SOLVE PROPERTY

Redbank Expansion Area - Economic Impact Assessment

Prepared for Redbank Communities, July 2024

Important Notice

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EXECUTIVE SUMMARY

Key points

Redbank Communities (i.e., the proponent) seeks to develop the Redbank Expansion area (i.e., the subject land) for residential development, encompassing up to 350 new dwellings, as well as associated new public open space.

Overall, the planning proposal will assist in improving housing affordability and housing supply for accommodating future population growth, with consideration given to housing preference and diversity, as well as access to jobs, services, and public transport. It will create a strong linkage between the existing business communities in North Richmond and the Hawkesbury LGA.

As demand for detached housing continues to expand strongly in the immediate future, the planning approval (and the subsequent development) will also complement the Council's vision and strategies for the Hawkesbury LGA.

In addition to delivering superior housing for North Richmond and the Hawkesbury LGA, the planning approval will also generate a number of social and economic benefits, which are discussed in more detail in this report.

Key economic benefits are:

- Support balanced population growth
- Improve housing affordability
- Local job creation (construction)
- Facilitate the sustainable operation and (future) development of the shopping center (i.e. Redbank Village), ample open space provision, amenities through induced demand from the development
- Encourage more local spending
- Better environment management (bushfire, flood etc.)
- Boost to the Hawkesbury City Council Revenue
- Additional state government revenues (i.e., land tax)

EXECUTIVE SUMMARY

CONSTRUCTION PHASE IMPACTS

$220M+
Initial capital investment

$310 to $325M
Total construction output
(including both direct and indirect)

6.8% to 7%
of Hawkesbury's GRP

100 to 110 FTE P.A.
Direct on-site construction employment

250 to 260 FTE P.A.
Total construction related employment
(including both direct on-site and indirect off-site)

ADDITIONAL GOVERNMENT REVENUES

300 to 350 dwellings
Estimated number of new houses to accommodate local residents and workers

$0.45 to $0.5M P.A
Benefit to NSW Government
Land tax

$0.5 to $0.6M P.A.
Benefit to Hawkesbury City Council
(for rates and charges)

WIDER COMMUNITY IMPACTS

- Achieve progressive value uplift to the site and wider area through improved utilisation of land
- Contribute to various Planning Priorities identified within the Hawkesbury LSPS 2021
- Improve local access to key services and facilities
- Further position Redbank/North Richmond as a place to live and support future population growth
- Encourage active and social lifestyle, and overall liveability through open space provisions and integration of natural amenity
- Create a more visually appealing streetscape by maintaining local character and retaining existing natural amenity
- Improve housing affordability and supply
- Increasing in local spending

INTRODUCTION

Site context

This report was prepared by Solve Property for Redbank Communities (the client). It presents a high-level economic impact assessment to support the rezoning application for the Redbank Expansion area (i.e., the subject land).

Solve Property understands that Redbank Communities is the developer of Redbank at North Richmond. Redbank is a master-planned estate west of the Hawkesbury River at North Richmond. The estate is approximately 70% complete and, upon completion, will incorporate: 1,399 lots, an 80-bed high needs nursing home, 192 independent seniors living houses, an 88-placement childcare centre, a village shopping centre, parks and walking tracks connecting NSW heritage-listed farm dams and residential homes, 85 acres of open space parkland, and 33 kilometers of connected off-road cycle paths.

The subject land, known as Kemsley Park, is a 36-hectare parcel of land that is surrounded by the existing Redbank development. Solve Property understands that Kemsley Park is an opportunity to complete the Redbank master-planned residential estate. The land is completely flood-free up to the PMF height, with existing infrastructure designed and built, or in the process of being constructed, to support the existing Redbank development and Redbank Expansion area. With approval, the project is expected to yield 300-350 residential lots delivered in 4 stages, some of which could be allocated to affordable housing with the goal to alleviate housing affordability issues within the Hawkesbury LGA.

