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# ALFRED STREET PRECINCT NORTH SYDNEY ECONOMIC IMPACT ASSESSMENT

BENMILL PTY LTD & JB NO. 3 PTY LTD  
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# EXECUTIVE SUMMARY

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## BACKGROUND

The Alfred Street Precinct is at the eastern edge of the North Sydney CBD. It is physically separated from the CBD core by the Warringah Expressway, connection points to the North Sydney CBD available via Mount Street overpass and High Street overpass. North Sydney train station is approximately 800m west of the Precinct. The Precinct comprises a mix of buildings including 18 storey commercial 'Bayer building' at 275 Alfred Street.

In 2017, North Sydney Council resolved to undertake a strategic review of the Precinct and a planning study that would guide future planning proposals for the precinct. This was in response to a recommendation of the Sydney North Joint Regional Planning Panel when it considered a planning proposal to rezone 275 Alfred Street.

In March 2018, the Alfred Street Precinct Draft Planning Study was completed and placed on public exhibition, proposing a mix of commercial and residential development with a tall, slender tower located further to the north. This required amalgamation with the adjoining properties to increase the separation distance to a new mixed use building to the south. The proposed amalgamation of sites enabled a pocket park in the north of the precinct.

After the exhibition period Council prepared a revised planning study. The revised scheme still requires amalgamations within the Precinct, with a reduction in height of 2 storeys as well as a reduction in the non-residential GFA requirement. A pocket park previously proposed on the northern boundary of Site A is now a public through site-link, with the previously required publicly accessible laneway a "shared pedestrian zone".

The recommendation was that the revised Alfred Street Planning Study be adopted and that detailed issues not fully resolved could be further addressed within supporting studies if a Planning Proposal was lodged. The Study was not adopted however we have used the draft Study as a guide for the redevelopment of the Precinct.

Benmill Pty Ltd & JB No. 3 Pty Ltd is preparing a Planning Proposal to make the following amendments to the North Sydney Local Environmental Plan (2013):

- Rezone the Precinct B3 Commercial Core to B4 Mixed Use.
- Increase the maximum height of buildings from 13m to:
  - 31m for 283 Alfred Street.
  - 80m for 275 Alfred Street.
  - 28m for 271-273 Alfred Street.
  - 29m for 269-269 Alfred Street and 4 Little Alfred Street.
- Increase FSR provision for 275 Alfred Street to a base of FSR 7.3:1 and insert an FSR bonus provision which allows for an additional FSR 2:1, subject to a design competition being undertaken.

**Note:** the maximum FSR controls are retained (3.5:1) for 283 Alfred St, 271-273 Alfred St, 263-269 Alfred St/ 4 Little Alfred St.

AEC Group (AEC) is engaged to prepare an Economic Impact Assessment (EIA) to consider the need for the Proposal and thereafter to assess the economic impacts likely to result from the planning control amendments.

## STRATEGIC AND MARKET CONTEXT

### Strategic Context

The Eastern City District Plan states North Sydney CBD is the Harbour CBD's northern component, considered critical to the Harbour CBD's global competitiveness through delivery of high levels of development and amenity. Given the levels of amenity, present and future infrastructure with a new Metro station at Victoria Cross, North Sydney CBD has an important role to play to accommodate additional housing and employment opportunities. It is noted that the Precinct does not fall within the North Sydney CBD boundaries referred to in the District Plan.

An LGA target of 3,000 new dwellings by 2021 and 76,000-81,500 jobs in North Sydney CBD by 2036 are set by District Plan. Council is required to "create capacity to achieve job targets by reviewing current planning controls".

### **Current and Target Employment**

The North Sydney Centre experienced moderately soft employment growth over the 2011-2016 period, averaging growth of less than 1% per annum. Analysis of 2016 census data indicates there were about 43,300 jobs in the Centre itself (centre boundaries as defined in North Sydney LEP 2013 and which exclude Alfred Street Precinct).

The 43,300 jobs recorded in the Centre are lower than the District Plan's estimate of 60,400 jobs in the North Sydney CBD, though the District Plan includes areas to the south of the Centre extending to Milsons Point. If these areas to the south were included, 2016 census data records approximately 48,600 jobs.

In either scenario (whether 'North Sydney' is defined as the North Sydney Centre or as extending to the south to include Milsons Point), the following additional jobs are required to achieve the baseline target of 76,000 jobs.

- North Sydney Centre - additional 32,700 jobs (76,000 jobs less 43,300 jobs in 2016).
- North Sydney Centre plus Milsons Point - additional 27,400 jobs (76,000 jobs less 48,600 jobs in 2016).

At a generic rate of 20sqm per job, floorspace required for the analysed job growth is 548,000sqm - 654,000sqm.

To achieve the higher target of 81,500 jobs, the following additional jobs would be required:

- North Sydney Centre - additional 38,200 jobs (81,500 jobs less 43,300 jobs in 2016).
- North Sydney Centre plus Milsons Point - additional 32,900 jobs (81,500 jobs less 48,600 jobs in 2016).

At a generic rate of 20sqm/ job, the analysed job targets would require 658,000sqm - 764,000sqm floorspace.

### **Commercial Supply Capacity**

A review of the supply capacity in the North Sydney Centre can be summarised as follows:

- **Centre-wide Capacity**

As foreshadowed in the District Plan, Council carried out work to create supply capacity in the Centre, investigating scenarios that could unlock employment growth capacity. A Capacity and Land Use Study culminated in the North Sydney Centre Planning Proposal which received Gateway Determination in 2017. When implemented, the Planning Proposal has the capacity to unlock 529,000sqm of additional floorspace.

