently applies to the Precinct. The overall outcome of the Study is a Socio Economic Impact Assessment which determines the future land use mix and economic feasibility of development options for the Precinct.

1.2 STUDY AIMS AND OBJECTIVES

The purpose of the Study in relation to land use is to:

- Undertake research and market analysis to identify opportunities for future land uses within the Precinct having regard to amenity and traffic constraints as well as the locational aspects of the broader locality whilst recognising the existing employment uses;
- Undertake demand modelling to identify employment floorspace needs in the locality having regard to broader economic trends; and
- Undertake feasibility modelling and stakeholder consultation to better understand how the existing planning controls could change and how any change would influence development outcomes.

The Study has a 20 year timeline (e.g. to 2031) to align with the timescales of the draft Metropolitan Strategy for Sydney (2013).

1.3 What is an Economic or Social Impact?

For the purposes of this Study, an economic or social 'impact' is defined as the level of economic or social activity generated in a given area either positively or negatively. The assessment of likely impacts resulting from a particular planning scenario allows for the identification, prediction and where possible quantification, of impacts as either likely benefits or negative impacts.

Economic impacts may directly affect the economic well-being of an area's residents, the viability of businesses, workforce availability or trade by changing factors that influence opportunities for employment or business growth, the ease of doing business and the environment in which business is conducted. Economic impacts may also alter the scope of demand for services and the level of accessibility to those services.

Social impacts may directly affect the social well-being of an area's residents, visitors and employees by changing the social amenity and character of an area, the degree of social interaction, the availability of employment, social perceptions and opportunities. Social impacts may also alter the level of demand for services and accessibility to those services.

1.4 Study Structure

For clarity and ease of reading, the Strategy is divided in three parts as follows.

Part A – The Precinct Today: this part of the Study explores the existing mix of uses within the Precinct and the manner in which it operates today. In addition, it investigates land use change in the Precinct since 2006 and emerging property markets. It also provides a synopsis of the consultation workshops which were undertaken with local landowners and businesses to inform the Study. Part A provides the context for the subsequent Parts B and C of the Study.

Part B – The Precinct in the Future: this part of the Study examines the future competing demands for land uses within the Precinct based on forecast trends, demand modeling and market requirements relating to employment uses. It presents the findings of market research and feasibility testing of different development options for the Precinct.

Part C – Socio Economic Policy Considerations: Part C seeks to determine the implications of various different zoning scenarios to the Precinct. This last part of the Study translates the key findings of Parts A and B into recommendations for the Precinct. Part C investigates the social and economic implications of each potential planning scenario and then provides recommendations. It also provides advice as to what land use zoning Hill PDA considers being the most appropriate within the context of the research and analysis undertaken in the proceeding parts of the Study.

PART A - THE PRECINCT TODAY

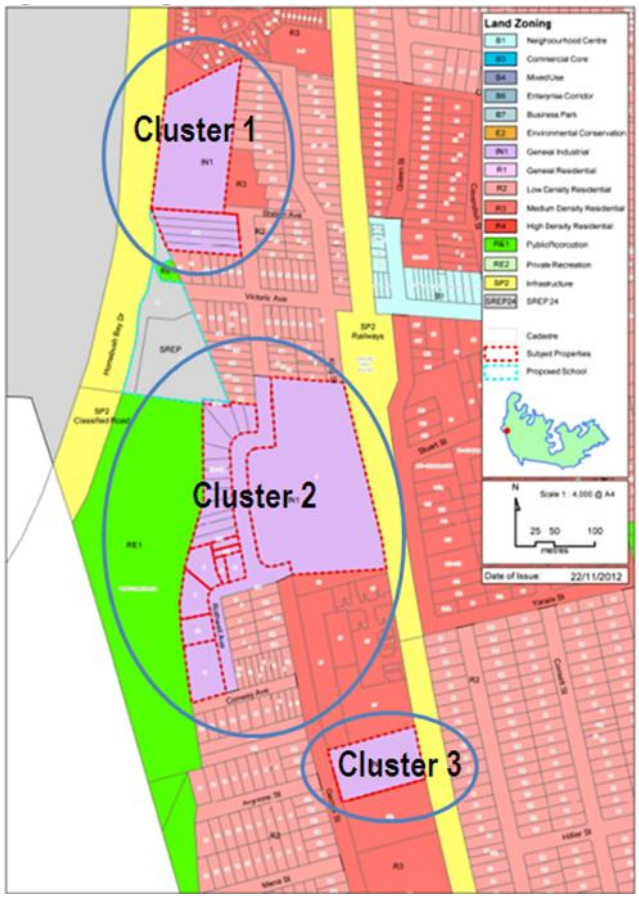
This part of the Study explores the existing mix of uses within the Precinct and the manner in which it operates today. In addition, it investigates land use change in the Precinct since 2006 and emerging property markets. It also provides a synopsis of the consultation workshops which were undertaken with local landowners and businesses to inform the Study. Part A provides the context for the subsequent Parts B and C of the Study.

2. THE PRECINCT

This Chapter explores how the Precinct has evolved, how it operates today and identifies its existing strengths and weaknesses. It considers the findings which emerged as a result of the Precinct Land Use Audit undertaken by Hill PDA in 2013 and compares the findings to the Audit undertaken by Council in 2006. Overall, Chapter 2 establishes the changes which have occurred in Precinct since 2006 and its current function.

The Precinct is defined as land zoned industrial within the *Concord West Industrial Precinct*. The three sections of employment land that combine together to form the Precinct represents some of the last remaining industrially zoned land on the far western side of the Canada Bay Local Government Area (LGA). Over time, portions of land on the western side of the LGA have been rezoned from industrial to residential and commercial uses. As the amount of industrial land has decreased, it has left the Precinct with three remaining industrial clusters. These clusters are located in the north, centre and south of the Precinct as identified in Figure 2.

Figure 2 - Zoning Plan of the Precinct



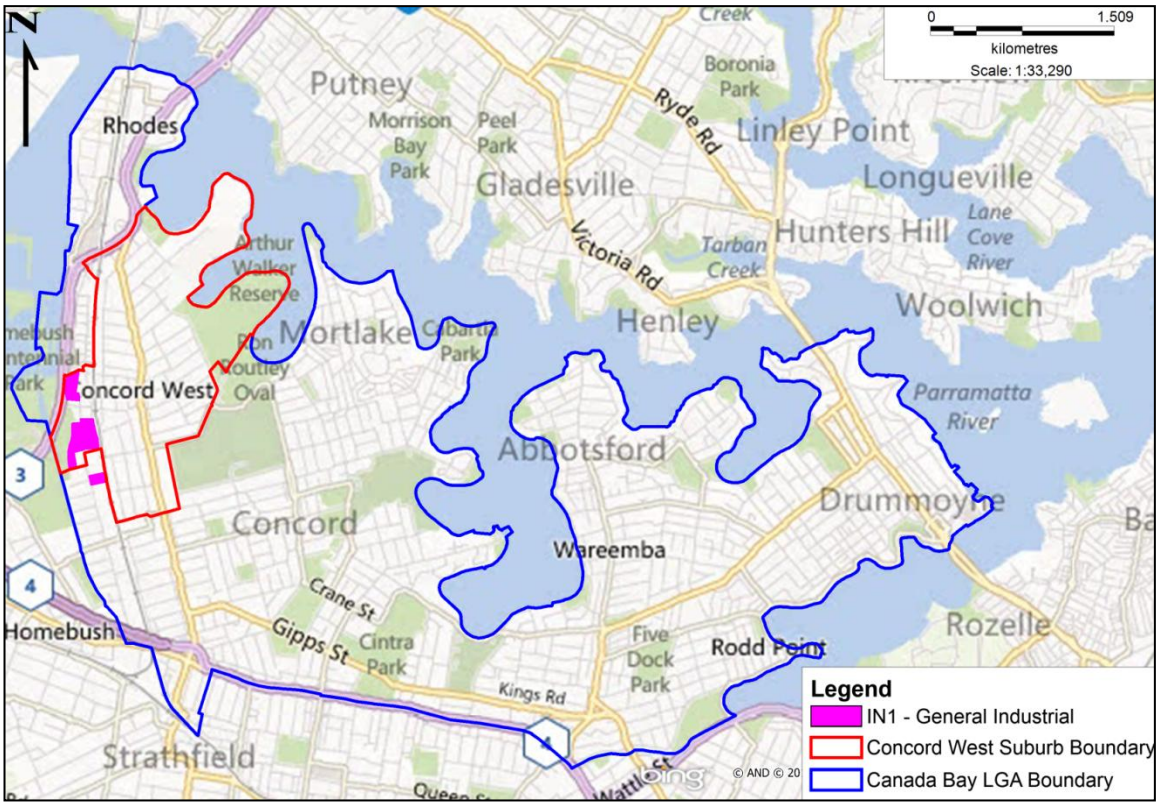
Source: Concord West Industrial Land Brief – Socio-Economic Impact Study amended by Hill PDA

2.1 PRECINCT LOCATION

The Precinct is located in the suburb of Concord West and in the Canada Bay Local Government Area (LGA) as shown in Figure 2. The sites within the Precinct are all zoned IN1 General Industrial under the Canada Bay LEP

2008 (refer to Figure 2). The Precinct contains 76,216sqm[6] of industrial zoned land. The draft Canada Bay Local Environmental Plan 2012 proposes to retain the Precinct's IN1 General Industrial zone.

Figure 3 - Location of the Precinct in the Broader Context of the Canada Bay LGA



Source: Source: Hill PDA (2012), MapInfo

2.2 PRECINCT CHARACTERISTICS

The Precinct is bounded by the Liberty Grove Estate to the north; the Northern Rail Line and Concord West Station to the east; residential dwellings and apartments to the south and Powells Creek Reserve to the west. Overall, the area is characterised by a mix of dwelling houses, town houses/apartment buildings, industrial land uses, commercial and retail land uses as well as local and regional recreational open land and parks.

The community titled estate, Liberty Grove is located to the north of the Precinct. The Liberty Grove site was a large industrial site that was rezoned for medium density residential development. Concord West Station is located to the east of the Precinct as well as a Glass and Aluminium business. There is also a small pocket of retail and commercial development on the eastern side of Concord West Station known as the Concord Neighbourhood Centre.

Houses and apartment buildings characterise the southern end of the Precinct. The area to the west includes Powells Creek Reserve, Homebush Bay Drive and Bicentennial Park. A large undeveloped site is located to the immediate west of the Precinct at 64 & 66 Victoria Avenue. This land is currently the subject of a Planning Proposal submitted by the

[6] Canada Bay Council, 2013, Concord West Socio-Economic Impact Study Brief

NSW Department of Education for a new primary school. Consultation with Council suggests that the Planning Proposal has been lodged with Council to rezone and reclassify the land; however, it is yet to be determined. Furthermore, a development application has been lodged co-currently with the Planning Proposal.

The Precinct is accessible by road, rail and bus. The M4 Western Motorway is located to the south of the Precinct which allows access to Sydney's inner and outer western suburbs. The Great Western highway is also located to the south of the Precinct providing road access to the Sydney CBD. The Precinct is located adjacent to Concord West Station which serves the northern line and provides access to Epping, Eastwood, Chatswood, North Sydney and Central Stations. The buses which service the suburb of Concord West include Metrobus M41, 439 and 458.

Of particular note vehicle access within the Precinct is restricted to one major entry and exit route via Pomeroy Street. Access via George Street onto Parramatta Road is also limited and restricted by traffic. Both routes require those accessing the Precinct to travel through residential streets and whilst some roads are generally wider than standard residential streets, there is still the potential for conflict. Pedestrian access from the western side of Concord to the east is enabled via an unofficial foot tunnel or via the station concourse.

2.3 Precinct Land Use Audit

In order to inform the Study, Hill PDA undertook an audit of the three industrial clusters and the businesses contained in each. The audit was informed by aerial analysis, site visits and consultation with stakeholders[7]. The key findings from the audit are detailed in Table 4 (please refer to Appendix 1 for further details).

The northern portion of the Precinct comprises two sites. One of these comprises Spitfire Paintball as well as an importer / exporter of building materials. The site immediately to the south of this contains Civardi Furniture resulting in Cluster 1 of the Precinct being characterised by a mix of industrial, commercial and recreation uses.

In the centre of the Precinct (Cluster 2), is the Precinct's largest consolidated site being the Westpac Concord Campus (Westpac's processing and call centre services). The facility provides child care facilities, a café, a gymnasium and car parking facilities. In addition, this cluster within the Precinct contains Cawsey Menck (kitchenware wholesalers and manufacturers), CTI Consultants (an air conditioning business) and Chiswick Plumbing. At the time of the Audit there was two residential properties and three vacant properties within this cluster. Overall, this section of the Precinct contains a mix of industrial, commercial and residential uses.

The southern section of the Precinct contains one strata development of 10 units, the businesses that occupy these units include: Machimport CNC, ABC Automotive Services, Ammon Leather Pty Ltd, Agar Cleaning Systems Pty Ltd, Australian Therapeutic Supplies Pty Ltd, Building Services SLR, M.C. Yee Noodels, Eurella Parking and Assembly and Ultimate Furniture Pty Ltd. There is one vacant unit. This cluster is thereby characterised by small industrial uses and urban support services.

The findings from the 2013 Precinct Land Use Audit are detailed in Table 4. The table corresponds with the map in Figure 1.

[7] Please note that for access reasons the audit was limited to an external review of the sites from the public domain

Table 4 - Precinct Land Use Audit

	Address	Business Name	Vacant	Land Area[8] and Estimated Floorspace[9]	Number of Employees[10]
1	7 Concord Avenue	Spitfire Paintball/Importer Exporter	No	Land Area: 14,971sqm Estimated Floorspace: 11,122sqm	2
2	202 George Street	Civardi Furniture	No	Land Area: 5,306sqm Estimated Floorspace: 5,660sqm	23
3	1 King Street	Westpac Concord Campus.	No	Land Area: 31,433sqm Estimated Floorspace: 16,310sqm	1000
4	176-184 George Street	Vacant	Yes	Land Area: 7,804sqm Estimated Floorspace: 5,085sqm	0
5	172 George Street	Residential	No	Land Area: 321sqm Estimated Floorspace: 116sqm	0
6	174 George Street	Residential	No	Land Area: 361sqm Estimated Floorspace: 116sqm	0
7	2 Rothwell Avenue	Cawsey Menck Pty Ltd	No	Land Area: 2,995sqm Estimated Floorspace: 3,274sqm	20
8	2A Rothwell Avenue	Vacant	Yes	Land Area: 1,872sqm Estimated Floorspace: 929sqm	0
9	4 Rothwell Avenue	CTI Consultants	No	Land Area: 1,696sqm Estimated Floorspace: 2,202sqm	4
10	6 Rothwell Avenue	Air Conditioning	No	Land Area: 1,579sqm Estimated Floorspace: 798sqm	27
11	8 Rothwell Avenue	Vacant	Yes	Land Area: 392sqm Estimated Floorspace: 296sqm	0
12	10 Rothwell Avenue	Chiswick Plumbing	No	Land Area: 735sqm Estimated Floorspace: 876sqm	8
13	25 George Street, North Strathfield	10 Units: Machimport CNC, ABC Automotive Services, Ammon Leather Pty Ltd, Agar Cleaning Systems Pty Ltd, Australian, Therapeutic Supplies Pty Ltd, Building Services SLR/ERP Con, M.C Yee Noodles, Eurella Packing and Assembly , Vacant Ultimate Furniture Pty Ltd	1 Vacant Unit	Land Area: 7,401sqm Estimated Floorspace: 3,882sqm (approx. 369ha each unit)	45
				Total Land Area: 76,216sqm[11] Total Estimated Floorspace: 50,666sqm	Total Employees: 1,131

Figure 4 - Map of the Precinct

[8] Canada Bay Council, 2012, Concord West Socio-Economic Impact Study Brief.
[9] Floor Area is an estimate. It has been measured via desktop. It was not carried out through an internal inspection.
[10] Number of employees based on stakeholder consultation with businesses.
[11] Canada Bay Council, 2012, Concord West Socio-Economic Impact Study Brief.

2.4 LAND USE CHANGE IN THE PRECINCT 2006-2013

Historically the area on the western peninsula of the LGA was zoned industrial and contained industrial uses. Furthermore, the section of land located to the west of the north rail line, north of Parramatta Road and south of the present day Liberty Grove Development was once entirely occupied by industrial uses. Over time the predominant land use character of this area has evolved into a mix of industrial, commercial, residential and recreational uses. The Precinct that is the subject of this Study is defined as the three remaining clusters of land zoned industrial in the area.

Table 5 - Land Use Audit Comparison 2006-2013

	Precinct Land Use Audit 2006	Precinct Land Use Audit 2013
SITES	13	13
STRATA TITLED SITES	1	1
VACANT SITES (No. of Units)	2* (15%)	4* (36%)
EMPLOYMENT GENERATING SITES	13	11
TOTAL EMPLOYEES	645	1,131
	Precinct Land Use Audit 2006	**Precinct Land Use Audit 2013**
LAND AREA	76,216sqm	76,216sqm
VACANT LAND AREA	2,904sqm (4%)	11,929sqm (13%)
OCCUPIED INDUSTRIAL LAND AREA	40,183sqm (53%)	21,644sqm (28%)
OCCUPIED COMMERCIAL LAND AREA	33,129 (43%)	34,708sqm (46%)
OCCUPIED RESIDENTIAL LAND AREA	0	682sqm (1%)
OCCUPIED RECREATIONAL LAND	0	8,923sqm (12%)[12]

Regrettably we do not have the benefit of a long-term audit of uses in this location to compare the current uses to. However, it is possible to gain a better understanding of how uses in Precinct have changed over time by comparing the findings from the Precinct Land Use Audit 2013 (identified in Table 4) with the findings of an earlier *Industrial Land Use and Employment Audit* carried out by Canada Bay Council in 2006.

A comparison of the two demonstrates that there has been an net increase in the number of employees (+486) in the Precinct since 2006. It must be noted, however that the Westpac Concord Campus (data processing centre) accounts for a large portion of this increase and persons currently employed in the Precinct. The building at 1 King Street was purpose built for Westpac in 1997[13] and the number of people employed on this site alone has grown by 800 since Council's audit was undertaken in 2006. As a consequence the vast majority of jobs generated in the Precinct (89%) are generated on this this one site alone rather than evenly spread across the Precinct.

Most significantly in 2006 there were two printing companies within the Precinct that employed an estimated 350 people. These printing companies are no longer in operation. The Chippendale Printing Company entered voluntary administration in 2010[14] and Fred Hosking Pty Ltd (printing company) has since closed. The notable decline of this industry in the Precinct between 2006 and 2013 could be attributed to broader changing consumer preferences and

[12] This has been calculated on the basis that 7 Concord Avenue is taken up with Spitfire Paintball (60%) and the importer/exporter (40%). Spitfire Paintball has been classified as recreation and the importer/exporter has been defined as industrial.

[13] Australian Financial Review, 2012, APGF close to Concord campus deal.

[14] http://www.proprint.com.au/News/172610,chippendale-printing-goes-into-administration.aspx

the growing success of information mediums such as the internet leading to a decline in the preference for printed materials.[15] The site of the Chippendale Printing Company is currently vacant however; the Fred Hosking site is partially occupied by Spitfire Paintball (a recreational facility) and a building materials importer and exporter. This demonstrates that the printing industry cluster in the Precinct has diminished since 2006. Also of note, 6 Rothwell Avenue was vacant when Council undertook their 2006 audit and is now occupied by a commercial premise.

The above mentioned findings have contributed to a change in the occupied industrial, commercial and residential mix of land uses in the Precinct (refer to Table 5). In 2006, 53% of the land area was occupied by industrial uses, by 2013 this has diminished to 28%. Consequently, since 2006 there has been an evident increase in the predominance of commercial, residential and recreational uses in the Precinct.

In relation to vacant land, there has been a 9% increase in vacant land between 2006 and 2013. Of particular relevance, 2A Rothwell Avenue was vacant when the 2006 audit was conducted and continued to be vacant when the Hill PDA audit was undertaken in 2013.

2.5 CURRENT FUNCTION OF THE PRECINCT

Based on the analysis provided above, it is apparent that there has been a notable decrease in land utilised for industrial uses in the Precinct. As such, there has been an increase in land used for commercial, residential and recreational purposes. For example, 6 Rothwell Avenue was vacant when Council's 2006 land use audit was undertaken and it is now occupied by a commercial premise. In addition the Precinct now contains recreational facilities such has Spitfire Paintball. This demonstrates that there has been a shift away from traditional industrial land uses to more diverse employment generating opportunities and a growing level of vacancies.

There has been a small increase in the number of vacant premises since 2006 (a 9% increase in vacancies based on land area between 2006-2013). Of particular relevance, 2A Rothwell Avenue was vacant when the 2006 audit was conducted and it is currently vacant.

It must be noted however that the cluster of businesses located at 25 George Street, North Strathfield in the southern portion of the Precinct is an exception to these changes and appears to be performing well. This cluster contains a range of urban support and small industrial uses. The building is relatively new in comparison to other sites in Precinct and has a greater density of employment activity. In contrast many other sites in the Precinct have significantly older stock that is approaching the end of its economic life.

As such the land uses within the Precinct are not entirely representative of those typically permissible within the IN1 General Industrial Zone (e.g. freight transport facilities, vehicle repair stations, warehouse or distribution centres and hardware and building supplies). Therefore, despite being zoned for general industrial uses, the Precinct has changed over the past decades and largely in the past 7 years. In addition, the NSW Department of Education proposes to construct a new primary school at 64 & 66 Victoria Avenue, Concord West16 which would also contribute to changing the character of the area subject to approval.

[15] IBISWorld, December 2012, Printing in Australia: Market Research Report.

*Based on number of industrial units.

[16] Canada Bay Council, 2012, Concord West Socio-Economic Impact Study Brief.

3. STAKEHOLDER CONSULTATION

To help inform the Study all landowners and businesses were invited to attend two workshops organised by Council and chaired by Hill PDA. The intention of the workshops was to better understand the nature of existing uses within each cluster of the Precinct, to discuss key issues affecting its operation and objectives of landowners and tenants with respect to their businesses and sites. The following Chapter summarises the key findings of the workshops and translates the findings into a summary of the Precincts perceived weaknesses and strengths. The full minutes of the workshops are provided in Appendix 2.

The final section of the Chapter summarises the key sections of the two planning proposals submitted for land within the Precinct.

3.1 STAKEHOLDER CONSULTATION WORKSHOPS

The main findings and matters discussed in the workshops were:

- Some landowners had bought sites and relocated their businesses to the Precinct owing to its close proximity to their place of residence;
- Some landowners had bought on the expectation that they would operate their businesses for the next few years prior to retirement or relocation and in turn redevelop the sites to residential uses in keeping with the broader area;
- The proposed school adjacent to the Precinct is an indicator of its changing character and suitability for residential uses;
- The area requires a co-ordinated approach with respect to land use planning, design and traffic management. This should be addressed through a suitable masterplan;
- The area surrounding the Precinct has steadily changed from industrial uses to residential over the past few decades. This change was in part exacerbated by the former Concord Council's lack of strategic vision for the area to become residential; and
- Redevelopment of the Precinct to residential in time was generally accepted as an 'inevitable' and best outcome by landowners consulted; and
- If the area was to be rezoned and businesses were to relocate to alternative sites, it would not be likely that they would stay within the LGA as there were limited options for sites.

3.2 STRENGTHS

The existing strengths of the Precinct were identified through Hill PDA's sites visits and the consultation workshops. These include:

- Local Features: the Precinct has a range of geographic merits including close proximity to a passenger rail station, Bicentennial Park, Powells Creek Reserve and the proposed new school.

- Broader Access to Services: the Precinct is well located with respect to larger employment and retail precincts (i.e. Rhodes, Sydney Olympic Park);
- Land Ownership: There are a number of large lots in the Precinct which are in single ownership;
- Landowners. As evidenced by attendance at our workshops landowners are willing to engage with Council regarding the future of the area and keen to progress some redevelopment opportunities; and
- Servicing and Car Parking: a number of the larger sites have good off street loading docks and car parking.