Structure

The following sections provide a high-level economic impact assessment in relation to the sum of all the proposed land-uses onsite, with the following key economic indicators assessed:

- Construction output;
- Construction employment;
- Wider economic benefits; and
- Additional government revenues.

Limitation

The information in this report has been obtained from, and opinions herein are based on, sources believed to be reliable. Although great care has been taken to ensure accuracy and completeness in this report, Solve Property Group has not independently verified and does not accept responsibility for its completeness and accuracy of the factual information on which it's opinions and assumptions are based. Further, as the report involves future forecasts, it can be affected by a number of unforeseen variables. It represents for the party to whom or which it is addressed, the best estimates by Solve Property Group, however Solve Property Group can give no assurance that forecasts will be achieved.

REGIONAL CONTEXT

Overview

The subject site is located at 322 Grose Vale Road, Grose Vale, within the Hawkesbury Local Government Area (LGA). The subject site is currently zoned RU4 (Primary Production Small Lots), which enables primary industry and other compatible land uses. The site is accessible via Grose Vale Road to the west and Promontory Road to the north. It is rectangular in shape and exhibits few development constraints.

The subject site is located on the eastern edge of Grose Vale and is more closely associated with the locational attributes of North Richmond. The site is approximately 67 km north-west of the Sydney CBD and 4 km north of Richmond. North Richmond's placement gives it great connectivity through the Bells Line of Road and Kurrajong Road, which link North Richmond to the commercial and cultural hubs of Richmond and Windsor.

Transforming from its agricultural origins, North Richmond has thrived amidst the urbanisation of the North West Growth Area, experiencing significant greenfield development in recent years.

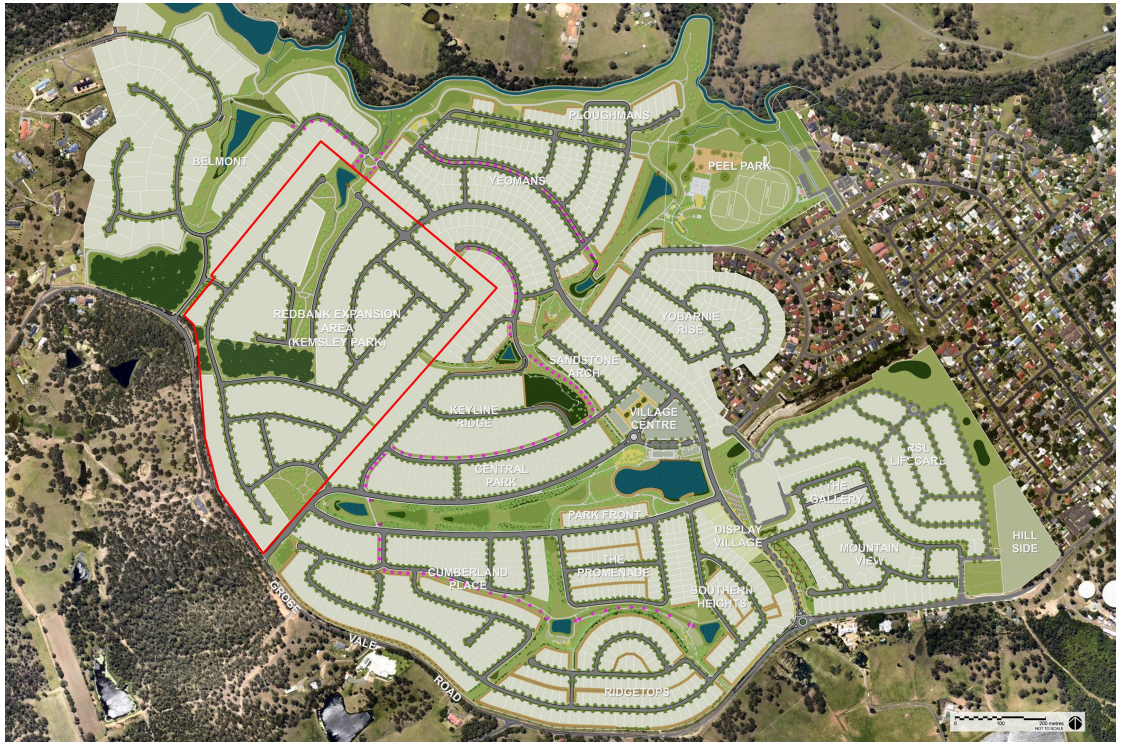
The local landscape is mostly made up of land zoned for R2 (Low Density Residential), predominantly featuring detached houses (79.8%), and R3 (Medium Density Residential). Although these are the dominant zonings, there is an abundance of RE1 (Public Recreation) throughout the suburb.

