

17 September 2017

Ms Ann-Maree Carruthers
Director of Urban Renewal
Department of Planning and Environment
GPO Box 39
Sydney NSW 2001

Dear Ann-Maree,

St Leonards and Crows Nest Station Precinct – Submission on Interim Statement

Stockland has a 65 year history of partnering with government to deliver sustainable, integrated communities featuring homes for all ages, active retail, education and employment precincts. We currently have more than \$6.6 billion invested in New South Wales, and a strong commitment to continued investment in the State. We take seriously our role as a creator of vibrant mixed communities, and we are proud to be named the Most Sustainable Real Estate Company in the world in 2015 and 2016 in the Dow Jones Sustainability Index (DJSI).

We have reviewed the Department of Planning & Environment's Interim Statement for the St Leonards and Crows Nest Station Precinct, and welcome the opportunity to provide our feedback. As a proud and long term landholder in St Leonards, we have observed the changing environment in which our office asset is located and feel strongly about contributing to the transformation of this centre.

Our landholding at 601 Pacific Highway, St Leonards is one of the largest sites in single ownership in the centre, and presents a critical strategic opportunity to deliver on the Government's agenda to boost housing and jobs around major transport nodes.

Stockland welcomes the progress made on the St Leonards and Crows Nest investigation. Specifically, we:

- support the designation of St Leonards as a mixed use centre
- support the objective of making St Leonards a “true high density centre” and in particular, the focus of this density being located along the Pacific Highway corridor between the two transport hubs
- emphasise the important role 601 Pacific Highway can play to deliver some of the most critical public domain and civic outcomes for the St Leonards centre
- support the concept of minimum non-residential floor space controls in mixed use environments, which, if set at appropriate rates, could contribute to the vibrant day/night economy sought for St Leonards, and enable the delivery of flexible commercial floor space appropriate for allied health and related uses that can support nearby commercial and health precincts.

Stockland recognises the strategic importance of the St Leonards and Crows Nest Station Precinct, and its unique contribution to the growth of the Eastern City, as well as the support it can provide to nearby health infrastructure and beyond to the centres of North Sydney and Macquarie Park.

We have engaged closely with the Department of Planning and Environment on this precinct, and welcome the opportunity to continue that engagement through this submission and ongoing dialogue.

Please do not hesitate to contact me on 9035 3273 or samantha.czyz@stockland.com.au should you have any question about this submission.

Yours sincerely,



Samantha Czyz
National Planning Manager
Stockland



Gavin Tonnet
National Manager, Apartments & Mixed Use
Stockland

St Leonards and Crows Nest Station Precinct Submission on Interim Statement

1 Purpose

The purpose of this document is to provide feedback and a response to the Interim Statement for the St Leonards and Crows Nest Station Precinct ('the Precinct'), and its accompanying specialist reports released by Department of Planning and Environment ('DPE').

In September 2016, we submitted a Concept Design Study and vision for the site, detailing the sites' potential future redevelopment potential for mixed use, and highlighting the need for further consideration of this site in the Department's ongoing strategic investigation of the St Leonards and Crows Nest Station Precinct.

Since then, it has been confirmed by Transport for NSW that the Sydney Metro line will pass under the site, which has triggered the need to revisit the earlier concept, responding to the impact of the tunnel beneath the site. Our investigation of the impact of the Sydney Metro rail alignment is still ongoing. However, given its scale and important geographical and visual prominence, we continue to strongly support the unique role this site has in its potential future contribution to the mixed use nature of the centre, as well as the social infrastructure offering and public domain character of St Leonards.

The key aim of this response is to provide further feedback to DPE that may assist in guiding the preparation of a potential planning framework, via a Land Use and Infrastructure Implementation Plan, that enables future redevelopment of land in the Precinct area.

This response has been prepared with the assistance of Urbis.

2 The Site

Stockland is the landowner of the site at 601 Pacific Highway in St Leonards, with the legal description of Lot 71 in DP 749690.

It comprises a commercial office tower with at-grade retail and basement car parking. It is the single largest site in St Leonards town centre. In summary:

- the site is approximately 2,844m²
- the 14 storey-building was built 28 years ago
- the Nett Leasable Area (NLA) of the building is approximately 12,600m² with a 3-level basement car park
- IBM previously occupied 100% of the building and now occupies approximately 50% of the floor space, as it has relocated staff to its West Pennant Hills campus
- in order to drive down the vacancy level from a high of 40% in 2013, Stockland has offered significant rent incentives to secure new tenants over a 12-month period
- the design of the existing floor plate, which is irregular in shape and relatively small (approximately 900m² NLA), is not optimal for modern tenant needs, as evidenced in market research.