3.3 WEAKNESSES

Existing weaknesses of the Precinct include:

- Economic Life: many of the existing buildings in the Precinct are at the end, or nearing the end of their economic life. As a consequence there are notable finical costs to refurbish or redevelop them before they can be tenanted;
- Access: vehicle access is restricted to one major entry and exit route via Pomeroy Street. Access via George Street onto Parramatta Road is also limited and restricted by traffic. Both routes require travel through residential streets and whilst some roads are generally wider than standard residential streets, there is still the potential for conflict. Pedestrian access is focused via an unofficial foot tunnel or via the station concourse.
- Geographic Constraints: owing to the limited road access to the north, east or west of the Precinct, opportunities for the Precinct with respect to retail uses (i.e. a supermarket or new centre) are limited;
- Cluster: the Precinct lacks a distinct industrial theme or cluster to which associated industries and business could be attracted;
- Contamination: owing to the nature of past industrial uses, it is anticipated that the Precinct will have some level of contamination and would thereby be likely to require remediation for any change of use / redevelopment;
- Safety and Security: the growing level of building vacancy is having an effect on perceptions of safety and security in the area. Potential conflicts between the operation of businesses and access by vehicles could also have safety implications for children attending the proposed school;
- Growing Conflict of Uses: there are concerns that prospective industrial tenants in the Precinct required to submit a development application would encounter objections from local residents with respect to potential noise generation and other disturbances thereby hindering future employment opportunities. There is also concern that there will be a greater potential for conflict between operating general industrial uses and the users of the proposed primary school;
- Speculation: the changing nature of the area has led to speculation that the Precinct will also be rezoned to residential at some point in time. Consequently some landowners have bought (and paid site values)

with the intent of developing for residential uses. This has undermined the viability of redeveloping or tenanting some of the sites for industrial uses; and

- Competition. Competition for tenants with industrial and employment locations elsewhere in the Sydney Metropolitan Area was seen to be increasing. Employment lands such as those at Silverwater and Eastern Creek were seen to offer better accessibility to the road network via the M7 motorway and with larger lots better suited to the needs of storage and warehouse industries.

3.4 STAKEHOLDER SUBMISSIONS

A number of submissions have been made by landowners to Council in relation to the potential rezoning or development opportunities for sites within the Precinct.

176-184 George Street Concord – submission by Macroplan on behalf of the site owners. Key issues relate to:

- Requested rezoning of site to residential or mixed use. This change was argued to support employment through *'the viability of less expensive housing and provision of additional commercial space'*;
- Rezoning from industrial would be appropriate as according to the ABS the number of industrial businesses in the LGA have declined since 2008 whilst the number of health and education related businesses have increased;
- There is sufficient industrial space provided in Auburn to meet the needs of Canada Bay; and
- Site has fragmented lots that are located a distance away from the M7 than other industrial areas such as Greystanes and Silverwater which detracts from their capacity to deliver road transport-orientated services.

7 Concord Avenue, Concord West – submission by Elton Consulting on behalf of the site owners. The key issues raised in the submission relate to:

- Requested rezoning of the site to residential. It was argued that the residential redevelopment of the Subject Site will facilitate investment in the area and encourage future rejuvenation of broader Concord West Area;[17]
- It was stated that retention of an industrial zoning at the site will not provide an appropriate outcome for employment generation in the Precinct. It was put forward that the site is becoming increasingly redundant and sterilised as an industrial zoning and it is difficult to attract genuine industrial land uses;
- Planning controls that provide incentives to redevelop the sites that are line with market demand; and
- The site's long term vacancy and failure to attract genuine industrial land uses suggests that continued protection of the industrial zone will further exacerbate the underutilisation of the site.

Additional information was submitted by Elton Consulting in May 2013 to explain that 7 Concord Avenue had taken 12 -18 months to find a tenant and 6-8 months to secure planning consent for a tenant (partially as a result of objections from neighbours regarding traffic and amenity issues). The current tenant pays $60/sqm rent and benefitted from rent free incentives. The first floor office remains vacant and difficult to rent.

[17] Elton Consulting, 2012, Submission on Draft Canada Bay LEP 2011

4. EXISTING POLICY CONTEXT

The following Chapter provides a summary of the key government strategies, plans and polices that may influence the Precinct's growth and operation in the future.

4.1 NSW 2021 (2011)

The NSW 2021 Plan aims to rebuild the NSW economy, provide quality services, renovate infrastructure, restore government accountability and strengthen NSW's local environment and communities.

The Plan comprises five sub-strategies. The main sub-strategy that is of relevance to this Study is *Rebuild the Economy.* The following goals are of particular importance to the Study:

- **Goal 1 Improve the Performance of the NSW Economy -** states that a strong economy generates opportunities for fulfilling jobs, choices and financial security. The target of the Plan is to grow employment by an average of 1.25% per year to 2020; and
- **Goal 4 Increase the Competitiveness of Doing Business in NSW** – states that there should be an increase in business innovation. Furthermore, it is put forward that high performing businesses should be supported to innovate in order to further enhance productivity through Industry Action Plans. The plans will identify innovation drivers and barriers within key sectors (professional services, manufacturing, digital economy, tourism and events, and education and research).

4.2 DRAFT METROPOLITAN STRATEGY FOR SYDNEY (2013)

The draft Strategy sets the framework for Sydney's growth to 2031. The overarching vision of the draft Strategy is that *"Sydney in 2031 will be one of the world's most dynamic and successful cities. Its strong economy and healthy environment will make it one of the most desirable places to live in the world".* The Strategy supports the key goals, targets and actions contained in NSW 2021 and is based around five key outcomes:

- Balanced Growth;
- A Liveable City;
- Productivity and Prosperity;
- Healthy and Resilient Environment; and
- Accessibility and Connectivity.

A key focus of the Plan is to achieve growth, both in jobs and housing. Objective 2 of the Plan refers to strengthening and growing Sydney's centres, it identifies that business and government investment has helped to create places with housing, public spaces and increased job densities that benefit from access to transport. The Strategy identifies that the growth of strategic centres will be aligned with the *Long Term Transport Master Plan's* initiatives to support land use with transport.

Of relevance to this Study is the key outcome *Productivity and Prosperity*. In particular *Objective 13: Provide a well-located supply of industrial lands* states that industrial lands close to rail, motorways and other major roads have high strategic value. This is relevant to the Precinct as it is located adjacent to Concord West Station.

The Strategy states that existing industrial lands, especially in established areas, are under pressure to be rezoned to other uses, despite the clear need for them in the future.[18] The Strategy provides an Industrial Lands Strategic Assessment Checklist for rezoning of existing industrial land uses. The Criteria is outlined below and discussed further in Section 11.3 of the Study.

Figure 5 - Industrial Lands Strategic Assessment Checklist for Rezoning of Existing Industrial Land

- Is the proposed rezoning consistent with State and/or council strategies on the future role of industrial lands?
- Is the site:
  - near or within direct access to key economic infrastructure?
  - contributing to a significant industry cluster?
- How would the proposed rezoning impact the industrial land stocks in the subregion or region and the ability to meet future demand for industrial land activity?
- How would the proposed rezoning impact on the achievement of the subregion/region and LGA employment capacity targets and employment objectives?
- Is there a compelling argument that the industrial land cannot be used for an industrial purpose now or in the foreseeable future and what opportunities may exist to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries?
- Is the site critical to meeting the need for land for an alternative purpose identified in other NSW Government or endorsed council planning strategies?

The draft Strategy includes priorities for metropolitan subregions. Canada Bay is situated within the Central Subregion. The Strategy states that the Central Subregion currently has a population of 1,144,000 and targets a resident population of 1,385,000 (an increase of 242,000 people) by 2031. In addition, the number of jobs within the Central Subregion was estimated as 998,000 as of 2011 with the target for job growth toward 2031 being +230,000 (1,228,000 jobs in total).

In light of the notable forecast growth in residents in the Central Subregion over the plan's timescales, *Objective 1: Develop a new Land Release Policy and make new areas for housing and jobs* identifies that a "a strong housing market is critical to Sydney's economic success". The Strategy states that a variety of housing choice is required across Sydney so that people can work locally and can easily access shopping, education and services. Furthermore, it is expected that trend for new housing to be located in the Metropolitan Urban Area (including the

[18] NSW Department of Planning & Infrastructure, 2013, Draft Sydney Metropolitan Strategy

Canada Bay LGA) is expected to continue over the next 15 years. This reflects a growing preference for housing and apartment living in existing urban areas in close proximity to services.

In addition, the Rhodes Specialised Precinct which is in close proximity to the Precinct is identified for the following:

- Support cluster of office-based jobs and medical enterprises associated with the Concord Hospital;
- Create a focus for intense commercial and residential activity; and
- Provide capacity for at least 2,000 additional jobs by 203119.

4.3 Draft Inner West Subregional Strategy (2007)

The draft Inner West Subregional Strategy sets a target of an additional 12,500 jobs within the Subregion by 2031. It applies to the Local Government Areas (LGAs) of Ashfield, Burwood, Canada Bay, Leichhardt and Strathfield (which now differs from the Subregion adopted by the draft Metropolitan Strategy). To achieve this target 6,000 additional jobs are to be generated in the City of Canada Bay accounting for 48% of the total job target for the Inner West Subregion.

The Draft Inner West Subregional Strategy sets a housing target of 30,000 towards 2031 as well as a housing target of 10,000 for the Canada Bay LGA. These targets will be revised in accordance with the new Subregions proposed by the draft Metropolitan Strategy and the revised targets for housing in Sydney.

In relation to employment lands, the draft Strategy identified the Precinct as Category 1 Employment Lands, designating it as land to be retained for industrial purposes.

4.4 Draft Canada Bay Futures Plan20

The Canada Bay Futures Plan20 sets a twenty-year vision for the City of Canada Bay. The aim of the Plan is to ensure that the City of Canada Bay is active and vibrant; has sustainable spaces and places; is innovative and engaged; and is thriving and connected.

The Plan notes that the population in the LGA has increased. It states that the recent growth has been largely due to the redevelopment of previous industrial sites into residential developments as well as the pressure to accommodate the increasing population moving into urban areas.

The Plan contains four themes, they include the following:

- **Theme 1: Active and Vibrant -** *An active and vibrant city is one that captures the energy, diversity, pride and potential of its community;*

[19] NSW Department of Planning & Infrastructure, 2013, Draft Metropolitan Strategy for Sydney to 2031.

- ***Theme 2: Sustainable Spaces and Places -*** *A city of sustainable spaces and places is one whose residents recognise and act on their collective responsibility to protect their environment and to preserve it for future generations;*
- ***Theme 3: Innovative and Engaged -*** *An innovative and engaged city is one served by an effective local council that works with its community to balance the needs of its many and diverse stakeholders; and*
- ***Theme 4: Thriving and Connected -*** *A thriving and connected city has successful local economic development and is served by well-functioning transport and roads.*

4.5 CANADA BAY LOCAL PLANNING STRATEGY

The Canada Bay Local Planning Strategy sets the strategic framework for the City of Canada Bay towards 2031. The outcomes of the Canada Bay FuturesPlan20 are supported by objectives in the Canada Bay Local Planning Strategy.

The overarching vision of the Canada Bay Local Planning Strategy is *"working together, we can create a Canada Bay that is engaged, green, healthy, liveable, moving, prosperous and vibrant".* The Strategy has seven key areas, these include: housing, employment, transport and access, recreation and open space, natural environment, heritage and special planning areas. Of particular relevance to this Study is the chapter regarding employment.

The Employment Chapter highlights:

- Concerns that there may be a shortage of appropriate light industrial land in the future;
- There is no longer any significant demand for land by heavy industry in the LGA;
- There is significant pressure to rezone existing industrial land to residential or commercial use; and
- *Despite the above referenced points the Objective E5 Retain industrial sites within the LGA of the Strategy states that "Industrial sites at George Street, North Strathfield, Leeds Street Rhodes and the Freshfood Site (Bushells), Concord should be retained. Although the retention of these sites does not translate into significant employment growth for the LGA, these sites are important to support growth in local business activity associated with population growth and have a level of strategic significance at both a local and sub-regional level". Furthermore it is stated that Council supports the retention of these areas for industrial purposes for the medium term with further investigation to occur within 5 years for industrial sites located at George Street.*

In relation to housing the strategy identifies the following:

- *Action H12 - Increase residential densities in, and in the immediate vicinity of, the existing centres of Drummoyne, Five Dock, Concord, Concord West and North Strathfield - these existing centres all include good services and access to transport access and yet they contain a significant proportion of low density housing. It is recognised that the low density and village feel in Canada Bay is valued by residents and businesses alike, however a balance must be struck between retaining the existing character, and ensuring densities support the public transport patronage. Suitable density increases*

should be determined consistent with village feel and transport accessibility, and desire to promote housing choice and affordability. This will require an adjustment to local zoning controls, shop-top provisions (to encourage residential), parking controls, and pedestrian and cycling facilities. Design guidelines should be prepared to protect amenity. Particular emphasis should be placed on achieving higher densities at close range, such as with 200 metres of existing retail areas and centres serviced by public transport.

4.6 City of Canada Bay – Planning Instruments

The Canada Bay Local Environmental Plan 2008

The Canada Bay Local Environmental Plan (LEP 2008) provides zoning provisions that determine land use and building controls within the LGA. The LEP was prepared in accordance with the NSW Government Standard Instrument and consolidates the Concord Planning Scheme Ordinance, 1969 and the Drummoyne Local Environmental Plan.

The Precinct is zoned IN1 General Industrial with an FSR of 1:1 and maximum building height of 12m in the Canada Bay LEP 2008.

The Canada Bay Development Control Plan 2008

The Canada Bay Development Control Plan (DCP) applies to the whole LGA and provides planning controls to ensure a high standard of design.

Draft Canada Bay Local Environmental Plan 2012

The draft Canada Bay Local Environmental Plan 2012 is currently on exhibition. The draft LEP proposes that the Precinct remain zoned IN1 General Industrial with an FSR of 1:1.

4.7 Employment Lands Development Program

Employment Lands Development Program (ELDP) 2011 Update Report

In 2012, the NSW Government released the second of a series of ELDP Reports titled the *ELDP 2011 Update Report*. The report provides data on stocks of employment land for Sydney as at January 2011. According to the ELDP the Sydney Region has 15,583ha of existing Employment Zones. In comparison, the Inner West provides a relatively low proportion of Employment Land, approximately 345.6ha.

Employment Lands Development Program (ELDP) 2010 Report 4 Inner West Subregion

The ELDP Report identified that the Canada Bay LGA has significant Employment Lands, including around 12 hectares located within the Parramatta Road / Queen Street Precinct; 6 hectares at Leeds Street (Rhodes); and

the 4 hectare Bushells site[20]. However, the ELDP Inner West Subregion Report does not identify the Precinct as significant employment land.

The key findings of the ELDP Report include:

- There is no potential for new Employment Lands within the Subregion. Any future space for Employment Land is anticipated to come from land regeneration;
- The Inner West Employment Lands support 19,300 jobs representing 19% of all jobs in the Subregion;
- Employment Lands supported 13% of all jobs in the City of Canada Bay;
- The Inner West has some 34ha of undeveloped employment lands; and
- The Inner West recorded 1ha of Employment Land take-up in 2009, compared to 3.8 hectares in 2008.

4.8 Local Planning Directions

Under Section 117(2) of the *Environmental Planning and Assessment Act 1979* the Minister for Planning and Infrastructure provides directions to planning authorities regarding proposals lodged with the Department of Planning and Infrastructure (DP&I).

For proposals in Business and Employment Zones the directions mandate that the LGA must ensure compliance with relevant strategic objectives set by the DP&I[21] and ensure that the total area and floorspace for potential employment lands is not reduced[22]. Where proposals are inconsistent with the direction then various requirements must be met including justifying the change by way of a study prepared in support of the planning proposal.

4.9 Relevant Studies and Research

A number of studies have previously been undertaken with respect to the future role of the Precinct. These studies and research are summarised below.

Industrial Land Use and Employment Audit, City of Canada Bay (May 2006)

The Industrial Land Use and Employment Audit divided employment lands in the City of Canada Bay into a number of distinct areas and undertook a survey of existing land uses within each.

Precinct 4 in the Audit correlates with the Concord West Industrial Precinct identified in this Study. The Audit states that the mix of land uses in the precinct includes offices, workshops and warehouses. As of 2006 the Audit found that the range of businesses included: furniture manufacturing, building consultancy, printing, finance and child care. The Audit shows that there were two vacant premises as of 2006 and the Precinct employed an estimated 645 people.

[20] Employment Lands Development Program (ELDP) 2010 Report 4 Inner West Subregion

[21] Direction 1.1 (4)(e)

[22] Direction 1.1 (4) (c) and 4(d)

Canada Bay Housing and Employment Study, SGS Economic and Planning (August 2008)

The Canada Bay Housing and Employment Study identified three key areas of employment in Canada Bay LGA. Of particular relevance to this Study is the Western Canada Bay Precinct as it includes the Precinct).

Within the *Western Canada Bay Precinct* the Study identified industrial land zoned in *George Street, North Strathfield* (this correlates exactly with the land that is the subject of this Study). The Study states that the industrial zoned land covers an area of 8.7ha representing 23.1% of all industrial land within the LGA. Furthermore, the 2008 Study identified industrial land located along George Street as important to the local economy and subregional economy. It identifies that there are minimal constraints for current uses.

The 2008 Study found that the Precinct had a significant concentration of financial and insurance service jobs in 2006 (1,133 jobs). The Study notes that this was likely to be influenced by the location of Westpac's data processing centre in the area. The Study also estimated that the Precinct generated 669 manufacturing jobs in 2006. The 2008 Study also identified that industrial land located along on George Street, North Strathfield was likely to accommodate the majority of these jobs.

The Study outlined the following considerations of demand in relation industrial zoned land:

- There is concern that there may be a shortage of appropriate light industrial land in the future;
- There is no longer any significant demand for land by heavy industry in the LGA; and
- There is a lot of pressure to rezone existing industrial land, particularly industrial sites, to residential or commercial use.23

The Study recommends that large industrial sites within the George Street Precinct should be retained as a key service industry location for the LGA.

Concord Residential Strategy, Concord Council (1997)

It must be noted that one of the contributing factors to sections of the Precinct being rezoned to residential is Canada Bay Council *Concord Residential Strategy 1997.* Whilst this Strategy has been superseded by the Canada Bay Local Planning Strategy, it details that in 1997 the former Concord Council promoted the rezoning of industrial land along the northern railway corridor, in particular within a radius around railway stations to residential. As a result, a significant amount of industrial land was rezoned for residential purposes along this corridor.

[23] SGS, 2006, Canada Bay Housing and Employment Study/Working Paper.

PART B: CONCORD WEST IN THE FUTURE

This part of the Study examines the future competing demands for land uses within the Precinct based on forecast trends, demand modelling and market requirements relating to employment uses. It presents the findings of market research and feasibility testing of different development options for the Precinct.

5. TREND ANALYSIS

This Chapter analyses macro and micro trends which have the potential to shape current and future demand for land within the Precinct. In addition to broadly examining international and national economic trends, it focuses on the industry sectors which are particularly relevant to the Precinct: industrial, office/ commercial, residential and retail.

5.1 THE AUSTRALIAN ECONOMY

The Australia's economy continues to perform positively despite economic challenges linked to weaker global economic conditions and a high Australian dollar[24].The unresolved European crisis is driving a subdued global outlook, US economic growth has not been sufficient to bring employment back to its pre-crisis level and Chinese economic growth has softened[25].

In 2011-2012 Australian national economy was boosted by rapid mining investment and strong household growth consumption. As such Australia's economy has been stronger than other advanced economies. Notwithstanding this due to a high Australian dollar and global competition, industries such as manufacturing, tourism and international education are experiencing significant pressures.

Employment growth reached a low point in 2011-2012 (annual employment growth was close to that recorded during the Global Financial Crisis (GFC) in 2008). However, the latest results saw the unemployment rate decline by 0.1 percentage points from 5.2% in July to 5.1% in August 2012. This saw part-time employment fall by 9,300 people to 3,426,700 while full-time employment increased by 600 people to 8,071,400[26].

Over the same period nationally house prices have softened; however, there has been a stricter lending criterion since the GFC. It is suggested that growth is unlikely to return to the highs experienced in the past decade. As a result, household saving has increased, these higher saving rates are likely to be quite persistent and represent a return to more traditional patterns[27].

5.2 THE NEW ECONOMY

The New Economy is a term used to describe a knowledge and idea-based economy. In the New Economy the key to higher standards of living and job creation is the incorporation of innovative ideas and technologies in services, products and manufacturing processes. It is characterised by technological innovation, e-commerce, digital transformation, higher education, skills and open trade. It differs from the previous economy where there was less of a reliance on skills and education and the key driver of economic growth was the mechanisation of the production process.

[24] Colliers International, 2012, Sydney Research and Forecast Report.

[25] Ibid.

[26] Ibid.

[27] Lowe,P, 2011, Changing Patterns in Household Saving and Spending.

Some of the key characteristics of the 'New Economy' as it emerges include:

- Higher levels of entrepreneurial dynamism and technological innovation due to increased competition. Such innovation is characterised by research and development, and is the key driver of productivity and ultimately wage growth, which benefits both consumers and the wider community;
- An increase in knowledge based employment that stems from technological innovation, highlighting the need for education and training;
- An improvement in the efficiency of the design and production process, resulting in faster times to the marketplace and to the end-user;
- An increase in diversity in the products and services provided to consumers;
- Increased reliance on the internet and other forms of information technology, especially in the service sector. 'Digitisation' (using digital information technologies to produce goods and services) is also a key driver;
- Globalisation of the marketplace;
- The restructuring of the hierarchical organisational structures with the emergence of the need for government to co-invest and collaborate with other organisations, so as to achieve a wide range of public policy goals; and
- An increase in the importance of understanding the changing economy.

The goal for economies that are adjusting to the global decline in traditional industry will be to continue to foster innovation and adaptation, to secure a range of employment options and industry diversity. In many industries, education and training, creativity and adaptation have become the principle sources of competitive advantage. Efforts made by communities to foster the New Economy need to be proactive so as to ensure that the community has access to tertiary education and lifelong learning opportunities.

5.3 Industrial Trends

The industrial landscape of a country is by definition always changing. In this respect the spatial transformation of industrial land use can be the result of a combination of technological, social, economic, and policy trends. The advance of modern technologies in particular has been changing the methods of manufacturing production and the pattern of world trading. The global economy today consists of more sophisticated linkages between businesses which are designed to enable the efficient sharing of information and the delivery of goods through a global supply chain. Consequently, new linkages between sectors and regions are being created and industrial production and decision-making are increasingly becoming global in scope.

As a result notable job growth is not expected in traditional industrial sectors but rather the highly specialised and technological manufacturing sector (Advanced Manufacturing). Consequently, the demographic of the workforce will shift as an increasingly skilled workforce will be required. Combined with this, NSW planning policy has a strong mandate to retain employment land and generate more jobs to combat population growth. It must be recognised that whilst determining employment and industrial land demand based on a forecast of resident workers and/or jobs is sound, it does not often account for market or supply led demand.

Of particular relevance to the Concord West Industrial Precinct is the decline of Printing Companies. This could be attributed to the fact that consumers are increasingly choosing to receive information via alternative mediums, such as the internet, rather than via printed materials, leading to a decline in the preference for printed materials.

Due to the transformation of the industrial landscape, the State Government addresses the need for greater flexibility in its 2011 *Employment Lands Task Force Report*:

> *Many contemporary industrial uses, particularly in an Australian context, are now non-polluting and low impact, and often combine office functions with warehousing and distribution. There is also an ever increasing amount of 'clean' high technology industries, including research and development, information and communications and advanced manufacturing. These low-impact industrial uses are compatible with many other employment generating uses, such as large-format retailing and stand-alone offices. Given that the nature of industry has changed significantly in recent times, the concept of a "traditional" industrial zone may need to be reconsidered. For example, increasing the flexibility of industrial zones by increasing the range of mandatory permissible uses, allowing additional local uses in specialised locations, and assessing trends in industrial zones and uses in other cities, both nationally and internationally, will help to ensure Sydney continues to remain competitive as a global city.*

In addition to these considerations population growth is leading to an increasing need for residential land in addition to a strong State government directive to provide more housing. It is trying to harmonize the location and type of industrial and residential development with the demands of the market, which raises the level of complexity of the issue.

The Canada Bay LGA is representative of the above mentioned trends. The population is growing, the number of dwellings has increased and there is potential to redevelop some of the older style industrial estates into hi-tech light industrial developments. The Concord West Industrial Precinct located in the Canada Bay LGA is some of the last remaining industrially zoned land on the far west side of the LGA. The Canada Bay Local Planning Strategy identifies that the Precinct should be retained for industrial uses in the medium term. However, it is understood that landowners have registered interest in determining whether alternative zoning (i.e. residential) is appropriate for the Precinct.

5.4 Residential Trends

Demand for housing in Sydney remains strong as a result of population growth and high levels of employment. Supply has been restricted as a result of high land prices, lack of suitable development sites and difficulty for many developers securing finance. A combination of strong demand and restricted supply indicates that the outlook for the residential property market remains positive.

The key drivers to Sydney's residential property market are:

- Interest rates underpinning affordability;
- A long term trend towards smaller household sizes;
- High cost of ownership forcing more people to rent maintaining a strong demand for rental properties;

- Downsizing of empty nesters, and home owners under pressure of large mortgage repayments;
- Strong population growth from international migration and natural increase; and
- Government incentives such as the First Home Owner Grant and Stamp Duty Exemption in NSW for purchase of off-the-plan dwellings by first home buyers.

In combination with the above mentioned residential property market trends, the State government has a strong mandate to provide housing. As discussed in Chapter 4 the draft *Metropolitan Strategy for Sydney 2031* states that *"a strong housing market is critical to Sydney's economic success"*[28]. Due to the above mentioned residential property trends (such as population growth and smaller household sizes) the Strategy states that a variety of housing choice is required across Sydney so that people can work locally and can easily access shopping, education and services. The Strategy states that the trend for new housing to be located in the Metropolitan Urban Area (including the Canada Bay LGA) is expected to continue over the next 15 years. This reflects a growing preference for housing and apartment living in existing urban areas in close proximity to transport and services.