The suburb is well-equipped with various amenities and educational institutions, including Western Sydney University's Hawkesbury campus. The North Richmond Shopping Centre serves as the primary retail hub for residents. In terms of healthcare, North Richmond is served by various local health services and the St John of God Richmond Hospital.

LOCAL CONTEXT

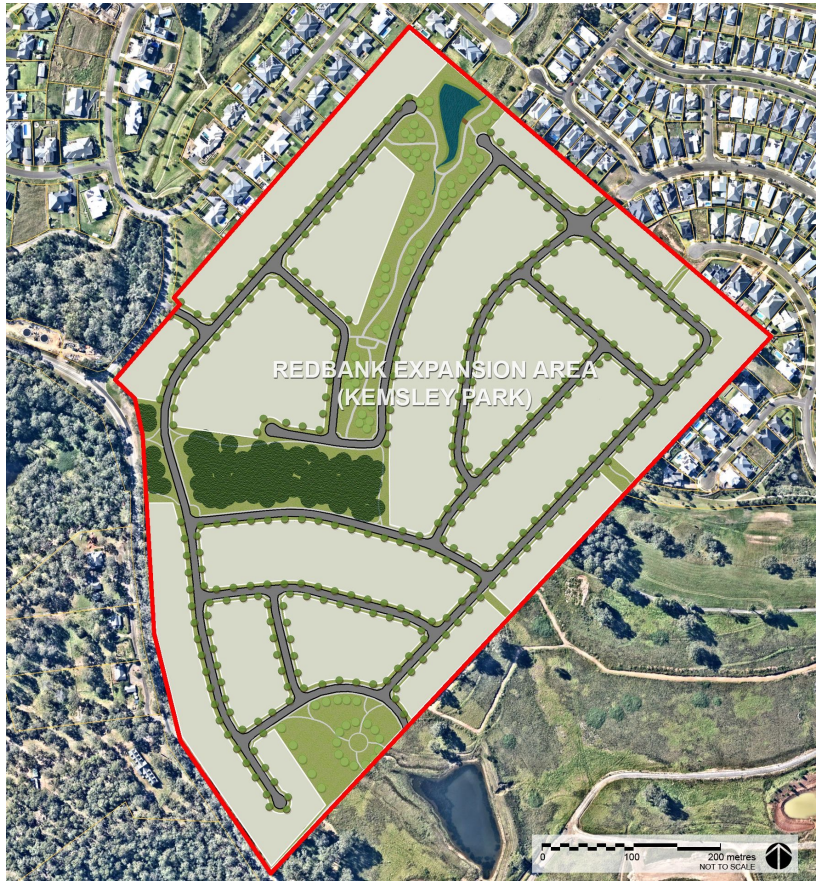
Redbank Expansion Area

Figure 1. Redbank expansion area



Source: Redbank Communities

Figure 2.1. Site context



Source: Redbank Communities

CONSTRUCTION PHASE

Construction output

Initial construction investment will translate into a first round of benefits, realised as increased construction output and employment during the construction phase.

