

Appendix I

Economic Impact Assessment



7-33 Water Street, Strathfield South

Planning Proposal – Economic Impact Assessment

Prepared for RJ Green & Lloyd Pty Ltd and Westport Pty Ltd

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EXECUTIVE SUMMARY



This report is an independent economic assessment (hereafter referred to as ‘the Report’) of a planning proposal for the rezoning of land at 7-33 Water Street, Strathfield South (hereafter referred to as the “Subject Site”) from IN1 General Industrial to permit redevelopment for residential housing.

Suitability of the Subject Site for Industrial Use

An analysis of key Subject Site characteristics has shown that on the whole, residential uses are more suited than industrial uses. In particular, connectivity and access issues and land use conflicts with existing residential development in the immediate surrounds create safety issues and inhibit industrial activity.

Moreover, the proximity of the Subject Site to parkland to the south and the Cooks River open space corridor provides for a high degree of residential amenity.

The Subject Site’s preferred suitability for residential uses has been confirmed in two separate strategic reports commissioned by Council including the Economic Land Use and Employment Strategy and the Residential Land Use Study.

The Economic Land Use and Employment Strategy recommended that the Subject Site (and broader Dunlop / Water Street precinct) be rezoned to predominantly residential with some RE1 Public Recreation zone at the southern fringe of the Subject Site pending acceptable management of flooding and contamination issues. It is recognised that the designation of RE1 Public Recreation zone is indicative only and would require further investigation.

Land Demand and Market Conditions

Based on market and land demand analysis, there does not appear to be any significant demand for industrial land in the Strathfield LGA. Industrial land demand modelling based on BTS employment projections shows that over the period to 2041, demand for industrial lands will be negligible across the broader Central Subregion, with the current quantum of vacant employment lands easily capable of accommodating demand over the long-term.

An analysis of construction activity confirms that there is little supply in the pipeline. Only four of the potential eleven projects identified within the Strathfield LGA had a value in excess of \$5m and include a mixed use development and a substation. This is likely due to tough market conditions for developers and investors with a lack of demand leading to low market rents and historically high incentives in the Inner West Subregion.

These factors have combined to impact on developer margins and returns, with a large proportion of approved developments having been either deferred or abandoned.

Given these tough market conditions and the continuing structural changes to the manufacturing sector in particular, the Employment Lands Taskforce Report identified the need to broaden uses permissible on industrial land to allow for greater flexibility.

Economic Implications of Rezoning

The retention of the Subject Site for industrial uses would not meet market demand, would negatively impact amenity in what is predominantly a residential area north of the Cooks River and would maintain land use conflicts between industrial and residential uses, limiting further development of either use.

A rezoning of the Subject Site would not significantly impact on the supply of industrial lands in the LGA and broader Subregion given that the Dunlop / Water Street precinct does not represent a significant cluster of industrial activity. The Subject Site represents just 0.7% of total employment lands supply in the Strathfield LGA.

A rezoning to residential and potential development of 350-400 residential apartments would contribute significantly to economic activity within the Strathfield LGA and broader region. The current uses provide 115 jobs (likely to be an optimistic estimate). Redevelopment will provide up to 44 jobs on site. The result is a net loss of 71 jobs on site.

The primary economic benefits of a rezoning for R4 High Density Residential and the development of 350-400 strata units includes the following:

- Generation of approximately \$206m in direct construction costs with a further \$476m generated through economic multipliers;

- Creation of 2,161 jobs years, 588 from direct construction costs, with a further 1,573 jobs years created from economic multiplier impacts;
- An additional \$11.4m of retail expenditure from residents on the Subject Site;
- Creation of more affordable housing options for the Strathfield LGA and broader region population;
- Contribution to dwelling targets; and
- Increased passive surveillance, leading to improved pedestrian safety.

LIST OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
BTS	Bureau of Transport Statistics
DCP	Development Control Plan
DP&I	NSW Department of Planning and
GLA	Gross Lettable Area
Ha	Hectares
LEP	Local Environmental Plan
LGA	Local Government Area
SEPP	State Environmental Planning Policy
Sqm	Square metre

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Quality Control

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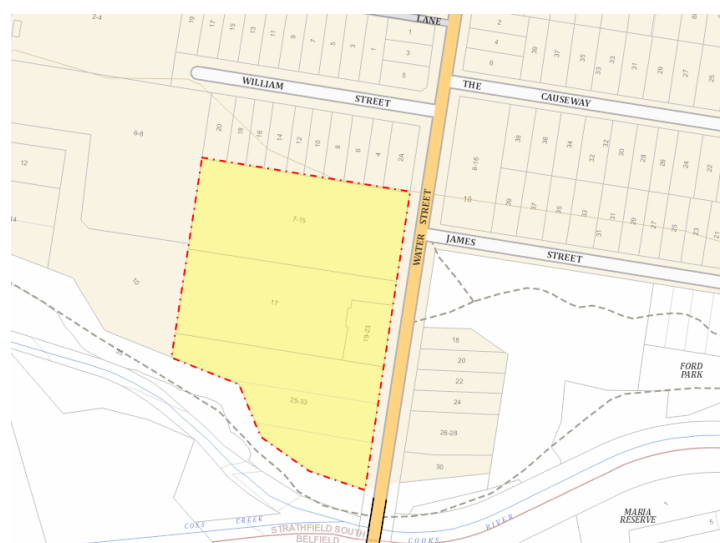
1 INTRODUCTION