In relation to the Concord West Industrial Precinct it is understood that historically the section of land located to the west of the north rail line, north of Parramatta Road and south of the present day Liberty Grove Development (residential development) was once entirely occupied by industrial uses. Over time the predominant land use character of this area has evolved into a mix of industrial, commercial, residential and recreational uses.

As discussed in Chapter 4 one of the contributing factors to sections of the Precinct being rezoned to residential is Canada Bay Council Concord Residential Strategy 1997. Whilst this Strategy has been superseded by the Canada Bay Local Planning Strategy, it details that in 1997 the former Concord Council promoted the rezoning of industrial land along the northern railway corridor, in particular within a radius around railway stations to residential. As a result, a significant amount of industrial land has been rezoned for residential purposes along this corridor.

The Sydney Region Metropolitan Development Program monthly monitor identifies that between November 2012 and January 2013 there were 1,235 dwelling approvals in the Inner West Subregion (which Canada Bay is part of) and there were 975 dwelling completions. Most significantly, 1,204 of the development applications and 730 of the dwelling completions occurred in Canada Bay LGA. This demonstrates that there is currently strong demand for residential dwellings in the Canada Bay LGA.

5.5 Commercial Office Trends

The increasing affluence of NSW's population and growth of the New Economy (otherwise referred to as a knowledge and ideas based economy as discussed above) is expected to strengthen demand for commercial floorspace especially in key locations, close to tertiary education and transport links.

The key long term trend in office development has therefore been the growth in the service and knowledge sectors. These sectors relate to civil service and public sector administration; banking, insurance and finance;

[28] Draft Metropolitan Strategy For Sydney to 2031, 2013, page 12.

private sector administration (corporate headquarters etc.); business services (law, accountancy and consultancy) and consumer services (health, education, media etc.).

"Service sector organisations, both public and private sector, are the main users of office space."

Barkham (2002)

In the 1970s there were predictions that with technological advances a much larger proportion of people within the service and knowledge sectors would work from home, reducing employers' overheads and demand for office floorspace. This phenomenon has not been realised, with technology increasing the amount of out of hours work taking place at home or on public transport, but more than 80% of the persons employed across Australia still work in business premises.

Rather than a move away from business premises, technological advances have contributed towards a greater choice of locations and higher densities of employment within offices, with wireless networks and the like facilitating initiatives such as "hot-desking".

Other relevant drivers of demand for commercial space are explained below.

Sustainable Communities: With rising fuel prices and the introduction of mandatory energy efficiency disclosure for large commercial buildings (>2,000sqm) by the Federal Government in the second half of 2010, sustainability will become an increasingly important driver of price and demand for office floorspace.

Work Life Balance / Lifestyle Choices: An increase in the number of working hours per household has resulted in time pressures for the workforce. Linked to this is the impact of a greater proportion of dual earning households that means less time for family responsibilities. The employment rate for women in Australia has steadily increased from 29% in 1954 to 47% in 1980 to 61% in 2000 with almost half of these having dependent children. In addition a large number of workers are responsible for caring for an ageing population (population aged 65 years and over projected to rise from 12% in 1999 to 22% in 2030 and 26% in 2050).

As a result work places that enable workers to conveniently combine paid work, leisure and family responsibilities are becoming increasingly attractive. Business parks and large scale CBD / edge of centre developments have generally endeavoured to emulate these features to some degree but often do not provide the diversity and mix of uses to compete with a vibrant CBD/centre location.

It is considered that the need for offices to be conveniently located within a vibrant mix of uses will become increasingly important to office workers and their employers. As such, work places that enable workers to conveniently combine paid work, leisure and family responsibilities are likely to be attractive to employers and workers alike. CBD and centre locations must offer improved access to high quality retail shops and services as an added benefit which is often limited in business park locations. These should include a wide range of health, legal, banking and government related outlets, as well as consumer outlets.

Business Park Trends

With the decline of the office market in Australia in the 1970s and changes in business composition and technology, over the last 15 years there has been a significant shift in the location of office-based activities. This shift has been towards business park developments and industrial zones.

In 2010 Hill PDA undertook research with major industrial developers and investors to inform a study for the NSW Department of Planning & Infrastructure on the nature of modern industrial/business parks. This consultation confirmed the nature of these employment hubs has changed significantly over the past two decades.

Occupiers and investors alike are attracted to large sites in the ownership of a number (yet not extensive number) of major landowners with an interest in developing. In line with the increasingly advanced nature of manufacturing, the buildings within these locations have moved from a split of 50/50 (office/warehousing) towards 80/20. Another contributing factor to this shift has been that office occupiers tend to be more reactive, only being attracted to a new location once it has been established and gained momentum. Ample car parking and good access to major road infrastructure were stated as key requirements.

Business parks are now recognised as highly successful. Consistent across these parks are the following key characteristics:

- They are predominantly office parks with a component of warehousing (closely aligned to the changing nature of industry and manufacturing), and in some cases a component of research and development and high-technology users;
- Apart from providing A-grade commercial space, often with cheaper rent than CBD locations, business parks enable purpose designed buildings and plenty of on-site car parking;
- The provision of on-site amenities that attract large corporations, which follows in the footsteps of business park developments in Britain and the USA;
- They hold a sense of prestige which is a further factor that attracts large corporations. Tenants sign up with a business park for its marketable image. There is a preference for a good clean suburb, which is away from polluting industries. Business parks enable large corporations to custom build their headquarters, providing them with their own standalone identity, which cannot be achieved in a City Centre building of mixed tenants;
- They have flexible floor plates and cheaper ground rent, which allows warehousing and office space to be integrated; and
- Closely linked to these characteristics many business parks develop/cluster adjacent to airports and as such are often referred to as “Air Parks’.

Of particular relevance to this Study there is a significant amount of commercial office space located in close proximity to the Precinct at Sydney Olympic Park/Homebush Bay (approximately 4km from the Precinct) and Rhodes (approximately 2km from the Precinct). It must be noted that the commercial office space located at Olympic Park/Homebush Bay and the Rhodes Corporate Park takes the form of business parks.

The most recent commercial development at Sydney Olympic Park is located on 7 Murray Rose Avenue, Sydney Olympic Park. It covers a total of 6,000m2 of office space and is set over 5 levels along with retail tenancies on the ground floor. The building targets a 5 Green Star rating from the Green Building Council of Australia and a 4.5 Star NABERS Energy and Water rating[29].

In addition, Rhodes Corporate Park provides 90,000 m2 of campus style office space[30]. The Corporate Park is comprised of a number of commercial buildings. Building F was completed in December 2012 (and is the last

[29] http://www.7murrayrose.com.au/

[30] http://www.gjsproperty.com.au/project/details.aspx?ProjectID=12).

commercial site to be development in Rhodes). It has a 5 Green Star (GBCA – As Built) and 5 NABERS (Energy) ratings. The building contains 17,790sqm PCA A Grade commercial office building with large floor plates ranging from 1,899sqm to 2,777sqm[31].

Therefore, it is apparent that there is a large amount of new office space surrounding the Precinct. Of particular relevance, the Rhodes Corporate Park is located on the former Tulloch's Phoenix Iron Works which was an Australian engineering and railway rolling stock manufacturer. This represents that the broader trend in the Canada Bay LGA is a change in land use from commercial to industrial.

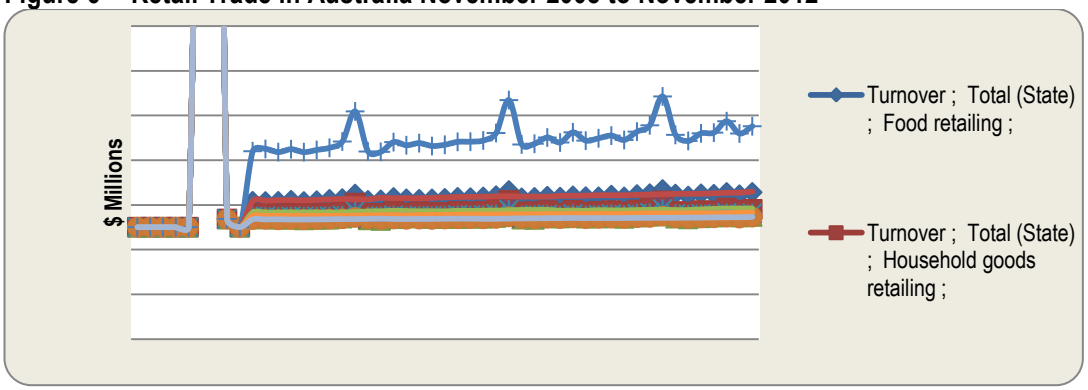
5.6 RETAIL TRENDS

Retail is an important sector of the Australian Economy. In 2009-10 retail contributed 4.3% to the Country's Gross Domestic Product (GDP) and in 2011, 11% of Australian employees worked in the retail industry[32]. Recent trends suggest that retail sales are increasing after a decline following the GFC. Retail sales recorded growth of 3.0% between November 2011 and November 2012[33]. However, the rate of growth has not been even across retail sectors.

Since November 2008 spending has risen on cafes, restaurants and takeaway food services (31%) and retail food/groceries (18%). Spending on 'other retailing' – which is defined by the ABS as newspapers, books, stationary, flowers, recreational goods, pharmaceutical, cosmetic and toiletry goods – also recorded strong growth (18%). In contrast spending was much weaker in department stores (2%), household goods (6%) and clothing, footwear and personal accessory retailing (3%) over the same period (as shown in Figure 5 below).

Retailers in these latter non-food discretionary categories are therefore experiencing challenging times, as consumers have become cautious and increased household savings in response to uncertainty surrounding the national and Global economy. As stated in section 5.1, the Reserve Bank of Australia recorded the savings rate at 10% of disposable income at the start of 2011 which was the highest level in 20 years.

Figure 6 - Retail Trade in Australia November 2008 to November 2012



Source: Source: 8501.0 - Retail Trade, Australia, Nov 2012 – seasonally adjusted

Whilst retailing is not a major factor affecting the Precinct, it is important to note trends affecting retailing.

[31] Colliers International, 2012, Sydney Metropolitan Office Research and Forecast Report.

[32] Source: ABS Census 2011

[33] Source: 8501.0 - Retail Trade, Australia, Nov 2012

5.7 City of Canada Bay's Demographic Trends and Drivers

In terms of **population** the 2006 and 2011 ABS Census data demonstrates that:

- The population of the City of Canada Bay has grown by 15.2% between 2006 and 2011 compared to 6.6% growth in Greater Sydney (GCCSA) over the same period;
- Most households in the LGA are couple families with children;
- The median age of residents is lower than the wider Sydney Region;
- The average number of people per household remained at 2.5, this is lower than the average for Greater Sydney (2.7);
- The presence of higher earning households in the LGA is above average when compared to the Sydney SD and has increased since 2006; and
- The LGA has a higher rate of employment in comparison to the Greater Sydney Region.

In terms of **housing** the 2006 and 2011 ABS Census Data demonstrates that:

- The City of Canada Bay contained 28,015 dwellings in 2011 the majority of which (45.5%) were detached;
- The LGA experienced an increase of 3,840 dwellings between 2006 and 2011;
- In the Canada Bay LGA in 2011, 33.3% of residents owned their homes, 33.1% rented their homes and 31% owned their homes (with a mortgage);
- The majority of households were family households (approximately 71.7%); and
- Residents of the City of Canada Bay spent 36% of their income on their mortgage per month and 26% of their income per month on rent.

In terms of **employment** the 2006 and 2011 ABS Census Data demonstrates that:

- There has been strong employment growth in the Canada Bay LGA, with the LGA achieving an increase of 5,447 jobs since 2006; and
- The LGA has a high proportion of professionals (approximately 31.9%).

In terms of **population forecasts** BTS 2012 data demonstrates that:

- The population in the Precinct is expected to increase by 1,144 toward 2046, representing an annual growth rate of 1.18%. When this is compared to the Canada Bay LGA (annual growth rate 0.72%) it is apparent that the Precinct is expected to have a notably higher rate of growth (refer to Table 6).

Table 6 - Canada Bay LGA and Concord West Precinct Population Forecasts

	Canada Bay LGA	Concord West Precinct (TZ 1507)
2011	81,320	2,253
2016	89,895	2,261
2021	92,657	2,264
2026	94,417	2,511
2031	96,510	2,743
2036	98,859	2,954
2041	101,504	3,180
2046	104,473	3,397
Increase 11 - 46	23,153	1,144
Proportion increase 11 - 46	28%	51%
Annual Growth 11-46	0.72%	1.18%

Source: BTS Population Forecasts 2012

5.8 Implications of Trends and Drivers for the Precinct

The implications of the trend research undertaken in this Chapter are:

- Historically the section of land located to the west of the north rail line, north of Parramatta Road and south of the present day Liberty Grove Development (residential development) was once entirely occupied by industrial uses. Over time the predominant land use character of this area has evolved into a mix of industrial, commercial, residential and recreational uses.
- In combination with the above referenced trend, employment generation on industrial land is declining as a result of rationalisation with advanced technology allowing the same employment functions to be performed with a reduced number of workers. As a result notable job growth is not expected in traditional industrial sectors but rather the highly specialised and technological manufacturing sector (Advanced Manufacturing). Consequently, the demographic of the workforce will shift as an increasingly skilled workforce will be required;
- This trend is reflected by the closure of the Chippendale Printing Company and Fred Hosking Pty Ltd (printing company) which has resulted in a loss of approximately 350 jobs in the Precinct since 2006.
- In comparison to 2006, the Precinct currently has a greater variety of uses. There has been a decline in industrial land uses and an increase in commercial, residential and recreational uses. This demonstrates a shift away from traditional industrial land uses. In line with this trend is the declining number of industrial and blue collar jobs in favour of retail jobs and jobs in the knowledge sector. This decline in industrial and blue collar jobs can also be attributed to an increasingly affluent and educated resident population along with the growth of the knowledge economy.
- Despite this, the findings from our 2013 audit demonstrate that there has been increase in the number of employees in the Precinct since 2006, however, it must be noted that the Westpac Concord Campus (data processing centre) accounts for a large portion (89%) of those currently employed in the Precinct. Therefore, those employed in the Precinct are not evenly spread across the Precinct rather they are concentrated in one commercial business.

6. MARKET DEMAND IN THE PRECINCT

The following Chapter analyses trends and factors influencing the industrial and residential markets within the suburb of Concord West and its surrounds. It also investigates the sale prices and rental values for industrial and residential uses based on detailed discussions with market and industry experts as well as a review of relevant property databases. These factors in turn inform the feasibility modelling undertaken in Chapter 7.

6.1 INDUSTRIAL MARKET OVERVIEW

As discussed in Chapter 5, the demand for industrial floorspace continues to be influenced by the globalisation of trade and the increasing dominance of information technology by businesses. The global supply chain has evolved into an alignment of firms that design, develop, market and produce goods and services and deliver to the end user as required. The face of traditional manufacturing is therefore changing, becoming more efficient amid the use of new technologies and equipment. These savings in efficiency have resulted in corresponding savings in labour costs and the demand for floorspace.

As a consequence, the rate of development of industrial land and floorspace across the State has generally been outpaced by the rate of employment growth. This trend however varies considerably between types of activity. In manufacturing and wholesale trade, employment growth has either declined or remained stagnant, with a few exceptions. In contrast, the sectors of transport and storage have shown strong growth in employment numbers.

The GFC saw a slowdown in global demand for the manufacturing and industrial sectors which directly impacted the demand for industrial space. In Australia, the impact of the rising Australian dollar compared to the US Dollar and other major currencies further impacted the retail, manufacturing and industrial sector. This has resulted in a fall in demand for pre-commitments and difficult credit conditions causing industrial land values to fall, in some cases by as much as 40%-50% over the post-GFC period. Since the GFC, industrial land values have recovered slightly however the scarcity of debt funding continues to plague this market sector.

6.1.1 CONCORD WEST AND SURROUNDS

The Inner West industrial market generally comprises the suburbs of Homebush, Rydalmere, Silverwater, Granville and Auburn. In this market, land values are generally found to have fallen in tandem with the market for industrial land elsewhere in Sydney to generally between $300/sqm and $500/sqm. The following key indicators provide a snapshot of this sub-market of Sydney's broader industrial property market.

Table 7 - Key Indicators of Sydney's Inner West Industrial Market

Grade	Average Net Face Rents (pa)	Incentives	Average Capital Values (/sqm)	Land Values (>2,000sqm)	Average Market Yield
Prime	$115/sqm - $140/sqm	8% - 10%	$1,600 - $1,850	$300 -$500/sqm	7.50% - 8.25%
Secondary	$95/sqm - $115/sqm	10% - 12%	$1,200 - $1,500	$300 -$500/sqm	9.00% - 10.00%

Source: Colliers International, Sydney Industrial Research and Forecast Report, Second half 2012

Concord West comprises a mix of industrial uses, with occupier usage including wholesalers, manufacturers, installation services general storage etc. Most of the current stock is ageing and of secondary, low grade quality.

As discussed in Chapter 2, there is also a notable mix of commercial buildings as well as older style warehouses and light industrial buildings providing ancillary office accommodation.

Discussions with leasing agents in the area confirmed that the Concord West Industrial area can be regarded as a secondary industrial location. Our research also identified that the interest in industrial properties is poor, with smaller properties taking 3-6months to lease and larger factories taking up to 6-12months. Tenant enquiries have been limited to local interest with poor access to major freeways and truck access seeming to be the dominant reasons for poor demand from a broader market.

Furthermore apart from the area being a secondary location, the industrial properties are perceived as old and offer very little in the way of rental growth for an investor. This perception was reinforced by local agents who indicated that current industrial rents in the Precinct are as low as the rents achieved ten years ago.

Local leasing agents estimated the rents that the industrial sites located within in the Precinct could achieve today taking into consideration factors such as the age and location of the building. Agents indicated that the sites located along Rothwell Avenue and the northern end of George Street, Concord West could achieve rents ranging between $75/sqm and $90/sqm. Higher rents of $100-$110/sqm are likely to be achieved along the southern end of George Street, North Strathfield due to its improved access.

Informal discussions with industrial agents found that current land values in Concord West for large sites (>2,000sqm) achieve between $350-$400/sqm with smaller subdivided sites achieving between $600-$700/sqm.

Our research found that Concord West has achieved limited sale transactions over the last ten years. We therefore broadened our research area to the surrounding suburbs of Auburn and Silverwater, which show a healthy level of transactions and assists with our market analysis. The evidence shows land values ranging from $475 (6,000sqm) - $944sqm (2,000sqm).

Table 8 - Industrial Sale Transactions for Auburn and Silverwater 2012 – Land Values

Address	Sold Date	Sold Price	Site Area (sqm)	Analysis	Comments
124 Adderley Street, Auburn	20/11/2012	$770,000	1,226	$628/sqm	Second-hand Factory & Office Zoned Commercial
3 a Alexander Street, Auburn	15/6/2012	$990,000	1,756	$513/sqm	Modern Office Warehouse Zoned Commercial
9 Highgate Street, Auburn	2/4/2012	$2,550,000	2,702	$944/sqm	Secondhand Warehouse &Office Zoned Industrial
16 Derby Street, Silverwater	29/11/2012	$3,800,000	4,638	$819/qm	Modern Warehouse & Office Zoned Industrial
20 Derby Street, Silverwater	29/11/2012	$3,000,000	6,322	$475/sqm	Modern Warehouse and Office Zoned 4a General Industrial
32 Derby Street, Silverwater	11/4/2012	$4,500,000	6,438	$699/sqm	Modern Warehouse and Office

Source: PIMS & Hill PDA Research, 2013

Recent discussions with local industrial sale agents indicated that new industrial premises larger than 1,000sqm based on building area could achieve a sale value of $1,700/sqm. Smaller subdivided sites (e.g. under 1,000sqm) would achieve between $2,000/sqm-$2,500/sqm.

Surrounding suburbs such as Silverwater and Auburn have been analysed in the table below due to the limited evidence in Concord West.

Table 9 - Industrial Sales Transactions Auburn and Silverwater based on Building Area

Address	Sold Date	Sold Price	Building Area (sqm)	Analysis	Comments
356 Chisholm Road, Auburn	18/9/2012	$3,850,000	250	$1,403/sqm	Modern Warehouse. Showroom & office. Zoned Industrial.
14-18 Hampstead Road, Auburn	20/6/2012	$345,000	192	$1,797/sqm	Modern Strata Titled Warehouse & office. Zoned Industrial.
2 Melissa Street, Auburn	16/3/2012	$295,000	225	$1,311/sqm	Modern Strata Titled Warehouse & office. Zoned 4b light Industrial.
20 Newton Street, Auburn	18/9/2012	$952,000	404	$1,568/sqm	Secondhand Workshop & Office. Zoned Commercial
71-83 Asquilth Street, Silverwater	28/7/2012	$600,000	398	$1,508/sqm	Secondhand Strata Tiled Factory & Office Unit
114 Carnarvon Street, Silverwater	31/01/2013	$781,000	683	$1,143/sqm	Secondhand Factor. Zoned Industrial
81 Carnarvon Street, Silverwater	18/7/2012	$2,030,000	1,205	$1,685/sqm	Secondhand Factor. Zoned Industrial
18 Fisher Street, Silverwater	18/12/2012	$1,710,000	968	$1,767/sqm	Secondhand Warehouse & office. Zoned 4a General Industrial.

Source: PIMS & Hill PDA Research, 2013

The analysis finds that prevailing rents are low, generally between $125/sqm and $160/sqm of lettable area gross ($125/sqm to $135/sqm net) depending on the quality and type of accommodation. A reluctance by many tenants to commit to long term leases results in many of the premises falling vacant. Poor demand and commensurate low returns has resulted in smaller industrial areas being starved of capital expenditure and private investment.

Table 10 - Industrial Rental Transactions Based on the Building Area

Address	Sold Date	Sold Price	Building Area (sqm)	Analysis	Comments
184 Adderley Street, Auburn	8/6/2012	$148,500 Net	1,100	$135/sqm	Secondhand Warehouse & Office Unit
340 Chisholm Road Auburn	9/1/2012	$32,000 Gross	200	$160/sqm	Modern Office & Warehouse Unit
4-6 Junction Street, Auburn	3/3/2012	$116,100 Net	860	$135/sqm	Modern Office & Warehouse Unit
4-6 Junction Street, Auburn	3/3/2012	$92,475 Net	685	$135/sqm	Modern Office & Warehouse Unit
4-6 Junction Street, Auburn	3/3/2012	$85,860 Net	636	$135/sqm	Modern Office & Warehouse Unit
1 Queen Street, Auburn	19/6/2012	$125,000 Net	1,335	$93/sqm	Modern Office & Warehouse Unit
68-72 Derby Street, Silverwater	22/9/2012	$81,770 Net	629	$130/sqm	Modern Office & Warehouse Unit
12 Millennium Crescent Silverwater	5/3/2013	$234,468 Gross	1,404	$167/sqm	Modern Office & Warehouse
10 Rachel Close, Silverwater	28/2/2012	$197,825 Gross	1,582.6	$125/sqn	Modern Office & Warehouse
Slough Business Park, Silverwater	21/6/2012	$120,000 Net	1,000	$120/sqm	Secondhand Office & Warehouse Unit.

Source: PIMS & Hill PDA Research, 2013

Our research has found that many sites within the Precinct suffer from poor rental returns with weak underlying demand and interest in the area. This has resulted in uncertainty of tenure (many tenants reluctant to commit to long term leases), long leasing-up periods (often exceeding 12 months) and low net rents achieved, all of which in concert underpin land values. In some cases the current returns are sufficient to cover landholding costs without much return over and above.

A consequence of the poor demand and low returns has seen the Precinct starved of private capital investment leading to a continued deterioration of the existing stock. This is conceivably due to a combination of factors - a market preference for industrial sites located within easy access to highways are paramount and as discussed in preceding chapters, the Precinct has restricted road access. It may also be a consequence of the perceived conflict created as a result of the close proximity to residential uses.

In summary, the Precinct is generally categorised as offering 'cheap' accommodation to lower quality industrial uses. Furthermore the restrictive nature of the General Industrial land use zone precludes industrial uses with a larger commercial component restricting the areas regeneration and employment generating potential.

Many of the sites in the Precinct are currently suffering from high levels of vacancy and low rental returns, which will further deteriorate this scenario with the continued dilapidation of buildings. With the progress of time, if demand and returns for the permitted uses are still poor much needed urban renewal and redevelopment is not likely to occur.

The effects of a perceived prospect of rezoning just on the horizon for the last decade should also be acknowledged. Anecdotal evidence shows that there is market expectation that the Precinct may eventually be permitted for residential development translating into a cycle of a 'wait-and-see' attitude by owners not committing capital expenditure to upgrade or refurbish the existing stock which is tired and ageing and in turn causing poor demand and returns for existing space, the latter also arguably the cause of the former.