Output multipliers derived from the ABS Input-Output tables are used to estimate the potential economic output of the planning proposal within the construction sector. Output multipliers indicate that every $1 million of construction investment is likely to generate approximately $0.5 million in indirect economic output (production-induced) during the construction phase.

The production-induced impacts include the amount of output required within other industries throughout the economy to support the initial construction investment. This may include the following:

- Manufacturing (e.g. building material manufacturing);
- Professional, scientific and technical services (e.g. professional / technical services in planning, design and other services);
- Financial and insurance services (e.g. project financing services);
- Transport, postal and warehousing (e.g. storing and transporting building materials);
- Wholesale trade (e.g. building materials trade);
- Rental, hiring and real estate services;
- Administrative and support services (e.g. government / Council's support services, development assessment and approvals); and
- Other industries.

Based on output multipliers, the initial construction investment of $220 million at the subject land is likely to generate an additional $190 to $200 million in indirect construction output elsewhere in the wider economy, totaling $310 to $325 million in construction output (including direct, indirect, and induced effects) during the construction phase (as presented in Table 1). This is equivalent to approximately 6.8 to 7% of the Gross Regional Product (GRP) in the Hawkesbury LGA.

While the I-O multipliers measure potential economic impacts on a national level assuming a closed economy system within Australia, it is expected that a large share of this anticipated economic growth can be captured locally in the Greater Sydney metropolitan area and NSW if building materials and services are sourced locally.

Table 1. Estimated construction output

Direct Output ($M)	Indirect Output ($M)	Total Output ($M)	*% GRP*
$120 to $125M	$190 to $200M	**$310 to $325M**	*6.8 to 7%*

Source: ABS, Solve Property

** The National Institute of Economic and Industry Research estimates Hawkesbury's GRP at $4.53 billion (2023).*

CONSTRUCTION PHASE

Construction employment

Employment multipliers from the ABS Input-Output tables are used to estimate the potential employment effects of the planning proposal during the construction phase. Employment multipliers for the construction sector indicate an initial impact of approximately 6.9 construction FTE jobs created per $1 million of investment, plus another 5.4 indirect FTE jobs (production-induced) elsewhere in the economy during the construction phase. All jobs reported in the ABS I-O tables are measured as full-time equivalent (FTE).

Based on employment multipliers, the sum of all proposed land uses onsite could generate approximately 100 to 110 direct construction FTE jobs per annum on the subject land and another 250 to 260 indirect FTE jobs per annum elsewhere in the economy, totaling 350 to 370 construction-related FTE jobs per annum during the construction phase (as presented in Table 2).

Similarly, the indirect production-induced employment involves the additional jobs generated in other industries throughout the economy to support the initial construction investment and all subsequent induced economic growth, such as manufacturing; professional, scientific, and technical services; financial and insurance services; transport, postal, and warehousing; wholesale trade; rental, hiring, and real estate services; administrative and support services; and others.

Again, whilst the I-O multipliers measure potential economic impacts on a national level, it is expected that a large share of this anticipated employment growth can be captured in the Greater Sydney metropolitan and NSW if building materials and services are sourced locally.

Table 2. Estimated construction employment

CAPEX ($M)	Direct FTE (p.a.)	Indirect FTE (p.a.)	Total FTE (p.a.)
$220M	100 to 110	250 to 260	**350 to 370**

Source: ABS , Solve Property
** It is assumed that it is an 8-year development project .*

WIDER ECONONIC BENEFITS

Wider economic benefits

In addition to the economic benefits outlined above, the planning proposal could potentially contribute a number of economic and community benefits to local area and wider regions (both quantitative and qualitative).

Some key benefits are summarised as follows.