Acknowledging its location and size within the St Leonards town centre, the site is significant for the following reasons:

- it is a 'peninsula' site having frontages to Atchison Street, Mitchell Street and Pacific Highway
- it is centrally located within the town centre, in close walking distance to St Leonards train station (circa 130 metres) and planned metro rail at Crows Nest (circa 210 metres) and retail services
- its position on the 'high point' in the town centre and at the apex of the Pacific Highway bend allows it to be the key building marker for motorists and pedestrians entering the town centre from both the east and west
- the site presents a unique opportunity to improve St Leonards' public domain, civic and retail experience, particularly as a result of its three street frontages as well as its size and position.

This unique site is significant within the town centre and therefore presents an opportunity to create a vision for its potential future redevelopment that not only complements the evolving land use and building scale within the centre, but creates public spaces and ancillary uses that will define the new character of St Leonards.

3 Revised indicative concept development

Since the 2016 submission, the Sydney Metro Tunnel acquisition area has been further defined, and is proposed to dissect the site approximately 21 metres directly beneath the site. Consequently, we are in the process of revisiting their Concept Design Study and vision for the site, with structural engineering advice to guide a revised concept.

The revised concept for a potential future redevelopment of the site continues to feature a mixed-use development comprising a commercial podium, retail ground floor space, social infrastructure facilities and a residential tower. The concept is preliminary at this stage, and is being prepared to inform the Department's strategic planning.

Once completed, we will be happy to discuss the revised potential concept as a continuation of the ongoing dialogue with DPE.

4 Response to the Interim Statement

4.1 Draft Vision

A draft vision for St Leonards and Crows Nest has been presented by DPE in the Interim Statement. It is as follows:

"The St Leonards and Crows Nest Station Precinct has a strategic role within the Sydney metropolitan area. It provides a unique opportunity to strengthen and develop many of the existing qualities which attract people to live, work and relax here. Future development will be responsive to place with a clear identity and purpose, which is inspiring, enjoyable and rewarding."

We support this vision.

4.2 St Leonards Centre Character Area

The Interim Statement locates the site within the 'St Leonards Centre' Character Area. According to the DPE specialist reports, this area is proposed to be identified in the DPE's planning regime, subject to the current review, as a mixed use high-density area where employment capacity and diversity is maintained, and where improvements to the public domain will occur.

We supports the 'St Leonards Centre' designation in this location, and its land use intent.

As explained below, we believe mixed use is the most logical and appropriate land use for the site going forward. The majority of the 'St Leonards Centre' Character Area has already begun its transformation into a mixed use hub, owing in large part to its location at the civic core of St Leonards, and position between the existing and future transport nodes. This emerging mixed use centre has the potential to deliver vibrancy, day/night activity and excellent amenity in a uniquely high density environment.

To support the emerging mixed use centre in the 'St Leonards Centre' Character Area, the broader precinct provides ample opportunities for intensified commercial development, namely;

- concentration of health and education uses in Character Area 2
- continuation of an industrial precinct in Character Area 1, which is of a size and land use concentration that can evolve to accommodate larger scale commercial uses (which generally require larger floor plates and a clustering effect to survive)
- continuation of commercial activities in Character Area 4, which does not have a core amenity/ civic/ retail function like the St Leonards Centre has.

4.3 Alignment with key considerations for the 'St Leonards Centre' Character Area

The Interim Statement sets out a series of key considerations for each Character Area.

Each of the key considerations for the St Leonards Centre Character Area is set out below, together with a response detailing how the future redevelopment concept for the subject site could align.

“A mix of commercial, retail, community, residential and public domain uses that complement St Leonards and Crows Nest.”

Supported.

Any successful centre requires buildings, and as an extension built form, that creates variety and contributes to a vibrant environment. St Leonards is not different. The introduction of mixed use buildings that include residential uses into the centre, has started its transformation from a once suburban office environment to a truly mixed use hub.

It is our objective to ensure our site at 601 Pacific Highway contributes to this transformation. We support the strategic objective that St Leonards is a mixed use centre, and believe the DPE's strategic plans should promote this for all key sites in the core of this transforming centre.

Through land use change driven by the DPE, the site has the potential to deliver a genuine mixed-use outcomes, which could incorporate a range of land uses including:

- **Active retail** – located on the ground floor with active frontages to three streets, a 'laneway' style eat street between adjoining sites, or a central public courtyard flanked by retailers
- **Ancillary commercial** – appropriate provision of non-residential space in a podium form, which could focus on attracting key industries to support the nearby Hospital precincts, such as allied health, enterprise, child care or aged care / seniors housing
- **Social / Community** – creating space within this key gateway site that could accommodate community and social enterprise, which may include community facilities or other forms of social infrastructure
- **Residential** – a range of apartment types could then be located within a tower form.