In today's industrial market, the majority of sites and industrial clusters are located further west of Sydney. Although these locations are positioned further away from Sydney's CBD, the sites attributes make it more attractive for a tenant by providing:

- Good and adequate access for trucks and semi-trailers;
- At-grade parking and adequate circulation within the estate;
- High clearance industrial construction, offering the option of erecting a mezzanine level;
- Appropriate split between warehouse and office components, i.e. 10%-15% for ancillary office;
- Permissibility of a wide range of industrial and commercial (quasi-commercial) uses which widens marketability for the space.

Discussions with local industrial agents indicated that due to minimal to nil rental growth over the last 10 years rents are lagging compared to inflation however. There has been some recent recoveries with long term leases with CPI fixed to 3% pa. This low growth in rents leaves no justification however for redevelopment. If a tenant is to vacate the industrial premises, to entice a new tenant, the market rent is often reduced. As a consequence industrial agents have identified that yields have increased from 7-8% in 2007 to 8.5% -10.0% today.

Agents indicated that in order for industrial to be feasible, an owner occupier would need to purchase the land under $250/sqm of site area. Evidence suggests that $250/sqm is an unrealistic value due to current industrial land values for larger sites ranging between $350-$450/sqm and small subdivided sites between $600-700/sqm.

6.2 Residential Property Market Overview

Demand for housing in Sydney remains strong as a result of population growth and high levels of employment. Supply has been restricted as a result of high land prices, lack of suitable development sites and difficulty for many developers securing finance. A combination of strong demand and restricted supply indicates that the outlook for the residential property market remains positive.

The key drivers to Sydney's residential property market are:

- Interest rates underpinning affordability;
- A long term trend towards smaller household sizes;
- High cost of ownership forcing more people to rent maintaining a strong demand for rental properties;
- Downsizing of empty nesters, and home owners under pressure of large mortgage repayments;
- Strong population growth from international migration and natural increase; and
- Government incentives such as the First Home Owner Grant and Stamp Duty Exemption in NSW for purchase of off-the-plan dwellings by first home buyers.

The Inner West[34] has increasingly become a destination for young adult professionals because of its proximity to the Sydney CBD and Olympic Park/Rhodes Peninsula with their lifestyle opportunities on offer. Its residential property market has performed well through the GFC, recording growth in median values and outperforming many other regions in Sydney. Larger commercial areas within the Inner West are located at Newtown, Balmain, Leichhardt, Marrickville, Glebe, Burwood, Ashfield and Strathfield.

The Inner West has been the subject of much commentary and analysis with its relatively steady demand for dwellings as purchasers take advantage of close proximity to the Sydney CBD and good access to rail and transport networks. The ongoing gentrification of many of the suburbs within the Inner West has also contributed to its overall attractiveness.

The demand for dwellings in the Inner and Middle Rings of Sydney remains resilient, infill developments are typically selling well and ahead of their completion. Examples include the urban renewal areas of Rhodes and Meadowbank, Breakfast Point as well as Zetland, Waterloo and other suburbs in South Sydney.

Whilst the long term outlook for these positive trends is good and underpinned by strong fundamentals which form the key drivers to demand, an important factor not to be dismissed is the growing ability of the market to discern quality and residential amenity. Residential developers are increasingly attempting to 'product-differentiate' by

[34] The 'Inner West' is generally referred to as comprising suburbs within six LGAs (Leichhardt, Ashfield, Burwood, Canada Bay and Marrickville and part of Sydney)

masterplanning developments, incorporating sustainability features (not just into design but building performance) as well as combining various inclusions with dwelling sales.

The suburb of Concord West is characterised by a range of low-density freestanding houses (comprising approximately 78.96% of the dwelling stock). Approximately 13% of all housing stock in Concord West relates to units, apartments and flats. While 2.02% are semidetached properties. It is estimated that 44% of all dwellings are fully owned, 34% of properties are being purchased and 23% are being rented.

Notwithstanding the trends and demand discussed above, the development of units and apartments in Concord West is slow compared to sounding suburbs such as Liberty Grove and Rhodes, which have gradually increased over the last decade, particularly in locations close to public transport links and/or with water views. The proximity of the Inner West to the CBD and educational institutions continues to result in strong market for investors and first home buyers.

6.2.1 Market Research Specifics - Residential Units

Concord West is a predominately low rise; low density area compared to medium to high rise unit developments constructed in the surrounding suburbs. The median apartment price for the suburb of Concord West was reported as $475,000 in comparison to the median price for the LGA of the City of Canada which was $600,000[35] (January 2012 - January 2013). It is important to note that this classification refers to all strata titled dwellings including units, townhouses, terraces and semi-detached dwellings.

There is little recent unit development comparable evidence in Concord West; however one unit development was completed approximately three years ago at 27-29 George Street, North Strathfield. From our research the development consisted of approximately 200 apartments, with sale values ranging from $8,000-8,200/sqm for 1 bedroom, 7,000-7,500/sqm for 2 bedrooms and between $4,600-5,400/sqm for 3 bedrooms. It should be noted that on a drive by inspection a little under half of the ground floor retail units were vacant in this development. This high retail vacancy is likely to be due to the sites locational attributes discussed in Chapters 2 and 6 and thereby low interest and demand by retail tenants.

Agents restated that even though the area is predominately single storey housing, new unit developments would always be sought after due to the Precinct being within close proximity to the Concord West Train Station. Interest received in the area is mainly from investors and first home buyers. Fast take up rates would be achieved if sale values were priced according to the current market.

The surrounding suburbs such as Liberty Grove and Rhodes have performed strongly in recent years and this has been exemplified by low vacancies and growth in the rental market. The new developments in the surrounding suburbs are well located and some even enjoy water and city views. Our analysis has also found that apartment building developments near a station have a higher take up rate and this can also be reflected in the sale price.

Some additional examples of recent sales activity for selected residential developments in Rhodes are provided below. These examples have different attributes that show some of the unit prices at a premium due to the water

[35] Domain.com.au – Feb 2012- Feb 2013.

and city views attained from higher levels. As the precinct does not benefit from the mentioned circumstances, we believe that the achieved rate per square metre would be in the range of $8,000-$8,200/sqm.

Table 11 - Recent Sales Activity of Residential Units

Development	Unit Type / Internal Size	Sale Price /$/sqm	Comments
Vantage Apartments, 56 Walker Street, Rhodes	1 Bedroom (60-65sqm) 2 Bedroom with no views (80-90sqm) 2 Bedrooms with views (80-90sqm) 3 Bedroom (105sqm) 3 Bedroom Penthouse (126sqm)	$450,000 ($6,923-$7,500/sqm) $600,000-$650,000 ($7,222-$7500/sqm) $750,0000 ($8,333-9,375/sqm) $800,000-$900,000 ($7,619-$8,571/sqm) $1,140,000 ($9,048/sqm)	The Vantage is a 24 storey apartment tower in the Rhodes peninsula. The complex consists 263 apartments. There are approximately 27 x 1 bedrooms, 210 x2 bedrooms and 26x 3 bedrooms. All 2 bedroom apartments are provided with 1 car space and all the 3 bedrooms have 2 car spaces. The development has been completed and out of the total, 10 are for sale. There is a diverse range of buyers and mostly are owner occupiers.
The Pinnacle, 2 Rider Boulevard, Rhodes	1 Bedroom (50sqm) 2 Bedroom (85-90sqm) 3 Bedrooms (125sqm)	$550,000 ($11,000/sqm) $735,000-$890,000 ($8,647-$9,888/sqm) $1.35m-$1.5m ($10,800-12,000/sqm)	The development is a multi consists of 231 apartments. There are approximately 46 x 1bedrooms, 162 x 2 bedrooms and 23 x 3 bedrooms. The buyers consist of overseas (Asians) and first home buyers. The development is due to be completed in September 2013.
The Waterfront Apartments, 36 Shoreline Drive, Rhodes.	11 x 1 bedroom (40 - 59m2) 29 x 1 bedroom (50 - 58m2) 40 x 1 bedroom + study (60- 63m2) 115 x 2 bedrooms (63 - 106m2)- 6 x 2 bedroom + study (87m2) 4 x 3 bedroom (119 - 142m2) 7 x 3 bedroom Terraces (142 - 143m2)	From $380,000 (No parking) (9,500/sqm) From $485,000 ($9,700/sqm) From $540,000(1 parking) ($9,000/sqm) From $570,000 (1 parking) ($9,000/sqm) From $735,000 (1 parking) ($8,448/sqm) From $980,000 (2 parking) ($8,235/sqm) $1,275,000 (2 parking) ($8,980/sqm)	The Waterfront is a multi-story retail/ residential building located along the Rhodes Peninsula. The development comprises of 205 apartments and 7 Terraces Homes. The development is under construction with 50% of the apartments sold. The typical buyers consist of First Homebuyers due to the First Home Owners Boots Scheme and a few investors when free stamp duty was ending 30th June 2012 for properties under $600,000.

Source: Hill PDA research 2013

From the comparable information above it can be observed that one bedroom residential units may be expected to sell in the current market between $450,000 and $550,000. Two bedroom units may be expected to sell between $570,000 and $650,000, with sale prices for units with water and city views being approximately $100,000 more. Three bedroom units may be expected to sell between $980,000 and $1.5m.

6.3 KEY FINDINGS AND IMPLICATIONS

Based on the analysis provided in this Chapter, we conclude that for residential uses:

- There is limited recent sales evidence in Concord West;
- Sale prices for 1 bedroom units might range from $450,000-$550,000;
- Sale prices for 2 bedroom units might range from $570,000-$650,000;
- Sale prices for 3 bedroom units might range from $980,000-$1.5 million; and
- This generally translates into sale prices on a per square metre basis of $7,800/sqm to $9,500/sqm, dependant on quality and inclusions.

For Industrial Uses:

- Concord West comprises of a mix of industrial uses however many of the existing industrial premises are vacant due to the lack of demand to operate an industrial business in the area;
- Most of the current stock is ageing and of secondary, low grade quality with a mix of commercial buildings and older style warehouses as well as light industrial buildings providing ancillary office accommodation; and
- Rents in Sydney's secondary industrial market generally range between $75/sqm and $135/sqm whilst sale prices of commercial suites in Concord West are generally between $1,700/sqm and $2,500/sqm.

7. DEVELOPMENT ECONOMIC ANALYSIS

The following Chapter focuses on the factors that influence the economics of development in the Precinct. It contributes to the Study's evidence base by assessing whether the continued use of sites within the Precinct for General Industrial uses is economically viable or otherwise. To assess the development economics of the Precinct we have identified a test site (176 -184 George Street, Concord West) as a typical site within the Precinct.

In our economic analysis, we have assessed the site's development viability based on:

- Its "As Is" value in light of its current use and improvements;
- Its redevelopment potential as an industrial site (its existing permitted use). In this case we have based the land purchase price on the site's "As Is" value and cross referenced it with its unimproved land value; and
- As a redevelopment site for residential based on an FSR of 1.3:1 (as permitted by the R3 Medium Density Zone). The land purchase price is based on sale evidence for comparable residential sites.

The comparison of the test site's industrial value and its hypothetical development residual land value Internal Rate of Return (IRR) indicate the economic viability of the development scenarios.

7.1 METHODOLOGY OF APPROACH

In assessing the economic viability of the different options outlined above, we have adopted a Discount Cash Flow (DCF) residual land value methodology utilising the Estate Master Development Feasibility propriety software. This involved assessing the value of the end product of the development, allowing for development costs, and making a further deduction for the profit and risk that a developer would require to take on the project. Our detailed assumptions and rates are provided in Appendix 4.

The following section outlines some of the key principles and terms utilised in undertaking this assessment.

Assessment of the 'As Is' Value

In understanding and assessing the Subject Site's 'As Is' value, we have considered the income-generating ability from the existing improvements. We have adopted the 'Capitalisation of Income' approach as well as the 'Direct Comparison' approach is used to mimic the thought process of a probable purchaser cognisant of the income-generating ability of existing improvements.

We have considered in our valuation the likelihood of the vendor offering rental guarantees and ''some make good'' allowances.

The 'As is' Value - Capitalisation of Income and Assumptions

The following considerations and assumptions underpin the capitalisation of income approach to the 'As Is' assessment tested for Option One;

- The property is 100% leased at the passing net rent of $90/sqm;
- The total Gross Floor Area (Net Lettable Area) is 5,064 sqm +;
- A Net Income of $455,760pa +; and
- Capitalisation rate of 9%.

Based on the above potential net income and capitalisation rate the capitalised value is $5,064,000. However after deducting a rental allowance (6 month's rent) of $227,880 and a building repair allowance of $70,000 for 'make good', we estimate the market value to be closer to $4.7m.

As a cross check method, we have assessed the unimproved site value under the current zoning. We have adopted the land value rate of $600/sqm of the total site area which is broadly consistent with smaller industrial sites in the inner west. Given a site area of 7,866 sqm, the site's unimproved land value would equate to $4.7m (7,866sqm x $600/sqm).

In conclusion both the investment value "As Is" and the unimproved site value are likely to be similar at $4.7m or $600 per sqm of the total site area.

Development (Potential) Appraisal

In understanding and assessing the potential realisation of the test site both in its current condition, and as a development site, the available market evidence is considered and applied in the Residual Land Analysis (RLV) which is determined by the Hypothetical Development DCF approach. This involves assessing the value of the end product of the development, allowing for development costs, and making a further deduction for the profit and risk that a developer would require to take on the project.

It is important to note that the test site is the subject of a planning proposal to be rezoned to R3 Medium Density Residential. As a consequence the Residual Land analysis assesses the value of the Subject Site assuming an appropriate zoning but without development consent. A lead-in time has therefore been assumed to procure development consent.

Hurdle Rates

The deduction for the profit and risk mentioned above for assessing the development potential is defined by the development margin and or Internal Rates of Return (IRR) target hurdle rates. Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate.

A site that is covered by clear and unambiguous planning controls is less risky; clear planning direction will contribute to mitigating planning risk and thereby reducing the lead-in time to development commencement.

The absence of clear planning and development controls would conceivably result in developer resistance and corresponding increases in required hurdle rates to compensate for increased risk and longer holding periods. This is expected to result in an increased project IRR to 22% for industrial uses and 25% for residential uses. Where the planning control are clear the hurdles rates are likely to move closer to 16% for industrial uses and 18% for residential uses.

Economic Viability / Financial Feasibility

The development supply pipeline remains constrained by credit pricing and availability. This challenge coupled with prevailing low rents and soft yields makes the feasibility of large-scale industrial development delicate.

It is widely acknowledged that rents and capital values are generally below that of replacement cost. Not unexpectedly, as a result of poor development viability, there have been limited transactions of industrial development sites. The primary causes of poor performance in the Precinct have been outlined in Chapter 6, which arguably if not arrested would lead to a continued and further deterioration. Unless there is a significant improvement to the prevailing rents (a direct function of supply and demand), it is submitted that redevelopment of industrial uses would not occur. Redevelopment of industrial uses for this locality in the current market is not therefore viable unless land values fell considerably.

Our market research has found that there has been a dearth of transactional activity within the Precinct over the last five years as result of the overall economic market owing to factors such as the global financial Crisis (GFC), the high Australian Dollar and the poor accessibility and fragmented nature of the Precinct. Many of the sites within the Precinct that were acquired for industrial purposes were acquired prior to these economic conditions or more recently in anticipation of a redesignation of land use to permit forms of mixed-use development (albeit speculatively).

7.2 Development Options Analysed

We have undertaken a three-step process to assess the economic viability of the test site. The first step is to assess whether the test site, based on its unimproved (land only) site value is viable for industrial redevelopment. Our market research suggested that a large industrial site (7,866 sqm), could achieve a land value rate per square metre between $350 – $450/sqm of the total site area. If the site was to be subdivided into smaller lots, a land value rate per square metre of $600 – $700/sqm of the total site area could be achieved. On this basis and for the purposes of our modelling, we have adopted a site value of $4.7m ($600/sqm of the total site area).

The second step was to test the redevelopment of the Subject Site based on its “As Is” Value. The ‘’As Is’’ approach is merely the unimproved site value of $4.7m minus any allowances for “make good” and rental incentives (due to poor vacancies in the region). For hypothetical feasibility analysis, steps 1 and step 2 have been subsequently merged as **Option One**.

The third step that was undertaken was the assessment of the Subject Site for purely residential redevelopment. The test site was tested in accordance with the City of Canada Bay LEP 1998 Residential R3 medium density zoning and a maximum floorspace ratio of 1.3:1. On this basis we tested this hypothetical scenario (**Option Two**) not on its estimated industrial land value but rather on residential speculative land purchase price of $9.65m (equivalent to $1,227/sqm of the total site area). The site value achieved for residential redevelopment is more than twice the land value achieved for industrial redevelopment.

As a final option (**Option Three**) we tested a scenario where parking rates for apartment and/or visitor parking were reduced from 2 spaces to 1.5 spaces per dwelling.

The three options are summarised as follows:

- **Option One:** Industrial Warehouse Redevelopment - The option included the demolition of the existing building and the redevelopment into a number of new smaller industrial units for strata owner occupier sale. This option was based on the Subject Site's current planning controls, which include a IN1 General Industrial zone and a maximum FSR of 1:1 under the City of Canada Bay LEP 2008;
- **Option Two:** Rezoning and Residential Development (2 car spaces per dwelling) - This option assumed the test site was rezoned to Residential – R3 Medium Density with a FSR of 1.3:1, which is in accordance with the provisions of the Canada Bay LEP 2008. It should be noted that the number of car parking spaces are consistent with the City of Canada bay DCP 2008(2 car spaces per dwelling); and
- **Option Three**: Rezoning and Residential Development (1.5 car spaces per dwelling) - This option was the same as **Option Two,** however the number of car parking spaces were reduced to 1.5 per dwelling.

7.3 Performance Criteria

Whilst Hill PDA has adopted the project IRR as the primary indicator of performance (feasibility), regard has also been given to the following performance criteria:

- **Residual Land Value**: This is the purchase price of the land whilst achieving a zero Net Present Value (NPV).
- **Development Profit**: Total revenue less total cost including interest paid and received; and
- **Development Margin:** Profit divided by total development costs (including selling costs).

Table 12 - Performance Criteria for Development Options

Performance	Project IRR
Feasible	>18%-20%
Marginally feasible	12%-18%
Not feasible	<12%

Notes: 1 - Project Internal Rate of Return (IRR) is where the NPV = 0:

7.4 Modelling Results and Conclusions

The results of our high-level feasibility testing under various land use and density controls are summarised below.

Table 13 - Options Analysed for Test Site

Site/Option Specifics	Option 1: Industrial FSR 1:1	Option 2: Residential FSR 1.3:1 Code Parking	Option 3: Residential FSR 1.3:1 Reduced Parking
Site Area	7,866sqm	7,866sqm	7,866sqm
Developable Area[1]	6292.8sqm	10,225sqm	10,225sqm
Development Yield		102 units	102 units
Performance Indicators:			
Land Purchase Price	4,700,000	$9,650,000	$9,650,000
Residual Land Value (RLV)	$3,026,114	$8,280,413	$10,391,059
RLV ($/sqm of site area)	$385	$1,052	$1,321

Project IRR	(3.16%)	14.83%	19.75%
Development Margin	(7.5%)	12.42%	18.71%
Feasibility	Not feasible	Not feasible	Feasible

In essence the above table shows that it would not be viable to redevelop the test site for industrial uses in the current market. It also shows that should the site be rezoned to permit medium density residential uses, its viability would be marginal with the existing parking controls being a defining factor. In this regard, once the parking controls are reduced by 0.5 spaces per unit, the development becomes a far more attractive and feasible option from a financial point of view.

Therefore, if given the choice, is it likely a developer would opt for **Option Three** – redevelopment to residential with an allocation of 1.5 car spaces per dwelling. It should be noted that although the density option at an FSR of 1.3:1 with a reduction of car parking to 1.5 per dwelling returns a favourable feasibility outcome, this option has not been subject to urban design testing or other environmental considerations that would be required to assess the suitability of a development of a given scale on a site. Furthermore, this testing has not included significant costs for remediation or contributions to environmental improvements over and above standard development contributions. Combined these factors (and any additional requirements for car parking) are likely to increase the FSR required to facilitate a financially viable development.

8. How Employment is Changing in the Precinct

The following Chapter investigates in greater detail the nature of employment generating uses in the Precinct. It compares this analysis with the results of the most recent land use audit of the Precinct to consider how the anticipated employment changes actually compare to market and industry changes in the Precinct between 2006 and 2011. On this basis, the Chapter discusses the suitability of the Government's employment forecasts as a basis for determining what will happen in the Precinct and how this would correlate with its existing IN1 General Industrial zone.

The employment modelling undertaken in this Chapter is based on Bureau of Transport Statistics (BTS) estimates and forecasts. This base aligns with broader government forecasts for change as well as the methodology employed by Council's overarching Housing and Employment Study of 2008.

BTS data is part informed by ABS Journey to Work data[36] and details employment change as a result of the extrapolation of past trends distributed using a strategic top-down approach, with the purpose of these forecasts being to inform metropolitan wide travel demand. On this basis, there are some limitations to using BTS data which are explained in greater detail.

The BTS forecasts are subsequently refined or 'adjusted 'through the course of the Chapter by the findings of the precinct audit (Chapter 2) stakeholder engagement process (Chapter 3) trend analysis (Chapter 5) market research (Chapter 6) as well as the feasibility analysis in Chapter 7. The implications of these employment change options are discussed further in Part C of the Study.

8.1 Employment Change in Canada Bay LGA

For context, we start at the LGA level. The BTS released its most recent employment forecasts for the City of Canada Bay in August 2012. These figures estimated job generation across the LGA to be in the order of 30,400 jobs as of 2011. Of this total, 2,836 jobs were related to manufacturing (10% of all jobs in the LGA).

Looking more specifically at the industries that may be suited to employment lands, an estimated 7,041 (23%) of jobs were generated in these industries. It should be noted however that this is a crude estimate and does not reflect the likelihood that jobs from other industries (i.e. retail, finance or information technology) could also be occupying employment lands whilst jobs generated in industries such as construction are likely to be non-geographic specific.

[36] The most recent employment forecasts continue to be based on 2006 Census Data yet were released in August 2012

Table 14 - Employment Forecasts for Canada Bay 2011, 2031, 2046 for Industrial Uses

	2011	2031	2046	Change 2011-2046
Manufacturing	2704	1,952	2,030	-674
Electricity, Gas, Water & Waste Services	118	92	107	-11
Construction	2,230	2,414	2,501	271
Wholesale Trade	1,350	1,583	1,698	348
Transport, Postal & Warehousing	639	505	503	-136
Sub total	**7041**	**6,546**	**6,839**	**-202**
Proportion of Total for Canada Bay	23%	17%	15%	

Source: BTS August 2012 Release

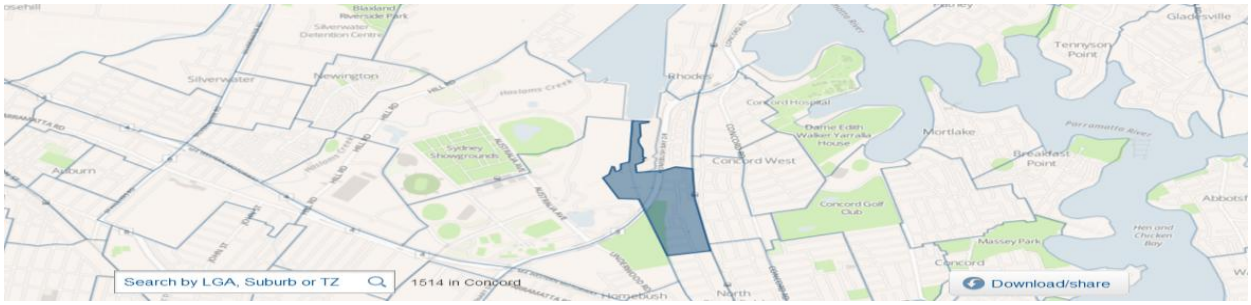
Despite the high-level nature of the data provided in the table above, it is indicative of a continuing trend in Canada Bay LGA whereby the number of industrial and blue collar jobs are declining in favour of retail jobs and jobs in the knowledge sector. These trends are reflective of an increasingly affluent and educated resident population along with the growth of the knowledge economy as discussed in Chapter 5.

8.2 How Employment Has Changed in the Precinct

Moving to the more detailed Precinct level, we have analysed jobs by industry at the travel zone level which is the smallest spatial scale provided by the BTS for employment forecasts. The Precinct is located entirely within travel zone 1507, the extent of which is shown in Figure 6 below.

The travel zone is located on the western side of the rail corridor, extending from Brussels Street north to Station Road, and includes parts of Bicentennial Park on the western side of Homebush Drive leading up to Homebush Bay. Accordingly the travel zone incorporates the Precinct in its entirety along with some retail, commercial and child care uses located within surrounding mixed use premises. Examples of such properties include the ground floor units at 27-29 George Street. The Precinct also includes jobs relating to child care centres (such as Lily's Cottage) yet does not include The McDonald College located at the junction of Pomeroy and George Streets.