- Support Hawkebury's growth in population through an increase in dwelling supply and improve land utilisation through increased provision of communal amenities and open space.
- Contribution to various *Planning Priorities* identified within the ***Hawkesbury LSPS 2021*** including:
    - ***PP 1:*** *Ensure infrastructure aligns with current needs and future growth.*
    - ***PP 2:*** *Form partnerships with stakeholders and agencies.*
    - ***PP 3:*** *Provide a diversity of housing types to meet the needs of the changing population.*
    - ***PP 7*** *Promote and support all sectors of industry and businesses in the Hawkesbury to meet current and future demands and trends*
    - ***PP 10:*** *An aware and resilient city that can adapt to natural hazards of flood, bushfire and climate change.*
- Create a more visually appealing streetscape through the implementation of high quality, diverse architectural designs over residential dwellings within a cohesive development.
- Further position Redbank/North Richmond as a place to live through improved amenity, access to services, and general retail offerings.
- Achieve progressive value uplift to the site and wider area through improved utilisation of land and increased amenity whilst maintaining the level of affordability by providing diverse housing products.
- Improve local access to key services and facilities including senior housing, education, medical services, and retail.
- Encourage active and social lifestyle, creation of an improved sense of community and overall liveability, and maintain local character through open space provisions and integration of natural amenity.
- Contribute to activating the site with increased level of daytime/ night-time and weekday / weekend activities, supporting further induced expenditure (i.e. village centre) flowing through the wider economy.
- Employment containment and diversification, supported by housing near workplaces, which will enhance local economic resilience.

ADDITIONAL GOVERNMENT REVENUE

Benefit to Hawkesbury City Council

The development of the subject land for residential use has the potential to lift the revenues of the Hawkesbury City Council, to the benefit of existing ratepayers.

If the subject land is not developed for residential uses as proposed, Council will not receive any monies for rates and charges, while it will likely incur some marginal costs on roads and other infrastructure.

On the other hand, if the land is redeveloped as proposed, the Hawkesbury City Council will benefit significantly. To understand how the Council will benefit, some background on the rate peg system is required. Each year, NSW Independent Pricing and Regulatory Tribunal (IPART) determines the maximum percentage by which a council may increase its general income in the coming year, known as the rate peg. This rate peg is tied to changes in costs of Councils, measured by the Local Government Cost Index (LGCI) which is calculated by IPART. IPART uses the change in the LGCI in the preceding financial year to calculate the peg for the next (after current) financial year. IPART has set a 2023-24 rate peg for each council, ranging from 4.5% to 8.2% - 4.5% in Hawkesbury.

The ad valorem rate which the Hawkesbury City Council charges for residential properties is 10.5037 cents per $100 in 2023/24. That is, for each $100,000 of land value, that is a liability of $105. On top of this, there is a minimum rate of $780.

The current Local Government (LG) arrangements in NSW also allow councils to increase their general income 'outside the rate peg' through the supplementary valuation process. This involves a new value being assigned to a property due to changes being made to the property. This will include land rezoning of property as will be the case in North Richmond and the new value attached to the lots in the subject land – which will reflect their sale price. When vacant land is sold, the sale price tends to be significantly higher than the valuations set for the unimproved value of land with established residential housing. So, the valuations on the residential sites will be higher than nearby and comparable lots.

Based on recorded land sales in 2021-2023*, a price range of $750,000 to $800,000 per lot would be indicative but is probably conservative. Applying that to 350 residential lots, give rateable land value of between $265-280 million. In terms of Council revenue, this would generative revenue of the order of $0.5 to 0.6 million per annum.

In addition, with an increased number of properties using the waste service, economies of scale can only benefit existing users, albeit modestly.

** Solve Property sourced sales data across the Redbank estate.*

ADDITIONAL GOVERNMENT REVENUE

Land Tax

The development of the subject land for residential use has the potential to lift land tax revenues for the State Government. In the case of owner-occupied housing - which is likely to account for about 80% of the residential lots - these properties would also be exempt from land tax. In the case of residential rental properties, land tax will be payable, subject to thresholds, at a rate of 1.6% of the value of the land*.

Historically, the land tax threshold has changed annually. The latest State Budget (2024-2025) announced a freeze on the general and premium rate thresholds for land tax for years after 2024.