This report is an independent economic assessment (hereafter referred to as ‘the Report’) of a planning proposal for the rezoning of land at 7-33 Water Street, Strathfield South (hereafter referred to as the “Subject Site”) from IN1 General Industrial to permit redevelopment for medium to high density housing.

The Subject Site comprises approximately 1.9ha of land located at 7-33 Water Street, Strathfield South just to the north of Cooks River. The Subject Site has good accessibility being located on a main road (Water Street) which feeds into Liverpool Road. The site is bounded by industrial uses to the west, detached residential activity to the north, a combination of public recreation and detached residential to the east and more recreation space to the south. There is also some isolated medium density development in close proximity, most notably on the north eastern corner of James Street and Water Street (refer to Figure 2).

There are four lots which currently form the Subject Site. These accommodate a pipeworks contractor, a tile manufacturer and festival hire equipment. These uses are accommodated in older, largely dilapidated warehouse / office buildings that reduce the amenity of the residential area in which they are located (refer to Figure 3).

Figure 1 - The Subject Site



Source: Six Maps and HillPDA (2014)

Figure 2 - Medium Density Residential Development Opposite Subject Site



Figure 3 - Subject Site Frontage to Water Street





Photo: HillPDA (2014)

The Proposed Development

At the timing of writing, it is proposed that the development will yield between 350-400 residential strata dwellings. For the purposes of this Study it is assumed that the development achieves the upper estimate of 400 dwellings.

The Study Brief

It is understood that the Client are seeking the rezoning of the Subject Site from its current IN1 General Industry zoning under the Strathfield Local Environmental Plan (LEP) 2012 to a zone that would allow the development of approximately 350-400 residential apartments. The purpose of this Report is to provide an economic assessment of the planning proposal. As part of this assessment the Report explores the economic impact of retaining the current zoning versus amending the zoning to allow for strata residential development. Furthermore, the Report considers the proposed rezoning of industrial lands against the directions set out in the Ministerial Section 117, Direction 1.1.

Study Structure

To meet the requirements of the project brief and fully consider the economic impact associated with the proposed rezoning, the Study is set out in the following manner:

- Chapter 2 - undertakes an assessment of the planning and legislative background to the proposed rezoning and then assesses the economic principle of the rezoning in context of the planning policies reviewed earlier;
- Chapter 3 - undertakes a site assessment to ascertain the Subject Sites suitability for existing industrial uses or the proposed residential activity;
- Chapter 4 - undertakes an industrial supply and demand assessment and provides an analysis of the development pipeline for industrial activity in the LGA and Subregion; and
- Chapter 5 - assesses the economic implications of retaining the Subject Sites current zoning versus the implication of the proposed rezoning.

2 CONTEXTUAL REVIEW

This Chapter undertakes an appraisal of the planning and legislative context for the proposed rezoning based on State, Metropolitan, Subregional and local planning guidelines. It considers matters relating to the proposed rezoning and development from an economic perspective only.

NSW 2021: Plan to make NSW Number 1, NSW Government (2012)

The NSW 2021 Plan aims to rebuild the NSW economy, provide quality services, renovate infrastructure, restore government accountability and strengthen NSW's local environment and communities. The Plan comprises five key strategies. The main strategies of relevance to this Study are:

"Rebuild the Economy", which seeks to secure +100,000 new jobs in the State by 2021; improve housing affordability and availability; facilitate the delivery of additional dwellings; and increase uptake of 'empty nester opportunities'. The provision of 683 dwellings, together with 7,962sqm of retail and community floorspace, will contribute to state dwelling targets and to diversity in employment and provide greater housing options for empty nesters in close proximity to amenities.

Draft Inner West Subregional Strategy

The Draft Inner West Subregional Strategy, completed in 2007, seeks to guide land use planning to 2031 in the Strathfield, Ashfield, Burwood, Canada Bay and Leichhardt LGAs.

The Subregional Strategy sets out key directions for housing in the Inner West Subregion, including the following¹:

- Focusing housing in and around existing strategic and local centres;

¹ Draft Inner West Subregional Strategy, NSW Department of Planning & Infrastructure (2007)

- Improve housing market affordability;
- Plan for an ageing population, including provisions for seniors housing in areas of good accessibility and local services; and
- Provide for a range of housing types to cater for changing needs.