- **Ongoing Development**

There is significant development and investor interest in the Centre, with a number of major commercial buildings under construction and others either under assessment or approved. Assuming all are delivered as proposed, there is potential for more than 160,000sqm commercial GFA delivered over the next 3-4 years. On a net basis (allowing for demolition of existing buildings), this could equate to around 112,000sqm.

- **Ward Street Precinct**

The Ward Street Precinct Masterplan was noted by Council to have received significant private sector interest, with development there having the potential to deliver additional 100,000sqm GFA.

- **Victoria Cross Metro Station**

Over-station development above the Victoria Cross metro station of 65,000sqm+ of office and retail space.

Cumulatively, there appears to be in the order of 806,000sqm GFA of additional commercial supply capacity in the Centre. By dividing the floorspace by a generic ratio of 20sqm per job, supply capacity for 40,300 additional jobs results. This supply capacity exceeds the additional jobs required in all of the target scenarios.

### **Draft Alfred Street Precinct Planning Study**

The Alfred Street Precinct revised planning study contemplates 4,200-4,800sqm commercial floorspace. Allowing for a loss of the existing floorspace of 14,000sqm, a net reduction in capacity of 9,000sqm would result. At the same generic ratio of 20sqm per job, the capacity reduction of 9,000sqm is equivalent to 450 jobs that would be displaced following redevelopment as envisaged by the revised planning study.

The loss of commercial floorspace was acknowledged by Council to be unfortunate, however in the context of capacity in the Centre and demonstrated development interest it was considered an acceptable outcome.

## Market Context

North Sydney CBD is one Sydney's major office markets, with more than 800,000sqm of commercial office floorspace. Businesses and employees benefit from the existing transport interchange and proximity to the Sydney CBD, which contribute to agglomeration benefits and access to a diverse labour pool.

The North Sydney CBD is on the cusp of significant urban renewal, driven by commercial development, infrastructure investment and investment activity in other asset classes (residential, short-term accommodation).

Development momentum in the North Sydney CBD is a product of various factors - supply side issues in Sydney CBD, catalytic impacts of major projects and imminent arrival of Sydney Metro which increase its market appeal.

North Sydney already appears to be a destination for the young and old alike. This has direct implications for housing demand and the type of residential product. With more than 60% of households comprised of either one or two persons, more smaller format dwellings (including residential units) will conceivably be required.

In order for growth to be sustainable, supporting infrastructure will be required, including suitable housing options.

## ECONOMIC IMPACTS

The economic impact assessment examines a number of scenarios. They include:

- The **Base Case Today** assumes existing buildings in the Precinct will continue operations 'as is'.
- An 'extension' of the Base Case scenario is the **Base Case Looking Forward**. Like the Base Case Today, this scenario assumes the existing planning controls are retained and but considers what might occur in the future particularly given the age of the commercial buildings in the Precinct (circa 1960's and 1970's).
- The **Proposal Case** assumes a comprehensive redevelopment of the Alfred Street Precinct per a prepared reference scheme. Existing buildings are to be demolished for a mixed use development comprising retail and commercial floorspace (about 10,127sqm) and appropriate 156 residential units (about 14,499sqm).

### Rationale for 'Base Case Looking Forward'

Commercial buildings in the Precinct appear to date from the 1960's and 1970's. Focus is made on the Bayer building given it is the Precinct's major commercial building. The Bayer building is a secondary grade asset (~50 years old) approaching the end of its economic useful life. The Bayer building is not sustainable as a commercial building. Financial feasibility modelling of a refurbishment found that *even if* prime grade rents could be achieved, it was not viable as cost exceeded the revenue gain.

While many owners of secondary commercial assets incorporate regular refurbishments into CapEx programs and budgets, the ability of the building to be refurbished in this manner is challenged on a number of fronts.

- **Isolated location from main commercial centre**  
The isolation and distance from tenant services, amenity and public transport options, all of which are critical for commercial space to be attractive. The potential for commercial refurbishment to unlock value is limited.
- **Small building floorplates** (400sqm-460sqm)  
The building configuration enables only small tenancies, with many small tenants reluctant to commit longer than 2 years. Pre-commitments would be challenging to secure. This results in a risky lease profile.
- **Extensive presence of asbestos and re-cladding of façade**  
An asbestos risk assessment identified asbestos on almost every level of the building (both friable and non-friable type). A refurbishment would have to ensure appropriate containment and monitoring, adding to cost.

In the **Base Case Looking Forward** and the buildings remain 'as is', the commercial buildings will likely deteriorate in quality and ability to attract tenants at market rents. A loss of competitive standing is expected to be accompanied by a reduction in occupancy levels and corresponding reduction in number of jobs.

The Base Case Looking Forward can be expected to result in lower economic contribution compared to the Base Case. For the purposes of the EIA, the Bayer building is assumed to experience a 25% reduction in occupancy. This leads to overall Precinct employment of 490 jobs (reduced from 591 jobs assumed in the Base Case Today).

### Net Economic Impacts

Economic impacts during the operational phase are more permanent compared to impacts during construction. During the operational phase, economic activity in the Precinct is expected to be driven by:

- **Business operations:** Economic activity due to business activity in retail/ commercial floorspace.
- **Dispersed jobs:** Economic activity due to 'dispersed employment', i.e. residents who work from home.
- **Household impacts:** Economic activity as a result of direct expenditure of households who live there.

During the operational phase, compared to the Base Case Today scenario, the Proposal results in an overall net negative impact on economic activity, mainly due to the reduced quantum of employment floorspace opportunity.

It is questionable if the Base Case Today is indeed a realistic baseline comparison scenario given many of the commercial buildings in the Precinct date from the 1960's and 1970's.