Figure 7 - Precinct Travel Zone



Source: Bureau of Transport Statistics
Note: Precinct Travel Zone coloured in Blue

The travel zone data suggests that as of 2006 there were 1,841 jobs generated within the Precinct. By 2011 the number of jobs is expected to have increased to 2,089 jobs (+248 or 13%)[37]. Over the same period the Precinct also experienced notable population growth with a net increase of 1,293 residents representing a 134% increase in population. Combined these factors indicate a rapidly changing area.

[37] The BTS forecasts use the 2006 Journey to Work Data as a base. Accordingly the 2011 forecasts do not reflect the Journey Work Data for 2011 as yet.

Table 15 - Population, Employment and Workforce Change 2006 -2011

	2006	2011	Net Change
Population	960	2253	1293
Employment	1841	2089	248
Workforce	581	1422	841

Source: BTS August 2011 Release

The BTS estimates of job growth between 2006 and 2011 vary notably from the discussions held during the Study's stakeholder workshops. Stakeholders identified that in fact vacancy rates had been increasing and job numbers declining over the past 5 years. To address this mismatch, we have analysed the estimated job growth by industry to find an interesting story evolves.

As shown in Table 6 below, the BTS forecasts that all industrial uses would have experienced job loss over this period with the exception of Non-Metallic Mineral Product Manufacturing and Primary Metal and Primary Metal and Metal Product Manufacturing. Both of these industries combined however would only equate to a growth of 5 jobs. Our survey analysis also shows that there is only one business operating in this industry and it is located in one of the smaller units located within the complex at 25 George Street.

The BTS also estimates that the Precinct generates close to 220 jobs in the Pulp Paper and Printing industries. As discussed in Section 2.5 in 2006 (the base year for the BTS data) these industries had a strong presence in the Precinct. By 2013 however our Audit found that all of these businesses had relocated from the Precinct (e.g. the Fred Hosking facilities at 7 Concord Avenue and 202 George Street as well Chippendale Printing at 176 – 184 George Street).

Collectively the 2006 Audit of the Precinct estimated that Printing businesses generated 350 jobs in the Precinct (the BTS estimated 248). In any case today no jobs are generated in this industry and hence the loss of 35 jobs by 2011 that was forecast by the BTS (and shown in Table 10 below) is in reality far greater. To account for this change and the disparity between the forecasts and actual job generation by industry we have added an 'adjustment' column in Table 10.

In summary, once adjusted to reflect some known industry changes, the number of jobs generated in the Precinct overall is likely to have declined by 100 (-5%) rather than inclined over the period by 117 (6%). It should also be noted that this figure is softened by the forecast growth for uses that are not related to employment lands such as Accommodation and Food Services which are anticipated to have grown by 209 jobs or by 454% between 2006 and 2011.

Removing from the calculations jobs generated by uses that are not permissible within the general industrial zone, a very different option is found whereby as of 2006 the number of jobs in the Precinct would be closer to 410 and by 2011 (with the closure of the printing industries) this would have declined further to 159 at best[38]. Adding these jobs (159) to the 1,112 estimated by the BTS in the Financial and Insurance Sector for 2011 results in a number (1,271) closer to the estimates attained through our discussions with the businesses located in the Precinct and floorspace estimates (1,123 jobs) as of 2013.

[38] Note this figure retains all forecast jobs for Professional, Scientific and Technical services which are likely to be lower as well as all of the construction jobs however many of these are not dependent on being located specifically within the Precinct.

Table 16 - Jobs by Industry in the Precinct 2006-2011

Industry Category	2006	2011	Net Change 2006 - 2011	% Change	Adjustment	Adjusted Net Change 2006 - 2011	Adjusted % Change
Agriculture, Forestry and Fishing	0	0	0	0%	0	0	0%
Mining	0	0	0	0%	0	0	0%
Food Product Manufacturing	29	26	-3	-10%	26	-3	-10%
Beverage and Tobacco Product Manufacturing	0	0	0	0%	0	0	0%
Textile, Leather, Clothing and Footwear Manufacturing	5	3	-2	-42%	3	-2	-42%
Wood Product Manufacturing	0	0	0	0%	0	0	0%
Pulp Paper and Converted Paper Product Manufacturing	89	78	-12	-13%	0	-89	-100%
Printing, including the Reproduction of Recorded Media	164	141	-23	-14%	0	-164	-100%
Petroleum and Coal Product Manufacturing	0	0	0	0%	0	0	0%
Basic Chemical and Chemical Product Manufacturing	0	0	0	0%	0	0	0%
Polymer Product and Rubber Product Manufacturing	0	0	0	0%	0	0	0%
Non-Metallic Mineral Product Manufacturing	4	4	1	28%	4	0	0%
Primary Metal and Metal Product Manufacturing	7	11	4	56%	11	4	56%
Fabricated Metal Product Manufacturing	0	0	0	0%	0	0	0%
Transport Equipment Manufacturing	7	7	0	0%	7	0	0%
Machinery and Equipment Manufacturing	20	18	-2	-10%	18	-2	-10%
Furniture and Other Manufacturing	19	20	0	0%	20	1	5%
Electricity, Gas, Water and Waste Services	0	0	0	0%	0	0	0%
Construction	31	32	1	3%	32	1	3%
Wholesale Trade	28	31	2	7%	31	3	11%
Retail Trade	36	33	-3	-8%	33	-3	-8%
Accommodation and Food Services	46	255	209	454%	255	209	454%
Transport, Postal and Warehousing	7	7	-1	-14%	7	0	0%
Information Media and Telecommunications	4	4	0	0%	4	0	0%
Financial and Insurance Services	1,112	1,074	-38	-3%	1,074	-38	-3%
Rental, Hiring and Real Estate Services	0	0	0	0%	0	0	0%
Professional, Scientific and Technical Services	29	31	2	7%	31	2	7%
Administrative and Support Services	43	37	-6	-14%	37	-6	-14%
Public Administration and Safety	0	0	0	0%	0	0	0%
Education and Training	56	49	-8	-14%	49	-7	-12%
Health Care and Social Assistance	41	43	1	2%	43	2	5%
Arts and Recreation Services	13	12	-1	-8%	12	-1	-8%
Other Services	26	16	-10	-39%	16	-10	-39%
Unclassified	25	28	3	12%	28	3	12%
Total Employment	1,841	1,957	117	6%	1,741	-100	-5%

Source: BTS Employment Forecasts August 2012 Release as amended by Hill PDA

8.3 FORECASTS FOR EMPLOYMENT CHANGE

Another important story evolves when reviewing the BTS forecasts for employment growth in the Precinct. Over the 2006 to 2031 period, the BTS forecasts that the Precinct will generate a net increase of 1,062 jobs (58% growth). If we adjust this figure to account for the known changes to the printing industry the net growth reduces to +842 jobs (18%).

A significant component of this growth relates to the Financial and Insurances Sector (i.e. + 869 jobs representing 103% of net growth). On first glance it may be assumed that this notable growth relates to the existing Westpac data centre. Discussions with AMP Capital (on behalf of Westpac) have found however that the site is at capacity[39] and therefore highly unlikely to generate any additional jobs over this period[40].

We have consequently investigated the justification for the significant forecast job growth within the Precinct further. Our communication with the BTS found that:

> *"There are no special reasons (such as new development adjustments) why the growth in this zone has been high other than the nature of the forecasting procedure that is used in the employment model and the growth in specific industries in the GMA.*
>
> *The model uses a top down approach in forecasting jobs, i.e. it first estimates the total forecast jobs for the GMA, then allocates this to the 34 industries (at the GMA level). Then these GMA industry jobs are allocated to the Sub-Regions in GMA and then to Job Nodes (both areas defined in the model) and then finally distributing the jobs to the travel zones.*
>
> *TZ 1507 belongs to the INNER WEST Sub-Region and the Job Node CONCORD/NORTH STRATHFIELD. The trend analysis for the finance industry in this Job Node resulted in a very high growth in jobs for the forecast years. An adjustment has already been made in the forecast curve to soften this growth. However, despite the adjustment, the finance sector still resulted in high forecasts for this Job Node which flowed through the TZs under it (including TZ 1507 which has the majority of the finance jobs in this Job Node)."*[41]

Accordingly, this confirms that the forecasts are based on broader industry trends (e.g. discussed in Chapter 5 of this Study) and a top down approach. This approach differs from a bottom up approach that would address factors such as market demand in the locality, the viability of development and discussions with landowners and business tenants in the Precinct. This Study has consequently sought to tie both of these approaches together.

In this respect, we have learnt that Westpac does not plan to effectively double the scale of its operations in the Precinct over the next 20 years. In light of this and the fact that commercial uses (i.e. Financial and Insurance Uses) are not permitted within the General Industrial Zone, we have adjusted the employment forecasts

[39] Based on our estimates the site already achieves a very high employment yield of one worker per 16sqm

[40] Phone discussion as of April 2013

[41] Correspondence with BTS Modeling Team 18 April 2013

accordingly. As a consequence the adjusted forecasts find a notably different employment change option e.g. the Precinct as a whole would result in a job loss (-27 by 2031) rather than growth.

Undertaking a similar analysis to Section 8.2, we have assessed the net change in industrial jobs in isolation. We have found that between 2006 and 2031 there would be a decline of **-294** (-72%) of industrial jobs by 2031.

A resulting 116 jobs would remain in the Precinct including 21 Metal and Manufacturing jobs that do not rely on a General Industrial Zone as well as 35 Furniture and Other Manufacturing jobs despite Civardi's intentions to relocate and redevelop in the next 5 years[42]. Overall however, there is notable employment decline in most existing industries as summarised in Table 11.

[42] As advised during stakeholder engagement workshops

Table 17 - Adjusted Forecast Employment Change in the Precinct 2006 – 2031

	2006	2011	2016	2021	2031	Net Change 2006-2031	% Change 2006-2031
Agriculture, Forestry and Fishing	0	0	0	0	0	0	0%
Mining	0	0	0	0	0	0	0%
Food Product Manufacturing	29	26	22	21	17	-12	-42%
Beverage and Tobacco Product Manufacturing	0	0	0	0	0	0	0%
Textile, Leather, Clothing and Footwear Manufacturing	5	3	2	1	0	-5	-105%
Wood Product Manufacturing	0	0	0	0	0	0	0%
Pulp Paper and Converted Paper Product Manufacturing	89	0	0	0	0	-89	-100%
Printing, including the Reproduction of Recorded Media	164	0	0	0	0	-164	-100%
Petroleum and Coal Product Manufacturing	0	0	0	0	0	0	0%
Basic Chemical and Chemical Product Manufacturing	0	0	0	0	0	0	0%
Polymer Product and Rubber Product Manufacturing	0	0	0	0	0	0	0%
Non-Metallic Mineral Product Manufacturing	4	4	3	2	0	-3	-85%
Primary Metal and Metal Product Manufacturing	7	11	14	16	21	13	183%
Fabricated Metal Product Manufacturing	0	0	0	0	0	0	0%
Transport Equipment Manufacturing	7	7	6	5	3	-5	-70%
Machinery and Equipment Manufacturing	20	18	16	14	9	-11	-55%
Furniture and Other Manufacturing	19	20	23	27	35	15	77%
Electricity, Gas, Water and Waste Services	0	0	0	0	0	0	0%
Construction	31	32	26	22	10	-21	-68%
Wholesale Trade	28	31	28	26	20	-8	-28%
Retail Trade	36	33	29	27	14	-21	-59%
Accommodation and Food Services	46	255	292	324	354	308	670%
Transport, Postal and Warehousing	7	7	5	4	1	-7	-96%
Information Media and Telecommunications	4	4	1	0	0	-4	-114%
Financial and Insurance Services	1,112	1,112	1,112	1,112	1,112	0	0%
Rental, Hiring and Real Estate Services	0	0	0	0	0	0	0%
Professional, Scientific and Technical Services	29	31	29	26	20	-9	-31%
Administrative and Support Services	43	37	35	32	25	-18	-42%
Public Administration and Safety	0	0	0	0	0	0	0%
Education and Training	56	49	52	58	65	9	16%
Health Care and Social Assistance	41	43	45	49	50	9	22%
Arts and Recreation Services	13	12	11	11	8	-5	-38%
Other Services	26	16	17	19	19	-7	-27%
Unclassified	25	28	29	31	33	8	32%
Total Employment	**1,841**	**1,957**	**2,178**	**2,486**	**2,902**	**-27**	**-60%**

Source: BTS Employment Forecasts August 2012 Release Note: Hill PDA Adjustments in Green - removed job growth in the Financial and Insurance Services Category and all jobs related to Printing and paper Industry for reasons discussed in the text.

Table 18 - Adjusted Net Change in Industrial Jobs 2006-2031

Industrial Jobs	2006	2011	Net Change 2011-2031	2031	Net Change 2006-2031
Mining	0	0	0%	0	0%
Food Product Manufacturing	29	26	-10%	17	-12	-41%
Beverage and Tobacco Product Manufacturing	0	0	0%	0	0	0%
Textile, Leather, Clothing and Footwear Manufacturing	5	3	-40%	0	-5	-100%
Wood Product Manufacturing	0	0	0%	0	0	0%
Pulp Paper and Converted Paper Product Manufacturing	89	0	-100%	0	-89	-100%
Printing, including the Reproduction of Recorded Media	164	0	-100%	0	-164	-100%
Petroleum and Coal Product Manufacturing	0	0	0%	0	0	0%
Basic Chemical and Chemical Product Manufacturing	0	0	0%	0	0	0%
Polymer Product and Rubber Product Manufacturing	0	0	0%	0	0	0%
Non-Metallic Mineral Product Manufacturing	4	4	0%	0	-4	-100%
Primary Metal and Metal Product Manufacturing	7	11	57%	21	14	200%
Fabricated Metal Product Manufacturing	0	0	0%	0	0	0%
Transport Equipment Manufacturing	7	7	0%	3	-4	-57%
Machinery and Equipment Manufacturing	20	18	-10%	9	-11	-55%
Furniture and Other Manufacturing	19	20	5%	35	16	84%
Electricity, Gas, Water and Waste Services	0	0	0%	0	0	0%
Construction	31	32	3%	10	-21	-68%
Wholesale Trade	28	31	11%	20	-8	-29%
Transport, Postal and Warehousing	7	7	0%	1	-6	-86%
Total Industrial Jobs	410	159	-61%	116	-294	-72%

Source: BTS Employment Forecasts August 2012 Release

Note: Hill PDA Adjustments in Green - removed job growth in the Printing and Paper Industry for reasons discussed in the text.

8.4 TRANSLATING EMPLOYMENT CHANGE INTO LAND DEMAND

In light of the preceding analysis, we have identified three possible employment change options for the Precinct as follows:

Employment Change Option 1: The Unadjusted BTS Forecasts as of the August 2012 Release – this option is used as a 'base case' and models the BTS 2012 forecasts without any alterations based on our research. This option includes job growth in industries such as Printing and the Reproduction of Recorded Media; Primary Metal and Metal Product Manufacturing; Primary Metal and Metal Product Manufacturing; Furniture and Other Manufacturing as well as Financial and Insurance Services.

Employment Change Option 2: The Market Option – This option is based on discussions with landowners and tenants regarding actual and planned changes to industry in the Precinct. It adjusts the BTS forecasts to show:

- The loss of all printing jobs in the Precinct (and assumes this trend continues);
- No increases in the number of financial and insurance related jobs and Westpac relocates after its 10 year option in 2021;
- The business at (Civardi Furniture) relocates 20 (all) of its employees by 2018;
- The business (Cawsey Menck) at 2 Rothwell Avenue relocates 20 (all) of its employees by 2018; and
- 50% of unclassified jobs remain in the Precinct.

Employment Change Option 3: The Knowledge Sector Growth Option – this option reflects the industrial changes discussed under Option 3, however it retains:

- The BTS forecasts for net growth in the Finance and Insurance Industry;
- 80% of the BTS forecast growth in the Travel Zone for Administrative and Support Services; and
- 80% of the BTS forecast growth in the Travel Zone for the Professional, Scientific and Technical Services sectors[43].

Methodology

The methodology used for forecasting demand is via a custom-made employment lands demand model (ELDAM) developed by Hill PDA. This method converts job forecasts into land area requirements by industry type within a defined area.

The ELDAM estimates land area requirements by utilising the following steps:

- Deriving existing and projected future employment projections by industry type (as described under each option above) between 2011 and 2031;

[43] The remaining 20% of growth has been distributed to uses located outside of the Precinct i.e. 25-27 George Street, Concord West

- Apportioning ratios to jobs in the 1507 Travel Zone under each category to reflect the proportion located within or out of the Precinct;
- Applying required floorspace areas (GFA in square metres) to each job by industry by zone based on various industry sources; and
- Dividing the result by a most likely floorspace ratio (FSR) for each zone to arrive at land area (hectares).

Key Findings

Applying the options, assumptions and methodology described above, it was found that:

- Option 1 (the unaltered BTS forecast) was the only Option that would result in a modest increase in demand for land over the next 20 years;
- Option 2 (that was informed by the market) would result in a decline in demand of 3.2ha of land leaving a resultant demand for 0.9ha by 2031; and
- Option 3 resulted in an increase in demand for floorspace (+5,394sqm) yet a decline in demand for land (-0.1ha). This is because the growth in jobs forecast under this option related to commercial uses that are more efficient in their employment densities and can therefore be provided at a higher density ratio (i.e. 1:1 or above).

Of note, both Options 1 and 3 resulted in an notable increase in the proportion of land in the Precinct being occupied by commercial uses with the third Option clearly changing the nature of the area resulting in 80% of it being used for commercial uses (despite its higher density layout).

Option 1 (BTS forecast) also resulted in close to half of the Precinct being occupied by commercial uses despite the incorrect assumption that over 225 printing related jobs continued to be generated in the Precinct. Option 2 was the only one that assumed a decline in the proportional take up of land by commercial uses as it was based on the premise that Westpac would entirely relocate its facilities after its 10-year renewal option.

The results of the modelling are summarised in the Tables below. They are used to inform the Potential Planning Scenarios introduced in Chapter 9 whilst their economic, social and planning implications are discussed with greater rigour in Part C of the Study.

Table 19 - Summary of Employment Change Options – Floorspace Requirements 2011 – 2031

Job Growth by Option		2011	2021	2031	Net Change
Option 1	Unadjusted BTS	1,484	1,942	2,349	865
Option 2	Market Option	1,289	1,219	78	- 1,211
Option 3	Knowledge Sector Growth	1,306	1,712	2,095	789

Source: Based on BTS Employment Forecasts and Adjusted by Hill PDA

Table 20 - Summary of Employment Change Options - Floorspace and Land 2011 - 2031

		2011	2021	2031	Net Change	2011	2021	2031	Net Change
Option 1	Unadjusted BTS	49,644	54,888	59,936	10,292	6.9	7.2	7.6	0.70
Option 2	Market Option	32,172	26,192	5,680	- 26,492	4.1	3.1	0.9	- 3.20
Option 3	Knowledge Sector Growth	32,774	34,362	38,168	5,394	4.2	3.9	4.1	- 0.10

Source: Based on BTS Employment Forecasts and Adjusted by Hill PDA

Table 21 - Proportion of Precinct as Commercial Land 2011 – 2031 by Option

Ratio of Commercial to Industrial		2011	2021	2031	Net Change
Option 1	Unadjusted BTS	28%	37%	44%	16%
Option 2	Market Option	45%	59%	11%	-34%
Option 3	Knowledge Sector Growth	45%	68%	80%	35%

Source: Based on BTS Employment Forecasts and Adjusted by Hill PDA

9. POTENTIAL PLANNING SCENARIOS

In light of the research, modelling and stakeholder consultation discussed in the preceding Chapters, the following Chapter identifies three potential planning scenarios for the Precinct to be further investigated in Part C of the Study.

9.1 SCENARIO 1 – NO CHANGE / BASE CASE

The first scenario assumes that the current land use zoning of the Precinct is maintained. This scenario is therefore called the *No Change* or *Base Case*. In this Scenario the entire Precinct is retained as the IN1 General Industrial Zone. Therefore, the overriding objective for the Precinct under Scenario 1 would be to continue to protect it for general industrial uses with the exclusion of employment generating uses such as retail and commercial (i.e. business premises).

9.2 SCENARIO 2 – B7 BUSINESS PARK

This scenario would require the change of use from IN1 General Industrial to B7 Business Park. This zone would not only seek to retain the employment generating potential of the Precinct but intensify it by facilitating uses with a greater employment density (i.e. office floorspace) whilst retaining potential for light industrial uses. The intention of this approach would be to build on the presence of the existing Westpac data centre within the Precinct and best maximise the potential number of jobs in close proximity to the rail station.

As Scenario 2 seeks to maintain the Precinct as employment generating, it does not include residential flat buildings and shop top housing. Accordingly it is not possible to use the current B6 Enterprise Zone as designated by Canada Bay LEP 2008. We have not also considered the B6 Enterprise Corridor Zone or B5 Business Development Zones as the Precinct is not located along a main road in accordance with the objectives of these zones under the Standard LEP template[44].

9.3 SCENARIO 3 – RESIDENTIAL

The third Scenario investigates the implications of rezoning the Precinct, or part of the Precinct to R3 Medium Density Residential. The market consultation undertaken to inform the Study identified residential as a desirable use within the Precinct from a development feasibility and neighbourhood amenity perspective.

Scenario 3 does not consider the use of the B4 mixed use zone as a blanket zone for the Precinct given its locational attributes. In essence the Precinct is already located within close proximity to the Concord West Village shops, existing retail uses at 25-27 George Street and within close proximity to the Bakehouse Quarter. Whilst some additional retail could be provided to activate the streetscape and support the future population under this

[44] Please also note that the City of Canada Bay LEP 2008 does not currently use the B5 Business Development Zone

Scenario, we do not believe the Precinct is suitable for larger scale retail uses or the quantum of ground floor retail and commercial that would be required (e.g. at ground floor level across the Precinct) under the B4 zone.

PART C: SOCIO-ECONOMIC AND POLICY CONSIDERATIONS

Part C seeks to determine the implications of various different zoning scenarios to the Precinct. This last part of the Study translates the key findings of Parts A and B into recommendations for the Precinct. Part C investigates the social and economic implications of each potential planning scenario and then provides recommendations. It also provides advice as to what land use zoning Hill PDA considers being the most appropriate within the context of the research and analysis undertaken in the proceeding parts of the Study.

10. Social, Economic and Policy Implications of Each Scenario

As outlined in Part B of this Study, three planning Scenarios have been identified for testing and assessment. To re-cap the three scenarios include:

Scenario 1: The No Change or Base Case Scenario - this Scenario does not alter the Precinct's existing General Industrial land use zone;

Scenario 2: The B7 Business Park Scenario - this Scenario seeks to intensify employment generating uses within the Precinct by allowing for higher yield commercial and light industrial uses; and

Scenario 3: Mixed Use Scenario - this Scenario allows for the rezoning of parts of the Precinct for residential uses, parts for commercial and the retention of some industrial lands for general industrial uses.

This Chapter investigates the key economic, social and policy implications of the three potential planning scenarios outlined above. In order to assist this discussion, Section 10.1 discusses some of the key principles that should be considered when planning for employment lands whilst Section 10.2 discusses some of the general findings regarding the economic viability of varying building densities and how they could be applied in the Precinct to achieve change.

10.1 Principles for Employment Lands

In planning for the provision or potential rezoning of employment lands within an LGA or Subregion, a number of important general factors should be considered and are discussed below.

Firstly, when planning for employment areas, having particular regard to new industrial lands, it is ideal to facilitate an oversupply or surplus of zoned land in order to provide a range of opportunities and types of sites for businesses. Furthermore, the provision of a surplus of zoned land acts as an important price moderator. The availability and affordability of employment lands is a key attractor for new businesses and is critical to facilitating the expansion of existing businesses located within an area.

Secondly, it is important to plan for more, rather than less zoned land in an LGA such as Canada Bay as factors such as land use conflicts or ownership constraints can reduce the amount of land and floorspace that is developable. These factors can also restrict the density of development permitted on a parcel of land or its availability to the market resulting in less industrial land being suitable for development than zoned.

Furthermore whilst some vacant sites / buildings imply the capacity of an area to accommodate additional business or redevelopment, land ownership arrangements, land value expectations or the willingness of the landowner to develop industrial uses can be a major impediment. The Precinct is a case in point as a number of existing landowners bought land on the speculation that there would be a rezoning to permitted alternative uses such as residential. Accordingly, these landowners are choosing not to develop the land at present for industrial uses on the hope of developing it in the future for alternative (i.e. residential) uses.

Furthermore in cases where existing uses and buildings appear to be developed at lower densities and therefore could be redeveloped to facilitate a more efficient use of land within an area, the economic life of a building and therefore willingness or financial viability to redevelop a site becomes a more pressing issue. The relevance of this matter was discussed in Chapter 6 and will be addressed further in this part of the Study.

The first and second principles present a considerable challenge for the Precinct (particularly in relation to industrial lands) owing to the highly developed nature of the urban environment without greenfield land to simply rezone for greater supply. This makes it even more important to protect existing employment lands of good quality and in locations that are highly accessible to major highway networks. The retention of employment land therefore assists in maintaining the supply of land however it is less effective with respect to moderating sale and rental values in urban areas than greenfield.