Within the Inner West Subregion, dwellings are expected to increase from approximately 95,000 to 125,000 from 2004 to 2031. This represents an additional target of 30,000 by 2031. Of these 30,000 dwellings, Strathfield LGA was designated to accommodate 8,300 dwellings or 28%.

The proposed rezoning and subsequent development will assist in improving housing affordability and will also contribute to dwelling targets within Strathfield LGA.

Ministerial Section 117 Direction 1.1 (2009)

Section 117 Direction 1.1 relates to Business and Industrial zones. The objectives of the direction are as follows:

- Encourage employment growth in suitable locations;
- Protect employment land in business and industrial zones; and
- Support the viability of identified strategic centres.

This Direction applies when a planning proposal would affect land within an existing or proposed business or industrial zone. As such this report will address the five key requirements of Direction 117 these being:

- Follow the objectives of the Direction;
- Retention of existing business and industrial zones;
- No net loss of potential floorspace for employment uses and related public services in business zones;
- Not reduce the potential floorspace area for industrial uses in industrial zones; and
- Be in accordance with a Strategy approved by the Director General of DP&I.

Strathfield Local Environmental Plan (LEP) 2012

The Strathfield LEP 2012 was gazetted on 15 March 2013 and commenced on 29 March 2013.² The Subject Site is currently zoned IN1 General Industry under the LEP. Objectives of this zone are as follows³:

- To provide a wide range of industrial and warehouse land uses;
- To encourage employment opportunities;
- To minimise any adverse effect of industry on other land uses;
- To support and protect industrial land for industrial uses;
- To minimise fragmentation of valuable industrial land, and provide large sites for integrated and large floorplate activities.

Residential development is prohibited in this zone.

Strathfield Economic Land Use and Employment Strategy (2010)

In order to inform the preparation of the Strathfield LEP, an Economic Land Use and Employment Strategy was commissioned by Council and completed in 2010. The broad purpose of the Strategy is to *“improve the knowledge of Strathfield’s economic base and hence to investigate the economic issues facing Strathfield.”*⁴

Key directions of the Strategy included the following:

- Maximising the economic benefits of the Intermodal Logistics Centre;
- Creating a food hub centred on the Sydney Markets;
- Concentrating local business and community activities: activity hubs and local centres;
- Retaining well located land for industrial, freight and logistics activities;
- Encouraging commercial and housing growth in Parramatta Road Corridor;

² <https://www.strathfield.nsw.gov.au/home/development/strathfield-local-environmental-plan-2012/> Accessed 14/05/2014

³ <http://www.legislation.nsw.gov.au/maintop/view/inforce/epi+115+2013+cd+0+N> Accessed 14/05/2014

⁴ Strathfield Economic Land Use and Employment Strategy, SGS Economics and Planning (2010)

- Modernising development controls for local and economic advantage.

The Subject Site is identified as forming part of the Dunlop / Water Street precinct in the Strategy. As stated in the Strategy, ideally *“redevelopment of this precinct would involve land ‘pooling’ to expand the open space corridor adjacent to the river, while allowing for comprehensive redevelopment for medium density residential.”*⁵

The Strategy further provides recommended zoning for industrial and employment lands in Strathfield. The Subject Site is recommended to be rezoned to a combination of residential and RE1 Public Recreation.

The proposed rezoning by the applicant would respond to this Strategy by providing medium to high density housing on land that was recommended to be rezoned to residential.

Strathfield Residential Land Use Study (2011)

Completed in 2011, the Strathfield Residential Land Use Study was prepared to assist Council to accommodate the 8,300 additional dwellings that were designated to Strathfield LGA over the next 25 years under the Inner West Subregional Strategy.

The Strategy notes that *“Strathfield has the highest proportion of low to moderate income households in housing stress in NSW.”*⁶

The Strategy also provides an assessment of different parts of the municipality in terms of their ability to accommodate additional residential development. The Subject Site is identified as forming part of the Dunlop / Water Street industrial area. The Study notes that this entire precinct is *“somewhat isolated from the bulk of Strathfield’s industrial and employment lands and access to it is via residential streets. The conversion of this land for residential*

⁵ Ibid

⁶ Strathfield Residential Land Use Study (2011)

purposes is supported, subject to acceptable management of flooding and contamination issues.”⁷

The proposed rezoning and development is in line with this recommendation.

Summary and Implications

Metropolitan and Subregional Strategies

The above strategies and policies give impetus to the need for the creation of housing. The advancement of strata residential development located on the Subject Site is in accordance with these strategies would help to address this target by creating affordable housing opportunities and additional dwelling mix for the increase in population.