Assuming the 2024 threshold of $1,075,000 applied to all residential rental holdings, the amount of land tax payable would be of the order of $0.45 million and $0.5 million per annum^.

NSW land tax threshold

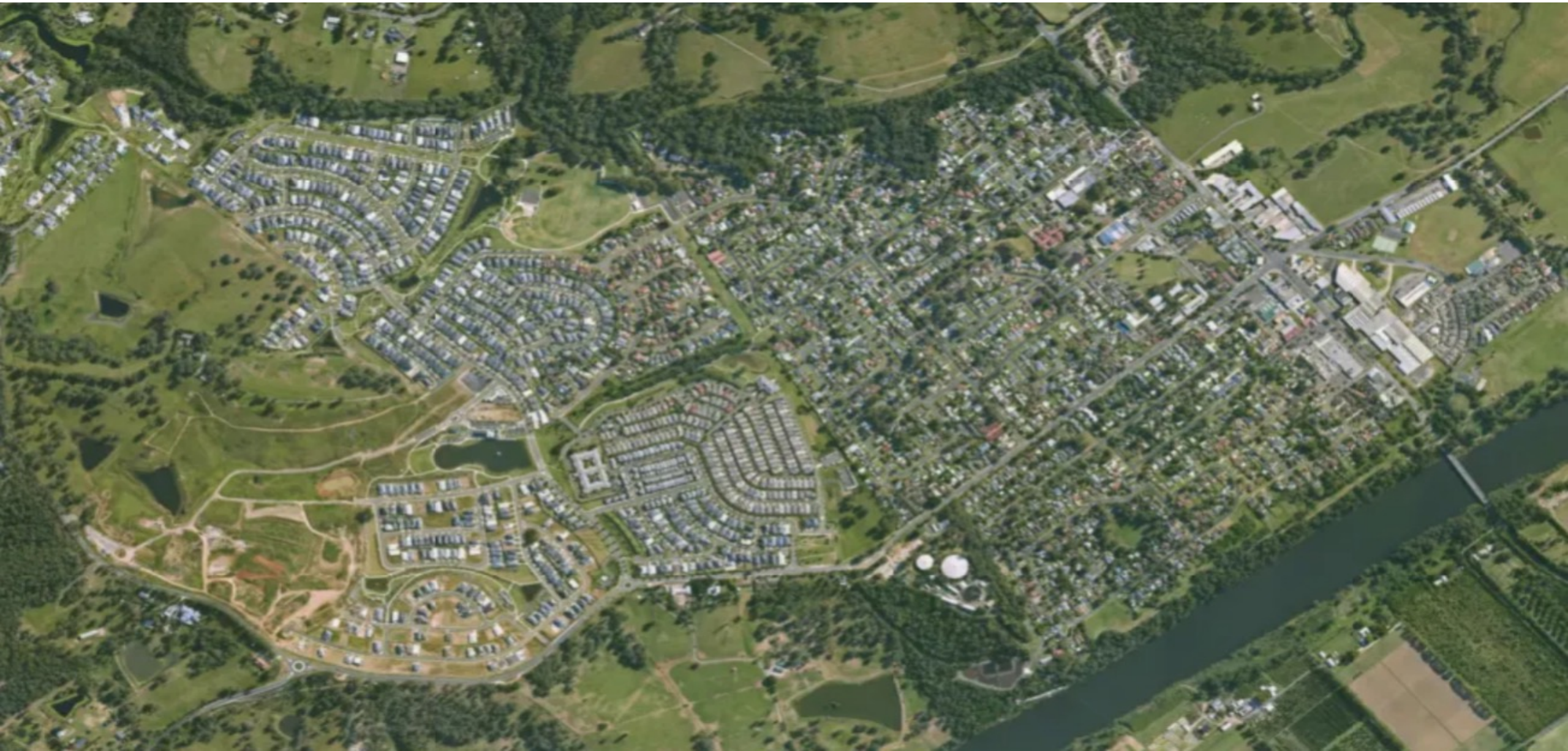
Tax year	General threshold	Premium threshold
2024	$1,075,000	$6,571,000
2023	$969,000	$5,925,000
2022	$822,000	$5,026,000
2021	$755,000	$4,616,000
2020	$734,000	$4,488,000
2019	$692,000	$4,231,000
2018	$629,000	$3,846,000
2017	$549,000	$3,357,000
2016	$482,000	$2,947,000
2015	$432,000	$2,641,000
2014	$412,000	$2,519,000

