169-173 VICTORIA STREET & 90 - 104 BROUGHAM STREET, POTTS POINT

Economic & Social Impact Assessment Addendum

Prepared for Oakstand Property Group
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INTRODUCTION

This report serves as an addendum to the previous independent Assessment of the need and demand for a proposed accommodation, food and beverage facilities at Potts Point in Sydney. The previous Assessment was undertaken by this office in May 2020.

The Assessment considered the likely economic and social impacts that would result from the development of a boutique hotel (with ancillary ground floor uses) at 169-173 Victoria Street & 92-98 Brougham Street in Potts Point.

This report now considers the implications of the proposal now extending to two additional lots, namely 90 Brougham Street and 100 - 104 Brougham Street. Consequently, the subject site is now referred to as 169-173 Victoria Street & 90 - 104 Brougham Street, Potts Point.

The report provides an Executive Summary (page 3), followed by detailed Key Findings (page 7). Figures, maps and tables are provided at the end of the report (page 31).

EXECUTIVE SUMMARY

Key Points to note regarding the economic and social impact for the proposed development site, include:

i. The subject site that was previously examined comprises three dilapidated parcels of land that have been progressively acquired by the Harrphil Trust over several years, including:

- **Piccadilly Hotel (171 – 173 Victoria Street):** the hotel was constructed in 1939, with upper levels comprising accommodation for six rooms. The site is now vacant, having closed in 2015.
- **Golden Apple Brothel (169 Victoria Street):** 169 Victoria Street comprises a 4 storey Victorian terrace dwelling, the internal composition of which has been modified for use as a brothel, which is also now vacant.
- **92 – 98 Brougham Street:** a group of three Victorian terraces and unit complex, comprising a combined six dwellings.

ii. Harrphil Pty Ltd is currently in the process of acquiring additional, adjacent parcels of land, with the intention of incorporating them into the adaptive reuse of the above sites. The intent for the change in permissible land use (rezoning) is to enable the hotel to be expanded onto the adjoining sites:

- **90 Brougham Street:** the site comprises a residential development known as 'Brougham Place' that contains a five-bedroom dwelling, as well as studio and home office space. The site would likely be adapted to configure two hotel rooms.
- **100 - 104 Brougham Street:** a 566 sq.m site comprising a 24-unit complex. Parking is provided in undercroft format at ground level. The site would likely be converted to a 24-room accommodation facility as part of the redevelopment.

iii. The addition of the above sites would represent a natural extension to the proposed development, forming part of an amalgamated parcel of lots and facilitating a higher-level of development and built form.

iv. The subject sites will be revitalised and repurposed as a single-use, high-quality boutique hotel with ancillary ground floor food and beverage uses. The two additional sites now proposed for inclusion would result in the following key changes (on top of what was considered in the previous Assessment):

- **Boutique Hotel:** a net additional of 26 hotel rooms.
- **Dwellings:** repurposing/loss of 24 apartments and one townhouse (25 dwellings).

- **Retail, Food & Beverage, and Back of House:** possible reconfiguration, but negligible changes overall to composition and size.

v. The planning proposal seeks the inclusion of 'Tourist and Visitor Accommodation/Hotel' as an additional permitted use on the new sites.

vi. The subject site is likely to serve a range of customer segments, including residents, workers, tourists, visitors and students.

vii. The proposed additional components to the boutique hotel (net of 26 rooms) would represent an increase of around 1.3% - 1.6% of the total available hotel rooms in the Study Area. The combined development (69 total rooms) would represent just 3.3% - 4.2%. In terms of the total accommodation market in the Study Area (2,266 rooms including Airbnb), the subject offer (69 rooms) would represent an increase of just 3.0%. This will be even lower in the future when proposed accommodation developments and former Airbnb facilities come back online as tourism recovers (post-pandemic) – as per Tourism Research Australia projections.

viii. Assuming full occupancy (100%, although accommodation facilities usually run at 80%-90% occupancy in Potts Point), the net additional 26 rooms at the subject site would be estimated to accommodate some 12,337 visitors per year (average of 1.3 visitors per room per night). This would represent just 12.3% of the average annual increase in overnight visitors (100,000 per annum) recorded over the 2016 – 2018 period to the Kings Cross tourism sub-region – or fewer than two months in overnight visitor growth.

ix. Given the composition of the proposed retail food and beverage offer at the subject site remains unchanged, and the macroeconomic market conditions (population, tourism and competition) are also anticipated to stabilise over the medium term (by opening) – the projected sales level outlined previously in the Assessment is considered to still be appropriate ($10.7 million). This level of sales represents around 5% of the (updated) total available spend market afforded to food and beverage facilities in the Study Area, including from residents, tourists and workers. In this sense, impacts on other food and beverage outlets throughout the area would be well within the normal competitive range of less than 10%, while impacts on the broader total retail market would be lower again. Given the proliferation of food and beverage (as well as other retail facilities) in the area, trading impacts would be spread far and wide.

x. It is important to note that social impacts are subjective and will be experienced differently by various parts of the community, including local residents and workers/visitors within the broader Study Area. This report and the previous Assessment establish the social baseline for the Study Area, highlighting the pre-existing socio-demographic, competitive (retail and accommodation), infrastructure and community conditions or trends.

xi. Based on this assessment, it is concluded that the additional components of the proposed development will deliver long term positive social and economic impacts for the Study Area, Potts Point, and the Kings Cross precinct, with key considerations summarised as follows:

- **Employment, Income & Economic Activity:** the local community will experience direct impacts and benefits originating from construction and operation of the proposed development.

  Overall, some 148 jobs are likely to be created both directly and indirectly as a result of the additional component of the subject development. The previous Assessment indicated a total of 697 jobs could be anticipated, meaning the overall development is now projected to create some 845 jobs, both directly and indirectly.

- **Population & Housing Availability:** the potential loss of 25 residential dwellings would represent a small proportion of the housing stock throughout the Study Area, at 0.22% of total dwellings, 6% of existing, advertised rental properties.

  These residents would also have the opportunity to re-purchase or find rental properties in the area with ease, given the substantial advertised stock on the market currently. A limited range of housing supply would be required to sustain projected population growth throughout the Study Area, with average population growth projected at some 100 persons (63 new dwellings) per annum.

- **Amenity & Services:** the proposed development would provide improved customer amenity, design and aesthetic for the local residents by way of a new and modern development. The revitalisation of vacant and dilapidated site also improves enjoyment of private or public areas, as well as connecting adjacent sites in a consolidated and optimised way. The larger site/development provides an even greater opportunity to develop a best-in-class facility that appeals to a broad range of prospective customer segments.

- **Anchor:** the development would also serve as a key anchor tenant for the precinct that would benefit most shopfronts in the immediate area by increasing destinational appeal, visitation and range of services, while not impacting the future viability of other operators.

- **Safety:** the development is anticipated to provide increased public safety and reduce opportunities for crime, by way of re-activating the largely disused site (perceived or actual). The proposed additions to the development would only improve this outcome further.

- **Third Place:** the development would provide the local community with additional facilities that would serve as a 'third place', or informal settings where people can meet or be comfortably alone while still engaging socially with the community. This provides additional opportunity for social integration and increases prospects of more seamless interactions between the community, which is important for health and wellbeing.

- **Community Aspirations:** the development also aligns with broader community aspirations. 'A Vision for Kings Cross' was released in April 2021 and highlights that the area has been knocked off kilter and has experienced a dramatic economic decline – with much of its vibrancy gone and fewer visitors. "The edgy parts now just look threatening to some, and the gritty parts look messy and unkempt. Perhaps worst of all, its vibrant reputation is in tatters and it is regularly described as being dull. The Covid-19 pandemic has only accelerated the precinct's malaise, with tourists gone and venues shut".

  The 'Vision for Kings Cross' report seeks to set out a new vision for the precinct, which builds on its history and seeks to avoid mistakes of the past. Key moves which the local community and businesses suggested should be considered to rebuild the area's vibrancy and liveability include:

  – Rebuilding the precinct through a new economic strategy, along with good 'place-making'.

  – Activating the street

  – Establishing a new night-time economy can be supported - not based solely on alcohol—but on live performance, theatre, restaurants, small bars and tourism.

  – Diversifying the local economy to become a place of work, as well as rest and play.

  – Resetting 'the Cross' as an integral part of Sydney's visitor economy, offering a fun and safe time, day or night – and for that offering to be available for locals and visitors of all ages and interests.

  The subject development already responds to these core community issues and reflects the new positive vision/narrative for the precinct in several ways; bringing new visitation to the area by way of a boutique hotel; giving dilapidated former uses (which are characteristic of the old Kings Cross/Potts Point) a new life and identity which better-reflects the evolution of the precinct; enhancing the night-time precinct for business; and, providing the capacity for economic and tourist sector growth and job creation.

xii. Based on the above, it is the conclusion of this assessment that that the proposed additions to the subject development, as well as the development in its entirety, are likely to have a large net positive economic impact for the area, by way of employment, economic activity, amenity and design – that will more than offset a minor reduction in dwellings across the Study Area.

xiii. The conclusions of the previous Assessment remain unchanged, and the prospect of including additional, adjacent parcels of land to the proposed development would only enhance the overall outcomes for the site, as well as the associated positive benefits generated.

KEY FINDINGS

The key findings of this independent assessment consider the economic and social impacts that would result from the hotel development now extending to include two additional lots (90 Brougham Street and 100 - 104 Brougham Street).