The inclusion of a wide mix of uses at the site would positively contribute to the local economy, as well as its night time vibrancy which is critical to the vision for St Leonards. In the ongoing investigations made by DPE, the DPE may consider planning controls such as:

- retaining a portion of employment generating uses, although a key focus should be on ensuring better alignment between the employment floor space and current and forecast market demands (i.e. promote mixed use over stand-alone office)
- facilitating the development of an iconic building on prominent gateway sites
- ensuring integrated urban design outcomes into the Structure Plan, which should promote the use of Mitchell and Atchison Street and define future built form outcomes with regard to this site
- ensuring there is clear direction for mixed land uses.

“A true high density centre that ensures the Precinct strengthens its role as a major commercial centre in Sydney.”

Supported, with comments.

We believe this centre is appropriate to continue its transformation into a truly high density centre.

The subject site has long standing history of being occupied by a prominent gateway building, which has historically defined the 'high point' of St Leonards centre. Taking into account the changing context of the area, catalysed by recent development approvals together with proposed changes to zoning, it is acknowledged that this site should maintain its role as the focal point of St Leonards town centre into the future.

There are already a number of significant projects either approved, under DA assessment or proposed in the immediate vicinity of the site that are well known to DPE. These projects are a step towards creating the desired high density centre, with building heights around 45+ storeys. As such, the subject site, which sits centrally amongst these projects on a larger and less constrained location, could equally be considered for a tall building form.

We acknowledge the role of the broader St Leonards and Crows Nest precinct as a major commercial centre in Sydney.

In this particular Character Area, the role for commercial development is changing; a change that began many years ago. The removal of a large quantum of commercial development from the centre has triggered a significant transformation towards mixed use. A large component of this has been the incorporation of

commercial into mixed use forms, creating active street edges defined by commercial podiums that provide flexibility for changing tenant demands.

In its current form, the stand-alone building at 601 Pacific Highway is aging and is relatively small in scale both in terms of the footprint that it occupies and its building height. It is also out of context relative to the mixed use transformation underway.

As detailed in our 2016 submission, a redeveloped stand-alone commercial offering would not be viable in this location regardless of foreseen growth; this position remains. Given the fundamental shift of St Leonards to a mixed use centre, the attractiveness of this site from the perspective of large, major anchor commercial tenants is significantly diluted, which profoundly impacts the viability of a redeveloped commercial tower. Moreover, there are far superior locations for stand-alone commercial towers in the broader precinct, where the benefits of clustering and conglomeration can be realised. This is especially true of the land at the fringes of the RNSH campus.

To achieve the Character Area outcomes for St Leonards Centre, the site should be designated in future investigations as a gateway development site. The current B3 zoning restricts the achievement of the full potential of this site in the context of the mixed use transformation, and spatially does not respond to its context (whereby the site immediately west is proposed to be rezoned to B4 Mixed Use). The DPE may consider changes to planning controls that would enable the type of development characteristic of a mixed use centre, and at a height and scale that reflects the site's prominent, gateway position.

Without policy change, there is the real prospect that the site will become an isolated commercial tower set amongst mixed, and predominantly residential, buildings, with no incentive to re-invest or maintain it over-time.

“Minimum employment floorspace controls will be required to ensure employment capacity and diversity will meet the job needs of future generations.”

Supported.

The site is well located to deliver a more market-aligned commercial floor space offering. Currently, the site is predominantly commercial. As demonstrated in this response, the site's current commercial offering does not align with current or projected market demand for St Leonards, nor does it align with the desired character of this part of St Leonards centre.

We do not oppose the inclusion of minimum floor space controls within the St Leonards Centre, so long as they are reasonable and do not preclude the future use of this site for mixed-use, incorporating residential. Feasibility testing to determine optimal non-residential amount should be considered.

It is imperative that any controls for minimum employment floor space are based on recent market research which has demonstrated that a solely commercial offering in this location would not be economically viable. Refer to Section 4.5 below for further commentary.

Considering the potential future redevelopment of this site, a redeveloped building offering larger podium floorplates and taking advantage of the site's generous land area would allow for the maintenance of commercial floor space, whilst also responding to the objectives for the Character Area to provide a mix of land uses. This outcome better suits the needs of the market and is flexible enough to attract either whole floor tenants or be divided to be adaptable for smaller businesses.

“An improved public domain through varied building types, improved connections and a high-quality streetscape will be delivered.”

