

18 June 2021

17056

Mr Peter Debnam (Chair)
Sydney North Planning Panel
Planning Secretariat
12 Darcy Street
Parramatta NSW 2150

Attn: Ms Kim Holt (Project Officer – Planning Panels Secretariat)

Dear Mr Debnam,

**Local Development Application No. LDA2020/0169
Building A/B, 45-61 Waterloo Road, Macquarie Park**

We write on behalf of the Applicant, John Holland Macquarie Park Land Custodian Pty Ltd (JHG), in respect of development application LDA2020/0169 which relates to Building A/B at 45-61 Waterloo Road, Macquarie Park (the Site). Specifically, we write in respect of the proposed deferred commencement condition that Council officers have recommended, replicated below for ease of reference:

DEFERRED COMMENCEMENT

The following are the Deferred Commencement condition(s) imposed pursuant to Section 4.16 of the Environmental Planning & Assessment Act 1979.

- A. Pursuant to Section 4.16 of the Environmental Planning and Assessment Act 1979, a deferred commencement consent is granted to LDA2020/169 for the construction of a mixed use building known as Building AB at 45-61 Waterloo Road, Macquarie Park subject to the following conditions of consent:
 - 1. Easement extinguished. The easement for access variable width (k) that burdens Lot 1 DP1231416 and Lot 2 DP1255496 is to be extinguished. Evidence confirming that the easement has been extinguished is to be submitted to Council.
- B. Written evidence that the matter identified in deferred commencement condition (A) (1) above has been satisfied, must be submitted to Council within 12 months from the date of this development consent, failing which, this development consent will lapse pursuant to Section 95 (6) of the Environmental Planning and Assessment Act 1979.
- C. This Development Consent will not operate until such time that the Council notifies the Applicant in writing that that deferred commencement consent condition (A) (1) above has been satisfied; and

Upon Council giving written notification to the Applicant that deferred commencement consent condition (A) (1) above has been satisfied, the development consent will become operative from the date of that written notification, subject to the following conditions of consent...

This letter respectfully requests that the Panel does not impose the condition as a deferred commencement condition. Rather, the following alternative operational condition is suggested which achieves the same outcome of preventing construction occurring where the part of the site is affected by the proposed easement, but allows construction to proceed on the remaining parts the site which are not affected by the easement. As set out in the proceeding sections of the letter, the proposed alternative condition would allow JHG to progress development on the site in an orderly and economic manner without affecting the temporary access road.

'Prior to the issue of a construction certificate relating to works on the portion of the site affected by easement (k) that benefits Lot 4 DP1255496 and burdens Lot 1 DP1231416 and Lot 2 DP1255496 is to be extinguished. Evidence confirming that the easement has been extinguished must be submitted to Council. Prior to the issue of the relevant Construction Certificate, written evidence that Council is satisfied that the easement is extinguished shall be provided to the certifier '.

The deferred commencement condition as currently drafted prevents any work being undertaken on the site and severely hinders JHG's ability to secure a pre-commit from a future tenant. We consider that the condition in its current form is unnecessary for the following reasons.

1.1 Early works can commence elsewhere on the site whilst the easement is in place

As can be seen in the overlay diagrams at **Attachment A**, the easement only affects a small portion of the site at its western boundary. Whilst the easement is in place, JHG could be working towards obtaining construction certification and could be undertaking early works such as site preparation, satisfaction of pre-construction conditions, basement perimeter wall works and the like on parts of the site that are not affected by the easement.

Further, the easement located on the site is for the purposes of a pedestrian footpath and not the actual road carriageway. The plan at **Attachment A** demonstrates that there is already an alternative pedestrian access provided on the western side of the temporary access road and that the easement is not critical for the operation of the temporary road.

1.2 Ability for temporary road to accommodate construction traffic

One of the reasons that Council has indicated that it believes that the deferred commencement condition is required is because they do not believe that the temporary road can accommodate construction traffic.

The traffic report provided at **Attachment B** formed part of the application documentation for the construction of the temporary road. As can be seen in that document, the temporary road was designed and constructed to accommodate construction vehicles as it was expected that Council would require construction vehicle access to the site to enable construction of the new public park. Consequently, the temporary road could accommodate construction vehicles for the purposes of accessing the A/B construction site if required.

1.3 Certainty for Council

We further understand that Council does not believe an operational condition would provide them sufficient certainty that the easement has been extinguished and that works can commence. The alternative condition, as suggested, would provide Council with the same level of certainty in that their written confirmation that the easement has been extinguished would be required before any construction could occur on the part of the site affected by the easement.

1.4 Deferred commencement condition inconsistent with State Government actions to expedite development in response to COVID 19

The NSW government has, and is making changes to the NSW planning framework, in order to accelerate development assessments and bring forward construction and the opportunity for jobs and economic activity in the short to medium term. Imposition of the draft condition as currently proposed would mean that construction could not commence on site until December 2022 when the temporary Road is forecast to be removed and the permanent Road 14 (Harvest Street) constructed.

1.5 Economic Impacts of Proposed Deferred Commencement

A deferred commencement condition will result in significant delays in the delivery of economic benefits and will have a negative impact on the ability for JHG to deliver this valuable project for the local and regional community. Some of the key impacts are discussed.

1.5.1 Inability to secure tenant in competitive market

The ability to secure a tenant pre-commitment is vital to support the viability and delivery of new commercial office developments. Typically, tenant pre-commitments would be required to help 'de-risk' a commercial development project, with the tenant lease commitment providing the developer with assurance that a level of income return will be achievable on completion. Often, a tenant pre-commitment that accounts for 50% or more of total floorspace would be targeted by a developer. As a result, any risk or delay associated with the project or site, such as through a deferred commencement, will have a material impact on the viability of the project as it will impact on tenant negotiations and confidence in the certainty of the project. This may result in either reduced tenant interest altogether (due to delays in project delivery) and/or result in impacts to the level of achievable rental return.