Regional and Local Context

i. Potts Point is one of Sydney's oldest neighbourhoods, located in the inner-suburbs, approximately 2 km east of the Sydney Central Business District (CBD) (refer to Map 1). Potts Point forms part of the City of Sydney Local Government Area (LGA).

ii. The City of Sydney is one the largest and fastest growing local government areas in Australia. The resident population of approximately 249,000, represents 4.7% of Greater Sydney's total population and is projected to grow to 281,600 by 2036 (based on official State government projections) - an average annual growth rate of 3,260 persons (or 1.2%).

iii. The City of Sydney is also a key destination for tourists and visitors both domestically and internationally, however, Covid-19 has had a severe impact on tourist numbers, due to several factors:

- Closed Australian and State borders (no international visitors and limited interstate travel).
- Widespread lockdowns and travel restrictions.
- Capacity limits on businesses and venues.
- Temporary hotel closures or use as quarantine facilities.
- General travel hesitancy associated with health and safety concerns.

iv. Based on the latest data from Tourism Research Australia (TRA), total tourism consumption fell by 33.1% ($41.3 billion) during 2020/21 – some 45.3% below pre-pandemic levels.

v. TRA forecasts indicate that domestic tourism has resumed its recovery (since October 2021) and is forecast to return to an average pre-pandemic level in 2022/23, and to surpass its peak (2018/19) the following year in 2023//24. The general consensus for international visitation, however, is for an anticipated return to pre-pandemic levels from around 2025/26. Official international tourism projections are set to be released by TRA in late-2022.

vi. Prior to the pandemic, an estimated 625,000 day-visitors visited Sydney each day. Due to the large number of visitors who frequent the city, it is home to an array of hotels and short-term accommodation including 60% of Sydney's hotel rooms. Over the past decade the number of visitors staying in city hotels has increased by 1 million arrivals per year, or more than 30%.

vii. Map 2 illustrates the local context of the former Piccadilly Hotel (subject site) and additional sites, noting:

- The former Piccadilly Hotel is located approximately 300 metres north of Kings Cross road.
- Finger Wharf is provided 850 metres north-west of the site, encompassing a hotel, residential apartments, and restaurants.
- Opposite the Eastern Distributor is The Art Gallery@ of NSW, some 1.1.km to the north-west of the site.
- Sydney Hospital is provided adjacent to Martin Place Station, some 2.5 km north-west of the site by road.
- West of the site is St Mary's Cathedral College and Sydney Grammar School, each along College Street and comprising 755 and 1,154 students, respectively.
- Hyde Park is located 1.2 km west of the site.

viii. The subject development will be located in a prime and easily accessible location for residents and guests to experience, forming part of the Kings Cross precinct. Access to Potts Point is provided via a range of transportation methods, described as follows:

- Vehicle access is simple, with the subject site situated along Victoria Street and Brougham Street, each accessed from William Street (via Darlinghurst Road).
- The nearest bus stops are provided along Darlinghurst Road, William Street and Macleay Street.
- The nearest train station is Kings Cross Station located a 120-metre walk from the site.
- Taxi/ride share pick up/set down locations are provided at Kings Cross Station (Victoria Street Entrance), as well as along Darlinghurst Road.

ix. The City of Sydney endorsed the Committee for Sydney to examine the ways in which Kings Cross could be reinvented as a night-time precinct, particularly in light of the Covid-19 pandemic.

x. 'A Vision for Kings Cross' was released in April 2021 and highlights that:

"The Kings Cross precinct is one of the most prominent and internationally renowned precincts in Sydney. However, in recent years it has struggled to define the nature its area…

For all its colourful history and naughty reputation, Kings Cross has been knocked off kilter. In 2014, the 'lock-out' laws resulted in a significant decline in night-time activity which saw most of its bars and night clubs closed. With much of its local economy based on alcohol sales, the precinct experienced a dramatic economic decline. Five years later and many venues are boarded up and most of its bars and clubs closed. With much of its economic vibrancy gone and fewer visitors, the edgy parts now just look threatening to some, and the gritty parts look messy and unkempt…

Most of its night-time economy has moved elsewhere, many tourist hotels have been converted to apartments, and the precinct has lost lots of jobs in hospitality (-12% since 2014), retail (-10%) and, of course, in pubs and bars (-33%). Investment in new restaurants, shops and bars has been limited as the regulatory environment is uncertain and the future economic direction of the precinct is unclear…

Perhaps worst of all, its vibrant reputation is in tatters and it is regularly described as being dull. The Covid-19 pandemic has only accelerated the precinct's malaise, with tourists gone and venues shut."

xi. The 'Vision for Kings Cross' report seeks to set out a new vision for the precinct, which builds on its history and seeks to avoid the mistakes of the past. Key moves which the local community and businesses suggested should be considered to rebuild the area's vibrancy and liveability, include:

- Rebuilding the precinct through a new economic strategy, along with good 'place-making'.
- Activating the street by promoting restaurants, bars and cafes with alfresco dining and kerb side seating.
- Establishing a new night-time economy can be supported - not based solely on alcohol— but on live performance, theatre, restaurants, small bars and tourism.
- Diversifying the local economy to become a place of work, as well as rest and play.
- Resetting 'The Cross' as an integral part of Sydney's visitor economy, offering a fun and safe time, day or night – and for that offering to be available for locals and visitors of all ages and interests.

xii. A key point noted within the economic plan was that 'residential is not the only land use'. While the report does not consider existing planning controls or zoning (subject to ongoing review by the City of Sydney), it supported the existing business zones already in place. The flexibility of the Mixed Use and Local Centre Zones was seen to permit a necessarily wide range of activities (including retail, hotel, commercial, theatres as well residential) that allow for some uses to be incentivised over others, where there is clear social or economic benefit from doing so.

xiii. These zones were deemed to suit a place like Kings Cross, which has many functions and purposes. During the consultation, while some argued that the area should be repurposed as a quiet residential neighbourhood (albeit a high density one) and that other uses should be zoned out, the Committee disagreed:

> *"The diversity generated by the current zoning is something to celebrate and should be replicated in other parts of Sydney."*

xiv. Overall, the subject site is located in an ideal position for such a development and aligns with the future strategy for the broader precinct.

Proposed Development

i. The subject site that was previously examined comprises three dilapidated parcels of land that have been progressively acquired by the Harrphil Trust over several years, including:

- **Piccadilly Hotel (171 – 173 Victoria Street):** the hotel was constructed in 1939, with upper levels comprising accommodation for six rooms. The site is now vacant, having closed in 2015.
- **Golden Apple Brothel (169 Victoria Street):** 169 Victoria Street comprises a 4 storey Victorian terrace dwelling, the internal composition of which has been modified for use as a brothel, which is also now vacant.
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ii. Harrphil Pty Ltd is currently in the process of acquiring additional, adjacent parcels of land, with the intention of incorporating them into the adaptive reuse of the above sites. The intent for the change in permissible land use (rezoning) is to enable the hotel to be expanded onto the adjoining sites:

- **90 Brougham Street:** the site comprises a residential development known as 'Brougham Place' that contains a five-bedroom dwelling, as well as studio and home office space. The site would likely be adapted to configure two hotel rooms.
- **100 - 104 Brougham Street:** a 566 sq.m site comprising a 24-unit complex. Parking is provided in undercroft format at ground level. The site would likely be converted to a 24-room accommodation facility as part of the redevelopment.

iii. The addition of the above sites would represent a natural extension to the proposed development, forming part of an amalgamated parcel of lots and facilitating a higher-level of development and built form (as outlined subsequently).

iv. The subject sites will be revitalised and repurposed as a single-use, high-quality boutique hotel with ancillary ground floor food and beverage uses. The two additional sites now proposed for inclusion would result in the following key changes (on top of what was considered in the previous Assessment):

- **Boutique Hotel:** a net additional of 26 hotel rooms.
- **Dwellings:** repurposing/loss of 24 apartments and one townhouse (25 dwellings).
- **Retail, Food & Beverage, and Back of House:** possible reconfiguration, but negligible changes overall composition.

v. The planning proposal seeks the inclusion of ‘Tourist and Visitor Accommodation/Hotel’ as an additional permitted use on the new sites.

Resident Trade Area Analysis

i. The Study Area previously defined for the proposed development is illustrated in Map 3 and is considered to remain relevant for the extended subject site today.

ii. The Study Area aligns with the Potts Point - Woolloomooloo Statistical Area 2 (SA2) boundary and includes the suburbs of Elizabeth Bay, Potts Point, Rushcutters Bay and Woolloomooloo - bounded by Kings Cross Road to the south, Rushcutters Creek to the west, the Eastern distributor to the east and Sydney Harbour to the north.

iii. Table 1 details the updated Study Area current and projected population by sector. This information is sourced from the following:

- The 2011 and 2016 Census of Population and Housing undertaken by the ABS. The 2021 Census results are due in mid-2022.
- New dwelling approval data sourced from the ABS over the period from 2011/12 – 2020/21 (refer Chart 1). A total of 316 new dwellings were approved within the Study Area over this period.
- Population projections prepared at a small area level by forecast.id. These projections are also adopted by the City of Sydney.
- Investigations by this office into new residential developments in the region.

iv. Based on the latest available data from the ABS (Category 3218.0), the Study Area population increased from 24,223 in 2018, to 24,386 persons currently (2020) – or an increase of 163 people. Since 2011, the Study Area population has grown by some 4,774 persons, reflecting significant regeneration.

v. The study area population is projected to increase to 26,180 by 2036, representing an average annual growth rate of around 0.4%, or 100 persons. This aligns with official population projections by forecast.id for the Macleay Street – Woolloomooloo area, which are adopted by the City of Sydney.

vi. Immigration from overseas forms the largest component of population growth in Australia. Consequently, these has been a significant impact on Australia's population growth in recent years, as a result of the Covid pandemic. Border restrictions and immigration are anticipated to return to pre-pandemic levels over the short to medium term, and the impacts of the pandemic on population growth across the study area have been factored into the projections.

vii. Future residential developments over the short to medium term generally consist of modest subdivisions and projects, as illustrated in Map 4, including:

- A nearby development at 156 - 158 Victoria Street is planned to include five additional dwellings, with assumed completion by 2023.
- A Billyard Avenue subdivision is currently under construction and will consist of two additional dwellings located in Elizabeth Bay - which is assumed to reach completion by late 2022
- A Greenknowe Avenue (Elizabeth Bay) development is currently under construction, planned to include 30 dwellings and assumed to be completed by 2023.
- Construction has commenced on 16 dwellings along Orwell Street, which are assumed be completed by 2023.
- A development application has been approved to include 54 dwellings along Darlinghurst Road, assumed to be completed by late 2023.
- A Bayswater Road shop top housing development has been approved to include five dwellings, assumed for completion by 2023.
- A development application has been approved for the conversion of the former Vibe Hotel at Rushcutters Bay into 123 residential apartments.
- Three development applications have been submitted across Elizabeth Bay and Woolloomooloo comprising almost 50 dwellings in combination.
- A development application at 23 Hughes Street (Potts Point) was refused, having planned to include some 21 dwellings.

viii. Stronger population growth rates (i.e. 2016 – 2019) reflect the addition of more than 350 dwellings over the period. Omnia is the largest of these developments (comprising 132 dwellings), with several apartments still available for sale.

ix. The socio-economic profile of the study area remains unchanged (2016 Census), given the results of the 2021 Census will not be available until mid-2022. In general, the Study Area contains a high proportion of affluent professional couples and singles, reflecting the close proximity of the Sydney CBD, as well as being a culturally diverse area.

x. The suburb of Potts Point can be described as a predominantly younger, culturally diverse, professional population. Based on recent trends, the socio-economic profile of Potts Point and broader Study Area is likely to become increasingly characterised by younger, affluent professionals, reflecting the popularity of multi-unit residential dwellings and proximity to major employment areas such as the Sydney CBD. This is typical of inner-city locations, with the trend likely to continue over the long term as commercial, industrial, or under-utilised lands surrounding the site continue to be redeveloped for medium – high density living.

xi. This generally represents the social baseline for the Study Area, highlighting the pre-existing socio-demographic environment, conditions and trends. This provides a benchmark against which impacts can be assessed, including demographics, social and cultural well-being indicators and conditions.