Economic / Employment and Residential Land Use Strategies

Both the Economic and Employment Land Use Strategy and the Residential Land Use Study identify the Subject Site as part of a larger precinct (the Water / Dunlop Street precinct) that should be investigated for uses other than industrial. The studies in particular emphasise the strong residential amenity of the Water / Dunlop Street precinct, with the Economic and Employment Land Use Strategy recommending that the Subject Site accommodate a combination of medium and high density residential and public recreation uses through the application of an R4 and RE zone.

Section 117 Direction 1.1

Section 117 Direction 1.1 relates to Business and Industrial zones. The following table assesses the consistency of strata residential development on the Subject Site, against the five key requirements of the Direction for strategies concerning employment lands.

⁷ Strathfield Residential Land Use Study (2011)

Table 1 - Consistency with Ministerial Direction 1.1 Business & Industrial Zones

Relevant Matters	Comment and Consistency
Objectives of the Direction	The development of strata residential development on the Subject Site would result in a net loss in land zoned for employment uses. Despite this the Subject Site has existing land use conflict issues with existing adjacent residential development and does not have any potential for intensification or growth. It comprises only a very small portion of total industrial/employment land in the broader Subregion (less than 1%). The proposed rezoning would also generate additional demand for retail and business services which would help to support the viability of identified strategic centres (consistent with Objective 1.C).
Retain existing business and industrial zones	The proposed rezoning would result in a loss in industrial zoned land. Despite this, the area that is proposed to be rezoned has land use conflicts with residential development that has encroached immediately to the north and east. This limits any potential expansion of industry on the Subject Site.
No net loss of potential floorspace for employment uses and related public services in business zones	The proposed rezoning is not within a business related zone. Thus it would not result in a potential net loss in floorspace related to employment uses and related public services.
Not reduce the potential floorspace area for industrial uses in industrial zones	The proposed rezoning would result in potential loss in floorspace that could be utilised for industrial uses. Despite this industrial development on the Subject Site is affected by land use conflicts with residential development adjacent to the north and is part of an area that is experiencing increasing demand for residential development. The Subject Site also forms only a fraction of total industrial/employment land in the Inner West Subregion (less than 1%). Furthermore, the proposed rezoning would increase retail expenditure and urban service utilisation within the locality.
In accordance with a Strategy approved by the Director General of DP&I	The proposed rezoning and subsequent strata residential development responds and accords with Objectives 5 and 6 of the Draft Metropolitan Plan as well as supporting the indicative targets for population and housing growth within the Draft Inner West Subregional Strategy.

3 SITE ASSESSMENT

The following chapter undertakes an assessment of the Subject Site and surrounding land uses. Identification of particular traits and characteristics which would inhibit the feasibility of industrial uses is explored. Alternative land uses which could be accommodated on the Subject Site are also considered.

Site Surrounds Characteristics

The Subject Site is located at the intersection of Water Street and the Cooks River. Currently it accommodates a pipeworks contractor, a tile manufacturer and festival hire equipment. There are a range of land uses in the proximity of the Subject Site including detached residential immediately to the north and across Water Street to the east, industrial uses to the west, the Cooks River and Cycleway and parkland to the south and parkland to the east. In close proximity to the Subject Site is a strata residential development on the corner of James Street and Water Street.

Suitability for Industrial Uses

The development of industrial related uses require a number of prerequisites / characteristics such as appropriate zoning, a large developable area, high connectivity and accessibility, flat topography and non-conflicting surrounding land uses. Each of these prerequisites / characteristics has been explored as part of this suitability assessment.

Zoning

The Subjects Site's current zoning of IN1 General Industry allows for the development of industrial related uses.

Developable Area / Agglomeration

Industrial developments typically require a large developable area to allow for large floor plates, storage areas and vehicle turning and access points. The Subject Site comprises 1.9ha of land which is

ample for most industrial uses, however individually the lots are smaller at around 0.5ha each.

Industries typically cluster to achieve benefits of agglomeration. However in this case there are only a few businesses with little nexus relationship. The area zoned for industrial is too small for industries to benefit from agglomeration.

Connectivity

Industrial developments typically require good access to arterial roads. Water Street is not an arterial road. Predominantly it is a residential street. If heading north to the Subject Site along Water Street, a narrow single lane bridge crossing is required. This is likely to create some safety issues should larger trucks ever need to access to the Subject Site.

Furthermore, access to and from the Subject Site (including to other industrial areas in the locality) requires travel through heavily urbanised residential areas, affecting the amenity of the area as a whole and creating noise, traffic and safety issues.

Topography and Environment

Industrial developments usually require level ground with good soil conditions that allow drainage. The Subject Site's topography is relatively flat with little angle to Cooks River.

