

30 June 2023

2200651

Gavin Zhang
GM/Director

Level 5, 55 Chandos Street
St Leonards, NSW, 2065

Re: 71-89 Chandos Street, St. Leonards – Employment Generation Summary

Dear Gavin,

This letter outlines a review of the number of jobs that may be supported as a result of the increase to the planning controls on the site of the proposed 71-89 Chandos Street project. The summary takes into account the likely levels of employment and economic value add (or flow on benefit) to be supported during the construction and operational phases of the project as a result of the changes to the planning controls at the site. This includes the following:

- A breakdown of the approach and assumptions in which the analysis has been formed;
- Estimated number of jobs likely to be generated both during construction and on an ongoing basis once the building is complete and fully occupied; and
- An estimate of the level of economic output generated by the project.

1.0. Approach and Methodology

The approach underpinning this analysis is based on accepted methodology used in economic analysis and takes into account existing benchmarks along with information about the project as provided by TWT.

The following assumptions have been made in preparing this assessment.

- The Chandos Street project is planned to include around 9,868m² of Gross Floor Area (GFA) with the following components:
 - 7,401m² of residential floorspace incorporating 68 apartments
 - Approximately 1,189m² of commercial office floorspace
 - Proposed 1,278m² of retail floorspace
- Employment estimates take into account a fully occupied building.
- Based on information from TWT, it is understood that the construction costs for the project will be in the order of \$5,500 per m² of GFA. Taking this into account, it is assumed within this analysis that the capital investment value for the Chandos Street project will be in the order of \$54 million.
- The City of Sydney undertakes a floorspace and employment survey every five years, with the latest results from the 2017 survey released in early 2019. This survey collects data from businesses on employment numbers and floorspace use across the City of Sydney Local Government Area (LGA). Specifically, the data collected produces a workspace ratio that represents the average provision of floorspace provided for each worker on a per square metre basis across each property sector. City of Sydney Floor Space and Employment Survey results of the floorspace provision per worker across the City of Sydney LGA indicates the following workspace ratios:
 - Office: 16.2m² per worker

- Retail: 30.2m² per worker

For the purposes of this assessment, City of Sydney LGA averages have been adopted as proxies for the workspace ratios at the Chandos Street project.

- To estimate operational commercial office jobs, a GFA to Gross Lettable Area (GLA) efficiency of 80% has been assumed.
- Projections take into account total employment and economic benefit based on completion of the project, rather than the net gain associated with the redevelopment of existing facilities on the site.

1.1. Input-output modelling

Economic impacts associated with the increase in planning controls have been prepared with input-output modelling undertaken with reference and compliance to best-practice guidelines.

Input-output tables are a 'map' of the economy that track the flow of products, services, and payments through the many industries, households, government organisations and foreign transactions that make up the Australian economy.

Every industry requires inputs from many other industries, plus the inputs of workers and machinery and equipment to produce output. Input-output modelling uses averages derived from the ABS Input Output Tables to estimate the impact on all industries when one industry expands its production. The modelling used in this report is based on the 2018/19 ABS National Accounts release.

As with all economic models input-output models include a number of limitations, which include the following inherent assumptions: unlimited supplies of all resources including labour and capital, prices remaining constant, technology is fixed in all industries, and import shares are fixed.

Having regard for these limitations, the modelling used for the purposes of this assessment applies the **Simple Multiplier effect measure**. The Simple Multiplier effects measure estimates the expansion of other industries required to support the initial (direct) increase in the original industry; and does not include the additional impacts of extra wages and employment income being spent across the economy (spill-over effects).

Use of the **Simple Multiplier effect measure** is in-line with best practice industry standards and reflects a conservative position. Results from the modelling should be interpreted as indicative of the potential impact the project will have on the Australian economy.

The modelling provides estimates of the following economic benefits as a result of the project:

- **Construction Employment** - direct construction job-years supported by construction of the development and indirect job-years supported across all other industries over the construction period.

'Job-years' is defined as the number of full-time equivalent (FTE) jobs supported over the construction period. i.e. if construction is over 10 years, 100 job-years is equivalent to 10 FTE jobs per year. Only applies to construction employment.

- **Ongoing Employment** - direct and indirect FTE jobs supported by the ongoing operation of the project annually.
- **Value Added** - direct and indirect value added generated during the construction and operational phase of the project.

Value Added is defined as the wages, salaries and supplements plus gross operating surplus (income earned by businesses) required in producing the extra output (construction investment and operating output/turnover). This represents the standard measure of economic contribution, that is, the increase in economic activity as measured by gross domestic product (GDP).

Estimates of the economic benefits of the increase in planning controls will be realised across the national economy, given the scale and diversity of the New South Wales economy, a large proportion of these benefits will be realised locally. The benefits have been prepared for:

- **Construction Phase:** Economic activity during the construction phase of the project which will be spread across the construction program.

- **Operational Phase:** Ongoing economic activity once the project is completed.

2.0. Construction Phase Benefits

It is estimated that the capital investment required to realise the project will be in the order of \$54 million. This estimate is based on information provided by TWT and is outlined in the earlier assumptions of this letter.

Based on a construction cost of \$54 million, the construction phase of the Chandos Street project is expected to directly support employment of 70 job-years and deliver a direct value-add to the economy of \$11.7 million.

When the multipliers are taken into account, total state wide economy effects over the construction program are forecast to be: employment of 310 job-years and a total direct value-add to the economy of \$44.4 million.

Table 1 Construction Phase Economic Benefits (\$2021/22)

Measure	Construction Phase (spread over construction period)		
	Direct	Indirect	Total
Output (\$M)	\$54.0	\$79.3	\$133.3
Employment (job-years)	70	240	310
Value Added (\$M)	\$11.7	\$32.8	\$44.4

Source: ABS, National Accounts 2020/21; Ethos Urban Research

*Job-years: Number of FTE jobs supported over the construction period. i.e. if construction is over 10 years, 100 job-years is equivalent to 10 FTE jobs per year.

Note: Figures rounded

3.0. Operational Phase Benefits

Economic benefits associated with the operation of the site once complete and fully occupied, have been based on supportable employment estimates for the various uses incorporated within the concept planning proposal, assuming an increase to the planning controls on the site. These estimates have been prepared with reference to relevant industry benchmarks including the City of Sydney Floor Space and Employment Survey 2017 workspace ratios outlined in Section 1 above.

Taking into account the workspace ratios and the level of GFA proposed at the site, the operational phase is expected to deliver the following (direct) benefits: FTE employment of ongoing 100 jobs and direct value-add to the economy of \$13.3 million per annum.

When the multipliers are taken into account, total ongoing economy-wide effects are estimated at: FTE employment of 180 jobs supported and a total direct value-add to the economy of \$23.0 million per annum.

Table 2 Operational Phase Economic Benefits (\$2021/2022)

	Operational Phase (annual)		
	Direct	Indirect	Total
Output (\$M)	\$24.7	\$19.5	\$44.2
Employment (FTE)	100	80	180
Value Added (\$M)	\$13.3	\$9.7	\$23.0

Source: ABS, National Accounts 2020/21; Ethos Urban Research

Note: Figures Rounded

4.0. Summary

This analysis shows that the Planning Proposal at 71-89 Chandos Street will deliver significant economic benefits through supporting additional construction and operational jobs, and value added to the local and regional economy.

We trust that this summary meets your requirements.

Yours sincerely,



Stephanie Stamatellis
Senior Urbanist, Economics
Ethos Urban
sstamatellis@ethosurban.com



Lee Cikuts
Director, Economics
Ethos Urban
lcikuts@ethosurban.com

DRAFT