Other Customer Segments

i. As a destinational precinct that will continue to evolve over time, it is important for the area to provide a diverse range of retail and complementary non-retail facilities that have broad appeal to all markets. This will ensure the area can remain popular, but also be revitalised/renewed in order to attract additional spending and visitation.

ii. The subject site is likely to serve a range of customer segments, including residents (as above), workers, tourists, visitors and students:

- **Tourists/Visitors:** combining the domestic overnight visitor nights (584,200) with the international visitor nights (679,600 million), tourists stayed a total of some 1.3 million visitor nights in the Kings Cross area in 2018 (the latest available data). Dividing 1.3 million by the number of days in the year (365) means that domestic overnight and international visitors are the equivalent of an additional 3,462 permanent residents for retail facilities provided around the precinct. This equates to 14% of the Study Area population.

- **Workers:** this information is based on the 2016 Census of Population and Housing and is a combination of destination travel zones. In this sense, the conclusions of the previous Assessment would remain unchanged with regard to workers. The number of workers within the Study Area was recorded at 14,950 as at 2016. Since the previous Census (2011), the number of workers has increased from 10,950 which represents an average annual increase of 6.4%.

Expenditure

i. The estimated retail expenditure capacity of the Study Area population is based on information sourced from MDS Market Data Systems. MDS utilises a detailed micro-simulation model of household expenditure behaviour for all residents of Australia. The MDS model takes into account information from a wide variety of sources, including the regular ABS Household Expenditure Survey, National Accounts Data, Census Data and other information.

ii. MarketInfo estimates used in this analysis are based on the 2016 release, benchmarked against the latest National Accounts Data, released by the ABS. All figures presented in this report are in constant 2021 dollars and include GST.

iii. Study Area resident retail expenditure is currently estimated at $575.9 million (2021) and is projected to increase to $681.6 million by 2036, representing an average annual growth rate of 1.1% (refer Table 2). All figures presented in this report are in constant 2021 dollars and include GST.

iv. The average annual retail spending growth rate of 1.1% reflects the following:

- **Real growth** in retail spending per capita of 0.0% is assumed over the period to 2023, reflecting the impact of the COVID-19 pandemic on the economy. From 2024 real growth per capita is assumed at 0.5% annually for food retail and 1.0% for non-food retail over the period to 2036.

- **Population Growth:** Study area population growth is projected at around 0.4% per annum. (allowing for COVID-19 pandemic impacts on immigration).

v. Food and beverage facilities generate sales primarily from the food catering and non-retail liquor (i.e not takeaway) market. As a guide, total food catering expenditure by main trade area residents is estimated at some $114.8 million in 2021, with non-retail liquor expenditure estimated at $22.2 million.

vi. In addition, significant expenditure levels would also be generated by other customer segments, such as tourists and workers.

- **Tourists/Visitors:** a partnership between Destination NSW and Westpac published expenditure at category level for visitors who reside more than 50 km from Sydney. The largest single expenditure category is food and beverage services at $22.81 for every $100.

  Shopping centres within the Sydney CBD can achieve around 25% - 30% (and higher) of total sales from beyond the respective trade areas, reflecting this large tourist market.

For Kings Cross, given the precinct's arterial location and attraction, expenditure from beyond the main trade area (visitors and tourists) would also be estimated at a higher level, in the order of 40% - 50%.

- **Workers**: workers primarily spend on food catering, giftware, leisure and apparel items during their lunch break. Typically, it is estimated that 15% - 20% of workers expenditure will be directed to retail facilities near their place of work.

  Relevantly, food catering spending including at bars and restaurants at night time forms an important component of spending directed to retail facilities near a worker's place of employment.

  In this instance, the amount of retail expenditure directed to retail facilities within and immediately beyond the Study Area is estimated to be in the order of $39 million - $52 million.

vii. Consequently, the total available food and beverage expenditure market for facilities in and around the Study Area is estimated at $213.2 million, including $137 million from residents, $53.2 million (25% of total available expenditure market) for tourists/visitors, and $23 million for workers (50% of estimated worker spend directed near place of work).

Competition

Retail Supply

i. The major retail precincts in the immediate area surrounding the site are illustrated previously in Map 3, including:

- The largest shopping centre within the Study Area is Kings Cross Centre which is anchored by Coles supermarket of 2,500 sq.m. The neighbourhood shopping centre includes some 24 specialty shops with a focus on food catering tenants, across some 4,600 sq.m total GLA.

- Omnia Centre is a relatively new mixed-use development in close proximity to Kings Cross Station. The centre includes a Woolworths Metro of 900 sq.m on level one with a limited number of specialty shops on the ground level.

- The Village Centre on Springfield is also located within Potts Point. The centre is anchored by a Harris Farm Markets on the lower ground level. A number of restaurants and cafes are also located in the surrounding area.

- A number of convenience focused, free standing supermarkets are also provided in the Study Area. This includes two Woolworths Metro stores provided at Potts Point and Wooloomooloo respectively.

ii. It is important to note that the majority of retail facilities in the Study Area operate as free-standing tenants or as part of a strip-based precinct. The strongest strip in the Study Area is along Darlinghurst Road (Kings Cross). Other strips provide more dispersed retail facilities such as along Macleay Street and Victoria Street, which includes the subject site.

iii. The nearest concentration of major retail facilities to the subject site is the Sydney CBD. The majority of retail floorspace is located within this core area is focused around the extensive George Street and Pitt Street retail strips.

iv. The previous Assessment indicated the number of bars, restaurants, and cafes within the Study Area (categorised by suburb) - based on an assessment of the primary focus for each operator. Some 112 restaurants are estimated to make up the Study Area, along with some 61 cafes and 31 bars. These numbers are likely to have fluctuated since the Covid-19 pandemic due to financial pressures, lockdowns, reduced visitation and more. These businesses (or similar) would, however, be expected to return or be replaced in some form - following the recovery of the industry post-pandemic.

v. Of the 142 facilities identified in Potts Point, the majority of offers are restaurants, with the remaining balance made up of cafes and bars. Map 5 illustrates the location of these restaurants, cafes and bars within the Study Area, highlighting significant concentrations of each along Darlinghurst Road and Victoria Street.

Accommodation Supply

Hotel & Serviced Apartments

i. Short stay accommodation establishments (hotels, motels and serviced apartments) with 15 or more rooms have previously been recorded by the ABS under a survey of tourist accommodation establishments. This information is provided at a Statistical Area 2 level (SA2).

ii. For the Study Area, 15 establishments provided a total of 1,487 rooms in 2016 (when the data was last produced). The surveyed occupancy rate within the subject area had historically been between 79% - 90% over the 2013 – 2016 period, which was higher than the State and National averages. The high level of occupancy across a sustained time period would typically indicate that there would be insufficient supply or rooms during peak periods.

iii. Table 3 details hotels and serviced apartments currently located in the Study Area, while Map 6 illustrates the location, star rating and size (number of rooms) of existing hotel and serviced apartment facilities within the broader inner-city area. The number of rooms as at the ABS June 2016 count is lower than indications of current motel/hotel rooms, which may indicate a range of newer developments since that time.

iv. Throughout Sydney, the average daily accommodation rate was around $250 per room night as at December 2019. Since that time, the Covid-19 pandemic and associated travel restrictions have seen prices and occupancy rates fall industry-wide. Accommodation pricing and occupancy is projected to recover to pre-pandemic levels in-line with TRA tourism projections.

v. Key point to not regarding hotel facilities within the Study Area include:

- The 26 facilities currently support a combined 1,587 rooms, or an average of 61 rooms per facility
- Only one hotel has a five star rating (Ovolo Woolloomooloo with 100 rooms). The majority of facilities have a four star rating.
- The largest hotel is the Holiday Inn Potts Point Sydney (288 rooms), followed by The Sydney Boulevard Hotel (271 rooms).

vi. Notable changes since the March 2020 Assessment, include the following:

- **Closures:** six accommodation facilities have closed, resulting in the loss of a combined 450 rooms. Of these, only three are understood to have closed due to financial hardship associated with the pandemic, namely Quest Potts Point, Funk House Backpackers and Jackaroo Hostel Sydney. Two facilities have been sold and will be converted to residential uses (Vibe Hotel and Simpson of Potts Point), while the final one (Astoria) will be refurbished and expanded (from 51 rooms to 65).
- **Proposed:** there are a total of 9 proposed developments across the study area comprising a combined 429 rooms – including the subject site.
- **Net Change:** assuming each of these developments were to proceed, the net change in accommodation availability across the study area would be just -21 rooms.

vii. Overall, while the pandemic brought unprecedented hardship to the hotel and accommodation industry, the Potts Point market has remained resilient – likely attributable to its historical strength and long-term viability. Key changes since May 2020 (including a handful of closures, refurbishments or repurposing to residential uses) will be offset by a supply pipeline that highlights the future ongoing potential for the Potts Point precinct.

Airbnb

i. Private rental accommodation such as Airbnb has gained significant popularity over the last decade. Across the Study Area, there were 611 Airbnb accommodation listings offering a total of 679 rooms as at December 2021. This can be compared some 1,374 Airbnb accommodation listings as at March 2020.

ii. Throughout the Covid-19 pandemic, many hotels were utilised as quarantine facilities, and much of the domestic, metropolitan Airbnb market transitioned to longer term, traditional rental properties based on lower tourist and visitor numbers.

iii. Like under the previous Assessment, the average price (per night) is inversely related to the number of rooms. This indicates that the supply of larger facilities is limited and more costly for consumers, indicative of the short-term nature of shared accommodation in the area – which would compete with the local hotel market for a share of visitor nights.

iv. Map 7 illustrates the provision of Airbnb listings as at December 2021. The number of rooms listed on Airbnb is almost one third of the total combined accommodation market in the Study Area (1,587 hotel rooms / 679 Airbnb rooms), and was historically even higher (2,002 hotel rooms / 1,798 Airbnb rooms as at March 2020) - indicating that Airbnb remains a significant competitor for existing and prospective hotels.

v. It is unsurprising that listing a room on Airbnb has significantly less barriers as compared with the development of a hotel. It is, however, important to note that Airbnb listings having a larger dwelling base to support rooms, while hotel sites are difficult to accommodate given the lack of developable land in the Study Area.

vi. It is expected that the Study Area will see a recovery in Airbnb listings in order to meet future visitor demand as tourism returns. If no new hotels (or similar) are provided, Airbnb facilities would be expected to gain market share.