There may be some localised flooding near the southern border of the Subject Site from Cooks River.⁸

Surrounding Land Uses

The residential activity adjacent to the Subject Site creates land use conflicts and reduces the ability of the Subject Site to attract some industrial uses. Whilst it is recognised that there would still be land use conflicts should the Subject Site be rezoned given the existing industrial land to the west, it is considered that a greater component of residential uses would improve the amenity of the area as a whole. The development of a recently completed strata residential

8 Strathfield Residential Land Use Study (2011)

development opposite the Subject Site highlights the growing need for this type of development in the locality.

Table 2 - Suitability of Subject Site for Industrial Uses

Prerequisite	Impact on Industrial Uses		
	Positive	No / Minimal Impact	Negative
Zoning			
Developable Area			
Connectivity			
Topography and Soil Conditions			
Surrounding Land Uses			

Source: HillPDA (2014)

Based on the above analysis, the land use conflicts and issues with industrial traffic through residential areas compromises the suitability of the Subject Site for industrial activity, notwithstanding the fact that the current zoning allows for these uses and topography and lot sizes are also suitable for industrial use.

Other Possible Uses

Having regard to the factors identified above relating to industrial use requirements and given the predominant land use activity in the surrounding area, HillPDA has undertaken a suitability assessment for medium to high density residential use on the Subject Site.

Zoning

The Subjects Site's current zoning of IN1 General Industry does not allow for the development of residential uses.

Developable Area

The Subject Site can accommodate a variety of residential types given the size of the combined lots (1.9ha) including detached dwellings on single lots, medium to high density residential and higher density residential. Given the high residential amenity and issues with housing affordability, medium to high density residential use would be preferred.

Connectivity

The Subject Site is adjacent to bus stops on the corner of Water and James Streets and William and Water Streets with bus services along Coronation Parade, Liverpool Road (Strategic Bus Corridor) and Water Street. The bus network connects with the train station at Belfield, ensuring good accessibility. In addition, the Subject Site is in very close proximity to the Cooks River Cycleway.

Furthermore, the Subject Site is within walking distance (600m) of the South Strathfield activity centre, which encourages walking trips for access to shopping and services, thereby reducing car trips and improving health.

Topography and Environment

Given landscaping treatments and less hard surfaces for runoff, the topography is considered to be good for residential development. It is understood that the proposed indicative layout for strata residential on the Subject Site includes a number of soft landscape and deep soil areas. These will help to absorb water runoff and reduce excess water pooling on the Subject Site.

There may be some isolated flooding along the southern portion of the site during times of continual heavy rain.

Given the site has a long history of use for industrial activity, the Subject Site may also require a site contamination assessment.

Surrounding Land Use

The provision of residential uses on the Subject Site would reduce land use conflict by providing a consistent use to the residential activity located immediately north of the site and across Water Street to the east.

Moreover, the proximate parkland and Cooks River corridor provide a high level of amenity for residential uses on the Subject Site.

In addition, there are a number of primary schools in the locality that would service residential development on the Subject Site, including Strathfield South Primary, St Michael’s Primary and Retaval Preparatory School.

It is recognised that there may be some land use conflict with industrial uses to the west, however on the whole land use conflicts would be reduced, particularly given industrial lots to the west front on to Dunlop Street. Rezoning the Subject Site will remove industrial vehicles from Water Street. Given the recommendations in both the Economic Land Use and Employment Strategy and Residential Land Use Study, the industrial uses fronting Dunlop Street may change over time.

Table 3 - Suitability of Subject Site for Residential Use

Prerequisite	Impact on Industrial Uses		
	Positive	No / Minimal Impact	Negative
Zoning			
Developable Area			
Connectivity			
Topography and Soil Conditions			
Surrounding Land Uses			

Source: HillPDA (2014)

Summary and Conclusion

An analysis of key Subject Site characteristics has shown that on the whole, residential uses are more suited than industrial uses. In particular, connectivity and access issues and land use conflicts with existing residential development in the immediate surrounds create safety issues and inhibit industrial activity.

Moreover, the proximity of the Subject Site to parkland to the south and the Cooks River corridor provides for a high degree of residential amenity.

The Subject Site's preferred suitability for residential uses has been confirmed in two separate large-scale strategic reports commissioned by Council including the Economic Land Use and Employment Strategy and the Residential Land Use Study.

The Economic and Employment Land Use Strategy recommended that the Subject Site (and broader Dunlop / Water Street precinct) be rezoned to a combination of R4 High Density Residential and RE1 Public Recreation zone at the southern fringe of the Subject Site pending acceptable management of flooding and contamination issues. It is recognised that the designation of RE1 Public Recreation zone is indicative only and would require further investigation.

4 INDUSTRIAL LAND SUPPLY AND DEMAND ASSESSMENT

The following chapter undertakes an assessment of industrial land within the Inner West subregion to understand the current supply and demand for industrial lands and therefore the likely need for retention of industrial lands within Strathfield LGA.