If the Base Case Looking Forward was taken as the baseline comparison, the Proposal results in net positive economic impacts through the initial stimulus and flow-on impacts (per annum):

- \$13.6 million in *additional* output (including \$6.1 million directly).
- \$7.5 million in *additional* GRP (including \$3.2 million directly).
- \$3.8 million *additional* in incomes and salaries paid to households.
- 39 *additional* FTE jobs (including 18 FTE directly related to commercial activity and dispersed jobs).

Net new household expenditure in the Precinct increases the pool of expenditure available to be captured by local businesses in the North Sydney Centre and elsewhere in the North Sydney LGA. This contributes to the economic vitality and sustainability of the North Sydney CBD as the northern component of the Harbour CBD.

## CONCLUSION

The Proposal demonstrates alignment with objectives/ aspirations of state and local planning policy and strategy:

- A place-based planning approach in response to Council's Alfred Street Precinct planning study to ensure that new residential development will result in housing in the right locations and high quality urban outcomes.
- Supporting a stronger and more competitive Harbour CBD by renewing ageing assets and delivering contemporary commercial floorspace opportunities to accommodate business and jobs.
- Delivering new housing that addresses the demographic profile of North Sydney LGA residents who tend to be focused in small households (more than 60% of households comprised of one or two persons in 2016).

The Bayer building's commercial sustainability is limited given its age (nearly 50 years) and extent of regulatory compliance required in a refurbishment. The cumulative impact of its limited revenue potential (small floorplates and isolated location) and substantial cost to refurbish means commercial-only refurbishment is not a viable solution. There is a compelling case for planning interventions to prevent it being economically redundant.

The Proposal reference scheme has 10,000sqm of employment floorspace, potentially a reduction of 4,000sqm (which is less than the draft planning study which resulted in a reduction of 9,000sqm of commercial floorspace). Displaced businesses could locate in the CBD where there is large stock of secondary grade space with comparable rents to the Precinct. Economic activity would not be 'lost' but relocated elsewhere within the LGA.

The Precinct's isolation and disconnection are factors that were acknowledged by the Sydney North Joint Regional Planning Panel and North Sydney Council, concluding it is not a suitable location to grow employment.

Investigations by Council indicate the North Sydney Centre has the supply capacity required to accommodate continued employment growth and meet designated job targets. Facilitating growth in the Centre is considered much more suitable than in the Precinct given its disconnection and distance from urban amenity and services.

The Precinct could accommodate small businesses and occupiers who might prefer a location away from the CBD core. The Precinct would effectively play a supportive role to the North Sydney CBD as a fringe location.

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# 1. INTRODUCTION

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## 1.1 BACKGROUND

The Alfred Street Precinct (the Precinct) is located on the eastern edge of the North Sydney CBD. The Precinct is physically separated from the CBD core by the Warringah Expressway, connection points to the North Sydney CBD available via Mount Street overpass and High Street overpass. North Sydney train station is approximately 800m west of the Precinct.

The Precinct accommodates a mix of building forms, including 3 storey commercial buildings at 269-269, 271, 273 and 283 Alfred Street, a 5 storey residential building at 4 Little Alfred Street and an 18 storey commercial building at 275 Alfred Street (commonly known as 'the Bayer building').

### **Planning Proposal and JRPP Recommendations**

A Planning Proposal was received by North Sydney Council (Council) in September 2015 seeking to rezone 275 Alfred Street from B3 Commercial Core to B4 Mixed Use and increase the maximum building height and floorspace ratio controls to facilitate a 26 storey mixed use redevelopment of the site.

In February 2016 Council refused the planning proposal in part due the absence of an underpinning strategic planning study for the broader Alfred Street precinct. Following a pre-gateway review by the Sydney North Joint Regional Planning Panel (JRPP), the proposal was recommended for refusal however the panel recommended that the Building be considered for rezoning in conjunction with the rest of the properties in the street block. The following recommendations were made by the JRPP:

- 1 The Panel considers that this site and the street block zoned B3 in which it is located is isolated from the main commercial centre of North Sydney and closely related to the adjoining residential area. Therefore, a change in zoning that would allow residential use in the street block, would be appropriate.*
- 2 The main reason why the Panel does not recommend that this planning proposal proceed to Gateway Determination is that it deals with one site only rather than the area zoned B3 in which it is located. This piecemeal approach is contrary to the strategic intent of zoning decisions. In addition, the planning proposal leads to this site having three times the development potential of the other sites within the B3 zone. It fails to achieve the desirable separation distances between residential buildings and adversely affects the development potential of the adjoining sites.*
- 3 The Panel considers that, in any future planning proposal for the block zoned B3, it would be appropriate to grant this site the density it now enjoys by virtue of the existing building on it, with some additional height so that a mixed use building with appropriate amenity may be developed on it. As concerns the other sites within the B3 zone, the existing density of 3.5:1 may be combined with some additional height, so that it becomes possible to develop them to their development potential for mixed use buildings with appropriate amenity.*

### **Alfred Street Precinct Draft Planning Study**

Further to the JRPP's recommendations, Council resolved in February 2017 to carry out a strategic review of the Alfred Street Precinct and prepare a planning study that would guide future planning proposals for the precinct.

In March 2018 the Alfred Street Precinct Draft Planning Study (NCC, 2018) was completed and placed on public exhibition for public comment. The draft planning study examined the entire street block of Alfred Street which comprises 263-265 Alfred Street, 271-283 Alfred Street and 4 Little Alfred Street. Altogether the study area comprised six allotments, three of which are held under strata title.

The draft planning study proposed a mix of commercial and residential development with a tall, slender tower located further to the north. This required amalgamation with the adjoining properties to increase the separation distance to a new mixed use building to the south. The proposed amalgamation of sites enabled a pocket park in the north of the precinct.