Residential Supply & Availability

i. As outlined previously, new dwelling approvals sourced from the ABS over the period from 2011/12 to 2020/21 show that some 316 new dwellings have been approved across the Study Area over this period, each of which have been 'other dwellings' - which includes apartments, units and similar.

ii. Chart 2 illustrates median house prices and sales volumes across the suburb of Potts Point. As shown, median house prices have generally increased in recent years, however, has been volatile due to low sales volumes. The median house price across the suburb is currently $4.9 million, which is four times higher than the Sydney metropolitan median of $1.22 million.

iii. Chart 3 illustrates median unit prices and sales volumes across the same locality. As shown, median unit prices have been less volatile (based on higher volumes) but has also generally risen in recent years. The median unit price across Potts Point is currently $885,000, which is around 15% higher than the Sydney metropolitan median of $772,000

iv. A review of houses and units for purchase on Realestate.com.au (as at February 2022) shows that there were 119 dwellings across the study area suburbs, including Potts Point (48), Woolloomooloo (22), Elizabeth Bay (32), and Rushcutters Bay (17) - with few listing asking prices.

v. Rental housing data from realestate.com.au (as at February 2022) indicates rental prices as follows:

- **Houses:** $1,013 per week
- **Units:** 1 Bedroom $480 per week | 2 Bedroom $750 per week | 3 Bedroom $1,000 per week

vi. Rental vacancy rates were at 6.47% (realestateinvestar.com.au), which is in-line with the Sydney benchmark (6.31%). A review of houses and units for rent on Realestate.com.au (as at February 2022) shows that there were 299 dwellings available across the study area, including Potts Point (139), Woolloomooloo (48), Elizabeth Bay (70), and Rushcutters Bay (42).

vii. Overall, Potts Point is considered a highly-desirable residential location, particularly for investment, given the high supportable rental levels and high proportion of renters (two thirds of residents).

Economic Impact Assessment

Hotel Trading Impacts

i. This section of the report considers the sales or trading potential for the proposed development, as well as the likely trading impacts that can be anticipated following construction.

ii. To assess the potential economic benefits and impacts that may arise from the boutique hotel component of the proposed development, the indicative potential for the facility is outlined. The sales performance of any accommodation facility is difficult to determine, reliant on a combination of key internal, external drivers and competitive factors as outlined in the previous Assessment.

iii. With a view that tourism and visitation will return to pre-pandemic levels of the medium term, the key changes for the subject proposal would entail the composition, quality, layout and configuration of the hotel offer.

iv. The two additional sites now proposed for inclusion would result a net additional of 26 hotel rooms that would be anticipated to trade strongly, based on:

- An historically significant and strong local and broader regional tourist and visitor market
- Local income and spending levels that are significantly higher than benchmark levels
- A high-level of quality and design
- A unique market proposition in terms of distinctiveness and modernity
- An arterial location nearby to key visitor attractions

v. For the purposes of this assessment, the proposed boutique hotel is assumed to perform strongly with 100% occupancy. In this sense, prospective impacts would represent a 'worst-case' scenario. In reality, the subject development would be anticipated to trade at some level between Study Area averages (79% - 90%) and full-occupancy (100%).

vi. As outlined in the previous Assessment, the average room rate throughout Sydney was approximately $250 per night as at December 2019 (pre Covid-19). Assuming a slightly higher rate of $300 per night (based on premium, boutique offer), and 100% occupancy, the proposed additional component of the development (26 rooms) would generate revenue in the order of some $2.85 million each year.

vii. These assumptions align with the previous Assessment, and when combined (69 total rooms) would indicate total revenue in the order of $7.55 million.

viii. Modern boutique hotels aim to provide a guest experience that exceeds that of conventional accommodation providers, by way of a unique and tailored experience. These offers often also differentiate themselves based on style and design and targeting more specific demographics. Boutique hotels must provide high levels of service to guests to ensure seamless and pleasant stays.

ix. The proposed additional components to the boutique hotel at the subject site will comprise a net of 26 additional rooms. As outlined previously, a total of 1,587 rooms are provided across the study area, as well as an additional 360 proposed rooms (excluding the subject site).

x. Consequently, the additional 26 rooms at the subject site would represent an increase of around 1.3% - 1.6% of the total available hotel rooms in the Study Area. The combined development (69 total rooms) would represent just 3.3% - 4.2%.

xi. In terms of the total combined accommodation market in the Study Area (2,266 rooms including Airbnb), the subject offer (69 rooms) would represent an increase of just 3.0%, and less as proposed accommodation developments and former Airbnb facilities come online.

xii. These calculations show that the additional rooms made available to the market would be minimal in percentage terms, well within the competitive range of 10% or less. The net additional proportion of rooms represents the estimated average impact across competitive facilities within each market.

xiii. Some facilities are likely to be impacted more than others based on the offer and competitive situation relative to the subject development. The uniqueness of the subject hotel, however, would also mean that these impacts would be spread further abroad.

xiv. It is important to note that the impacts from the proposed development are only likely to be experienced by competitive stores in the short-term and competing facilities will benefit from the strong growth in the tourism and accommodation market once these impacts have been absorbed. These impacts are indicative, as it is difficult to precisely project the impact from the opening of a new hotel (or expansion of an incumbent offer) on existing facilities.

xv. Offsetting any potential competitive impacts on other facilities, the proposed development will benefit the consumer through a range of other impacts (as outlined subsequently), including, choice, convenience, price competition, amenity and more - that are likely to result from the development.

xvi. At full occupancy (100%), the net additional 26 rooms at the subject site would be estimated to accommodate some 12,337 visitors per year (average of 1.3 visitors per room per night). This would represent just 12.3% of the average annual increase in overnight visitors (100,000 per annum) recorded over the 2016 – 2018 period to the Kings Cross tourism sub-region – or fewer than two months in overnight visitor growth.

xvii. Further, the uniqueness of the offer is likely to attract a greater number of visitors to the area, mitigating many potential impacts and providing indirect stimulus to the local area by way of increased visitation.

xviii. Overall, impacts on other accommodation facilities throughout the area would be well within the normal competitive range of less than 10% - and in reality, much lower.

Food & Beverage Potential and Trading Impacts

i. To assess the potential economic benefits and impacts that may arise from the development of the proposed food and beverage component of the development, the indicative sales range which the development is projected to achieve is outlined.

ii. Given the composition of the proposed retail food and beverage offer at the subject site remains unchanged, and the macroeconomic market conditions (population, tourism and competition) are also anticipated to stabilise over the medium term (by opening) – the projected sales level outlined previously in the Assessment is considered to still be appropriate.

iii. Assuming this benchmark productivity level across the proposed GLA of 1,006 sq.m yields indicative sales of $10.7 million. It is important to note that this figure represents a 'worst-case' or maximum sales scenario insofar as potential sales.

iv. This level of sales represents around 5% of the total available spend market afforded to food and beverage facilities in the Study Area, including from residents, tourists and workers.

v. These calculations show that the reduction in the available food catering and non-retail liquor market for other facilities would be in the order of 5%. This represents the 'worst-case' estimated average impact across competitive facilities both within and beyond the defined Study Area. Some stores are likely to be impacted more than others based on the offer and competitive situation relative to the subject development.

vi. It is important to note that the impacts from the proposed development are only likely to be experienced by competitive stores in the short-term and these stores will benefit from the strong growth in the food and beverage market once these impacts have been absorbed. In addition, the development itself is likely to attract additional expenditure to the area, offsetting this impact.

vii. Assuming the average annual (resident) retail expenditure increase of around 1.3%, projected food and beverage expenditure of $213.2 million (all customer segments) would be anticipated to increase by around $2.8 million per year (in constant dollars).

viii. It is important to note that impacts outlined in this report are indicative as it is difficult to precisely project the sales impact from the opening of a new store or expansion of an incumbent offer on existing retail facilities.

ix. A number of factors can influence the impact on individual centres/retailers, including but not limited to, refurbishment/improvements, expansions, loyalty, and centre mix or how it competes with the proposed development.

x. Offsetting any potential competitive sales impact on other facilities, the proposed development will benefit the consumer through a range of other impacts (as outlined subsequently), including choice, convenience, price competition, amenity and more - that are likely to result from the development.

xi. Overall, impacts on other food and beverage outlets throughout the area would be well within the normal competitive range of less than 10%, while impacts on the broader total retail market would be lower again. Given the proliferation of food and beverage (as well as other retail facilities) in the area, impacts would be spread far and wide.

Employment & Wage Impacts

i. The proposed development would result in a range of important economic benefits which will be of direct benefit to the local community. On top of the economic stimulus generated from trading (as outlined previously), key positive impacts that now exceed the former Assessment include:

Ongoing Employment Generation

- Assuming 1 employee per room for the expanded hotel offering (in-line with industry benchmarks) would yield a net addition of 26 jobs on an ongoing basis. Taking a conservative view and allowing for an estimated 10% of the total increase to be because of reduced employment at existing facilities, net additional jobs are estimated at 23.
- Based on Average Weekly Earnings data released by the ABS in May 2021 (Cat. 6302.0) for accommodation and food services workers, the additional permanent employees would earn combined total salary/wages of some $0.7 million ($31,631 per worker per year) at the site,

reflecting additional salary/wages for the local economy, as a direct result of the additional development.

Construction

- Construction and redevelopment of the additional component is estimated to incur total capital costs of some $10 million, generating significant employment within the construction and associated industries during the development of the project.

- By using the appropriate ABS Input/Output Multipliers that were last produced in 1996/97 and a deflated estimated total capital cost of construction of $5.6 million (i.e. in 1996/97 dollars), it is estimated that the construction period of the proposed development would directly create some 39 full-time, part time and temporary jobs over the development timeline.

Multiplier Effect

- Overall, the expanded component of the subject development alone is estimated to directly generate 62 jobs, including:

  – **Ongoing Employment from Operation:** 23 jobs

  – **Construction Phase:** 39 jobs

- In addition to this direct employment, multiplier effects will flow through the local economy and indirectly generate additional employment opportunities through ancillary businesses/suppliers that support the development and services, as well as additional consumption expenditure by workers employed within the precinct (spending wages).

- Again, by using the appropriate ABS Input/Output Multipliers that were last produced in 1996/97 and adjusting for inflationary and other changes to present, it is estimated that an additional 85 jobs will be created indirectly.

ii. Overall, some 148 jobs both directly and indirectly as a result of the proposed additions to the subject development (refer Table 5). The previous Assessment indicated a total of 697 jobs could be anticipated, meaning the overall development is now projected to create some 845 jobs, both directly and indirectly.