Industrial Sector Trends

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

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

Warehousing, transport and logistics firms together with larger manufacturing services have tended to shift from inner suburbs to middle and outer suburban locations, particularly in the outer west and south west of Greater Sydney. These locational decisions have been supported by improvements to the outer orbital ring roads and motorways (M4, M5 and M7) and the development of intermodal facilities such as the approved Enfield Intermodal Terminal. These locations benefit from the availability of larger sites required for modern logistics businesses that are not available in the inner suburbs.

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

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

Inner West Industrial Lands Supply and Demand

The Employment Lands Task Force Report found that in 2015 the Inner West suburbs of Canada Bay, Burwood, Ashfield, Leichhardt and Strathfield accommodated approximately 426.8ha of employment lands (developed and undeveloped). Strathfield LGA was the primary contributor to employment lands supply in the Subregion accounting for approximately 67% or 287ha. There was 25.2ha of undeveloped land in the Inner West Subregion at 2015.

An analysis of employment projections from the BTS shows that employment in the Inner West Subregion between 2011 and 2041 is forecast to grow from 108,970 to 140,450. This represents growth of almost 31,500 jobs over the period, however the vast majority of these jobs are in 'white collar' employment (in particular in professional, scientific and technical services and financial and insurance services), education and training and health care and social assistance. Just 942 additional jobs are forecast in sectors that are typically located on industrial land, including manufacturing,

electricity, gas, water and waste services, construction, wholesale trade and transport, postal and warehousing.

Applying employment projections to industry standards for floorspace to job yields and industrial site ratios has found that across the five industrial land sectors identified, demand for industrial land would be negligible over the period to 2041 at just +1.5ha. This is as a result of the decline in manufacturing employment, with 2,289 jobs expected to go in the Inner West Subregion in this sector over the period 2011 to 2041. Whilst it is recognised that some other industry sectors would occasionally locate on industrial land, such as retail trade (bulky goods), demand in the Subregion for employment land will not exceed the existing quantum of undeveloped land available (25.2ha). As such, the loss of just 1.9ha of industrial land on the Subject Site will not contribute to any prospective industrial land supply issues in the Inner West Subregion.

Low interest rates, a scarcity of stock and a desire for 'safe haven' investments has been underpinning solid demand for industrial assets in the Sydney industrial market. Leasing activity remains comparatively subdued as the NSW economy emerges from an extended downturn, but the outlook is for a firming in rents as the economic conditions improve.

The Western region as a whole has been characterised by lower face and effective rents when compared to all other regions within Sydney aside from the Sydney South West region. Research has found that net face rents for prime industrial space within the Western Region are \$123/sqm⁹. This is significantly lower than the North (\$175/sqm) and South regions (\$168/sqm) but slightly higher than the South West region (\$115/sqm). This has the effect of reducing developer interest in industrial land as returns on new development are lower. It also restricts investment in refurbishment and extensions to existing industrial development. The lack of financial feasibility for industrial land development is reflected in an analysis of the development pipeline.

9 Industrial Market Research and Forecast Report, Colliers International (2015)

Colliers noted in their Industrial Research and Forecast Report, Second Half 2015, that “speculative purchases continued to occur in the inner west submarket and that properties in proximity to train stations, bounding the Parramatta River, or in areas with potential rezoning were in high demand”¹⁰.

These sites are being purchased with a view to their future rezoning in accordance with government policy to promote greater housing density in locations with high amenity and good transport links.

Inner West Industrial Lands Development Pipeline

Hill PDA has undertaken an analysis of recent and proposed additional and new industrial development within the Inner West Subregion. This has been compiled using Cordells Connect which is a leading authority on construction project activity within NSW.

An analysis of 50 industrial projects for new and additional developments that were proposed to have been completed after 1 January 2015 and that were at least in the early planning phase (includes rezoning applications, preliminary enquiries to Council, site acquisition etc) was undertaken as part of this Report.

Further investigation of these **Inner West Subregion** industrial projects shows that:

- 15 projects or 30% were at the development application stage;
- 24 or 48% had been granted development approval but had not yet started construction; and
- 11 or 22% were under construction or had been completed.

Of those industrial projects with development approval, 4 are at the contract let stage and 10 are firm or possible. The remaining 10 have been deferred or abandoned.

At a more localised level, the Strathfield LGA has 19 projects in the industrial development pipeline of which 8 or 42% have been either abandoned or deferred.

¹⁰ Colliers International: Industrial Research and Forecasts Report, Second Half 2015, pg. 16

There are four proposed industrial developments in the pipeline which have either commenced or completed construction within Strathfield LGA, with a further two at the contract let stage. The remaining projects are at the development application (2) or development approval (3) stage.