Existing commercial office market conditions in Macquarie Park suggest a competitive market exists for developers, with office vacancy rates at 9.6% in January 2021, having increased from 4.6% in January 2020. Over 150,000m² of additional GFA currently planned or underway within Macquarie Park that will add further to the competitive pressure, including neighbouring development sites such as Stockland (c60,000m²), Frasers/Winton (c80,000m²) as well as plans by groups such as Aqualand. (PCA Office Market Report, January 2021).

While uncertainty exists in the commercial office market due to COVID-19 impacts on tenant demand, Macquarie Park remains a highly competitive market for developers. Commercial office tenants typically seek to commit to new office space years in advance, in order to allow for an orderly transition from one location into another as well as allow for new development completion. This trend is even more prevalent for new, high quality commercial projects where major tenants seek input into the design and fit-out process in order for a new development to be 'fit for purpose' and meet their business requirements.

A deferred commencement will result in the Site being considered a higher risk for potential tenants and therefore, result in a site that is less competitive and attractive to potential occupiers, particularly when compared to other sites or locations in the market. Tenants may choose to locate at other locations due to the perceived risk associated with a deferred commencement at the Site, and the implications for the timing of the project. In some cases, this may result in tenants choosing to leave Macquarie Park altogether or locate in other markets or developments that do the perceived risk associated with a deferred commencement condition.

1.5.2 Delays in investment in local economic conditions and job generation

Based on a high-level review of the proposed development and likely employment generation, any delay in development of the Site would have a material impact on the timing for job creation and investment activity. These are important considerations in driving economic activity and investment at a critical time in Australia's economic recovery following the impacts of COVID-19. It is a government priority to accelerate key projects and developments that will deliver investment and employment generation for the benefit of the local and regional community.

Jobs supported by the development of the A/B Building at 46-61 Waterloo Road will accrue through direct and indirect employment generated during the construction and operational phases.

Construction employment

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

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

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

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

The initial economic benefits generated by the project will occur during the construction phase. It is understood that the direct construction cost of the A/B Building at the Site will be in the order of \$105 million. At \$105 million, the project would support **206 jobs in the construction industry and support a further 330 jobs in related (supplier) industries over the development period.**

In total, for the estimated \$105 million that is invested in the construction of the project approximately 536 FTE construction jobs will be supported during this phase of development.

Table 1 Direct and indirect jobs during construction

Metric	Value
Direct Jobs	
Construction estimate	\$105 million
Estimated direct jobs	206 FTE jobs
Indirect Jobs	
Indirect jobs per construction job	Approximately 1.6
Estimated indirect jobs	330 FTE jobs
Total FTE Construction Jobs	536 FTE jobs

Source: ABS 2015; Ethos Urban

Ongoing employment

Ongoing employment at the A/B Building is estimated based on a project that would comprise some 28,850m² of commercial office floorspace and 1,090m² of ground floor retail floorspace. At this size, the proposed development may support an estimated **2,892 workers once complete and fully occupied**, taking into account the average workspace ratio of 10.1m² per worker for the commercial office component and 30.2m² per worker for the retail component (City of Sydney Floor Space and Employment Survey 2017). The majority of employment (99% of jobs) would be in commercial office uses.

Increased economic output

Additional employment at the site will support an increase in economic activity that will benefit the local and regional economy. With the project planned to include a high proportion of commercial office space which would support higher-order employment, the contribution to economic activity could be significant. It is estimated that activity could be in the order of **\$390 million** per year (Gross Value Add), based on typical worker productivity in the Professional, Scientific and Technical Services sector (which has been adopted as a proxy for commercial office workers) of \$135,878 per year (2019/20 figures – economy.id).

Value added by industry is an indicator of business productivity. It shows the net economic uplift by excluding the value of production inputs.

As a result any delay in the delivery of the project would have a material impact on the local and regional economy, with **every year of delay resulting in up to \$390 million in lost economic activity**. Furthermore, with some 536 jobs estimated to be supported during construction, and 2,892 workers on an ongoing basis, a delay would translate to a significant employment impact in the short term that could be avoided.

Estimates are based on total development on completion, rather than a net gain in activity or employment.

1.6 Delay in community benefit through impacts to Council Public Park and ground floor activation

A delay to the proposed development through a deferred commencement condition will impact on the local and community benefit through amenity impacts to the neighbouring Council Public Park that is planned adjacent to the Site. In addition, the proposed development is planned to deliver an improved public domain and a vibrant and active ground floor plane that will be achieved through the provision of amenities including retail facilities.

The public domain and amenities will provide community benefit and activate the Site for extended hours including at night time and weekends. A deferred commencement would result in an unnecessary delay and impact to community amenity and the delivery of additional community benefits.

As a result of the above, a deferred commencement condition is likely to result in a significant economic and community impact. These impacts could be avoided through an alternative operational condition which achieves the same outcome of preventing construction occurring where the part of the site is affected by the proposed easement, but allows construction to proceed on the remaining parts the site which are not affected by the easement. The proposed alternative condition would allow JHG to progress development on the Site in an orderly manner without affecting the temporary access road. This would enable JHG to continue to progress the project in a timely manner and facilitate more productive tenant negotiations without additional risk and competitive impacts, resulting in the delivery of expedited economic and community benefits.

Yours sincerely,



Jennie Buchanan
Director, Planning
0404 909 035
jbuchanan@ethosurban.com



Lee Cikuts
Director, Economics
0422 042 652
lcikuts@ethosurban.com