Supported.

The existing built form does not respond to the strategic aims to provide a more permeable and active frontage to Mitchell and Atchison Street, as detailed in North Sydney Council's St Leonards/Crows Nest Planning Study.

A redeveloped site would provide the opportunity to deliver the desired public domain, landscape and amenity outcomes for the broader community through:

- increased provision of public domain through the creation of an additional setback at the ground plane, to allow for more landscaping and easier pedestrian passage through the site
- creation of new public space that continues the active ground floor uses and provides publicly accessible through site links from bordering streets

- an improved interface that would enhance Council's vision for the Mitchell Street plaza upgrade, including activity-generating uses that would encourage people to stop, use and enjoy the space.

"Provide for the social, cultural and civic needs of the community as the Precinct grows."

Supported.

As the St Leonards and Crows Nest precinct evolves over time, the core of this precinct in the 'St Leonards Centre' Character Area is the main area of focus for social, cultural and civic needs. These needs should be accommodated for in the core of the precinct in a mixed use environment, with peripheral areas providing for the more specialised health, education and commercial support.

The activation of Atchison Street as a civic street relies on the redevelopment of the subject site. Along the 70 metre frontage that the site has along Atchison Street, the ability to achieve a successful civic outcome will be driven largely by the uses along the ground plane, and the design and scale of the built form.

Any future redevelopment of the site, in line with this policy objective, would have a distinct contribution to make to the civic needs of this community.

Social infrastructure, including child care and some form of community facility, could also be accommodated into a future redevelopment of the site to further contribute to this objective.

Summary

Considered in context, there is a clear opportunity through the DPE's investigation of St Leonards and Crows Nest, to establish a planning framework that would enable the future redevelopment of the site in a way that directly contributes to the objectives for St Leonards Centre Character Area. These opportunities are summarised as:

- a higher density building form that would complement the evolving new mixed character of the centre and deliver a tall tower on the site as desired by Council in its Planning Study
- a mixed use development that would avoid an undesirable land use interface outcome of an isolated commercial building set amongst predominantly residential buildings
- incentivise investment and redevelopment of a strategically located 'gateway' site in the town centre
- leverage this site's location to deliver desired public domain and streetscape outcomes, which would in turn support the needs of the new population in the centre.

4.4 Alignment with urban design analysis

In May 2017, DPE together with SJB Architects released the St Leonards and Crows Nest Station Precinct Preliminary Urban Design Analysis Stage 01. The analysis combined the three Local Government Areas (LGAs) to create a review of the entire Precinct as a whole.

Sites are not specifically identified in this analysis, however the analysis does broadly support:

- an increase to residential density near transport
- the provision of mixed use development near transport
- improvements to the public domain
- increased building heights along the Pacific Highway
- a focus on commercial floor space, as a component of mixed use buildings, for emerging medical, education and knowledge based industries.

A future redevelopment of the site, as described above, would meet these key themes as explained below.

Key theme (from SJB analysis)	Response	Priority
<i>St Leonards' location along Sydney's Global Economic Arc highlights the importance of knowledge-based jobs and health industries with the main</i>	A redevelopment of the site offering a mix of uses would provide both ancillary residential accommodation and commercial space for knowledge-based and health industries.	Economy Employment Housing

employer being at the RNSH site.

Support and grow these office and health related industries with additional floor space, increased residential densities, improved transport connections, and supporting services for recreation.

The provision of a commercial podium with large floor plates would support the growth of these industries, in particular allied health, together with residential accommodation in close proximity to public transport.

To increase density within the 400m catchments of the two stations to provide for transit orientated development.

The site is located centrally between the two stations in both 400m catchment areas.

Any future redevelopment of this site would provide both commercial and residential floor space. Importantly, increasing commercial densities in a stand-alone commercial building is not viable.

Mixed use development

The location of the Crows Nest Metro Station will act as a catalyst for mixed use development in the area.

The subject site, located approximately 200 metres from Crows Nest Station, would be appropriately places to deliver a mixed use outcome in line with this objective.

Mixed use development

St Leonards offers the perfect location to exemplify an urban liveability model of transport oriented development, with excellent access to jobs, housing, services and amenities within walking distance.

The site is located at the core of the St Leonards Precinct in close proximity to services, transport and jobs.

As such, any future redevelopment of this site that contained residential accommodation would align strongly with the objective of providing residents with good access to jobs, transport and amenity.

Accessibility

There is an opportunity to explore a diverse range of housing typologies.

The provision of residential accommodation within the St Leonards Centre provides an opportunity to explore a range of housing configurations.

Housing

Increased height and FSR controls.