### **Alfred Street Precinct Revised Planning Study**

Following submissions received, Council prepared a post-exhibition report (NCC, 2019) with a number of amendments to the preferred option. The revised planning study recommended:

- Revisions to building heights.
- Moving the tower structure back to the location of the existing Bayer building.
- Reduction in the quantum of commercial floorspace.
- Change in the function of the pocket park into a through-site link for pedestrians.
- Not requirement for affordable housing in redevelopment of the Precinct.

The post-exhibition report further recommended that the revised Alfred Street Planning Study be adopted and that detailed issues not fully resolved as part of the study could be further addressed within supporting studies if a Planning Proposal is lodged.

The Study was not adopted however we have used the draft Study as a guide for the redevelopment of the Precinct.

## 1.2 THE PROPOSAL

Benmill Pty Ltd & JB No. 3 Pty Ltd is preparing a Planning Proposal to make the following amendments to the North Sydney Local Environmental Plan (2013):

- Rezone the Precinct B3 Commercial Core to B4 Mixed Use.
- Increase the maximum height of buildings from 13m to:
  - 31m for 283 Alfred Street.
  - 80m for 275 Alfred Street.
  - 28m for 271-273 Alfred Street.
  - 29m for 269-269 Alfred Street and 4 Little Alfred Street.
- Increase FSR provision for 275 Alfred Street to a base of FSR 7.3:1 and insert an FSR bonus provision which allows for an additional FSR 2:1, subject to a design competition being undertaken.

**Note:** the maximum FSR controls are retained (3.5:1) for 283 Alfred St, 271-273 Alfred St, 263-269 Alfred St/ 4 Little Alfred St.

A reference scheme has been prepared for the Precinct. The distribution of floorspace across different sites in the reference scheme does not 100% accord with the proposed planning controls amendments, however the reference scheme is relied upon for the purposes of economic modelling in the economic impact assessment.

AEC Group (AEC) is engaged to prepare an Economic Impact Assessment (EIA) to consider the need for the Proposal and thereafter to assess the economic impacts likely to result from the proposed planning control amendments and subsequent redevelopment of the Precinct.

## 1.3 SCOPE AND APPROACH

To assess the economic impact of the Planning Proposal and the subsequent redevelopment of the Precinct, a Base Case and a Proposal Case are developed.

- The **Base Case Today** assumes that existing buildings in the Alfred Street Precinct will continue operations 'as is'. It is a snapshot in time (i.e. today).

An 'extension' of the Base Case scenario (**Base Case Looking Forward**) is also examined. Like the Base Case Today, this scenario assumes the existing planning controls are retained but considers what might occur in the future particularly given the age of commercial properties (271-273, 275 and 283 Alfred Street) which date from the 1960's and 1970's.

- **Proposal Case:** The Precinct is developed as envisaged under the Reference Scheme into a mix of uses including retail and commercial office and residential units to a total GFA of 24,700sqm.

The purpose of the EIA is two-fold:

- 1 To consider the merits of the Proposal from a strategic planning and market perspective, specifically the role of the Precinct as B3 Commercial Core lands. The appropriateness of the Proposal in assisting to support the role of North Sydney in the Eastern Economic Corridor is also relevant for consideration.
- 2 To carry out economic modelling to assess the economic impacts of the Proposal and to understand the opportunity cost of the Proposal Case.

## 1.4 STRUCTURE OF THE STUDY

The Economic Impact Assessment is structured in the following manner:

- **Chapter 2: Precinct and Strategic Context**

This chapter reviews the Alfred Street Precinct, its context in close proximity to the North Sydney Centre and analyses key state and local government policies that are relevant.

The chapter also reviews the outcomes of Council's investigations into supply capacity for employment growth, examining current and target employment in the North Sydney Centre and its likely capacity to accommodate future employment growth.

- **Chapter 3: North Sydney Centre**

The chapter reviews the employment profile of the Alfred Street Precinct and compares it against that of the North Sydney Centre. Socio-demographic characteristics of residents in the North Sydney LGA are examined to understand their implications for housing demand.

The chapter additionally considers the sustainability of North Sydney Centre as an employment hub and its future capacity to grow.

- **Chapter 4: Economic Impact Assessment**

This chapter assesses the economic impacts of future development of the Precinct (following amendments to the planning controls as proposed) by investigating the following scenarios:

- Base Case Today: the economic impacts assuming the Precinct continues operations 'as is'. This scenario is a snapshot in time (at today).

An extension to the Base Case scenario (Base Case Looking Forward) is also examined. Like the Base Case Today, the scenario assumes existing planning controls are retained and the Precinct continues operations 'as is'. This scenario considers what might occur in the future particularly given the age of the Bayer building of nearly 50 years.

- Proposal Case: The Precinct is redeveloped per the Reference Scheme, with the existing buildings to be demolished for a mixed use development comprising retail and commercial floorspace (about 10,127sqm GFA) and approximately 156 residential units (about 14,499sqm GFA) to a total GFA of 24,626sqm.

- **Chapter 5: Policy Assessment**

This chapter reviews and translates key findings from Chapters 2 to 4 and applies them in the assessment of the Proposal against policy considerations.