Finally, in the case of employment planning, we recommend the zoning and protection of a range of good quality employment lands in order to protect the range of existing and prospective businesses that may seek to co-locate with other business in the locality. An appropriate use of zoning and the allocation of permissible uses can help to protect employment lands from redevelopment to uses that have a higher and better economic value to the developer (such as residential). Once land is subdivided into smaller lots and sold into private ownership (particularly in the case of higher value uses such as residential) it can be extremely time consuming and costly to 'down zone' it back to industrial land. This also holds true for mixed use developments (i.e. those with residential strata units on the upper floors).

Furthermore the redevelopment of land adjacent to, or within employment lands as residential or higher value uses can increase land value expectations for landowners and thereby outprice many employment generating uses and industrial or urban support businesses. Whilst it may be argued that there are cheaper and larger sites available on Sydney's urban periphery, in many cases it is important that industrial uses are maintained in locations that are easily accessible from residential locations such as car repairs and home related industries (i.e. furniture workshops). That said, in some cases it is neither attractive nor viable for some industries to locate within an area or to choose a particular site, for reasons that will be discussed further in Section 10.3 below.

Balancing Land Use Demands

Notwithstanding the above referenced principles for employment lands, our analysis of the draft subregional and Metropolitan Strategy (as discussed in Chapter 4) recognises that there are an array of land uses that compete for space within inner urban areas. In this regard Sydney is facing a significant undersupply of housing and is one of the most costly housing markets in the world. The additional supply of land for housing development can assist in mitigating this social challenge.

Our stakeholder consultation for the Study identified landowners with an interest in residential development. Furthermore a number of these stakeholders owned large parcels of land ready for redevelopment in the Precinct. The feasibility modelling results discussed in Chapter 8 indicate that these larger parcels, together with a rezoning and alterations to car parking standards / permissible building densities could facilitate this change and achieve a net increase in housing in Canada Bay.

The key question being what the economic and social implications would be of such as change to businesses, residents and jobs in the Precinct and broader locality.

10.2 General Principles for the Precinct Regarding FSRs

Building densities and heights are also important matters to consider when discussing the success, viability and appeal of the Precinct's employment lands. The following section provides some general principles regarding the use of Floor Space Ratios (FSRs) and building heights to either safeguard existing uses in the Precinct, encourage redevelopment or an alternative mix of uses over the Study Period.

It is important to note that where we have made recommendations in this section, they have been based on our static financial modelling (Chapter 8), development experience and economic rationale. As this Strategy has not had the benefit of detailed design, traffic or environmental analysis, any FSR and building height recommendations should be subject to a more detailed assessment of other development matters.

With respect to FSRs we recommend a tailored approach is adopted to:

1. Retain desirable employment sites and uses where appropriate; and
2. Facilitate viable redevelopment to maximise opportunities for a prosperous Canada Bay LGA where appropriate.

In general for employment lands and / or sites Council seeks to retain for local urban support services (i.e. small automotive repairs, panel beaters etc.) or as general industrial land only, an FSR of (or below) 1:1 should be retained or adopted.

In the case of the Precinct, our modelling suggests that to encourage redevelopment to higher order commercial uses (i.e. an office or business park) an FSR in the order of 2:1 would be required.

For sites that Council earmarks for re-development for residential purposes, or seeks to attract significant development to, an FSR of 1.3:1 or more would be required.

An important consideration in this regard relates to the design and amenity implications of these densities that should be tested in subsequent stages. The general principles discussed above have been summarised below.

Table 22 - Summary of General FSR Principles for the Precinct

Alternatives	Recommended FSR
Sites to be retained for urban support services	1:1
Sites to be retained for general industry	1:1
Sites to be redeveloped as business park	2:1
Site to be redeveloped to residential	1.3:1+

Please note that the recommendations outlined above would need to be tailored to individual sites owing to design, environmental or other specific site considerations.

10.3 SCENARIO 1 – NO CHANGE

Scenario 1 investigates the retention of the existing IN1 General Industrial Zone across the Precinct. Importantly this Scenario also assumes no change to the existing uses that are permitted by the IN1 General Industrial Zone with consent by draft Canada bay LEP 2012 (as shown below).

3 Permitted with consent

Depots; Freight transport facilities; General industries; Industrial training facilities; Light industries; Neighbourhood shops; Roads; Warehouse or distribution centres; Any other development not specified in item 2 or 4

The retention of the General Industrial Zone would accord with the recommendations of the SGS Housing and Employment Lands Study undertaken for Council in 2008 as well as the designation of the Precinct as Category 1 Employment Lands by the draft Subregional Strategy 2006.

In theory, it would retain 7.6ha of employment lands (23.1% of all employment lands within Canada Bay) for businesses and landowners who choose to locate close to where they live and for local residents seeking urban support services in their locality. It would also support some of the general principles regarding the supply of employment lands discussed in Section 10.1 above.

In practice, this approach would not however take account of the specific market and development viability factors influencing the Precinct and would therefore be likely to result in a very different outcome to that intended.

Explaining this point further, Chapters 6 and 7 established that in the current market:

- There is limited demand for industrial space (unless heavily discounted or incentivised) in the Precinct; and
- There is minimal financial incentive to buy and redevelop land within the Precinct for industrial uses.

With respect to point one, our site survey (Chapter 2) and market research (Chapter 6) identified that the existing building stock is at an age whereby it is not attractive to be tenanted by new industrial uses. For the majority of landowners or prospective investors / tenants, rents and capital values were therefore generally below that of replacement cost and therefore there is no financial incentive to undertake major refurbishment or redevelopment.

Difficulties associated with finding a tenant are compounded by the poor access into the area and potential for conflicts with surrounding residential uses, both of which increase perceived investment risk deterring businesses away[45]. As a consequence an increasing number of properties (and proportion of floorspace) is becoming vacant without funding to invest in upgrading. This is in turn creating a downhill spiral affect whereby fewer tenants are being attracted to the Precinct and vacancy rates are increasing. As a result capital to refurbish or redevelop is limited further compounding the effect.

[45] A review of public submissions made for development applications for industrial uses in the Precinct shows concerns and petitions are being made in light of proposed new industrial uses.

With respect to point two, our development feasibility modelling (Chapter 7) found that the value of renting or selling industrial space in the Precinct does not sufficiently outweigh the value of purchasing the land and redeveloping it. Our modelling subsequently found that in development feasibility terms, the existing uses are 'the highest and best use' under the current zoning for the Precinct meaning that financial incentives to redevelop and reinvigorate the Precinct (including the introduction of new high tech industries) to achieve employment and business growth are marginal.

From a financial perspective, the most likely prospect of sites within the Precinct being redeveloped for industrial uses relies on the intentions of the existing land and business owners. In this regard, it would be possible for an existing landowner to decide to invest in their site to redevelop and hold it for their own business purposes.

As set out in Chapter 3, during the Study's engagement process, we raised this prospect with landowners. It was found that none of the stakeholders in the Precinct who attended the workshops would entertain this prospect with some having purchased sites in the Precinct specifically on the prospect of residential redevelopment. Others had a short to medium term plan to operate their businesses and then eventually sell or redevelop their sites for residential in keeping with what they perceived as the natural progression of the area to non-industrial uses.

The retention of the IN1 General Industrial Zone would also fail to recognise some of the key employment generating uses operating in the Precinct such as the Westpac Data Centre that is most likely to be designated as a commercial use. Accordingly, the retention of this zone would not reflect the existing nature of the majority of employment generating uses (92% of jobs[46]) in the Precinct let alone the forecasts for industry growth in Region. As discussed in Chapter 8 of the Study, the BTS forecasts that the Financial and Insurance Services sector will be one of the main prospective growth industries within the Study Area.

As a final planning consideration, the retention of the IN1 General Industrial Zone would not align with the changing nature of uses surrounding and immediately abutting the Precinct. A good example of this relates to the proposed primary school. The economic and social implications of the Precinct's relationship with the proposed school and other uses in the locality are discussed further below.

Development Potential and Employment Yield

Should planning Scenario 1 be chosen, for the reasons explained above, it is likely that sites currently suffering from high levels of vacancy and low rental returns would further deteriorate in quality. The ongoing dilapidation of buildings in the Precinct would exacerbate the situation hindering the Precinct's potential as a genuine employment generating area.

We believe that this Scenario would not align with the first employment change option (the unadjusted BTS Forecasts) as it inaccurately assumed that printing industries continued to operate in the Precinct and that commercial uses could expand in the IN1 General Industrial zone. For the latter reason, Employment Option 3 – Knowledge Industries is also considered at odds with this Scenario.

[46] Based on audit and floorspace estimates and iincludes uses at 1 King Street, 4 Rothwell Avenue and 6 Rothwell Avenue

We therefore believe that Planning Scenario 1 would be best represented by Employment Option 2 – the Market Option. This Employment Option forecast that if left to the market, employment generation in the Precinct would decline from approximately 1,200 jobs as of 2011 to 78 by 2031. In keeping with this change, demand for land in the Precinct would also decline substantially from 4.1ha in 2011 to 0.9ha by 2031.

Employment Option 2 found that owing to the existing nature of businesses and landowners in Clusters 2 and 3 of the Precinct, the majority of businesses would have relocated from the Precinct or ceased to operate by 2031. There would however be justification for retaining a reduced component of industrial land in the Precinct for urban support services. In this regard, 25 George Street could be an option for retention owing to:

- The younger age and better quality of its building stock;
- Its smaller and more flexible unit structure;
- Its characteristics as a discrete industrial cluster of urban support services for the locality; and
- It is the industrial premises with the highest rate of occupancy (90% at the time of survey) and thereby effective industrial job generation.

The retention of land at 25 George Street for urban support uses would minimise the impacts of losing all urban support services from the area. This would in turn help to retain the convenience of these uses to local residents reducing congestion and time related costs associated with travelling further distances for services in Sydney. The retention of this site for smaller urban support services would support the successful function and operation of the Precinct and broader locality whilst retaining a mix of local and convenient employment options.

Economic Implications

As outlined above, the IN1 General Industrial Zone seeks to protect employment-generating lands for a wide range of uses. This is an important economic objective in light of the draft Inner West Subregional Strategy's designation of the Precinct as Category 1 employment lands coupled with the fact that the Precinct represents just over 23% of all remaining industrial land in Canada Bay LGA. Despite these intentions, our research and analysis indicates however, that in practice the retention of the Precinct for industry would not translate into actual additional industrial jobs or services.

This Scenario would not therefore contribute significantly to the Canada Bay FuturesPlan20 for a prosperous City. Whilst it is understood that Council can already meet its target of 10,000 additional jobs under its draft LEP 2012 controls, Scenario 1 would fail to notably contribute to the target or ensure its realisation. It would also result in an opportunity cost for other activities and alternative land uses resulting in lost potential for construction related jobs and greater demand for local business and retail services.

Social Implications

From a social perspective, the limited impetus for redevelopment and renewal resulting from Scenario 1 would result in the ongoing decline in the area's visual amenity. This would also have an adverse impact to the area's perceived sense of security and safety with a potential flow on impact to the attraction of using the recreational facilities in the locality including Bicentennial Park and Powell's Reserve.

Business stakeholders raised the poor perception of security and safety in the Precinct as a concern during the consultation workshops. Given that the amenity of a locality is an important factor in its attraction as a place to work and invest, this is likely to be another matter adversely affecting the success of the Precinct.

Scenario 1 should also be considered in the context of the proposed new primary school. Should the school be approved on the proposed site that adjoins the Precinct, there is a real and likely conflict to be created between a functioning industrial zone and the operation of the school. These impacts could include conflicts between servicing vehicles and children pick up and drop off times, concerns regarding noise and smell from general industrial uses and other amenity impacts. These concerns generally lead to the need to curtail the operation of industrial businesses in the locality which can in turn have a detrimental impact to their success.

The retention of the IN1 General Industrial Zone in its current form would also fail to enable the redevelopment of the Precinct to include residential dwellings. The Concord West locality presently provides many of the desirable characteristics of a residential area including a train station within walking distance, direct access to regional open spaces and good access to major employment generating centres (i.e. Rhodes and Sydney Olympic Park). There is therefore a notable social opportunity cost of retaining the Precinct for underutilised industrial premises.

Conclusion

As outlined above, from an economic perspective, Scenario 1 would safeguard the three clusters of industrial land for General industrial uses in Canada Bay LGA and the wider Subregion. Whilst the 'no change' Scenario would send a signal that the area is to be retained for industrial purposes (with the hope of reducing the prospect of speculative purchases and supressing land values) our analysis of the Precinct suggests that it is well beyond the point of returning to a thriving and viable industrial Precinct.

Investigations have found that business have already moved out of the area, or are planning to relocate / cease operation in the short to medium term. From a land economics perspective, it is not viable for new businesses to buy the land and redevelop it for industrial uses. Consequently, Scenario 1 would lead to an ongoing decline in the quality of existing stock and the appearance of the locality with little if any additional job generation.

From a social perspective, this Scenario would also be likely to result in the Precinct's continued decline with respect to visual amenity and the broader locality's attraction as a place to both live and work. Furthermore, this Scenario would not facilitate the provision of alternative uses such as housing in a highly suitable location.

10.4 SCENARIO 2 – B7 BUSINESS PARK

As profiled in Chapter 2 of this Study, the overwhelming majority of existing jobs (92%[47]) generated in the Precinct are commercial in nature. Furthermore Sydney's economy is evolving to have a far greater demand for knowledge industries and thereby employment lands that accommodate these commercial uses. Despite these trends and the existing nature of uses in the Precinct, its General Industrial zone prohibits commercial uses.

[47] Based on audit and floorspace estimates and iincludes uses at 1 King Street, 4 Rothwell Avenue and 6 Rothwell Avenue

Therefore Scenario 2 considers the rezoning of the Precinct to the B7 Business Park Zone. Business parks combine both stand-alone and commercial office developments (campus style) with industrial uses (i.e. for storage and warehousing) often with a specific theme such as research, technology and pharmaceuticals. They are not located within traditional centres, but are generally large enough to take on features of centres (e.g. public transport infrastructure, retail and service facilities, access to major arterial roads or access routes).

Uses that are proposed to be permissible with consent in the B7 Business Park Zone by the draft Canada Bay LEP 2012 are provided below.

3 Permitted with consent

Child care centres; Food and drink premises; Light industries; Neighbourhood shops; Office premises; Passenger transport facilities; Respite day care centres; Roads; Warehouse or distribution centres; Water recycling facilities; Any other development not specified in item 2 or 4

The benefits of implementing this Scenario would be the recognition of existing uses in the Precinct as well as the facilitation of prospective new commercial businesses and thereby employment that could better align with the skills of the area's resident workforce. Uses that would be permissible within the business park zone would:

- Make good use of the Precinct's larger consolidated sites in keeping with the objectives of the zone "To encourage the erection of buildings suited to development requiring large floor areas, and to discourage small scale uses unless they are of an ancillary or service nature"48;
- Facilitate a higher density employment generating uses improving the efficiency of the Precinct;
- Support forecast growth industries in Sydney and the Subregion's economy;
- Provide more jobs close to where people work reducing the distances needed to travel;
- Build on existing commercial uses in the Precinct (i.e. the Westpac data centre);
- Provide a more compatible land use with the surrounding residential and school uses than General Industrial; and
- Protect the Precinct as an employment generating area without ruling out the prospect of light industrial uses that are also permitted within the B7 Business Park Zone.

The intent of Scenario 2 is therefore to capture local and regional employment opportunities in line with industry trends. It also seeks to enhance the efficient use of existing employment generating land by facilitating a wider range of businesses within the Precinct and to generate greater employment levels on a square metre basis.

Notwithstanding the benefits of this Scenario, our experience of analysing and researching business parks shows that their creation is not as simple as zoning an area. They require an intricate mix of ingredients to be successful including:

[48] Draft Canada Bay LEP 2013

1. Access to existing and proposed transport networks (i.e. rail stations);
2. Access to existing and planned residential growth areas;
3. Access to major infrastructure such as main roads, utilities and services;
4. Opportunity to cluster with other businesses and magnet infrastructure to leverage off existing businesses / facilities in the Subregion;
5. Retail and services facilities to attract workers;
6. A prestigious location that attracts investors and tenants; and
7. A large component of consolidated land with reasonable lot sizes and ownership that is not fragmented into small parcels to create a critical mass of businesses.

Whilst the Precinct could reasonably deliver points 1, 2, and 3 above, points 4, 5, 6 and 7 would be more challenging to address. For example, whilst the Precinct is located adjacent to Homebush Bay Drive (which connects to the broader Sydney Regional Network), it is not possible to get direct access to the roadway. Any vehicles that would be required to service the business park would still be required to access the area via Pomeroy and George Streets and travel via largely residential streets. The impacts of this traffic generation and any potential conflicts with the successful operation of the Precinct would need to be carefully assessed by a suitable study.

With respect to clustering, the Precinct at present lacks a distinct cluster of businesses of any specific type. Whilst new commercial businesses could cluster with the Westpac Data Centre, there would need to be a promotional and marketing campaign for the business park to try to attract the right types of businesses and to build a successful cluster. This campaign would also need to address issue 6 given that the prestige of a business park location is a key factor in its success. This image needs to be created through investment in landscaping, retail and leisure amenities within the Precinct to make the location an attractive place to work and invest.

The final criterion may also be a challenge that successful business parks require a critical mass to work. They require a notable scale of consolidated land to provide longer-term opportunities for growth for businesses and to justify the capital outlay required to improve the environment to a business park standard. The challenge with the Precinct in this respect is its smaller scale and separated into three different clusters which significantly limit its potential.

As detailed further below, once taking the Westpac site and 25 George Street out of the equation, the Precinct only has scope to accommodate an additional 30,000sqm of floorspace if the 1:1 FSR is retained. This potential increases to 45,000sqm additional space if the entire Precinct is rezoned and achieves an effective FSR of 1.5:1 and built as commercial space (i.e. no ancillary amenities or light industrial).

Whilst 30,000 to 45,000sqm of additional floorspace is a reasonable uplift, it assumes that all of the remaining site's in the Precinct can be consolidated and redeveloped to their full capacity and even still it is notably less than the scale of other business parks it would need to compete with such as:

- The Australia Centre at Sydney Olympic Park – 15ha of land with 100,000sqm+ of floorspace including 60,000sqm of office space);
- Norwest Business Park – 144ha providing 311,600sqm of office space; and
- Riverside Corporate Park in North Ryde / Macquarie Park – 35ha of land providing 800,000sqm+ of which 300,000sqm relates to commercial office.

The close proximity of the Precinct to Rhodes and The Australia Centre business parks, in addition to its less prominent and prestigious location would create notable challenges in attracting tenants and thereby its success. To be attractive to the market the Precinct would also need a co-ordinated and master planned approach. This would require the co-ordination and support of all of the existing landowners with the concept and their willingness to invest in the Scenario. This is likely to be a notable hurdle when most of the landowners are unlikely to have any experience with this form of development and others have bought into the area on the premise of redeveloping for residential.

Development Potential and Employment Yield

This Scenario is considered most likely to align with Employment Option 3 modelled in Chapter 8. This Option adopted the industry growth forecasts of the BTS in the commercial use categories and adjusted the industrial categories in line with the changing nature of industry in the Precinct discussed with local businesses. Based on an FSR of 1:1, this option found that by 2031 there would be demand for 5,000sqm of additional floorspace in the Precinct, yet because of the higher development ratio, there would still be less demand for land in the Precinct than today (i.e. 4.1ha required in 2031 compared to the existing 7.6ha available).

To be successful however and to overcome the financial viability challenges discussed under Scenario 1, our analysis suggests that this Scenario would not only require a rezoning but a notable increase in development density to 2:1.

On this basis, looking at the Precinct's opportunities from a purely hypothetical perspective, the Precinct could in theory achieve an increase in floorspace and jobs. To calculate this potential we have conservatively taken the site at 25 George Street (existing well performing urban support services) and 1 King Street (Westpac's site that is already operating at a high employment density) out of the equation. This leaves just under half of the Precinct to achieve a prevailing FSR of 1.5: 1 and thereby 76,100sqm and 2,916 jobs across the Precinct. This would represent an additional 1,047 jobs[49] which would closely align with the BTS forecasts in employment change Option 2.

Economic Implications

Whilst Scenario 2 would strictly result in the loss of employment lands (i.e. for industrial uses) it would protect land for the purposes of employment generation and potentially facilitate a notable uplift in job density. In practice however it is likely to be a Scenario that requires market sounding and commercial testing owing to the close proximity of larger, more prestigious and competitive business parks within the locality (i.e. Rhodes).

[49] Based on an average employment yield of 1 worker per 30sqm

The creation of successful business parks also requires notable upfront investment. For this reason their creation is a challenging and cost intensive process that must benefit from upfront capital from landowners and investors to ensure a high quality business environment. Accordingly, the realisation on this development, jobs and flow on economic multipliers could not be guaranteed from simply rezoning the Precinct to B7 Business Park.

Social Implications

Scenario 2 would have a number of social benefits including the generation of an enhanced array of local employment opportunities. The provision of these uses would also assist in reducing the need for local residents to travel across the Inner West Subregion and broader Sydney Region whilst increasing opportunities to walk to work / facilities that promote healthy living and social interaction.

The increased FSR could also lead to a more attractive scenario for redevelopment, which would in turn, subject to design testing, could help to enhance the Precinct's visual appeal, amenity and sense of safety to the benefit of the community, including the proposed primary school, surrounding residents and users of Powell's Reserve.

In keeping with Scenario 1, Scenario 2 would not however facilitate the development of housing and would therefore not support government objectives to enhance housing supply, choice and affordability across Sydney in accessible locations.

As a final matter, without detailed traffic and transport analysis, it is difficult to ascertain the degree of likely traffic generated in the Precinct and broader area owing to this Scenario. Despite the close proximity of Concord West Station, our experience with fledgling business parks suggests that there would be a notable number of employees that would drive to work (i.e. as exemplified by the Westpac Data Centre). Therefore this Scenario would be likely to increase traffic generation in the locality, the implications of which would need to be carefully tested.

Conclusion

Scenario 2 seeks to maximise employment and renewal opportunities for the Precinct making a more efficient use of limited employment land resources in the City of Canada Bay. In turn, Scenario 2 would provide and array of local and regional employment benefits as well as notable amenity improvements to the benefit of surrounding residential, school and community uses.

Notwithstanding the theoretical merits of this approach, in practice the successful implementation of the Scenario would be a more challenging prospect. Access to the Precinct would remain an issue and local traffic challenges would be exacerbated. In the case of Scenario 2 being supported, it is recommended that a complementary design and traffic / transport study be undertaken to maximise positive outcomes, amenity improvements and the prestige of the area. We also recommend a Precinct wide masterplanning and promotional programme to enhance the amenity of the locality and to target suitable businesses over competing locations.

10.5 Scenario 3 – Mixed Employment and Residential

The third scenario investigates the implications of protecting Cluster 3 as industrial lands for urban support services, rezoning Cluster 1 to residential and Cluster 2 as part residential part B7 Business Park. In addition to

the IN1 and B7 zones provided in the sections above, the land uses of relevance to the R3 Medium Density Residential (in accordance with the Canada Bay draft LEP 2012) are set out below.

2 Permitted without consent

Environmental Protection Works; Home-based child care; Home occupations

3 Permitted with consent

Attached dwellings; Bed and breakfast accommodation; Boat sheds; Building identification signs; Business identification signs; Boarding houses; Child care centres; Community facilities; Environmental facilities; Exhibition homes; Flood mitigation works; Group homes; Home businesses; Jetties; Multi dwelling housing; Neighbourhood shops; Places of public worship; Public administration buildings; Recreation areas; Residential accommodation; Respite day care centres; Roads; Schools; Seniors housing; Water recycling facilities

4 Prohibited

Rural worker's dwellings; Shop top housing; Any development not specified in item 2 or 3

This Scenario seeks to recognise the valuable businesses and features of the locality and to maximise its development potential, economic and social outcomes in light of:

1. Concord West Rail Station's central location in the Precinct;
2. The close proximity of the open regional space;
3. The adjoining residential uses;
4. The quality of the local community infrastructure including the existing and proposed new school adjacent to the Precinct, existing child care facilities and open regional space;
5. The proximity of supporting retail and business services (i.e. the Bakehouse Quarter, Concord West Neighbourhood Centre and Rhodes); and
6. The proximity of employment generating centres to the Precinct (i.e. Rhodes and Sydney Olympic Park).

This Scenario does not propose the B4 Mixed Use Zone owing to its requirement for all ground floor floorspace to be commercial in nature. Given the geographic characteristics of the Precinct and the proximity of competing centres, the quantum of ground floor commercial / retail space generated under this zone is unlikely to be supportable. Rather we believe a smaller component of convenience retail in close proximity to the rail station could be a more appropriate option.

For the reasons given under Scenario 1, this Scenario recommends the retention of the strata titled units at 25 George Street as IN1 General Industrial uses. This distinct cluster should be retained to continue to provide urban

support services to the local community. The Cluster is operating successfully and supporting a range of smaller businesses that are better suited to the characteristics of the local area than larger industrial uses.