Tallest heights to be located along transit corridors – rail line and Pacific Highway – where amenity impacts will be lessened.

The site is located in that part of the St Leonards Town Centre on the Pacific Highway which is designated for the tallest buildings. An increase to the current maximum building height of 49m should be explored by the Department.

Built Form

General lack of accessible open space for workers within the area, new spaces are to be created, and existing spaces upgraded to increase amenity and usability.

Requirement for stronger identity of St Leonards and improved public domain.

Improve building design to create more amenable public domain, as well as improving sightlines, safety and connectivity.

The analysis references the Mitchell Street linear park, which runs the length of the eastern boundary of the site.

Any future redevelopment of the site would provide an opportunity to create an upgraded and more permeable interface with this important piece of public domain, activating it and making it a more pedestrian-friendly environment.

Public Domain

Provide for appropriate social infrastructure to support growth.

The inclusion of a childcare land use in any future redevelopment of the site would provide social infrastructure to the area. Other social infrastructure uses could also be explored.

Social Infrastructure

4.5 Response to SGS Employment Review

Urbis' economic research team have reviewed the Strategic Employment Review prepared by SGS that accompanies the Interim Statement. The review comments on a number of differences in the findings of the SGS review with regard to:

- supply / demand analysis
- the St Leonards office market
- the Crows Nest office market
- the future market.

Enclosed with this response is the review undertaken by the Urbis economic research team. The core findings of the Urbis review, as are relevant to the Interim Plan, are summarised below:

- The large-scale office development market is not compatible with future employment uses in the St Leonards Centre precinct. More specifically:
 - A 9.4% withdrawal in office stock from July 2016 to July 2017 highlights the precinct's transition away from a specialised office precinct.
 - The fragmented nature of ownership, shortage of potential sites in St Leonards / Crows Nest and transition to Mixed Use, constrains the ability to offer larger floorplate products in the St Leonards Centre core. Thus, the precinct is unable to compete with North Ryde/Macquarie Park and Sydney CBD office precincts, which provide larger floor plate formats more compatible with tenant demand.
 - Future commercial office demand will be driven by medical tenants and businesses that require smaller-scale space, which aligns closely with mixed-use buildings that contain non-residential floor space more compatible with this type of demand.
- A significant employment generator in the wider precinct will be those areas where clustering and conglomeration of employment can occur, particularly leveraging off Health infrastructure. As such, the significant proportion of office space anticipated in the Gore Hill Technology Park (46,000m²) and RNSH (37,400m²) has the potential to accommodate stand-alone office uses. Furthermore, there is office/commercial expansion opportunities in established employment precincts on the fringe of the RNSH precinct.

5 Strategic planning policy alignment – a recap

As detailed in the 2016 submission to DPE, there are a series of other strategic planning documents that have been prepared to guide planning opportunities in St Leonards to date. This section demonstrated that there is support in other strategic planning documents, to create a planning framework that enables future redevelopment of the site. Any future redevelopment of the site to a mixed use model under an alternative planning regime, as detailed in the indicative Concept Design Studies, would align with many of the objectives contained in the following regional and local planning policies.

Policy	Alignment with Policy aims and objectives
A Plan for Growing Sydney (2014)	<ul style="list-style-type: none"> • A specific direction states that the state government will work with Council(s) to provide capacity for additional mixed use development in St Leonards including offices, health, retail, services and housing. • The site is of a size and strategically located to accommodate these mix of uses at an increased density. • The site is ideally located in short walking distance to both an existing and planned new rail station.

- The site could contribute to retaining some commercial function in the centre through an integrated mixed use development.
- The proximity of the Royal North Shore Hospital provides the centre with an opportunity to attract and grow synergistic health-related businesses.

**Draft North
District Plan
(2016)**

- The Draft District Plan recognises St Leonards as a Strategic Centre, defining it as a health, education and knowledge cluster, prioritising investment in transport to provide better access to a greater choice of jobs closer to where people live.
- It is acknowledged that there is strong demand for residential land in St Leonards which is competing with commercial floor space, and a need for a clear direction for the centre that encompasses its role as both a commercial and health precinct. The current DPE investigation is providing this direction which for the subject site.
- Good public transport access and proximity to Sydney City have made the St Leonards Strategic Centre an attractive location for residential developments. The current DPE study approach is seeking to balance residential intensification with maintaining a strong employment function. The subject site could play an important role in this regard, by potentially providing floor space for ancillary health and other commercial uses, to support the health anchor at RNSH.
- Given the significant shift in the core of St Leonards to a mixed use environment, there is an ongoing need to provide for appropriate commercial floor space in the core town centre area that is suitable to a mixed use environment (such as in podium levels). To support this, areas that have strong commercial attributes should be protected, such as areas where clustering of commercial can occur such as inside and on the periphery of RNSH.
- The Draft Plan comments on the need to leverage off the new Sydney Metro station at Crows Nest to deliver additional employment and residential capacity. The site would be best placed to leverage density, thereby alleviating the need to change density in surrounding low scale residential areas.
- Priority 4 of the Plan states: "Facilitate place making and the growth and diversification of job opportunities in St Leonards". The site is located at a critically important place that demands the creation of high quality public domain outcomes from redevelopment.
- Deliver new high quality open space, upgrade public areas, and establish collaborative place-making initiatives.