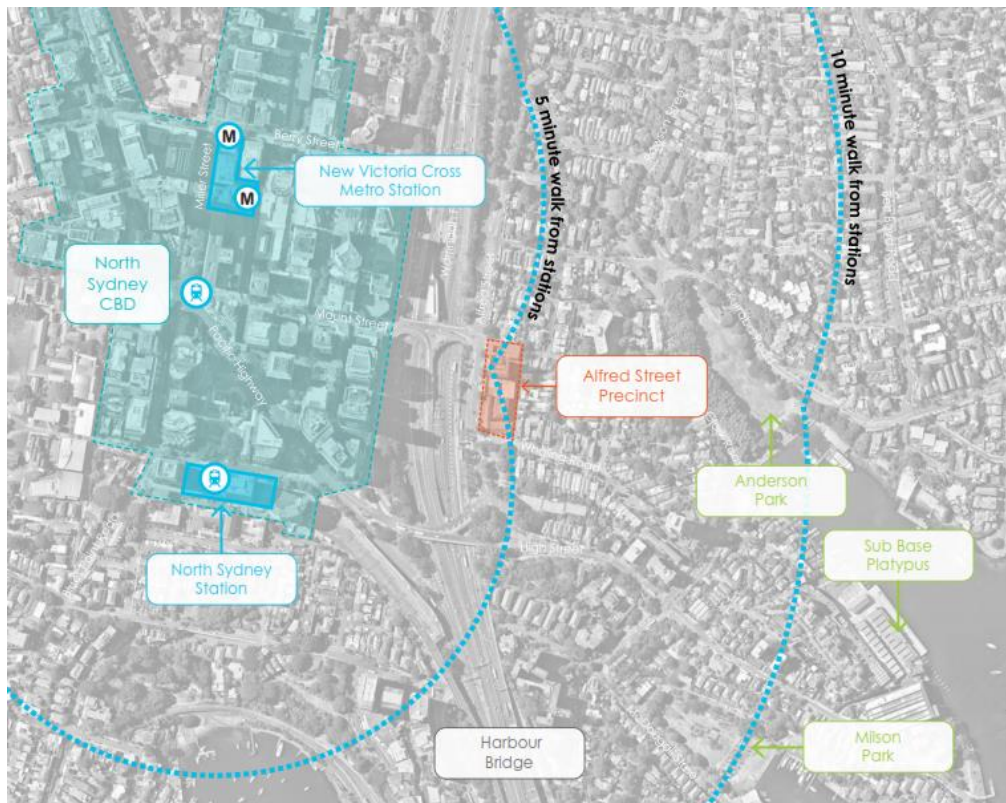
## 2. PRECINCT AND STRATEGIC CONTEXT

### 2.1 ALFRED STREET PRECINCT

The Alfred Street Precinct (the Precinct) is located on the eastern edge of the North Sydney CBD. The Precinct is physically separated from the CBD's core by the Warringah Expressway, connection points to the North Sydney CBD available via Mount Street overpass and High Street overpass. North Sydney train station is approximately 800m from the Precinct.

Figure 2.1 illustrates the locational context of the Precinct.

**Figure 2.1: Location Context of Alfred Street Precinct**



Source: NCC (2018)

The Precinct is bounded by Alfred Street North to the west, Whaling Road to the south, Little Alfred Street to the east and Ormiston Street to the north.

The Precinct is zoned B3 Commercial Core under the North Sydney Local Environmental Plan (2013). Permissibility of residential uses at 4 Little Alfred Street is via a provision in Schedule 1. Maximum height controls are 13m and with a maximum FSR of 3.5:1 applying across the Precinct.

Figure 2.2 illustrates the component allotments that altogether comprise the Precinct, namely 263-269, 271, 273, 275 and 283 Alfred Street and 4 Little Alfred Street. Table 2.1 summarises key property details for each.

#### **Sydney Metro City & Southwest**

Sydney Metro City & Southwest is the second stage of the wider Sydney Metro program. Stage 1 of the program, Sydney Metro Northwest is expected to commence operations in early 2019, connecting Chatswood and Schofields via Epping. Sydney Metro City and Southwest will form a metro connection between Chatswood and Bankstown via the Sydney CBD.

Stage 2 proposes a new metro station at North Sydney, Victoria Cross Metro Station which will provide commuters from Sydney's northwest and southwest frequent metro rail services once the Sydney Metro program is fully operational.

Figure 2.2: Alfred Street Precinct



Source: NSC (2018)

Table 2.1: Property Details

Address	Description*	Site Area**	Estimated Existing GFA (Equivalent FSR)
271-273 Alfred St	<ul style="list-style-type: none"> <li>3 storey commercial building</li> <li>3 storey commercial strata building</li> </ul>	1,030sqm	2,300sqm (2.5:1)
275 Alfred St	<ul style="list-style-type: none"> <li>18 storey commercial building</li> </ul>	1,334sqm	9,700sqm (7.3:1)
283 Alfred St	<ul style="list-style-type: none"> <li>3 storey commercial building</li> </ul>	872sqm	2,200sqm (2.2:1)
263-269 Alfred St 4 Little Alfred St	<ul style="list-style-type: none"> <li>3 storeys, 13 townhouses with 3 parking spaces each. Some occupied for commercial, some in residential use.</li> <li>5 storeys, 20 residential strata units with 1 parking space each.</li> </ul>	1,980sqm	4,370sqm (2.2:1)

\*based on a combination of information provided by landowners, external observations and information available on commercial databases

\*\*based on indicative site areas in Massing Study (Grimshaw)

Source: AEC

## 2.2 SURROUNDING USES

### Residential Uses

The Precinct is immediately surrounded by R2 Low Density zone to its north and east, comprising a mix of terraces, Federation bungalows, and Victoria cottages of varying conditions and ages. These residential lands form part of the Whaling Road Conservation Area, a heritage conservation area which largely comprises of lands extending to Clark Road to the Precinct’s east, north of Kurraba Road, and south of Whaling Road.

### **Local Amenity**

The Precinct is located a short distance from local parklands and reserves. Anderson Park is located some 200m to the Precinct's east and is one of North Sydney's major sporting venues. Given its location on the foreshores of Neutral Bay, Anderson Park is renowned for its views of Sydney Harbour. The park features include a sportsfield catering for a wide range of sports, and seating and amenities. Immediately adjacent to Anderson Park is a smaller local playground, known as Warringah Park.