Social Impact Assessment

i. Under Section 4.15 of the Environmental and Planning Assessment Act 1979 (EP&A Act), the likely impacts of a development, including the social impacts in the locality are required to be considered and addressed as part of the planning process.

ii. Social Impact Assessment (SIA) are intended to analyse the intended and unintended social consequences, both positive and negative, of planned projects and any social change processes affected.

iii. This section of the report provides an update to the original Assessment as to the relevant social considerations pertaining to the proposed additional component of the development, both during construction and throughout ongoing operation.

iv. It is important to note that social impacts are subjective and will be experienced differently by various parts of the community, including local residents and those within the broader Study Area.

v. The NSW Department of Planning & Environment's 'Social Impact Assessment Guidelines' provide direction on assessing potential social impacts in the context of the environmental impact assessments (EIA) for State significant mining, petroleum production, and extractive industry development. However, many key considerations outlined are relevant to the subject proposal.

Direct Impacts

i. Direct impacts are typically caused by the project and result in changes within the existing community that are more measurable or quantifiable. The local community (resident Study Area and workers) are more likely to experience direct impacts and benefits originating from construction and operation of the proposed development.

ii. The additional block of sites (90 & 100 - 104 Brougham Street) comprises a total of 25 dwellings that would be repurposed during redevelopment. Consequently, this represents the relevant baseline for population and housing availability considerations.

Employment, Income & Economic Activity

- As outlined previously, the subject component of the development is estimated to directly generate 62 jobs, including ongoing employment of 23 jobs and 39 jobs during the construction phase.
- In addition to this direct employment, multiplier effects will flow through the local economy and indirectly generate additional employment opportunities through ancillary businesses/suppliers that support the development and services, as well as additional consumption expenditure by workers employed within the precinct (spending wages).
- Overall, some 148 jobs are likely to be created both directly and indirectly as a result of the additional component of the subject development. The previous Assessment indicated a total of 697 jobs could be anticipated, meaning the overall subject development is now projected to create some 845 jobs, both directly and indirectly.

- The additional permanent employees would earn combined total salary/wages of some $0.7 million ($31,632 per worker per year) at the site, reflecting additional salary/wages for the local economy, as a direct result of the development. This includes a number of youth employment opportunities with accommodation and food services operators generally employing a large number of younger staff. A key further consideration would for a local employment strategy to support the local workers and economy.

- Additional economic activity within the Study Area includes indicative revenues in the order of $2.85 million for the hotel. This activity would also generate flow-on positive economic benefits to surrounding businesses by way of increased visitation and customer flows.

- The subject development would result in the retention of spending currently being directed to alternate accommodation facilities situated beyond the Study Area (such as competing precincts), thereby reducing the need for local residents to travel further afield, or for prospective visitors to stay/visit elsewhere.

Population & Housing Availability

- As at the 2016 Census, there were some 11,421 dwellings across the defined Study Area.

- A review of houses and units for purchase on Realestate.com.au (as at February 2022) shows that there were 119 dwellings across the study area suburbs, including Potts Point (48), Woolloomooloo (22), Elizabeth Bay (32), and Rushcutters Bay (17) - with few listing asking prices. This represents approximately 1.0% of total dwellings (as at the 2016 Census).

- A review of houses and units for rent on Realestate.com.au (as at February 2022) shows that there were 299 dwellings available across the study area, including Potts Point (139), Woolloomooloo (48), Elizabeth Bay (70), and Rushcutters Bay (42). This represents approximately 3.7% of total dwellings (as at the 2016 Census). The rental vacancy rate across Potts Point specifically were at 6.31% (realsetateinvestar.com.au), which is in-line with the Sydney benchmark (6.15%).

- The key implication of this is that the potential loss of 25 residential dwellings (90 Brougham Street and 100 - 104 Brougham Street) would represent a small proportion of the housing stock throughout the Study Area, at 0.22% of total dwellings, 6% of existing, advertised rental properties. These residents would also have the opportunity to re-purchase or find rental properties in the area with ease, given the substantial advertised stock on the market currently.

- Further, a limited range of housing choice and supply would be required to sustain projected population growth and official targets throughout the Study Area, with average population growth projected at some 100 persons per annum. In order to sustain this level of population growth, the average household size (1.6 persons) would indicate a requirement of around 63 new dwellings per annum. This dwelling approval rate has been occurring in recent years.

- In purely economic terms, a residential development at the subject site would not represent the highest and best use of the high-profile site within the retail and economic core of Potts Point. Opportunities for small to medium scale infill residential development are likely to continue to arise throughout the Study Area, in less commercially-prominent (and more appropriate) residential sites.

- This is echoed within the 'A Vision for Kings Cross' economic plan, which noted that while the report does not consider existing planning controls or zoning (subject to ongoing review by the City of Sydney), it supported the existing business zones already in place. The flexibility of the Mixed Use and Local Centre Zones was seen to permit a necessarily wide range of activities (including retail, hotel, commercial, theatres as well residential) that allow for some uses to be incentivised over others, where there is clear social or economic benefit from doing so.

- These zones were deemed to suit a place like Kings Cross, which has many functions and purposes. During the consultation, while some argued that the area should be repurposed as a quiet residential neighbourhood (albeit a high density one) and that other uses should be zoned out, the Committee disagreed: "The diversity generated by the current zoning is something to celebrate and should be replicated in other parts of Sydney."

Indirect Impacts

i. Indirect impacts are caused by a change that is instigated by the project and are typically more qualitative or intangible – generally relating values, sense of community and the like.

ii. The relevant baseline to consider from a site or change of use perspective, would be the current uses at the sites, including a combined 25 dwellings.

iii. In terms of a social or community baseline, the previous Assessment and this Addendum highlight the pre-existing socio-demographic, competitive (retail and accommodation), infrastructure and community conditions or trends for the Study Area. This provides a benchmark against which indirect social impacts can be assessed. For the purposes of this assessment, indirect impacts are considered in relation to the three key categories as follows.

Amenity & Services

- The subject development would improve amenity within the area, as well as enhancing the range and access to retail and services in close proximity to residents' homes and workplaces. It is also important to note that the Study Area is already a significant mixed-use precinct, with tourists, visitors and related uses/services forming a natural (and expected) component of the local community.

- The nature of consumer demand continues to develop and evolve, reflecting social changes within society, such as:
  - Population and income growth.
  - The evolution of new retail formats, traders and precincts.
  - Increasing time pressures on working families.
  - Competitive retail developments and precincts.
- The demands of retailers, as well as consumers, combine to add pressure for new or evolved retail and complementary non-retail floorspace within existing precincts.
- The proposed development would provide improved customer amenity, design and aesthetic for the local residents by way of a new and modern development. The revitalisation of vacant and dilapidated site also improves enjoyment of private or public areas.
- The development would also serve as a key anchor tenant for the precinct that would benefit most shopfronts in the immediate area by increasing destinational appeal, visitation and range of services, while not impacting the future viability of other operators.
- The proposed development would improve choice of location and range/diversity for local residents and allow for price competition for both food catering, as well as accommodation services. Increased competition between operators is beneficial to consumers, while operators themselves are likely to benefit from the creation of a greater critical mass of similar tenants – which is a fundamental characteristic of successful precincts.
- The proposed development would enjoy a high-profile location along Victoria Street and Brougham Street, with convenient public, private and pedestrian access for the local population, visitors and passing traffic. This would not impede or impact access to essential services or other community facilities.

Crime & Safety

- The development is anticipated to provide increased public safety and reduce opportunities for crime, by way of re-activating the largely disused site (perceived or actual). The proposed additions to the development would only improve this outcome further.

- An additional benefit (in terms of crime and safety) which may arise as a result of the development would be the re-activation of the sites that (for the most part) currently sit vacant or are disconnected. A more active, well-lit, populated site would have the effect of discouraging unwanted loitering and possibly other crime. Additional surveillance would also be provided at the site.

- The improvements to the subject site would enhance the sense of place (discussed subsequently), which can also result in reduced crime or antisocial behaviour. With mitigation measures in place, the proposal can have a neutral impact on alcohol related health and safety.

Community, Liveability & Wellbeing

- The key question for community impacts is whether the development would strengthen or threaten opportunities for social cohesion and connectedness.

- As outlined previously, the proposed development would not result in a significant reduction in available housing (25 dwellings for the additional component, or 31 dwellings overall) or population, and as such, would not impact the overall socio-demographic profile or characteristics of the Study Area. This would also mean that there would be no discernible change to cultural traditions, shared beliefs, and customs in the area.

- The repurposing of the sites for a boutique hotel would provide the local community with additional facilities that would serve as a 'third place'. The concept of a 'third place' refers to destinations such as cafes, bars and restaurants where customer spend time between home (first place) and work (second place). The boutique accommodation facility would also provide additional choice for visitors and tourists.

- Third places provide the community and visitors with a variety of informal settings, where the people can meet or be comfortably alone while still engaging socially with the community. This provides additional opportunity for social integration, post the short-term disruption caused during the construction period.

- Social integration and the prospects of more seamless interactions between the community are important for the health and wellbeing of local residents. Creating and/or enhancing places for community members to meet and interact is an important precinct planning consideration, with local social networks and casual social interaction being of critical importance for reducing social isolation and supporting the development of cohesive communities.

- These factors, as well as those outlined previously throughout this report, combine to enhance the liveability and attractiveness of the area.

- The development is expected to comply with relevant noise emission criteria and would likely generate substantially less noise than the previous night club venue at the site.

- Beyond amenity, improvements to the streetscape also have the potential to enhance mobility and activation, thereby also facilitating health and wellbeing pursuits such as walkability.

- The aesthetic appearance and form can also have impacts on the way people perceive their community of local environment. Ageing, vacant, and decrepit buildings can reduce pride in an area and therefore sense of belonging. The proposal will improve a significant dilapidated and portion of the area through contemporary architecture that respects the heritage nature of Potts Point. The unit complex at 100 – 104 Brougham Street is particularly tired and would undergo a substantial transformation as part of the redevelopment.

- The development also aligns with broader community aspirations. A City of Sydney report produced for its Corporate, Finances, Properties and Tenders Committee noted that Sydney's one-time red-light district had lost its identity, and the area's remaining businesses were struggling to attract new visitors in the wake of lockout restrictions, then compounded by the pandemic.

- 'A Vision for Kings Cross' was released in April 2021 and highlights that Kings Cross has been knocked off kilter and has experienced a dramatic economic decline – with much of its vibrancy gone and fewer visitors. "The edgy parts now just look threatening to some, and the gritty parts look messy and unkempt. Perhaps worst of all, its vibrant reputation is in tatters and it is regularly described as being dull. The Covid-19 pandemic has only accelerated the precinct's malaise, with tourists gone and venues shut".