**St Leonards/
Crows Nest
Planning Study
(Precincts 2&3)
(May 2015)**

- The Study recognises the potential for the sites future redevelopment by designating it as a "tall tower" site.
- Whilst the study does not designate this site for residential, by virtue of the planning decisions on adjacent and nearby sites, it has become evident that the site will be completely surrounded by mixed use residential towers, which now necessitates further consideration of the future role and function of the site in this changing context.
- The Study sets a strategic direction to facilitate housing and establish principles to guide future resident population growth in the centre, while protecting jobs and delivering new or upgraded public domain and services.
- Critical to the desired future character of the area will be the delivery of public domain outcomes, including the following:
 - Mitchell Street Plaza upgrade and enhancement
 - Atchison Street as a more civic environment

Both of these key public domain outcomes can only be realised to their best and full potential, if the subject site is redeveloped. A strong ground plane, well-articulated and human scale podium, and cleverly designed tower form are all important to successfully achieve the desired public domain outcomes.

**Draft North
Sydney
Economic
Development
Strategy
(2016)**

- The Strategy cites the critical importance of accommodating and encouraging increased residential growth locations to enhance and activate the North Sydney CBD and St Leonards Town Centre, particularly during the evenings and on weekends.
- The significance of land use mix, street activation, public domain improvements, pedestrian movements, public transport access and tourism and events to North Sydney and St Leonards is noted, which a redevelopment of the site could positively contribute toward.
- Recognition that St Leonards will have a role to play in providing commercial floor space but in a reduced scale for smaller or 'niche' enterprises, again which the site can positively contribute to in a mixed use redevelopment.

6 Summary and Recommendation

Whilst the detailed outcomes of the DPEs strategic investigation of the St Leonards and Crows Nest Centre is still in progress, it is clear that the current direction is to consolidate density close to the transport hubs and along the Pacific Highway, and transition St Leonards Centre into a mixed use environment.

In that regard, under any strategic location measure the subject site is extremely valuable in contributing to delivering the key land use and public domain objectives for the St Leonards centre locality, as it meets these fundamental locational considerations.

A mixed use designation in a future planning framework would prevent the site from becoming an isolated commercial tower surrounded by residential/mixed use buildings, creating a poor planning outcome, out-of-character with the future of St Leonards. This could be readily avoided by ensuring that the strategic planning work being undertaken facilitates the opportunity to unlock significant public benefits at this location.

The identification of the site for new planning controls could:

- unlock the site's potential to deliver the key public domain outcomes desired by Council and DPE
- allow for the creation of a more generous and active streetscape incorporating street fronting retail uses, new through site links and public spaces
- establish new non-residential development to support the surrounding businesses and neighbouring institutions (e.g. medical suites to support the Royal North Shore Hospital)
- support the creation of a more desirable quantum and floorplate design of commercial floorspace that will support the new employment direction for the centre
- allow new housing opportunities on a key site in the centre, close to the existing and planned rail stations, with the ability to achieve high levels of resident amenity.
- facilitate the construction of a tower form that will re-establish the site as the 'marker' urban form in the centre.

Appendix A

Urbis Review of the SGS St Leonards and Crows Nest Strategic Employment Review



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13 September 2017

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REVIEW OF SGS ST LEONARDS AND CROWS NEST STRATEGIC EMPLOYMENT REVIEW

Urbis has been requested by Stockland to prepare a review of work prepared by SGS which outlines the future employment strategy for the St Leonards / Crows Nest precinct.

Our review of SGS's work will provide commentary on key findings on the St Leonards / Crows Nest commercial market relative to SGS's own assessment in their report prepared for Department of Planning and Environment "*2017 St Leonards and Crows Nest Strategic Employment Review*".

To assist Stockland, Urbis has prepared the following findings in table format. Table 1 provides a review of key SGS findings identified within the report, including:

- Supply and demand analysis
- St Leonards / Crows office market overview
- Future employment strategy of the overall St Leonards / Crows Nest precinct.