A two-storey mixed use building is situated along Clarke Road, adjacent to the parks. This mixed use building is understood to accommodate ground-floor retail comprising take-away restaurants, a dry-cleaner, newsagency and liquor store, with residential units located above ground.

### **North Sydney CBD**

The North Sydney CBD a major office market located on Sydney's lower north shore. It is Sydney's third largest commercial centre with over 800,000sqm of commercial floorspace. The North Sydney CBD benefits from its proximity to the Sydney CBD approximately 5km to the south. Commercial offices in North Sydney vary in quality, with the majority of offices being of secondary-grade stock.

The North Sydney CBD is physically separated from the Precinct by the Warringah Expressway.

## **2.3 PLANNING CONTEXT**

### **2.3.1 Greater Sydney Region Plan (2018)**

The Greater Sydney Region Plan (the Region Plan, GSC, 2018a) seeks to accommodate the needs of Sydney's growing population in a metropolis of three cities: Western Parkland City, Central River City and Eastern Harbour City, building on a vision where most residents live within 30 minutes of their jobs, education and health facilities.

The Region Plan divides metropolitan Sydney into five districts: Western City, Central City, Western City, North and South districts. North Sydney CBD is located within the North District of Greater Metropolitan Sydney, and is identified as part of Metropolitan Centre forming part of the Eastern Harbour CBD. Additionally, North Sydney is located along the Eastern Economic Corridor, which connects Macquarie Park to Sydney Airport via a series of major economic assets and centres including Macquarie Park, Chatswood, St Leonards, the Harbour CBD and the emerging Green Square.

Ten Directions, each comprised of a series of objectives are articulated to deliver and monitor the Region Plan. The objectives of direct relevance to Proposal are outlined below:

- Liveability Directions:
  - Objective 10: Greater Housing Supply.
- Productivity Directions:
  - Objective 18: Stronger and More Competitive Harbour CBD.
  - Objective 22: Investment and Business Activity in Centres.

### **Objective 10**

Greater Sydney's growing population will need to be supported with a greater number and more diverse range of housing options. Crucial factors when considering increased housing capacity include an acute awareness of locational attributes of existing infrastructure and its capacity to foster a well-connected city.

Development of housing targets will help inform preparation of councils' housing strategies. The 0-5 year targets are reflective of the existing development pipeline and provide a focus for infrastructure delivery. Beyond that, councils are to identify areas suitable for housing supply beyond 5 years and attributes of suitable areas for housing supply beyond 10 years.

A place-based planning approach to developing housing strategies will ensure that new residential development will result in housing in the right locations and high quality urban outcomes.

### **Objective 18**

The Region Plan seeks to develop and implement land use and infrastructure plans to strengthen the international competitiveness of the Harbour CBD. The concentration of the financial services sector in the Harbour CBD imply there is high demand for premium-grade office space and associated knowledge-intensive industries. It is therefore crucial that planning controls enable the growth needs of these sectors.

### **Objective 22**

As Greater Sydney continues to grow, there will be need for additional retail floorspace but also standalone office developments to accommodate a significant increase in office jobs. To maximise the liveability, productivity and sustainability benefits of all centres, the Region Plan anticipates:

- Managing and expanding the network of existing centres.
- Planning and growing new centres.
- Monitoring development and activity trends and changes in centres.

A hierarchy of centres is established in managing Greater Sydney's network of centres: metropolitan centres, strategic centres and local centres.

Greater Sydney is comprised of three metropolitan centres: the Harbour CBD in the Eastern Harbour City, Greater Parramatta CBD in the Central River City and the emerging metropolitan cluster in the Western Parkland City. The Harbour CBD is identified in the Region Plan as a metropolitan centre, which includes Sydney CBD, North Sydney CBD, Barangaroo, Darling Harbour, Pyrmont, The Bays Precinct, Camperdown-Ultimo health and education precinct, Central to Eveleigh, part of Surry Hills and Sydney East.

As part of the Harbour CBD, North Sydney is considered fundamental in growing its global competitiveness with the intent to deliver high levels of development and amenity.

#### **2.3.2 North District Plan (2018)**

The North District Plan (the District Plan; GSC, 2018b) sets out a 20-year plan to manage growth in the context of economic, social and environmental matters to achieve the 40-year vision for Greater Sydney.

The District Plan considers the North Sydney CBD as the northern component of the Harbour CBD. The Harbour CBD is a metropolitan city centre and incorporates areas of Sydney CBD, Barangaroo, Darling Harbour, Pyrmont, The Bays Precinct, Camperdown-Ultimo, Central to Eveleigh, and part of Surry Hills and Sydney East.

It is noted that the Precinct does not fall within the North Sydney CBD boundaries referred to in the District Plan.

The planning priorities and actions of direct relevance to the Proposal are:

- Liveability Directions:
  - Priority N5: Housing Supply, Choice and Affordability
- Productivity Directions:
  - Priority N7: Stronger and More Competitive Harbour CBD
  - Priority N10: Investment, Business Opportunities and Jobs in Strategic Centres.

### **Priority N5**

This Priority gives effect to Objective 10 of the District Plan. The North Sydney CBD is key employment hub and transport interchange. The District Plan outlines the need for additional housing in close proximity to centres and services. A housing supply target is set for the North Sydney LGA for an additional 3,000 dwellings to be delivered between 2016 and 2021.

### **Priority N7**

Priority N7 gives effect to Objective 18 of the Region Plan. North Sydney CBD's status as a thriving office market is identified as complementary to the Sydney CBD, considered the northern component of the Harbour CBD.