Source: Solve Property & ABS

** Revenue NSW*

^Assumption is 70 residential rental properties valued at $1.5 million each. Threshold of $1,075,000 subtracted from residential properties. The threshold applies to the total value of all land holdings by an individual taxpayer. If the threshold did not apply (that is, landowner already above threshold), land tax on a property with a value of $1.5 million at 1.6% would be $19,200. On 70 properties (20% of the proposed residential dwellings) that would generate $0.41 million for the State Government.

Annexure



A1. References

The following data has been referred to in preparing this report.

- Australian Bureau of Statistics (ABS), Cat. 5209 Australian National Accounts: Input-Output Tables, 2014-15
- ABS, Cat. 5220 Australian National Accounts: State Accounts, 2020
- ABS, Cat. 5246 Information Paper: Australian National Accounts: Introduction to Input-Output Multipliers
- ABS Census 2011, 2016, 2021
- Economy i.d., 2024

A2. Glossary

The following lists a number of glossary of terms relating to an economic impact assessment as indicated by ABS.

Input-output tables provide a detailed dissection of intermediate transactions in an economy, and are thereby a means of describing the supply and use of the products of an entire economic system.

Input-output multipliers are summary measures used for predicting the total impact on all industries in an economy of changes in the demand for the output of any one industry.

Output multiplier for an industry (e.g. Construction) is defined as the total value of production by all industries of the economy required to satisfy one extra dollar's worth of final demand for that industry's output.

Initial output effect / direct output is initial requirement for an extra dollar's worth of output of a given industry.

First round effects is the amount of output required from all industries of the economy to produce the initial one dollar of extra output from an industry.

Production induced effects / indirect output is the amount of output required from all industries of the economy to produce the initial one dollar of extra output and all the subsequent induced output.

Employment multiplier corresponds to the additional employment (number of persons employed) generated by producing the extra output induced by each of the output effects.

Initial employment effect / direct employment is the additional employment (number of persons employed) generated by producing one extra dollar initial output.

Production induced employment effects / indirect employment is the additional employment (number of persons employed) generated in all industries of the economy to produce the initial one dollar of extra output and all the subsequent induced output.

A3. Limitations

The following provides a summary of the limitations of I-O multipliers approach for an economic impact assessment as indicated by ABS.

I-O multipliers are most commonly used to quantify the economic impacts (both direct and indirect) relating to policies and projects. While their ease of use makes I-O multipliers a popular tool for economic impact analysis, they are based on limiting assumptions that results in multipliers being a biased estimator of the benefits or costs of a project.

Inherent shortcomings and limitations of multipliers for economic impact analysis include:

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using multipliers is the implicit assumption that the economy has no supply-side constraints. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. Prices are assumed to be unaffected by policy and any crowding out effects are not captured.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.
- **Fixed ratios for intermediate inputs and production:** Economic impact analysis using multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. As such, impact analysis using multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount;
- **No allowance for purchasers' marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Not applicable for small regions:** Multipliers that have been calculated from the national I-O table are not appropriate for use in economic impact analysis of projects in small regions. For small regions multipliers tend to be smaller than national multipliers since their inter-industry linkages are normally relatively shallow. Inter-industry linkages tend to be shallow in small regions since they usually don't have the capacity to produce the wide range of goods used for inputs and consumption, instead importing a large proportion of these goods from other regions.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