Table 1 – Urbis Review of SGS Findings

SGS Findings	Urbis Comment
<p>Supply / Demand Analysis</p> <ul style="list-style-type: none"> SGS have identified excess demand of 28,000 sq.m of office floorspace for the St Leonards / Crows Nest precinct by 2036. This figure does not include floorspace required for health and education uses. SGS have also identified an excess demand of 123,800 sq.m of health and education floorspace for the St Leonards / Crows Nest precinct by 2036. Demand will be accommodated within Royal North Shore Hospital (RNSH) and Mater Hospital precincts, with potential to house ancillary floorspace within existing office buildings in St Leonards. The forecast methodology applies an uplift factor to existing office employment density ratios. Specifically, the uplift factor is associated with the impact of the proposed Crows Nest Sydney Metro Station. As such, forecast office space demand is largely reliant on St Leonards' accessibility via public transport and road network. 	<p>Supply / Demand Analysis</p> <ul style="list-style-type: none"> Urbis have identified an excess supply of 76,000 sq.m of office floorspace for the St Leonards / Crows Nest precinct by 2036. As such, the impact of any office space withdrawal from the subject site will be limited. The variance in results can be partially explained by SGS not accounting for the pipeline of office development within St Leonards and surrounding markets. This would have considerable impact on the potential surplus or gap in office floorspace demand going forward. A significant proportion of office space is proposed at Gore Hill Technology Park (46,000 sq.m) and RNSH (20,000 sq.m). As such, future commercial office demand will be driven by medical tenants or businesses that will benefit from synergies with RNSH and its redevelopment. These businesses require smaller-scale suites. The subject site will need to deliver a mixed-use scheme in a format that is compatible with these types of businesses. The SGS forecast methodology for estimating demand is heavily biased towards accessibility being a key driver for employment uplift in the precinct. SGS have not adequately accounted for other demand drivers such quality of stock, floorplate size, proximity to amenity, and increased competition from other markets that will also benefit from improved accessibility.

<p>St Leonards Office Market</p> <ul style="list-style-type: none"> • The St Leonards office market is characterised by lower grade office stock that currently attract smaller businesses. Larger organisations tend to seek higher grade office space in Macquarie Park and North Sydney. • Investors are struggling to attract pre-commitments from large scale tenants, albeit A-grade stock being priced competitively with competing office markets such as Macquarie Park and North Sydney. • High level of fragmented ownership across the precinct with many strata titled buildings held by different owners. This mitigates against consolidated development of sites, and thus larger floorplate offerings. 	<p>St Leonards Office Market</p> <p>Urbis have identified the following key points to further augment SGS's findings:</p> <ul style="list-style-type: none"> • Urbis is not aware of any commercial developments with pre-committed tenants within St Leonards. A relevant example is Winten's 88 Christie Street development, which initially received approval for a 31,000 sq.m commercial tower in 2012. However, the developer could not secure anchor tenant pre-commitment for the site, resulting in a residential mixed-use rezoning in 2015. This reflects the nature of the St Leonards market not being supportive of large-scale commercial product. • Property Council of Australia (PCA) have identified office stock withdrawal of 20,000 sq.m from July 2016 to July 2017, which includes the residential conversion at 504 Pacific Highway (-7,300 sq.m) and Mirvac's mixed-use conversion of the former CIMIC headquarters (-7,500 sq.m). This is counterbalanced by the approved 66,000 sq.m of commercial NLA in Gore Hill and the RNSH, and 10,000 sq.m of NLA accommodated within mixed use developments. <p>This reflects the declining market demand for office stock in the St Leonards CBD from corporate office tenants, and a shift to health / medical tenants within proximity to the RNSH and smaller businesses located within mixed use developments.</p> <ul style="list-style-type: none"> • It is noted that Walker Corporation have proposed to change the predominant use of the site at 8 Parramatta Square in the Parramatta CBD from residential to commercial, subject to approval. The proposed change reflects strong demand for premium office space in Parramatta, particularly among large corporations whose existing leases expire over the next two years. <p>This constitutes a rare example whereby investment returns on office development would exceed residential development returns. However, it is unlikely this will occur in</p>
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SGS Findings	Urbis Comment
	<p>the St Leonards precinct given the relatively high costs associated with commercial office development. This also reflects the fact that Parramatta has the capacity to build a critical mass of office development that will result in stronger agglomeration benefits, which St Leonards is not in a position to match.</p> <p>It is noted however that St Leonards will have an ongoing role to play as a specialised centre focused around the RNSH, with the majority of employment growth in St Leonards being associated with health. This employment growth can and should be concentrated immediately on or around the hospital campus, with allied health uses able to be accommodated within the commercial component of mixed use buildings.</p>
<p>Crows Nest Office Market</p> <ul style="list-style-type: none"> • The Crows Nest market predominantly consists of population serving (local retail shopping) and health care (Mater Hospital and surrounding allied health) uses. • The proposed Crows Nest Metro station represents a significant opportunity for revitalisation and stimulation of business investment. 	<p>Crows Nest Office Market</p> <ul style="list-style-type: none"> • Further to SGS's comment, Crows Nest is not an established office precinct and is characterised by high retail amenity and health services, with the Mater Hospital being the precinct's largest employer. An SGS audit has identified commercial office floorspace to be only 27% of existing employment floorspace in the Crows Nest sub precinct. This quantum is considerably lower than commercial office floorspace within the St Leonards sub precinct (68% of total employment floorspace). • Employment uplift from the proposed Metro station will likely come from health care and social assistance associated with Mater Hospital and surrounding allied health. The Crows Nest centre currently accommodates residential and retail uses, and it would be difficult to justify large scale office development in a precinct typically supportive of population serving uses.