Delivering a well-connected city where transport investments improve residents' access to jobs is central to the Harbour CBD's growth. In addition to the existing train station the North Sydney CBD will benefit from a second station (Victoria Cross metro station) which will improve its connectivity to other centres in the Eastern Economic Corridor. The ongoing growth of North Sydney CBD is seen as key to the Greater Sydney office market, complemented by numerous educational institutions.

The jobs targets for North Sydney CBD are outlined below:

- 2016 estimate: 60,400 jobs.
- 2036 baseline target: 76,000 jobs.
- 2036 higher target: 81,500 jobs.

One of the actions for Council is to "create capacity to achieve job targets by reviewing the current planning controls".

### **Priority N10**

Priority N10 gives effect to Objective 22 of the Region Plan.

This priority focusing on creating the conditions for growth and making centres great places. Employment growth is the principal economic goal for metropolitan and strategic centres. As a consequence, the designation of a commercial core within a strategic centre, economic and employment uses, may be necessary to manage the impact of residential developments in crowding out commercial activity.

The priority recognises the need to balance adequate mixed use or residential zoned land around a commercial core zone to ensure new residential development can benefit from access and services in centres.

Strategic centres will be the focus of public transport investments to deliver the 30-minute city objective. Supporting employment growth is pivotal to the growth of Strategic Centres, and adequate mixed-use or residential zoned land around the commercial core is essential in ensuring that new residents can benefit from access to centres. Delivering these new dwellings within walking distance of strategic centres should not constrain commercial and retail operations but should contribute to a sense of vibrancy and encourage public transport use.

One of the actions for Council is to "create the conditions for residential development within strategic centres and within walking distance (up to 10 mins), but not at the expense of the attraction and growth of jobs, retailing and services, where appropriate, strategic centres should define commercial cores informed by an assessment of their need".

### **2.3.3 North Sydney Local Environment Plan (2013)**

The Precinct is zoned B3 Commercial Core under the North Sydney Local Environment Plan (2013) (LEP). The objectives of B3 commercial zones are to:

- Provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community.
- Encourage appropriate employment opportunities in accessible locations.
- Maximise public transport patronage and encourage walking and cycling.
- Prohibit further residential development in the core of the North Sydney Centre.
- Minimise the adverse effects of development on residents and occupiers of existing and new development.

Permitted uses with consent: amusement centres; backpackers' accommodation; centre-based child care facilities; commercial premises; community facilities; educational establishments; entertainment facilities; function centres; hotel or motel accommodation; information and education facilities; medical centres; oyster aquaculture; passenger transport facilities; places of public worship; recreation areas; recreation facilities (indoor); registered clubs; respite day care centres; restricted premises; roads; sex services premises; signage; tank-based aquaculture; vehicle repair stations; veterinary hospitals.

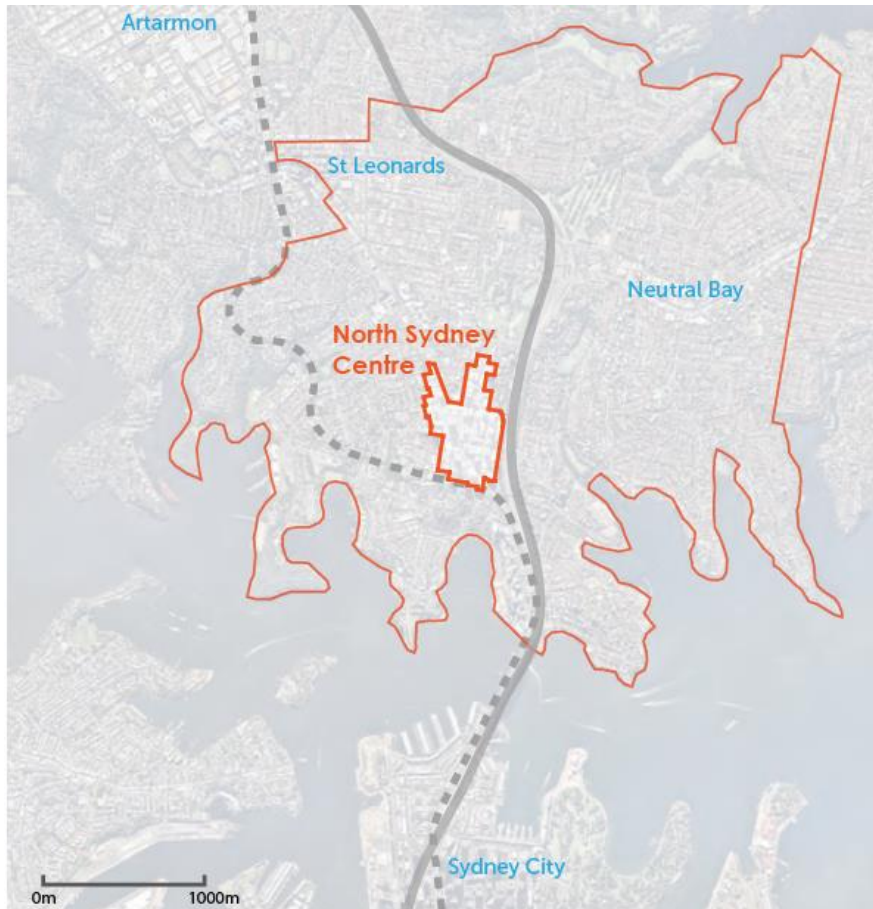
### 2.3.4 North Sydney Council Strategic Planning

#### **North Sydney Capacity and Land Use Study (2016)**

In October 2013, Council commenced a review of the North Sydney Centre with the objective of identifying and implementing policies and strategies to strengthen the role of the North Sydney Centre in Greater Sydney's global economic arc. The Capacity and Land Use Study (CLU Study) was the final component of the Review.