Only four of the eleven projects within the Strathfield LGA which were not abandoned or deferred had a value in excess of \$5m. This included an electricity substation at Olympic Park and a mixed use development at Homebush. The only two traditional industrial builds proposed in the Strathfield LGA with a construction value in excess of \$5m were the Conga Foods development in Strathfield and the construction of a new warehouse at Sydney Markets in Homebush.

The high rate of deferral / abandonment reflects slower market conditions in the Sydney metropolitan region, Subregion and Strathfield LGA since the GFC, with investors and developers increasingly finding it unfeasible to develop industrial land given low market rental growth and historically high incentives¹¹.

Conclusion

Based on market analysis, there is little significant demand for industrial land in the Strathfield LGA. Industrial land demand modelling based on BTS employment projections shows that, over the period to 2041, industrial land sector demand will be negligible across the broader Inner West Subregion, with the current quantum of vacant employment lands easily capable of accommodating growth in workers over the long-term.

Given these tough market conditions and the continuing structural changes to the manufacturing sector in particular, the Employment Lands Taskforce Report identified the need to broaden uses permissible on industrial land to allow for greater flexibility.

11 Industrial Market Research and Forecast Report, Colliers International (2014)

5 ECONOMIC IMPLICATIONS OF REZONING

The following chapter undertakes an assessment of the economic implications of retaining the Subject Sites current zoning verses the economic implications of rezoning to allow for a residential development.

Implications in Retaining IN1 General Industry Zoning

The following assesses the economic implications of retaining the Subject Site for industrial uses.

Contribution to the Economy

Currently, it is estimated that the Subject Site contributes 115 jobs based on employment yields by industry type. This is likely to be an optimistic estimate however, with all undercover space, including sheds used for the estimation.

Strategic Value of the Dunlop / Water Street Industrial Precinct

The Dunlop / Water Street industrial precinct has been identified in both the Economic Land Use and Employment Strategy and the Residential Land Use Study as being an industrial precinct with little strategic significance.

The value of the precinct as an ongoing industrial area is best reflected in the Economic Land Use and Employment Strategy which recommends that the entire precinct be rezoned to a combination of R4 High Density Residential and RE1 Public Recreation and notes that the precinct is “separated from Strathfield South by the Cooks River. Vehicle access to this area is through residential areas”.¹²

As a component of total employment land in the Inner West Subregion, the Dunlop / Water Street precinct makes up just 5.4ha, or 1.3%.

¹² Strathfield Economic Land Use and Employment Strategy, SGS Economics & Planning (2011)

It is recognised that the Inner West Subregional Strategy identifies Dunlop / Water Street precinct as land that should be retained for industrial purposes. However, the Subregional Strategy does not provide a comprehensive suitability assessment of individual precincts and recommends that “Further assessment of these Employment Land precincts will be undertaken through the development of Principal LEPs”.¹³ This process was undertaken as part of the preparation of the Economic Land Use and Employment Strategy, which, as identified previously recommended that the Dunlop / Water Street precinct be rezoned for residential uses.

Significance of Subject Site

The Subject Site does not comprise a significant quantum of industrial land or significant industrial uses. It represents just 0.4% of total employment lands in the Inner West Subregion and 35% of land in the Dunlop / Water Street precinct – itself an insignificant industrial area.

Implications in Rezoning to allow for Medium to High Density Residential Development

The following assesses the economic implications of rezoning the Subject Site to allow for residential development. Given that the proposed development is within the concept phase and a preferred option has not been identified the following will be a high level assessment of potential economic benefits of a rezoning that allows for the development of medium to high density housing of approximately 350-400 units.

Loss in Employment

As stated above the estimated number of jobs on site currently is 115. These jobs will be removed or relocated with redevelopment of the site for residential uses. There will be some jobs on site following redevelopment in home based businesses. According to the ABS, around 7.6% of working residents work full-time (or the majority of

13 Inner West Subregional Strategy, Department of Planning and Infrastructure (2007)

their working time) at home¹⁴. Strathfield has 1.45 working residents per household. Assuming 7.6% of these workers undertake the majority of their work at home then medium density development of the scale envisioned as part of this proposal will provide for 44 jobs on site. Net loss of employment is therefore 71 jobs.

Construction Impacts

HillPDA estimates that construction will cost around **\$206m**. The estimate was made based on the following:

- Residential costs of \$150m, this has been calculated at a cost of \$2,500/sqm for a total GFA of 60,000 (assuming 400 units with an average size of 150sqm GFA);
- Car parking costs of \$24m based on \$40,000 per car space¹⁵; and
- A further 18.5% to cover internal roads, site works, landscaping, external works, contingency and other miscellaneous items.