<p>Future Strategy</p> <ul style="list-style-type: none"> In Section 6, SGS provides the following <i>“The addition of the Crows Nest Metro Station and a more coordinated planning effort as evidenced by this study and the initial work of the GSC may mean a new perspective on employment and commercial development at St Leonards is possible.”</i> 	<p>Future Strategy</p> <p>The proposed Crows Nest Metro Station will improve St Leonards / Crows Nest’s accessibility and likely result in employment uplift across a number of population serving and health sector uses. However, the impact is not likely to generate significant demand for large scale office development for the following reasons:</p> <ul style="list-style-type: none"> Smaller floorplates compared to competing office precincts: St Leonards / Crows Nest offer smaller average floorplate sizes (1,200 sq.m) relative to North Ryde / Macquarie Park (1,900 sq.m) and Sydney CBD (1,400 sq.m). It is noted that Sydney CBD and North Sydney have recently provided larger floorplates within newer office developments. <p>There is currently a trend for larger organisations to occupy space in larger floor plate formats in A or premium office developments in Sydney. This trend is driven by the efficiency and connectivity gains associated with consolidating staff/employees and physical resources, rather than being disbursed across different floors and locations. The nature of land ownership in St Leonards / Crows Nest will constrain the precinct’s ability to offer larger consolidated floorplates.</p> <p>The scale of office at 601 Pacific Highway is now no longer compatible with the surrounding development in St Leonards which are primarily in mixed use formats. Larger office users that would typically seek dedicated office buildings would seek to agglomerate around other like businesses. The best opportunity for St Leonards to is leverage its position as a specialist health centre, and to provide accommodation for smaller businesses / health tenants which are well suited to mixed use office typologies.</p>
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SGS Findings	Urbis Comment
	<ul style="list-style-type: none">• Investment in Health: Future demand for office floorspace will likely be driven by medical tenants or businesses that will benefit from synergies with RNSH and its \$1bn redevelopment. St Leonards / Crows Nest's is transitioning away from a specialised office precinct, towards a health based employment precinct. This is reflected by a 9.4% withdrawal of total office stock in the precinct from July 2016 to July 2017 (2017 PCA Office Market Report). <p>Much of the job growth in Health will be from tenants seeking flexible space that can be accommodated within mixed use formats, which the proposed development concept will be best placed to accommodate.</p>

The St Leonards / Crows Nest precinct will play a future role as a specialised centre focused around the RNSH and the Mater Hospital, with the majority of employment growth being associated with health. Therefore, large scale office development would not be compatible with future employment uses in the precinct. More specifically:

- A 9.4% withdrawal in office stock from July 2016 to July 2017 already highlights the precinct's transition away from a specialised office precinct.
- The nature of ownership in St Leonards / Crows Nest constrains the precinct's ability to offer larger floorplate products in a CBD-style clustered environment. Thus, the precinct is unable to compete with North Ryde/Macquarie Park and Sydney CBD office precincts, which provide larger floor plate formats more compatible with tenant demand, and which provide a cluster of commercial developments that is attractive to prospective tenants.
- Future commercial office demand will be driven by medical and allied health-related tenants and businesses that require smaller-scale suites. As such, within the core of St Leonards and Crows Nest, mixed-use conversions that are more compatible with office floorspace demand are considered an appropriate way to sustain demand for commercial floor space.

Yours sincerely,

A handwritten signature in black ink, appearing to read "C. Ostwald".

Clinton Ostwald
National Director