- The 'Vision for Kings Cross' report seeks to set out a new vision for the precinct, which builds on its history and seeks to avoid mistakes of the past.

- Key moves which the local community and businesses suggested should be considered to rebuild the area's vibrancy and liveability include:

  – Rebuilding the precinct through a new economic strategy, along with good 'place-making'.

  – Activating the street

  – Establishing a new night-time economy can be supported - not based solely on alcohol—but on live performance, theatre, restaurants, small bars and tourism.

  – Diversifying the local economy to become a place of work, as well as rest and play.

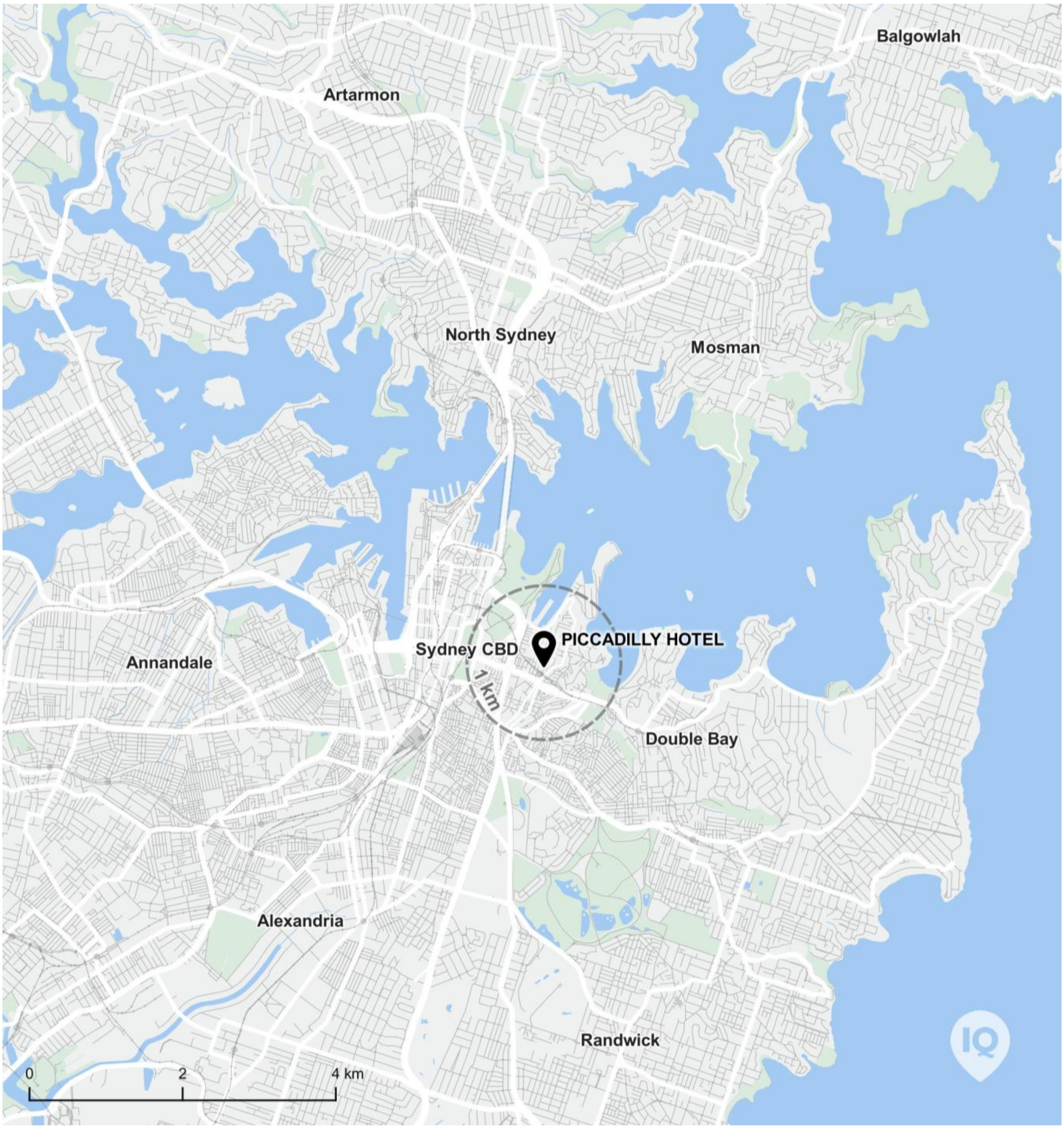
  - Resetting 'the Cross' as an integral part of Sydney's visitor economy, offering a fun and safe time, day or night – and for that offering to be available for locals and visitors of all ages and interests.

- The subject development already responds to these core community issues and reflects the new positive vision/narrative for the precinct in several ways; bringing new visitation to the area by way of a boutique hotel; giving dilapidated former uses (which are characteristic of the old Kings Cross/Potts Point) a new life and identity which better-reflects the evolution of the precinct; enhancing the night-time precinct for business; and, providing the capacity for economic and tourist sector growth and job creation.

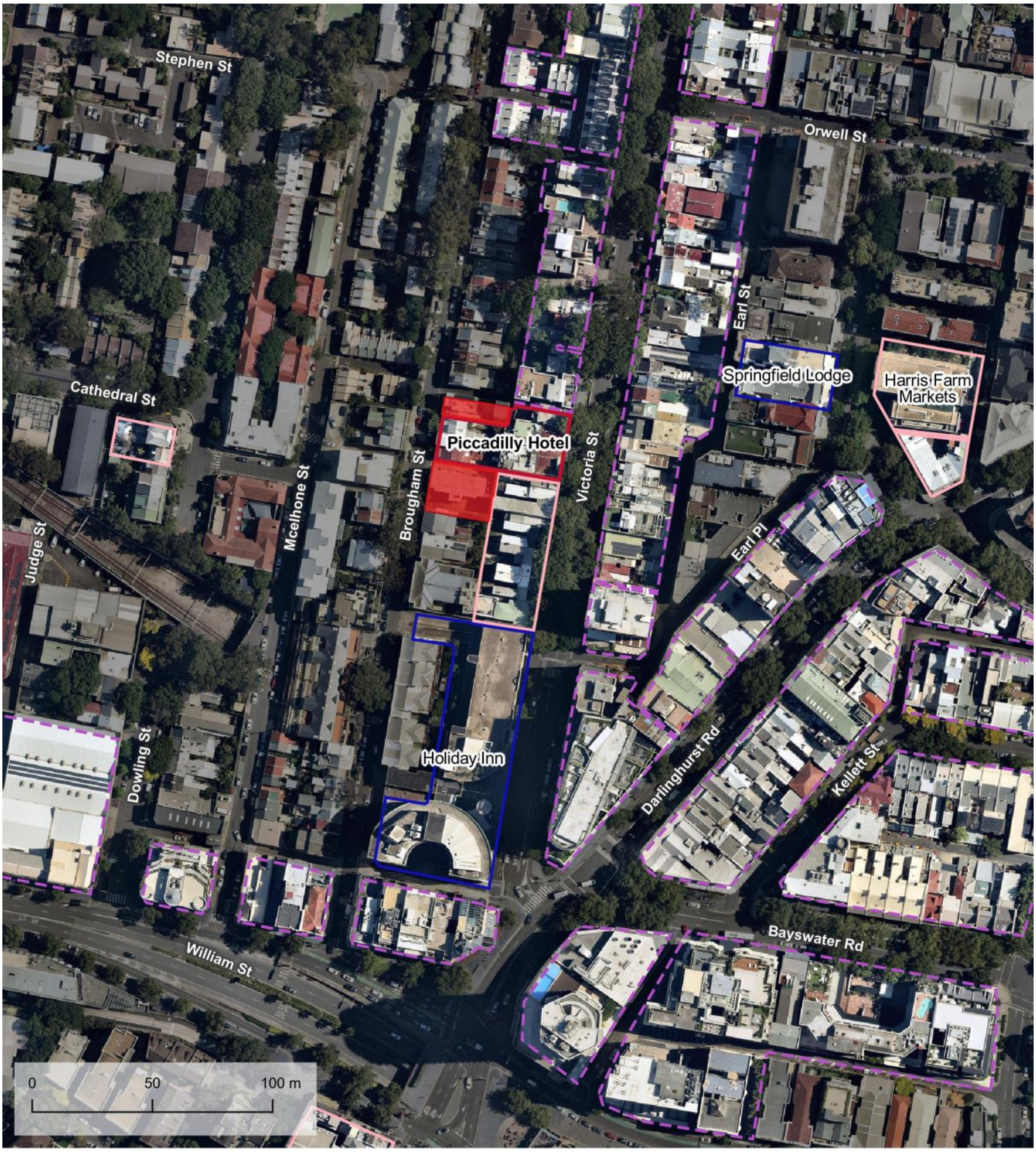
iv. Based on the above, it is the conclusion of this assessment that that the proposed additions to the subject development, as well as the development in its entirety are likely to have a large net positive economic impact for the area, by way of employment, economic activity, amenity and design – that will more than offset a minor reduction in dwellings across the Study Area.