The Scenario also proposes the rezoning of the 1 King Street Site (Westpac) in the short term to B7 Business Park to reflect the character of the largest employment generating use in the Precinct (i.e. 89% of all existing jobs in the Precinct). This zone is considered the best 'reflection' of existing uses on the site. The zone is also considered appropriate as it would protect the existing employment generating uses without introducing the prospect of a large quantum of alternative uses (such as retail) that would create a new and competing centre in the existing hierarchy. It would also eliminate the prospect (albeit unlikely) of the site being redeveloped to general industrial uses in the future and thereby having an adverse impact to the amenity of surrounding residential (both existing and proposed).

As a point of clarification, the recommendation for the B7 Business Park Zone for 1 King Street does not advocate the longer term and broader redevelopment of the area as a Business Park (as per Scenario 2). Rather it is a zone that best reflect the Westpac's 10 year option on the site that is due to expire in 2021.

It is also worthy to note that initial options considered by this Study related to an FSR of 2:1 for the B7 Business Park Zone in accordance with our industry experience of what densities are required to incentivise redevelopment. The intent being that a greater FSR on the site could incentivise redevelopment and thereby increase employment yield in close proximity to the rail station. Stakeholder concerns were raised however in relation to this options and the knock on traffic impacts to the surrounding road network. As this Study does not have the benefit of any traffic analysis, we recommend the B7 Business Park Zone but the retention of the existing 1:1 FSR with further analysis to be undertaken by the subsequent traffic and urban design studies. As a final matter, by 2021 and dependant on the intentions of Westpac and the nature of uses surrounding the site, it may be appropriate for 1 King Street to be rezoned to residential to maximise its geographic merits and consolidated scale to create a notable quantum of additional housing in a highly accessible location.

The remaining 8% of jobs generated in the Precinct relate to land in Cluster 2 (excluding 1 King Street) and Cluster 3. Owing to the nature of uses on these sites, the intentions of landowners and the economic matters discussed in preceding Chapters we recommend that these areas be considered for rezoning to residential in the short term. Their rezoning would facilitate a net increase in housing opportunities in the locality avoiding the stagnation and underutilisation of land that would be likely to result from Scenario 1.

Scenario 3 would therefore recognise the distinct clusters in the Precinct and create a balance between:

1. Recognising and retaining the major job generating businesses in the Precinct;
2. Protecting land that genuinely provides urban support services for the locality; and
3. Making efficient use of land in highly accessible and suitable locations for new housing.

Development Potential and Densities

In keeping with Scenario 2, we have assumed that Scenario 3 would encourage redevelopment in the Precinct over the Study period. In light of existing residential interest in the Precinct, we have assumed that 49% of the Precinct is redeveloped for residential by 2021[50]. Subject to Westpac's intentions, a further 41% of the Precinct could either be redeveloped to residential or additional commercial floorspace by 2031 or remain as it is. The remaining 10% of land (relating to 25 George Street) is retained as IN1 General Industrial in 2031 for the reasons given above.

For the purposes of modelling potential residential yield, we have assumed:

- An FSR of 1.3:1;
- Average dwelling occupancy of 1.9 persons[51]; and
- Average dwelling size of 80sqm.

On this basis, by 2021 the Precinct could provide 486 additional residential dwellings and 920 new residents. By 2031 this could increase to a total of 895 dwellings and 1,700 new residents or an additional 16,000sqm of commercial floorspace and 800 jobs[52].

We should note that under this Scenario additional retail expenditure would be generated by the residents of the potential 750 dwellings. Based on a basic multiplier of 2.2sqm of retail floorspace per resident, the rezoning of the area could generate demand for an additional 2,024sqm to 3,740sqm of retail floorspace. For the reasons given above, a small convenience component of this floorspace could be accommodated in the Precinct with demand for the remaining floorspace benefiting the Bakehouse Quarter and Concord West Neighbourhood Centre.

On the basis of Scenario 3, the extent of employment lands within the Precinct would reduce over the Study Period (i.e. by 49% by 2021 and by up to 90% by 2031). Accordingly, under the worst case scenario (i.e. Westpac moved out by 2031 and the sites was rezoned to residential) jobs would reduce to 1,047 by 2021 and to 47 by 2031. On the best case scenario for employment, by 2031 Westpac would remain or redevelop the site to increase job generation in the Precinct.

Economic Implications

The third Scenario would have a number of positive and negative economic implications for the Precinct in comparison to Scenarios 1 and 2.

With respect to the positive impacts, it would facilitate residential development in the short to medium term (i.e. the next 3 to 10 years) and thereby economic benefits through construction related employment (for the duration of the construction period) as well as flow on economic multipliers. It would also generate demand for additional

[50] Excludes the Westpac Site and 25 George Street

[51] The average number of persons per bedroom in City of Canada Bay according to the ABS Census 2006 is 2.1, however this is likely to decline over time in line with wider trends and in a medium density area

[52] Assuming Westpac redeveloped the site as a call centre with a job ratio of 1 / 20sqm rather than current 1 / 16sqm

local and regional retail services (with some benefit gained by existing businesses in Concord West and the Bakehouse Quarter).

Conversely however there would be some possible adverse economic impacts. Whilst it may be argued that there are sufficient alternative locations for employment generating uses along the M7 Motorway and in Western Sydney, Stakeholder discussions found that the rezoning of the Precinct to medium density residential would likely result in the relocation of existing businesses out of the Canada Bay LGA. This is because existing businesses did not know of any alternative suitable sites in the LGA yet were aware of cheaper industrial lands in more accessible locations in Western Sydney such as Auburn (i.e. Silverwater) or South Strathfield[53]. To minimise the potential loss of businesses from the LGA, it is recommended that Council continues to work with Stakeholders and makes them aware of suitable alternative locations such as the Five Dock, Parramatta Road Precinct in Canada Bay LGA that has vacant and available space for General Industrial uses.

As discussed above, the retention of land zoned 25 George Street for urban support industrial uses would minimise the impacts of losing all urban support services from the area. This would in turn help to retain the convenience of these uses to local residents thereby reducing congestion and time related costs associated with travelling further distances for services in Sydney. The retention of this site for smaller urban support services would support the successful function and operation of the Precinct and broader locality whilst retaining a mix of local and convenient employment options.

In light of the above, the rezoning to medium density residential is likely to incentivise 49% of the Precinct to be redeveloped to residential in the short to medium term resulting in a net loss of 3.7ha and 76 jobs. During the transition of these sites from industrial to residential there is also the potential for conflict between adjoining uses. This is because sites are likely to be redeveloped to residential at uneven periods resulting in potential conflicts between ongoing business operation and new residents. This challenge would need to be carefully investigated and agreed during the recommended masterplanning phase with reasonable expectations established for an area that already has residential and industrial uses lying side by side.

Social Implications

From a social perspective the provision of an array of higher density housing options would create greater housing opportunities and choice, prospectively leading to a greater range of local affordable housing options. In this regard it is important to note the NSW Metropolitan's Strategy's Objective 3 that seeks to 'Make Sydney Connected' by 'integrating growth with good transport connections'.

The redevelopment of the Precinct for residential uses could also help to improve the amenity of the locality by replacing older buildings and industrial uses (that can be considered less visually appealing) with medium density residential. Many of these dwellings could benefit from access to Powell's Reserve and Bicentennial Park increasing opportunities for leisure, exercise and social interaction.

From a social perspective, there could however be an adverse impact owing to some lost local jobs opportunities (i.e. the relocation of 76 industrial and commercial jobs). Notwithstanding this, our demographic analysis

[53] Based on discussions with stakeholders at Workshops on 27th March and 9th April

described in Section 5.7 found that the majority of Concord West's or Canada Bay's residents were not employed in industrial uses but rather knowledge sector industries that are not presently permissible within the Precinct but rather focused in centres such as Sydney Olympic Park and Rhodes that are located in close proximity to the Precinct.

As a final matter, Scenario 3 is also likely to have a notable influence by way of design and traffic / parking and transport impacts. Should this Scenario be supported, it is recommended that these factors are assessed further by specialist studies.

Conclusion

This Scenario would facilitate a land use that is in notable undersupply in Sydney within a location already providing an excellent level of amenity and social infrastructure.

The challenge for this Study has not therefore been whether a residential rezoning for the Precinct would be appropriate but rather whether there was good cause to retain the existing industrial zone. In this regard, our research has found that whilst Scenario 3 would result in the loss of 11.5% of employment lands in Canada Bay, the Scenario aligns with the intentions of the majority of landowners and business tenants in the location creating the greatest likelihood of success. It is also the only viable Scenario for change. Accordingly should Scenario 3 not proceed, it is likely that little notable change will occur in the Precinct other than its ongoing deterioration.

10.6 Summary of Scenario Pros and Cons

The following table summarises the pros and cons of each Scenario.

Table 23 - Summary of Pros and Cons of Each Planning Scenario

	Pros	Cons
Scenario 1	Retain all employment land	No job growth
	Retain all existing jobs in LGA	Area stagnates
		Declining perceptions of safety and security
		Potential conflicts with proposed school
		Growing potential conflicts with residential uses
		Opportunity Cost - inefficient use of land with good infrastructure
		Does not support housing needs
Scenario 2	Retains all land for employment generating uses	Loss of general industrial employment lands
	Notable potential job growth	Loss of urban support services
	Reflects existing job characteristics	Significant upfront investment cost
	Jobs align with resident workforce	Ongoing access constraints
	More sympathetic use with surrounding residential / community and education uses	Growth in potential traffic constraints
		Relatively small and fragmented area
		lacks prestige for a business park
		Likely greater strain on road network
		Not likely to be supported by landowners
Scenario 3	Retains 10% as employment lands	Loss of 90% employment lands
	Retains 51% land as employment generating	Likely greater strain on road network
	Stimulates growth and investment	
	Better aligns with existing uses in the area	
	Makes more efficient use of redundant sites	
	Minimises conflicts with uses	
	Efficient use of land close to rail station	
	Efficient use of soft infrastructure	

11. POLICY IMPLICATIONS & RECOMMENDATIONS

The following Chapter identifies key policy criteria against which to assess the economic and social implications of each planning Scenario discussed in Chapter 10. The Chapter then considers each Scenario against the policy criterion to form a recommendation for a Preferred Planning Scenario for implementation.

The Chapter in turn assesses the Preferred Planning Scenario against the employment lands criteria established by the Metropolitan Plan and the Section 117 Direction. It concludes with some general recommendations regarding next steps to further refine and (subject to Council and DP&I support) implement the recommendations.

11.1 POLICY CRITERIA FOR ASSESSMENT

As introduced above, for the purposes of assessment we have distilled the policy objectives and directions outlined in Chapter 4 of this Study into five key criteria against which the likely economic and social implications of each Scenario can be assessed.

In no specified order of importance the criteria include:

Criterion 1: ***Retain strategically important employment lands*** from increasing pressure to rezone so as to support the long term requirements of local and regional businesses - as established by the draft Metropolitan Strategy, draft Inner West Subregional Strategy and Local Planning Directions administered by the Minister under Section 117(2) of the Act;

Criterion 2: ***Support for the growth of jobs, investment and economic prosperity*** – as established by the draft Metropolitan Strategy, draft Inner West Subregional Strategy, the City of Canada Bay Futures Plan20 and the Canada Bay Local Planning Strategy 2010;

Criterion 3: ***Support for additional housing and housing choice*** – related to Objectives 5 and 6 of the draft Metropolitan Strategy, actions from the draft Inner West Subregional Strategy, the City of Canada Bay Futures Plan20 and the Canada Bay Local Planning Strategy 2010;

Criterion 4: **Support connectivity and Accessibility** - related to Objective 3 of the draft Metropolitan Strategy that seeks to integrate growth with good transport connections as well as Goals 7 and 8 of the State Plan to grow patronage on public transport and reduce travel times; and

Criterion 5: ***Enhance the visual and environmental amenity of the Precinct*** including its accessibility, visual appeal and quality of urban design – in accordance with actions from the draft Inner West Subregional Strategy, the City of Canada Bay Futures Plan20 and the Canada Bay Local Planning Strategy 2010.

11.2 ASSESSMENT OF OUTCOMES

In order to assess the likely outcomes of each of the three planning Scenarios against the five Policy Criteria listed above, we have prepared a simple matrix as shown in Table 25 below. We have also applied a ranking for each Scenario based on their contribution to the policy. The ranking system is depicted below.

Ranking	Impact Code
Negative Impact	
Neutral – Modest Impact	
Positive Impact	

Table 24 - Ranking of Likely Outcomes of Scenarios 1, 2 and 3 against Policy Criteria

Hill PDA	Scenario 1 No Change	Scenario 2 Business Park Zone	Scenario 3 Mixed Employment with Residential	Comment
Policy Assessment Criteria				
1. Retain strategically important employment lands				Scenario 1 and 2 would safeguard all of the existing employment lands, Scenario 2 would retain the option for light industrial uses but no general industrial whilst Scenario 3 protects 10% for general industrial and 40% for commercial / light industrial.
2. Support for job growth, investment and economic prosperity				Scenario 1 would not encourage investment or growth. Scenario 2 has potential although achieving success would be challenging. Scenario 3 is the most likely to incentivise growth and change
3. Support for additional housing and housing choice				Scenario 3 would be the only one that included housing and thereby addressed this criterion.
4. Support for connectivity and accessibility				Scenario 1 would not lead to an intensification of uses and would have neutral benefit to this policy. Scenarios 2 and 3 would enhance the number of jobs and houses respectively in close proximity to Concord West Station as well as an array of local and regional services and facilities.
5. Enhance the visual and environmental amenity of the Precinct				Scenario 1 would lead to the stagnation of the environment and character of the area. Scenario 2 could lead to notable improvements yet with an FSR of 2:1 could be greater in density across the precinct than Scenario 3.

Having applied the five policy criteria to each of the three planning Scenarios, it is apparent that Scenario 3, *Mixed Employment with Residential* addresses the majority of the criteria positively. Scenario 3 also ranks more positively when compared to the same assessments for Scenarios 1 – *No Change* and 2 – *Business Park Zone*.

Scenario 3 protects some existing employment lands, it recognises the major employment generator in the Precinct with an appropriate zone and maximises opportunities for additional investment and housing provision making best use of scarce resources in Canada Bay LGA. Scenario 3 also leverages off the Precinct's infrastructure strengths including Concord West Station, Bicentennial Park, Powells Reserve, existing school and the proposed new primary school.

Whilst Scenario 2 – *Business Park* has some positive benefits, it ranks less strongly than Scenario 3 as it would require a higher density of development and would not retain IN1 General Industrial land or provide additional housing outcomes. It would also require a co-ordinated and capital intensive programme to upgrade the Precinct so that it could compete against major business parks that are already operating within the locality. This would require landowner buy in to the vision which is considered unlikely based on workshop discussions.

11.3 CONSISTENCY WITH STATE GOVERNMENT POLICY

The Precinct represents 23% of all industrial land in the Canada Bay LGA and 2.2% of employment lands located within the Inner West Subregion. In this regard Chapter 4 of this Study identified two key policy documents for consideration to be:

4. Section 117 Direction 1.1 Business and Industrial Zones; and
5. The Strategic Checklist for Employment Lands provided by the draft Metropolitan Strategy for Sydney.

The following table reviews the consistency of Scenario 3 with Direction 1.1 Business and Industrial zones of the Section 117 Direction.

Table 25 - Consistency of Scenario 3 with Ministerial Direction 1.1 Business & Industrial Zones

Relevant Matters	Comment and Consistency
Objectives of the Direction	Scenario 3 would protect the parts of the Precinct that are viable for employment growth and the continued operation of industry. It would rezone parts of the Precinct that are stagnating and have little opportunity for employment growth or intensification to permit residential uses. These uses would generate additional demand for retail and business services which would help to support the viability of identified strategic centres (consistent with objective 1.C).
Retain existing business and industrial zones	Scenario 3 would retain 10% of the Precinct as IN1 General Industrial and 41% as B7 Business Park which provides opportunities for higher intensity uses whilst retaining opportunities for light industrial. The remaining 49% could be rezoned to non-business / industrial uses.
No net loss of potential floorspace for employment uses and related public services in business zones	Scenario 3 would result in the loss of 3.7ha of employment land yet retains land that generates 93% of jobs in the Precinct. In pure numerical terms it would also not result in the net loss of potential employment generating floorspace (i.e. commercial or industrial) subject to an increase in permissible FSR (i.e. for commercial uses) at 1 King Street.
Not reduce the potential floorspace area for industrial uses in industrial zones	Scenario 3 would result in the 49% reduction in the potential for industrial uses and floorspace in the Precinct. Notwithstanding this, in practice if retained, the Study has found that this land would not be likely to attract or encourage new industrial floorspace or uses as a consequence whilst land would be retained it would not be effective in generating jobs or supporting businesses.
In accordance with a Strategy approved by the Direction General of DP&I	Scenario 3 responds and accords with Objectives 3, 5, 6, 10, 14 and 24 of the draft Metropolitan Plan as well as actions A1.1.2, A1.2.3, A1.3, A1.9.1, A1.9.2, B4, C1 and C2 of the Draft Inner West Subregional Strategy.

Table 27 subsequently addresses where and how each factor in the draft Metropolitan Strategy's Checklist for Employment Lands has been addressed in this Study.

Table 26 - Strategic Checklist for Employment Lands - Draft Metropolitan Strategy

	Comment and Consistency
1. Consistency with State or Council Strategies	Scenario 3 responds to Objectives 3, 5, 6, 10, 14 and 24 of the draft Metropolitan Plan as well as actions A1.1.2, A1.2.3, A1.3, A1.9.1, A1.9.2, B4, C1 and C2 of the Draft Inner West Subregional Strategy. It is not consistent however with policies to retain all existing employment lands in the Subregion but balances these strategies with those that seek to promote growth, economic prosperity, investment and housing in highly accessible locations with good infrastructure.
2. Location of the Precinct - close to key economic infrastructure - contributing to a significant industry cluster	The Precinct is located in close proximity to Concord West rail station as well as regional open space. It is also within the broader vicinity of specialised centres such as Rhodes and Sydney Olympic Park. The Precinct does not contribute to a significant industry cluster as following the relocation of various printing industries. It now accommodates a mix of uses that have not been attracted to the locality based on any one theme or industry cluster. In this regard the major share of land and jobs in the Precinct relates to a commercial use that would not be permissible within the General Industrial Zone. Please see Chapters 2 and 10 for further discussion.
3. Impacts to industrial land stock in the Subregion / Region and ability to meet future demand for industrial lands?	The Precinct constitutes 23% of all employment lands in the City of Canada Bay and 2% of all employment lands in the Inner West Subregion. Scenario 3 would therefore reduce these figures to 11.5% and 1.1% respectively. It would however retain 3.9ha (51%) of land for a range of local urban support services (General Industrial Zone) and business uses (B7 Business Park Zone) thereby not significantly impacting the main employment generators and service providers in the Precinct.
4. Impact to Subregional / Regional employment targets and objectives?	The retention of 3.7ha as employment lands would make negligible contribution to the Inner West job targets. The proposed rezoning would facilitate development and investment and a short term job generation through the construction industry. The proposed FSR uplift on the B7 Business Park Zone would have the greatest actual potential to increase job growth in line with the trends forecast for the Subregion by the BTS (i.e. forecast commercial job growth rather than industrial). Please see Chapter 8 for further discussion.
5. Compelling argument that the industrial land cannot be used for industrial purposes now or in the foreseeable future? Are there opportunities to redevelop the land for high tech or creative industries?	Our market research and development feasibility analysis (Chapters 7 and 8) makes a compelling case that the viability of buying and redeveloping sections of the Precinct for industrial uses is marginal. Our stakeholder engagement (Chapter 3) also identified that there is little interest from existing owners to invest in the redevelopment of land for these uses as the significant capital outlay would not be offset by the return. Rather than let redundant land within a location with an excellent level of infrastructure provision stagnate, the Study recommends part of the Precinct is retained to recognise businesses that are performing well and part is redeveloped to make best use of land for housing.
6. Is the Precinct critical to meeting the need for land for an alternative purpose identified in other NSW Government or endorsed Council Strategies?	The Precinct has excellent potential to support Government objectives 5 and 6 of the draft Metropolitan Strategy to promote housing growth in highly accessible locations. It also has the potential to support Objective 14 that seeks to provide a good supply of office space as well as Objective 3 which seeks to make Sydney connected and balance growth in locations with good access to public transport.

In summary, whilst Scenario 3 does not directly support all of the objectives of the Section 117 Direction or draft Metropolitan Strategy Checklist, it does seek to enable the growth and efficient use of an accessible location in Sydney's Inner West Subregion. The rezoning is considered appropriate to enable the renewal of a declining

employment area by allowing for a broader range of uses that make efficient use of a location that benefits from good infrastructure (i.e. close access to rail, regionally open space and schools).

As a result Scenario 3 would seek to balance the demands for growth and housing whilst protecting genuine employment generating uses and urban support services.

11.4 IMPLICATIONS TO OTHER EMPLOYMENT LANDS

As outlined above, Scenario 3 would result in the rezoning of 3.7ha of IN1 General Industrial land to residential representing an 11.5% loss of existing employment lands in the LGA and 1.1% in the Subregion[54]. Looking at the effective use of this land, only 1.4ha of the 3.7ha recommended for rezoning is presently occupied by genuine industrial uses. The remaining 2.3ha are presently occupied by largely commercial, recreational and residential uses or are vacant As a consequence the potential loss of land effectively used for industrial uses would represent 4% of the LGA's[55] employment lands and 0.4% of the Subregions.

Consequently should the area be rezoned and these businesses required to relocate they would need to find approximately 1.3ha of employment lands elsewhere in the Subregion. Owing to the nature of three of the four businesses affected (which accommodate 1.32ha of the 1.4ha of effectively used industrial land) which comprise warehouse and distribution uses (as opposed to local urban support services) they are not uses that are reliant on staying in close proximity to the suburb of Concord West. Rather they are more reliant on sites that are of a suitable scale with good road connectivity to their markets as confirmed through discussions with these Stakeholders.

A former study undertaken by Hill PDA recommended the retention of the Five Dock, Parramatta Road employment lands precinct for industrial, warehouse and business enterprise uses. These lands were found to be well located within the LGA, with good road access and a number of existing industry clusters. This location could provide an alternative opportunity for existing businesses. Another option for relocation could also be provided by the 34ha of undeveloped employment land located the Subregion (as calculated by the ELDP in 2010) in locations such as South Strathfield, Enfield or Silverwater.

Whilst workshops with the major landowners affected by the recommendation have found their support in principle for the permission of residential in time, for the broader public benefit it is recommended that options for their businesses to relocate within the locality are discussed further during any subsequent rezoning processes. This will allow for the retention of jobs generated by these businesses in the LGA where possible.

[54] Based on ELDP Report 4 – Inner West Subregion 2010

[55] Based on 34.9ha as per the draft Inner West Subregion Strategy

11.5 RECOMMENDATIONS AND NEXT STEPS

In light of the assessment and discussion provided in the preceding Sections and Chapters, this Study finds that Scenario 3 – *Mixed Employment with Residential* would have the best overall economic and social outcomes for the City of Canada Bay as well as the Inner West Subregion.

In summary Scenario 3 was found to best:

1. Recognise the main employment generating industries in the Precinct;
2. Provide opportunities for growth and investment; and
3. Maximise economic and social outcomes for the local community.

The Study cautions that land use and building densities are but two ingredients in a successful urban environment. Our research of successful mixed use areas points to the importance of good and functional design as well as adequate access for servicing vehicles, provision of retail and business amenities and urban landscapes. Accordingly as next steps, we support the intention of commissioning complementary urban design as well as a traffic and transport study in order to test implications, and where possible maximise positive outcomes.

Subject to the outcomes of the above referenced specialist assessments, we recommend:

1. The rezoning of General Industrial land within Cluster 1 of the Precinct to R3 Medium Density Residential;
2. The rezoning of land at 1 King Street in Cluster 2 to B7 Business Park Zone;
3. The rezoning of all other General Industrial land within Cluster 2 to R3 Medium Density Residential;
4. The retention of land within Cluster 3 (25 George Street) as General Industrial land for urban support services.

In addition to these objectives we support the recommendation for a comprehensive masterplan for not only the Precinct but the broader area.

Within the masterplanning and rezoning process we also recommend:

- The careful review of the pedestrian and road connectivity issues;
- Suitable design and building densities;
- The appropriate scale of car parking rates considering the proximity of the rail station and the adverse impact the current rates are having to development viability;
- Appropriate measures to protect the successful operation of land at 25 George Street as urban support services;
- The preferred location for convenience retail; and
- Longer term changes of use in the Precinct (i.e. possible changes at 1 King Street).

As part of this process we also recommend the active involvement of Council's economic development officer to work with any existing businesses that may choose to relocate from the Precinct. We suggest active engagement to make businesses aware of alternative locations within the LGA such as the Five Dock, Parramatta Road Industrial Area that may better suit their business requirements.