Table 4 - Estimated Construction Cost

Land Use	Estimated Cost
Residential	\$150m
Car Parking	\$24m
External works, roads, site costs, landscaping, contingencies etc	\$32.2m
Total	\$206.2m

Source: Hill PDA Estimate using Construction Rates from Rawlinsons Construction Handbook 2014

The construction industry is a significant component of the economy accounting for 7.3% of Gross Domestic Product (GDP) and employing almost one million workers across Australia¹⁶. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

14 ABS Locations of Work 2008 Cat 6275.0

15 1.5 car spaces has been assumed per unit

16 IBIS World Construction Industry Report 2011

There are two types of multipliers:

- **Production induced:** which is made up of:
 - first round effect: which is all outputs and employment required to produce the inputs for construction; and
 - an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect; and
- **Consumption induced:** which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS and Australian National Accounts: Input-Output Tables 1996-97 (ABS Catalogue 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.466, \$0.438 and \$0.962 respectively to every dollar of construction.

Table 5 - Economic Multipliers

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.6463	0.6734	0.9891	3.3088
Output (\$million)	\$206.2	\$133.3	\$138.9	\$204.0	\$682.3

Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0)

Approximately \$206m in construction costs would generate a further \$272m of activity in production induced effects and \$204m in consumption induced effects. **Total economic activity generated by the construction of the proposed development would be approximately \$682m.**

Construction Employment

Every million dollars of construction generates 2.85 full time positions over 12 months directly in construction on site¹⁷. Based on the estimated cost of approximately \$206m, approximately **588 job years**¹⁸ would be directly generated.

Table 6 - Employment Generation

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.64	0.7	1.34	3.68
Employment No. per \$m	2.85	1.83	1.98	3.81	10.48
Total job years created	588	377	408	786	2,161

Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0)

From the ABS 2008-09 ANA Input-Output tables Hill PDA has calculated the multipliers for first round, industrial support and consumption induced effects of 0.64, 0.70 and 1.34 respectively for every job year in direct construction. Including the multiplier impacts the proposed development would therefore have potential to generate 2,161 job years during the period of construction.

Note that the multiplier effects are national, and not necessarily local. The ABS notes that *“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”* Nevertheless, multipliers represent a significant additional economic benefits associated with this development to the economy.

Impacts from Residents

Development will provide around 350-400 new residential apartments on site. Assuming all of the apartments are occupied at

17 Source: Hill PDA and ABS Australian National Accounts: Input-Output Tables 2008-09 (ABS Pub: 5209.0)

18 Note: One job year equals one full-time job for the duration of a year.

an average occupancy rate of 2.1¹⁹ persons per apartment we estimate up to 840 permanent residents on site.

These residents will generate demand for local retail and commercial goods and services. With an assumed development completion date of 2018, average retail spend is estimated to be \$13,550 per capita²⁰. Applying this expenditure per capita rate to forecast permanent residents on the Subject Site would result in the generation of **\$11.4m** every year on retail goods and services. It is assumed that all potential residents living on the Subject Site would be new residents to the local area.

Additional Benefits

- **Additional Dwelling Mix:** the development would create additional dwellings and dwelling types to the Strathfield LGA. The addition of dwelling stock and dwelling mixture within the LGA would improve dwelling affordability within the area. This additional dwelling generation and the subsequent improved affordability would be consistent with the policies and strategies reviewed in Chapter 2.
- **Contribution to dwelling targets:** Strathfield LGA is forecast to absorb an additional 8,300 dwellings between 2004 and 2031. The provision of 350-400 strata residential units would contribute to Strathfield LGA meeting these targets.
- **Passive surveillance:** The proposed development would also contribute to improving safety in the local area through passive surveillance from additional residents on the Subject Site.

Summary and Conclusion

The retention of the Subject Site for industrial uses would not meet market demand, would negatively impact amenity in what is predominantly a residential area north of the Cooks River and would

19 Based on ABS 2011 Census data for Strathfield South

20 Based on average per capita expenditure for Strathfield South at 2018

maintain land use conflicts between industrial and residential uses, limiting further development of either use.

A rezoning of the Subject Site would not significantly impact on the supply of industrial lands in the LGA and broader Subregion given that the Dunlop / Water Street precinct does not represent a significant cluster of industrial activity. The Subject Site represents just 0.7% of total employment lands supply in the Strathfield LGA.

A rezoning to medium to high density residential and potential development of 350-400 strata units would contribute significantly to economic activity within the Strathfield LGA and broader region, notwithstanding the fact that around 71 jobs would be lost on the Subject Site.

The primary economic benefits of a rezoning for R4 High Density Residential and the development of 350-400 strata units includes the following:

- Generation of approximately \$206m in direct construction costs with a further \$476m generated through economic multipliers;
- Creation of 2,161 jobs years, 588 from direct construction costs, with a further 1,573 jobs years created from economic multiplier impacts;
- An additional \$11.4m of retail expenditure from residents on the Subject Site;
- Creation of more affordable housing options for the Strathfield LGA and broader region population;
- Contribution to dwelling targets; and
- Increased passive surveillance, leading to improved pedestrian safety.

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