FIGURES, MAPS, TABLES & CHARTS

MAP 1. REGIONAL CONTEXT



MAP 1. LOCAL CONTEXT



Site
Proposed Addtional Sites
Retail
Accommodation
Mixed Use (Retail/Commercial and Residential)

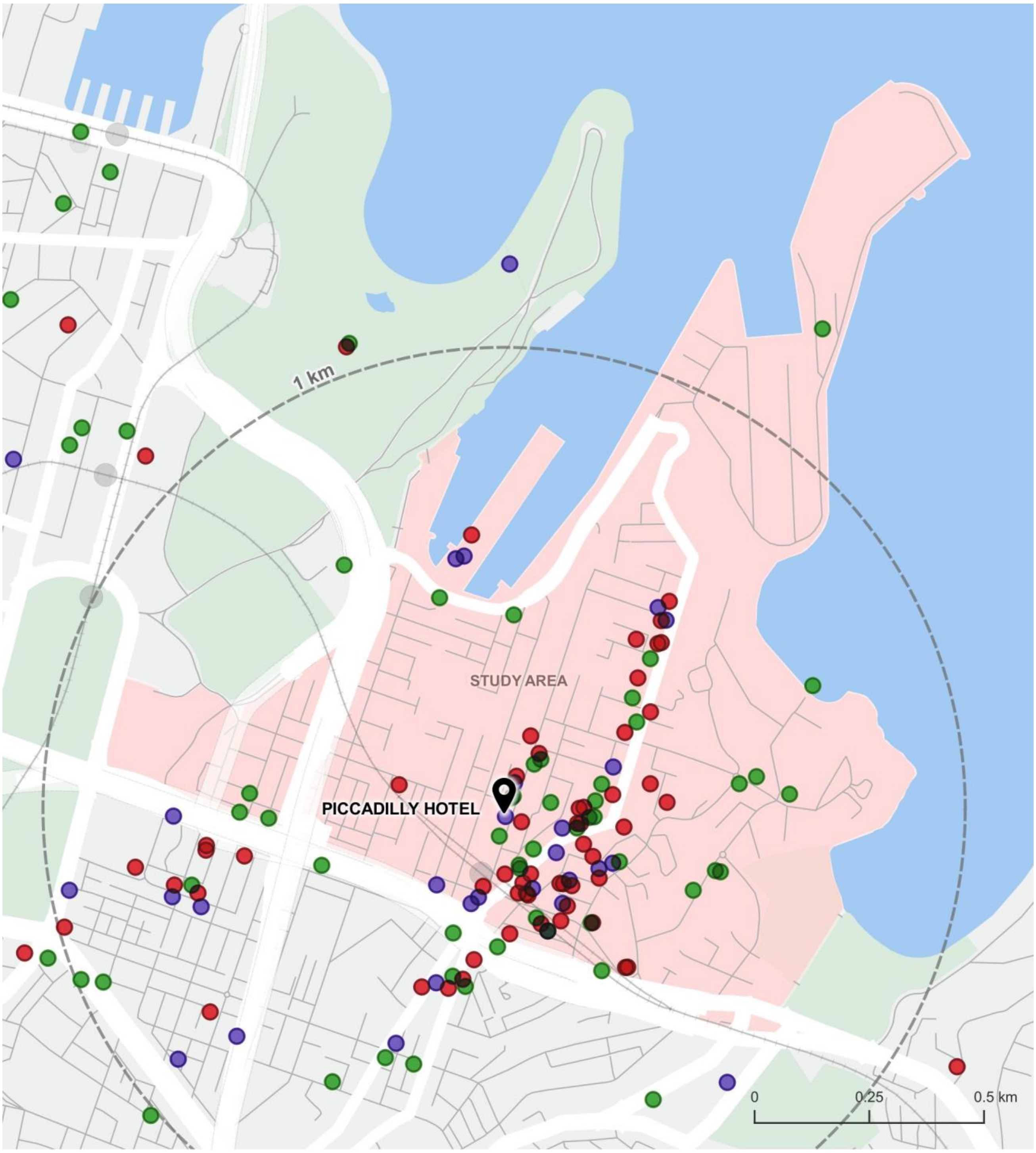
PhotoMap by nearmap.com

MAP 2. PICCADILLY HOTEL STUDY AREA

** White dot indicates proposed store*

MAP 4. STUDY AREA RESIDENTIAL DEVELOPMENTS

MAP 5. STUDY AREA RESTAURANTS, CAFES & BARS



Restaurant

Cafe

Bar

MAP 6. STUDY AREA HOTELS & ACCOMMODATION

MAP 7. STUDY AREA AIRBNB ACCOMMODATION

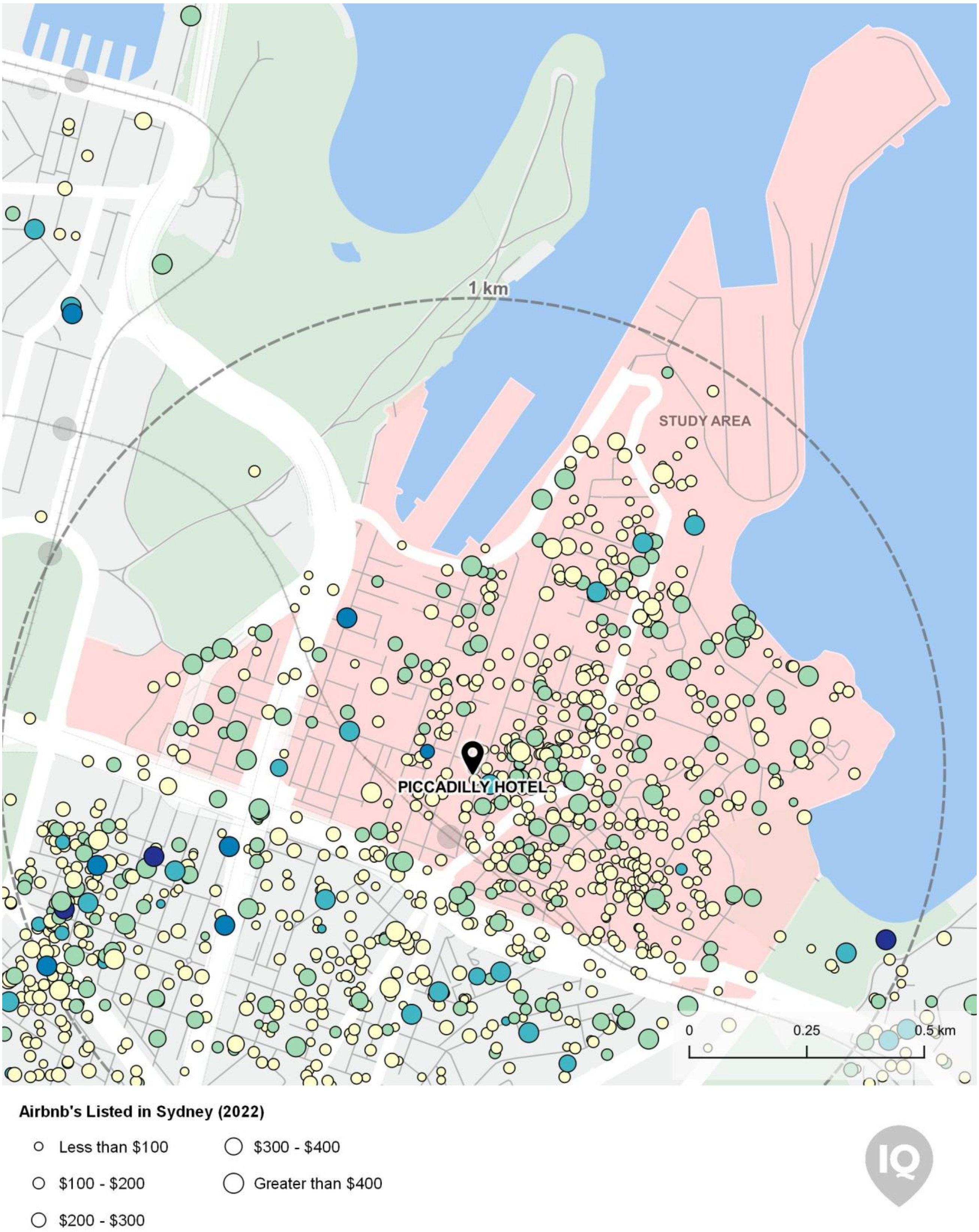


TABLE 1. STUDY AREA POPULATION, 2011 – 2036

Population	Actual 2011	2016	Forecast 2021	2026	2031	2036
Study Area	19,680	23,130	24,680	25,180	25,680	26,180

Average Annual Change (No.)	Actual 2011-16	Forecast 2016-21	2021-26	2026-31	2031-36
Study Area	690	310	100	100	100

Average Annual Change (%)	Actual 2011-16	Forecast 2016-21	2021-26	2026-31	2031-36
Study Area	3.3%	1.3%	0.4%	0.4%	0.4%
Syd Metro	*1.7%*	*1.4%*	*1.3%*	*1.3%*	*1.2%*
Australian Average	*1.9%*	*1.8%*	*1.6%*	*1.6%*	*1.5%*

All figures as at June and based on 2016 SA1 boundary definition.
Sources : ABS; forecast .id

TABLE 2. STUDY AREA RETAIL EXPENDITURE, 2021-2036

Y/E June	Food & Liquor	Food Catering	Apparel	H'hold Goods	Leisure	General Retail	Retail Services	Total Retail
2021	221.7	114.8	56.0	96.6	28.2	35.6	23.0	**575.9**
2022	223.6	115.8	56.5	97.4	28.4	35.9	23.2	**580.8**
2023	224.5	116.3	56.7	97.8	28.5	36.0	23.3	**583.1**
2024	226.5	117.9	57.5	99.2	28.9	36.6	23.7	**590.2**
2025	228.5	119.6	58.3	100.6	29.3	37.1	24.0	**597.4**
2026	230.6	121.2	59.1	102.0	29.7	37.6	24.3	**604.6**
2027	232.7	122.9	59.9	103.4	30.1	38.1	24.7	**611.9**
2028	234.8	124.7	60.8	104.9	30.6	38.6	25.0	**619.3**
2029	236.9	126.4	61.6	106.3	31.0	39.2	25.4	**626.8**
2030	239.0	128.2	62.5	107.8	31.4	39.7	25.7	**634.4**
2031	241.1	130.0	63.4	109.3	31.9	40.3	26.1	**642.0**
2032	243.3	131.8	64.2	110.9	32.3	40.9	26.5	**649.8**
2033	245.4	133.6	65.1	112.4	32.8	41.4	26.8	**657.6**
2034	247.6	135.5	66.0	114.0	33.2	42.0	27.2	**665.5**
2035	249.8	137.3	67.0	115.6	33.7	42.6	27.6	**673.5**
2036	252.0	139.3	67.9	117.2	34.2	43.2	28.0	**681.6**
Expenditure Growth								
2021-36	30.4	24.4	11.9	20.6	6.0	7.6	4.9	**105.7**
Average Annual Growth Rate								
2021-36	0.9%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	**1.1%**