Subject to support for the Masterplan, we recommend that Council submit a comprehensive planning proposal to the Department of Planning and Infrastructure for the proposed changes to the Precinct.

DISCLAIMER

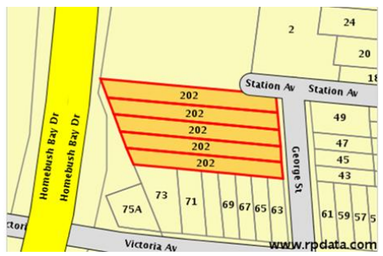
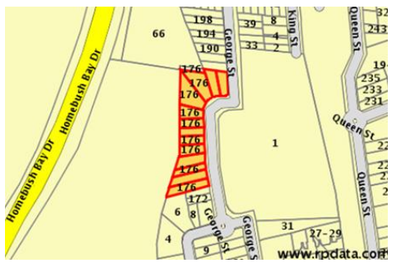
This report is for the confidential use only of the party to whom it is addressed (the client) for the specific purposes to which it refers. We disclaim any responsibility to any third party acting upon or using the whole or part of its contents or reference thereto that may be published in any document, statement or circular or in any communication with third parties without prior written approval of the form and content in which it will appear.

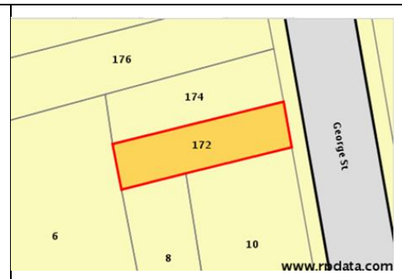
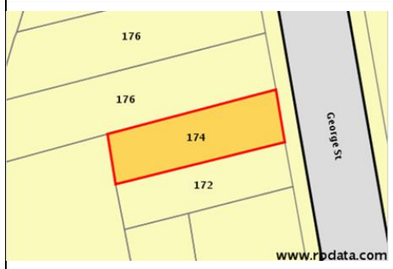
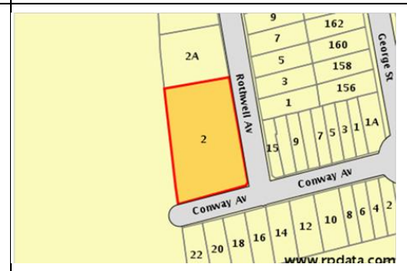
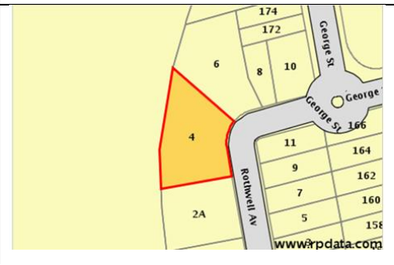
This report and its attached appendices are based on estimates, assumptions and information sourced and referenced by Hill PDA and its sub consultants. We present these estimates and assumptions as a basis for the reader's interpretation and analysis. With respect to forecasts we do not present them as results that will actually be achieved. We rely upon the interpretation of the reader to judge for themselves the likelihood of whether these projections can be achieved or not.

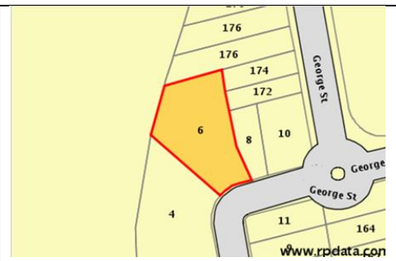
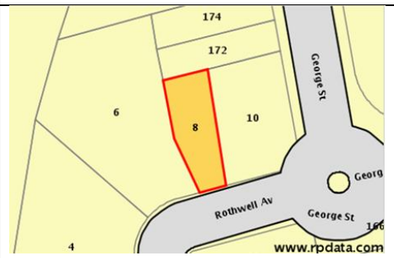
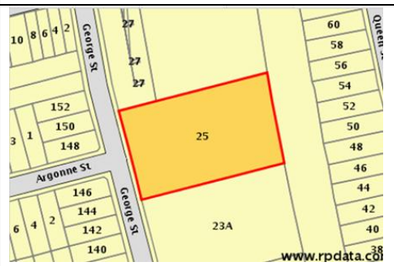
As is customary, in a report of this nature, while all possible care has been taken by the authors to prepare the attached financial models from the best information available at the time of writing, no responsibility can be undertaken for errors or inaccuracies that may have occurred both with the programming or the financial projections and their assumptions.

This report does not constitute a valuation of any property or interest in property. In preparing this report we have relied upon information concerning the subject property and/or proposed development provided by the client and we have not independently verified this information excepted where noted in this report.

Appendix 1 - **DETAILS OF PRECINCT AUDIT 2013**

Address	Lot and DP	Map	Business Name	Business Type	Vacant - Yes/No	For Lease Sign - Yes/No	Land Area and Estimated Floorspace	Number of Employees	Car Parking Spaces
7 Concord Avenue, Concord West	LOT 1 DP219742		Spitfire Paintball and Importer/Exporter.	Spitfire Paintball is Sydney's Largest Indoor Paintball Venue, and the only facility in NSW with multiple fields/scenarios spread over a huge 3000sqm indoor warehouse.	No.	No.	Land Area: 14,971sqm Estimated Floorspace: 11,122sqm	2	- 38 Car Parking Spaces
202 George Street, Concord West	LOTS 147-151 DP979563		Civardi Furniture.	Civardi Furniture is an Australian joinery manufacturer.	No.	No.	Land Area: 5,306sqm Estimated Floorspace: 5,660sqm	23	- 2 Delivery Docks - 18 Car Parking Spaces
1 King Street, Concord West	LOT 101 DP791908		Westpac Concord Campus.	Westpac's administration, processing and call centre services. The facility has childcare facilities, café, gymnasium.	No.	No.	Land Area: 31,433sqm Estimated Floorspace: 16,310sqm	1000	- 485 car parking spaces - 2 Loading Docks - Security Access
176-184 George Street, Concord West	LOTS 4-12,15-16 DP15973 & LOTS 1-2 DP226350		Vacant	N/A	Yes.	No.	Land Area: 7,804sqm Estimated Floorspace: 5,085sqm	0	80 Car Parking Spaces

172 George Street, Concord West	LOT 1 DP119921		Residential.	Residential.	No.	No.	Land Area: 321sqm Estimated Floorspace: 116sqm	0	1
174 George Street, Concord West	LOT 2 DP403048		Residential.	Residential.	No.	No.	Land Area: 361sqm Estimated Floorspace: 116sqm	0	1
2 Rothwell Avenue, Concord West	LOT 1 DP 215341		Cawsey Menck Pty Ltd	Gift Importer	No.	No.	Land Area: 2,995sqm Estimated Floorspace: 3,274sqm	20	- 14 Car Parking Facilities - 1 Loading Facility
2A Rothwell Avenue, Concord West	LOT 2 DP 215341		Vacant.	Vacant.	Yes.	No.	(Land Area: 1,872sqm Estimated Floorspace: 929sqm	0	4 Car Parking Spaces
4 Rothwell Avenue, Concord West	LOT X DP404807		CTI Consultants	Business Consultancy	No.	No.	Land Area: 1,696sqm Estimated Floorspace: 2,202sqm	4	4 Car Parking Spaces and 1 Loading Dock

6 Rothwell Avenue, Concord West	LOT D DP366672		Air Conditioning	Commercial	No.	No.	Land Area: 1,579sqm Estimated Floorspace: 798sqm	27	- 2 Car Parking Spaces
8 Rothwell Avenue, Concord West	LOT 1 DP 525096		Vacant	Vacant	Yes.	No.	Land Area: 392sqm Estimated Floorspace: 296sqm	0	
10 Rothwell Avenue, Concord West	LOT 2 DP 525096		Chiswick Plumbing	Plumbing Services	No.	No.	Land Area: 735sqm Estimated Floorspace: 876sqm	8	2 Car Parking Spaces
25 George Street, North Strathfield							Land Area: 7,401sqm Estimated Floorspace: 3,882sqm (approx. 369ha each unit)	45	65 Car Parking Spaces
1/25	LOT 1 SP22302		Machimport CNC	Machinery--Specially Designed & Manufactured	No.	No.			
2/25	LOT 2 SP22302		ABC Automotive Services		No.	No.			
3/25	LOT 3 SP22302		Ammon Leather Pty Ltd	Motor Body Trimmers	No.	No.			
4/25	LOT 3 SP2230		Agar Cleaning Systems Pty Ltd	Cleaning Products & Supplies	No.	No.			
5/25	LOT 5 SP22302		Australian Therapeutic Supplies Pty Ltd	Martial Arts & Self Defence Instruction & Supplies	No.	No.			
6/25	LOT 6 SP22302		Building Services SLR/ERP Con		No.	No.			
7/25	LOT 7 SP22302		M.C Yee Noodles	Pasta Products & Equipment	No.	No.			

8/25	LOT 8 SP22302		Eurella Packing and Assembly		No.	No.			
9/25	LOT 9 SP22302		Vacant	N/A	Yes	No			
10/25	LOT 10 SP22302		Ultimate Furniture Pty Ltd	Office & Business Furniture	No.	No.			

Appendix 2 - **MINUTES FROM CONSULTATION WORKSHOPS**

Minutes of Stakeholder Consultation Meetings

Concord West Industrial Precinct Social & Economic Study

Meeting 1: 27 March 2013 (4:00pm-5:30pm)

The Drummoyne Oval

Attendees

Sarah Hill	Hill PDA
Virginia Hill	Hill PDA
Karen James	City of Canada Bay
Paul Dewar	City of Canada Bay
Alex Harb	176-184 George Street
Sam Harb	176-184 George Street
Jim Mench	2 Rothwell Avenue
Richard Mench	2 Rothwell Avenue
Paul Rupero	7 Concord Avenue
Jenny Rudolph	7 Concord Avenue

Apologies

Joe D'Agostino	7 Concord Avenue
Mario Nicomede	7 Concord Avenue

Meeting 2: 9th April 2013 (10:30am-12:00pm)

Hill PDA Office, George Street

Attendees:

Sarah Hill	Hill PDA
Virginia Hill	Hill PDA
Karen James	City of Canada Bay
Paul Dewar	City of Canada Bay
David Civvardi	202-210 George Street
Percy Fernandes	6 Rothwell Avenue
Tony Ryan	1-7 King Street
Lino Caccavo	1-7 King Street

1. Welcome and Introductions

Welcome and introduction to meeting / background to Study by Karen James and Sarah Hill. Meeting attendees introduced themselves and explained the sites / businesses they represent.

2. Local Area Issues

Sarah Hill invited each stakeholder to explain the nature of their business, what attracted them to the Study Area and to identify key issues influencing the Study Area.

Key responses related to:

- **Attraction to the Location** - A number of landowners had purchased sites in the Study Area to operate their businesses as it was closer to their homes (less travel time) than other employment areas in Sydney. The duration of operation for businesses varied from 20+ years to a few years. Major employers such as Westpac had moved to the area on account of the suitability of the building and its attractive leasing arrangements;

- **Range of Businesses** – Stakeholders represented an array of industries including furniture manufacturing and distribution, pharmaceutical manufacturers, gift importers, banking data centres and air conditioning sales / maintenance services;
- **Vehicle Access** – Restricted road access in / out of the precinct. Streets are very narrow for large trucks and vehicles must travel through predominantly residential streets;
- **Transport Access** – Access by rail is a benefit however most employees (i.e. for Westpac) travelled to the Study Area by car;
- **Loading and Car Parking** – most sites had good off-street loading / unloading facilities and car parking however access from the street onto sites was constrained in some locations and created potential conflicts with residential uses;
- **Leasing of Properties** – landowners are finding it difficult to let the premises to industrial tenants due to the age / condition of existing buildings, the larger size of buildings and unsuitable location for industry that relies on good road access for larger vehicles;
- **Development Applications** – Some challenges had been experienced when seeking approval for a new type of business in the Study Area owing to objections by residents with respect to potential noise disturbances;
- **Surveillance** – Safety and security is a growing concern with the increasing number of vacant properties in the Study Area. An increasing number of people are dumping rubbish or vandalising sites and vacant buildings are being used for shelter by homeless people;
- **Residential Uses** – Prospective tenants are more attracted to employment areas such as Silverwater or Western Sydney owing to less potential conflict with surrounding residential uses, better quality buildings and better road access for servicing vehicles;
- **Growing Conflicts** – the rezoning and redevelopment of one site for residential adjacent to an existing operating industrial business / site has the potential to hinder the operation of the existing business. Accordingly the timing of change and any possible rezoning will be critical to protecting businesses.

3. Implications of the Proposed School

Sarah Hill invited Stakeholders to identify any implications of the proposed primary school within the Study Area to the operation of their sites. In this regard it was identified that:

- The school was a sign that the area was changing;
- The school would have potential to create conflict with vehicles servicing sites by way of traffic as well as additional pedestrian / safety challenges; and
- The school would enhance the appeal and suitability of the area for residential development..

4. Potential Implications of Rezoning

Sarah Hill invited all landowners and tenants to discuss any implications rezoning may have on their sites.

- **Landowners** generally agreed that a rezoning to facilitate residential uses would not have a negative impact on the area but rather best utilise its attractive features;
- **Redevelopment Potential** – A number of landowners had purchased their sites with the intention of redeveloping in time as they:
- Recognised the value and amenity of the area for future residential uses (i.e. close to train, park etc.);
- Relocated their businesses to alternative, better suited locations. In some cases stakeholders aimed to operate on the site for another 3-5 years and would thereafter relocate their business and redevelop their sites for alternative uses;
- Retired and closed or sold their businesses.
- Mixed use development (i.e. retail and commercial uses) in the Study Area could have an adverse impact to Concord West Centre. Caution was also raised with respect to the requirement for a mix of uses as there were existing vacant retail and commercial units along George Street;
- The area was not considered suitable for high tech industrial uses or a business park owing to its poor level of visibility and connectivity as well as its competition with larger more established employment precincts in Rhodes and Sydney Olympic Park;
- Contamination would be a key consideration and cost if the sites were rezoned and redeveloped to residential;
- Larger retailers (supermarkets etc.) would not be suitable for the Study Area owing to road access constraints which would limit trade areas. There may however be a role for a small component of convenience retail to support the needs of the local community and to activate areas between the rail station and Study Area; and
- It was recommended by some Stakeholder that any rezoning of the Study Area to alternative uses form part of a broader Masterplan that considered the integration of design, traffic and transport matters.

5. Next Steps

- Hill PDA to present the draft findings and recommendations of the Study to the Stakeholders in early May 2013.

Appendix 3 - **EMPLOYMENT YIELDS**

Industry Category	Yield
Mining	35
Food Product Manufacturing	80
Beverage and Tobacco Product Manufacturing	80
Textile, Leather, Clothing and Footwear Manufacturing	80
Wood Product Manufacturing	80
Pulp Paper and Converted Paper Product Manufacturing	80
Printing, including the Reproduction of Recorded Media	80
Petroleum and Coal Product Manufacturing	80
Basic Chemical and Chemical Product Manufacturing	80
Polymer Product and Rubber Product Manufacturing	80
Non-Metallic Mineral Product Manufacturing	80
Primary Metal and Metal Product Manufacturing	80
Fabricated Metal Product Manufacturing	80
Transport Equipment Manufacturing	80
Machinery and Equipment Manufacturing	80
Furniture and Other Manufacturing	80
Electricity, Gas, Water and Waste Services	80
Construction	80
Wholesale Trade	80
Transport, Postal and Warehousing	200
Information Media and Telecommunications	65
Financial and Insurance Services	20
Rental, Hiring and Real Estate Services	20
Professional, Scientific and Technical Services	22
Administrative and Support Services	22
Unclassified	40

Source: Various Industry Sources including SGS Housing and Employment Study for City of Canada Bay 2008

Appendix 4 - **FEASIBILITY MODELLING ASSUMPTIONS**

Option One: 'As Is' -Redevelopment into Industrial Uses

Project Timeframe

- Project commencement in May 2013.
- Construction spans 18 months.

Purchase Price

$4.7m

End Sale Values

Due to the high-level nature of this assessment and in the absence of detailed plans, Hill PDA has adopted $/sqm in the order of -$ 1,700/sqm of New Industrial Warehouse Space.

Additional sales assumptions include:

- Sales escalations at 2.5 % per annum.
- GST is excluded on non-residential sales.
- Selling costs are assumed at 1.5% of non-residential sales.
- Legal costs 0.20% of gross sales

Capital Works, Construction and Land Costs

Constructions costs have been sourced from Rawlinson's Construction Handbook 2013 and are as follows:

- Demolition and site preparation at $300,000
- Industrial Warehouse/ Office Units
- $855/sqm for main building construction;
- At Grade Parking assume the existing 80 car space.

Additional cost assumptions include:

- Professional fees have been assumed at 5% of building construction costs (3% expensed prior to construction of each stage and 2% pro-rated with the costs of development during construction).
- Construction contingency of 5% of construction costs.

Statutory costs:

- DA and, Section 94A contributions and Construction Certificate fees assumed Councils estimates

Landholding costs estimated based on prevailing statutory rates and assumed to diminish with sales.

1. **Performance Criteria**

Hill PDA has adopted a project discount rate of 16% per annum nominal on the cash flow of the project which includes financing costs but excludes interest.

Additionally, a developers target development margin of 16% on total development costs (including selling costs) has been assumed both reflecting the size of the development and the associated risk.

Option Two and Three: Residential Development.

Project Timeframe

- Project commencement in May 2013.
- Construction spans 18 months.
- Residential pre-sales of approximately 50% prior to construction with settlement on completion of construction.

Purchase Price

$9.65m

End Sale Values

Due to the high-level nature of this assessment and in the absence of detailed plans, Hill PDA has adopted $/sqm in the order of:

- Residential Pre Sales - $8,000/sqm of net internal unit floor area.
- Residential Sales -$8,200/sqm of net internal unit floor area.
- Additional sales assumptions include:
- Sales escalations at 2.5% per annum.
- GST is included on residential sales but excluded on non-residential sales.
- Selling costs are assumed at 2.2% of residential sales.
- Legal costs 0.20% of gross sales.

Capital Works, Construction and Land Costs

Constructions costs have been sourced from Rawlinson's Construction Handbook 2013 and are as follows:

Demolition and site preparation at $80/sqm

Asbestos Allowance - $100,000

Residential construction:

- $2,250/sqm for main building construction;

- $650/sqm for balconies;
- Basement car parking at $45,000 per car space.
- Site and Landscaping at 1% of the total construction costs.

Additional cost assumptions include:

- Professional fees have been assumed at 10% of building construction costs (6% expensed prior to construction of each stage and 4% pro-rated with the costs of development during construction).
- Construction contingency of 5% of construction costs.

Statutory costs:

- DA and, Section 94A contributions and Construction Certificate fees assumed Councils estimates

Landholding costs estimated based on prevailing statutory rates and assumed to diminish with sales.

Performance Criteria

Hill PDA has adopted a project discount rate of 18% per annum nominal on the cash flow of the project which includes financing costs but excludes interest.

Additionally, a developers target development margin of 18% on total development costs (including selling costs) has been assumed both reflecting the size of the development and the associated risk.

Appendix 5 - **FEASIBILITY MODELLING SUMMARY SHEETS**

Consolidation of Stages

ESTATEMASTER Development Feasibility

Summary of Stages and Consolidated Project

Concord West Study

Estate Master Licensed to: Hill PDA Pty Ltd - Administration Account

	1	2	3	4	5	6	7	8	TOTAL
	Option 1 - Industrial Units	2 - Residential 1.3: Code Parking	Residential 1.3: Reduced Parking						
	Industrial	Residential FSR 1.3:1 & Council code for parking	Residential FSR 1.3:1 & Parking 1 .5 per unit						
	1. Units 6,292.8 GFA 7,866 SqM	102.3 Units 10,225.8 GFA 7,866 SqM	102.3 Units 10,225.8 GFA 7,866 SqM						
	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review						
REVENUE									
Total Sales Revenue	11,786,274	73,369,533	73,369,533						158,525,339
Less Selling Costs	(259,298)	(2,494,564)	(2,494,564)						(5,248,426)
Less Purchasers Costs	-	-	-						-
NET SALE PROCEEDS	11,526,976	70,874,969	70,874,969						153,276,913
TOTAL REVENUE (before GST paid)	11,526,976	70,874,969	70,874,969						153,276,913
Less GST paid on all Revenue	-	(6,669,958)	(6,669,958)						(13,339,915)
TOTAL REVENUE (after GST paid)	11,526,976	64,205,011	64,205,011						139,936,998
COSTS									
Land Purchase Cost	4,700,000	10,615,000	10,615,000						25,930,000
Land Transaction Costs	292,990	731,790	731,790						1,756,570
Construction (inc. Construct. Contingency)	6,637,997	41,800,654	38,913,356						87,352,006
Professional Fees	301,727	3,800,059	3,537,578						7,639,364
Statutory Fees	60,558	592,931	557,569						1,211,059
Land Holding Costs	397,259	650,478	650,478						1,698,215
Finance Charges (inc. Line Fees)	100,000	360,000	360,000						820,000
Interest Expense	584,493	2,591,816	2,489,391						5,665,699
TOTAL COSTS (before GST reclaimed)	13,075,024	61,876,423	58,588,857						133,540,304
Less GST reclaimed	(603,454)	(4,765,059)	(4,502,578)						(9,871,091)
TOTAL COSTS (after GST reclaimed)	12,471,570	57,111,363	54,086,279						123,669,213
PERFORMANCE INDICATORS									
[1] Gross Development Profit	(944,594)	7,093,648	10,118,732						16,267,785
[2] Net Developer's Profit after Profit Share	(944,594)	7,093,648	10,118,732						16,267,785
[3] Development Margin (Profit/Risk Margin)	(7.57%)	12.42%	18.71%						13.15%
Target Development Margin	16.00%	18.00%	18.00%						
[4] Residual Land Value (Target Margin)	2,505,594	7,403,061	9,916,794						19,825,449
[5] Breakeven Date for Cumulative Cash Flow	N.A.	Feb-2016	Jan-2016						Feb-2016
Discount Rate (Target IRR)	16.00%	18.00%	18.00%						
[6] Net Present Value @ Start of Stage	(1,739,980)	(1,427,933)	772,629						
Date of Commencement	May-13	May-13	May-13						
Holding Discount Rate 10.00%									
[7] NPV at Start of Consolidated Cash Flow	(1,739,980)	(1,427,933)	772,629						(2,395,284)
[8] Benefit Cost Ratio	0.841	0.967	1.019						
[9] Project Internal Rate of Return (IRR)	(3.16%)	14.83%	19.75%						15.45%
[10] Residual Land Value (NPV) @ Start of Stage	3,026,114	8,280,413	10,391,059						21,697,586
Peak Debt Exposure	9,421,067	43,146,170	40,883,913						84,030,083
Date of Peak Debt Exposure	Sep-2014	Oct-2015	Oct-2015						Dec-2015
[11] Breakeven Date for Project Overdraft	Oct-2014	Dec-2015	Dec-2015						
Total Equity Contibution	2,971,769	13,629,887	12,899,222						29,500,878
Peak Equity Exposure	2,971,769	13,629,887	12,899,222						29,500,878
Date of Peak Equity Exposure	Aug-2013	Apr-2014	Mar-2014						Jul-2016
[12] IRR on Equity	(12.76%)	19.29%	27.37%						20.01%
Weighted Average Cost of Capital (WACC)	6.37%	11.38%	11.37%						

YIELD ANALYSIS	Qty	Area	Qty	Area	Qty	Area						Qty	Area
SALES		SqMt		SqM		SqM							
Residential Apartments	0	0	102	8,679	102	8,679						205	
Commerical Office	1	0	0	0	0	0						1	
Storage & Warehousing	6,293	6,293	0	0	0	0						6,293	
TOTAL	6,294	6,293	102	8,679	102	8,679						6,498	
TENANCIES		SqM		SqM		SqM							SqM
Commerical Office		100		0		0							100
TOTAL		100		0		0							100

Footnotes (based on current Preferences):

1. Development Profit: is total revenue less total cost including interest paid and received
2. Developer's Net Profit after distribution of profit share.
3. Development Margin: is profit divided by total development costs (net of selling and leasing costs).
4. Residual Land Value: is the maximum purchase price for the land whilst achieving the target development margin.
5. Breakeven date for Cumulative Cash Flow: is the last date when total debt and equity is repaid (ie when profit is realised).
6. Net Present Value: is the project's cash flow stream discounted to present value.
   It includes financing costs but excludes interest and corp tax.
7. Net Present Value of each stage at commencement of the consolidated cash flow using the Holding Discount Rate.
8. Benefit Cost Ratio: is the ratio of discounted incomes to discounted costs and includes financing costs but excludes interest and corp tax.
9. Internal Rate of Return: is the discount rate where the NPV above equals Zero.
10. Residual Land Value (based on NPV): is the purchase price for the land to achieve a zero NPV.
11. Payback date for the equity/debt facility is the last date when total equity/debt is repaid.
12. IRR on Funds Invested is the IRR of the equity cash flow including the return of equity and realisation of project profits.