**Constant 2020/21 dollars & including GST*
Source : MarketInfo

TABLE 3. STUDY AREA HOTELS

Name	Address	Suburb	Price per Night*	Star Rating	Rooms
Operational					
Holiday Inn Potts Point Sydney	203 Victoria St	Potts Point	$ 221	4.0	288
The Sydney Boulevard Hotel	90 William St	Sydney	$ 235	4.0	271
Devere Hotel	44-46 MacLeay St	Potts Point	$ 166	3.0	117
Larmont Sydney By Lancemore	2-14 Kings Cross Rd	Potts Point	$ 225	4.0	103
Ovolo Woolloomooloo	6 Cowper Wharf Roadway	Woolloomooloo	$ 411	5.0	100
Macleay Hotel	28 MacLeay St	Elizabeth Bay	$ 200	4.0	90
Springfield Lodge	9 Springfield Ave	Potts Point	$ 135	3.0	65
Hotel Challis	21-23 Challis Ave	Potts Point	$ 156	4.0	55
The Bayswater Sydney	17 Bayswater Rd	Potts Point	$ 140	4.0	51
Elephant Backpacker	50 Sir John Young Cres	Woolloomooloo	$ 30	2.0	48
Jolly Swagman Backpackers	27 Orwell St	Potts Point	$ 22	4.0	46
Mariner's Court Hotel	44-50 McElhone St	Woolloomooloo	$ 154	3.5	41
Ady's Place Backpackers	103-105 Palmer St	Woolloomooloo	$ 15	1.0	40
Nesuto Woolloomooloo Apartment Hotel	88 Dowling St	Woolloomooloo	$ 215	3.0	40
UNO Hotel Sydney	2 Roslyn St	Potts Point	$ 110	3.0	36
The Jensen Potts Point	71 MacLeay St	Potts Point	$ 143	2.0	27
Regents Court Apartment Hotel	18 Springfield Ave	Potts Point	$ 241	4.0	26
Great Aussie Backpackers	172-174 Victoria St	Potts Point	$ 30	2.0	24
The Maisonette	31 Challis Ave	Potts Point	$ 189	3.0	22
Spicers Potts Point	120-124 Victoria Street	Potts Point	$ 300	4.5	20
Hump Backpackers	40 Darlinghurst Rd	Potts Point	$ 15	2.0	19
Annam Serviced Apartments	21 Ward Ave	Potts Point	$ 140	4.0	15
Bayswater Boutique Lodge	58 Bayswater Rd	Rushcutters Bay	$ 189	3.0	14
Mad Monkey Backpackers	79 Bayswater Rd	Sydney	$ 90	2.0	13
Hotel 59	59 Bayswater Rd	Rushcutters Bay	$ 131	3.0	9
Blue Parrot Backpackers	87 MacLeay St	Potts Point	$ 30	2.0	7
Total					**1,587**
Closed					
Vibe Hotel Rushcutters Bay	100 Bayswater Rd	Rushcutters Bay		4.0	245
Quest Potts Point	15 Springfield Ave	Potts Point		4.0	70
Funk House Backpackers	23 Darlinghurst Rd	Potts Point		2.0	45
Jackaroo Hostel Sydney	107-109 Darlinghurst Rd	Sydney		3.0	27
Simpson Of Potts Point	8 Challis Ave	Potts Point		4.0	12
Astoria Space Pop Up	9 Darlinghurst Rd	Potts Point		3.0	51
Proposed					
Subject Site	169-173 Victoria St & 90 - 104 Brougham St	Potts Point			**69**
The Minerva	28 - 30 Orwell St	Potts Point			**63**
Former Holiday Lodge	33 MacLeay St	Potts Point			**15**
Montpellier Hotel	39a Elizabeth Bay Rd	Elizabeth Bay			**30**
Former Jolly Swagman Backpackers	27 Orwell St	Potts Point			**49**
Darlinghurst Road Site	42 Darlinghurst Rd	Potts Point			**40**
Darlinghurst Road Site	18-20, 22-28, 30-30B & 32-32A Darlinghurst Rd	Potts Point			**59**
Bayswater Road Hotel	129-131 Bayswater Rd	Potts Point			**39**
Astoria Space Pop Up	9 Darlinghurst Rd	Potts Point			**65**

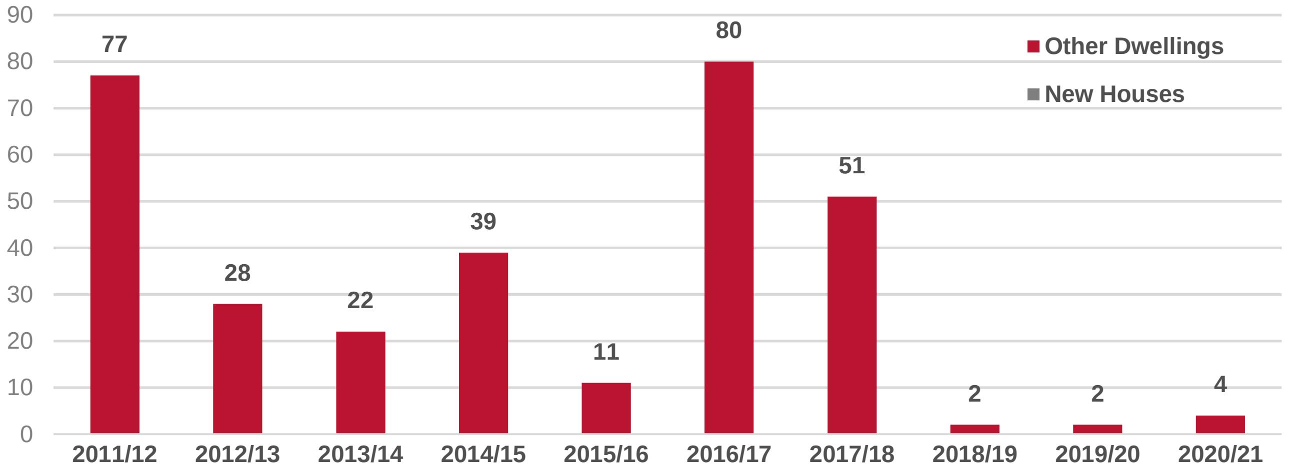
Source: hotels.com.au, Location IQ database.
**Based on four-night stays in November 2022 - cheapest room available*

TABLE 4. ESTIMATED TOTAL EMPLOYMENT GENERATED

Metric / Category	Est. Net Employment Increase[1]	Employment Multiplier Effects	Total Employment
Ongoing Employment from Planned Floorspace			
Hotel Accommodation	23.4	22.2	45.6
Construction Phase			
Direct Employment Generation	39.4	63.2	102.6
Net Additional Employment	**62.8**	**85.4**	**148.2**

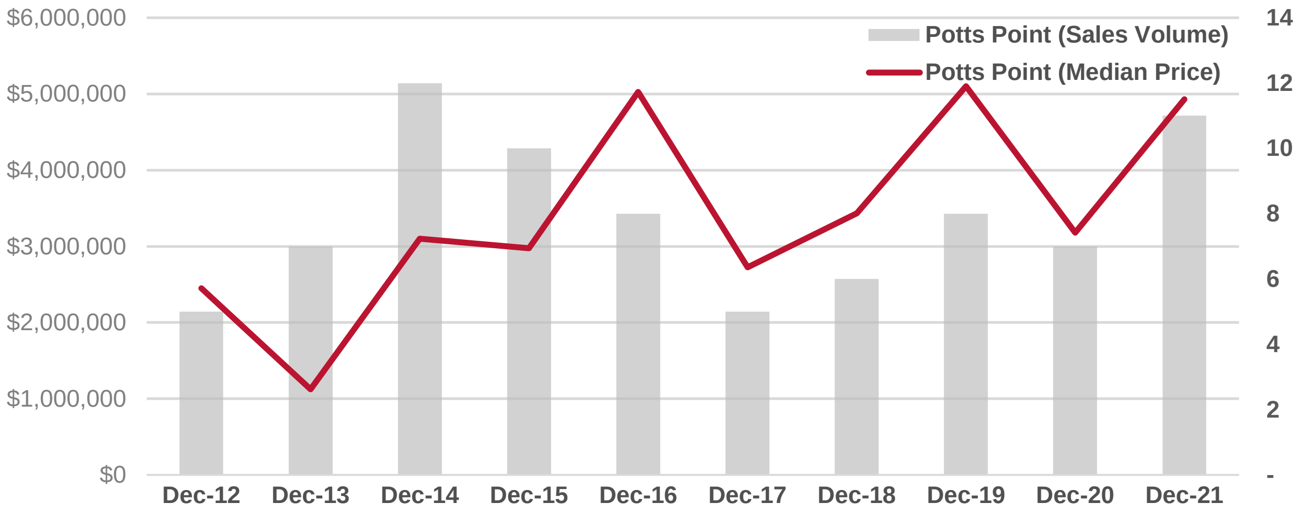
1. Net increase includes an allowance for reduced employment levels at impacted centres estimated at 10% of the total increase

CHART 1. STUDY AREA NEW DWELLIN APPROVALS, 2011/12 – 2020/21



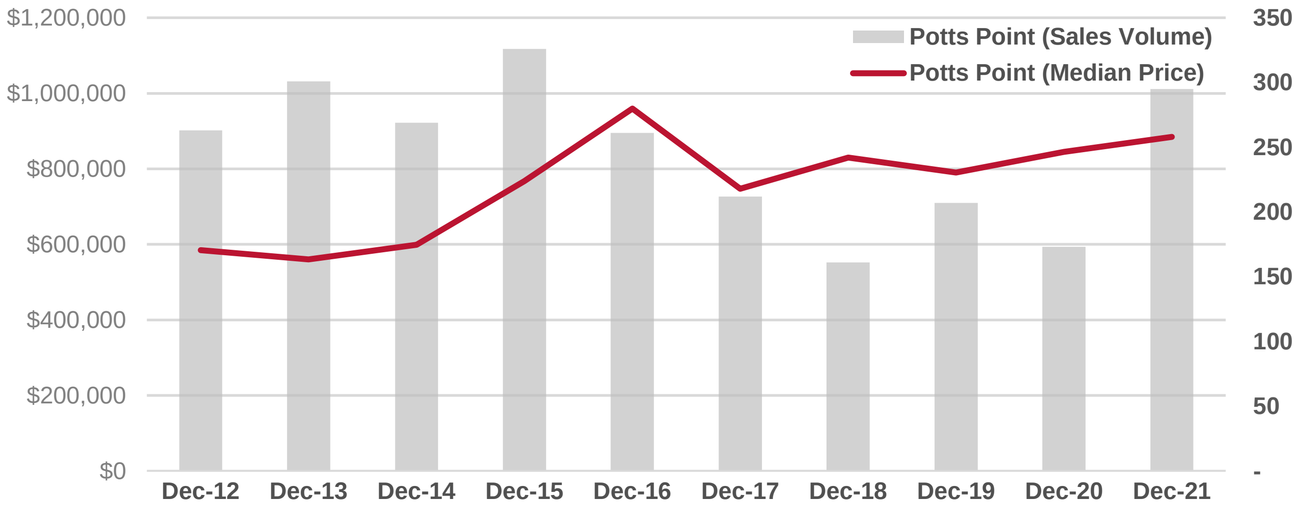
Source: ABS

CHART 2. POTTS POINT MEDIAN HOUSE PRICE & SALES VOLUME



Source: ABS

CHART 3. POTTS POINT MEDIAN UNIT PRICE & SALES VOLUME



Source: ABS

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