The boundaries of the North Sydney Centre in the CLU Study align with the North Sydney Centre as defined under the North Sydney Local Environment Plan (LEP) (2013). The North Sydney Centre excludes the Alfred Street Precinct. Figure 2.3 illustrates the boundaries of the North Sydney Centre.

**Figure 2.3: North Sydney Centre Boundaries**



Source: NSC (2017a)

The objectives of the CLU Study as relevant to the EIA are as follows:

- Develop a framework that allows for the growth of the North Sydney Centre to ensure it maintains and improves its status as a resilient, vibrant and globally relevant commercial centre.
- Accommodate forecast demand for additional commercial floor space in the North Sydney Centre.
- Inform and respond to district planning, particularly employment and commercial floor space targets for the North Sydney Centre.
- Leverage planned infrastructure upgrades by intensifying land use around significant transport infrastructure.
- Offset commercial floor space losses in the mixed-use zone of the Centre.
- Identify and facilitate specific land uses to contribute to the Centre's diversity, amenity and commercial sustainability.



A Future Capacity Analysis was undertaken to understand how additional development capacity could be unlocked in the Centre. The analysis investigated a series of test scenarios to provide a basis for Council to assess the viability/ merit of different planning interventions to facilitate the delivery of additional floorspace.

Results of the testing identified a scenario which could potentially unlock an additional 529,000sqm<sup>1</sup> of commercial floorspace without instigating wholesale changes to the environment and amenity levels. The implementation of the scenario via an LEP amendment was further explored in the CLU Study.

The LEP amendments and built form outcomes tested in the CLU Study informed the North Sydney Centre Planning Proposal. The strategies and recommendations include:

- 1 Applying new height controls based on overshadowing constraints.
- 2 Applying new height controls in B3 Commercial Core and B4 Mixed Use zones.
- 3 Amending the Special Areas maps in the LEP and reviewing Berry Square as part of the Ward Street Masterplan.
- 4 Prohibiting the development of serviced apartments within B3 Commercial Core zone.
- 5 Undertaking a review of North Sydney DCP 2013 Part B Section 2 Commercial Development and Part 3 Section 2 North Sydney Planning Area Character Statement to consider built form issues within the Centre.

The CLU Study was adopted in May 2017 and informed the proposed amendments in the North Sydney Centre Planning Proposal.

#### **North Sydney Centre Planning Proposal (2017)**

The North Sydney Centre Planning Proposal (NSC Proposal) (2017) gives effect to the outcomes of the North Sydney Centre Review, in particular the CLU Study.

The NSC Proposal was finalised in May 2017 and submitted to the Department of Planning and Environment (DPE) and was issued Gateway Determination in July 2017. An alteration of Gateway Determination was issued in August 2017 to amend conditions in the NSC Proposal prior to its exhibition in September 2017.

The NSC Proposal gives effect to the objectives of the CLU Study to deliver increased commercial floorspace in the Centre. To achieve the objective, the NSC Proposal seeks the following amendments to the LEP:

- Removal of serviced apartments in B3 Commercial Core due to the low employment generating potential of serviced apartments.
- Removal of Clause 6.5 Railway Infrastructure which prohibits approvals of additional commercial floorspace exceeding 250,000sqm.
- Amend height of building map to North Sydney LEP (2013) to facilitate the increase in commercial floorspace at certain sites. Land proposed to be increased in height is zoned B3 Commercial Core.
- Amend North Sydney Centre Map to North Sydney LEP (2013) to remove three Special Areas and facilitate a new Special Area.
- Amend objectives of Clause 6.1 Objectives of Division to better align the objectives and provisions.
- Amend Clause 6.3 Building heights and massing, apply height variation controls to prevent adverse overshadowing impacts within and outside of the centre and apply height restrictions on sites less than 1,000sqm in area.

The NSC Proposal gives effect to the CLU Study to unlock capacity for increased floorspace, responding directly to Council's requirements to ensure the Centre grows as a key component of Greater Sydney's global economic corridor. Additionally, upcoming delivery of the Victoria Cross Metro Station was considered to enable the NSC Proposal to provide additional employment floorspace within walking distance of the North Sydney Station and the future Metro Station.

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<sup>1</sup> At a generic ratio of 20sqm per worker, additional capacity of 529,000sqm could potentially accommodate 26,450 additional jobs

### **Ward Street Precinct Masterplan**

The Ward Street Precinct pertains to the area bounded by McLaren Street (north), Walker Street (East), Berry Street (south) and Miller Street (west). The precinct is a part of the North Sydney Centre. It is located directly opposite the future Victoria Cross Metro station and has been subject to masterplanning by Council.

The Ward Street Masterplan responds to, *inter alia*, activation of the Centre and implementation of the directions of the North Sydney Centre Review.

The draft Ward Street Precinct Masterplan Stage 1 was endorsed by Council in December 2016 for public exhibition. In May 2017, Council commenced a process of refinement (Ward Street Precinct Masterplan Stage 2) which explored two masterplan options.

- 1 Miller Street Square which incorporates a new Miller Street square directly accessible from Miller Street.
- 2 Central Square which has a more central plaza type space of a similar scale accessible from Ward Street.

The location of the open space in both masterplan options influences the scale of buildings and distribution of floorspace. Table 2.2 summarises the land use and development potential of the masterplan options. Each option has a potential for 100,000sqm net new commercial floorspace (net of demolitions).

**Table 2.2: Ward Street Precinct Masterplan Stage 2 Options Comparison**

Component	Existing	Masterplan Option 1	Masterplan Option 2
Public open space	20sqm (approx.)	5,337sqm	4,742sqm
Indoor community use	None	4,750sqm	4,750sqm
Commercial/ employment floorspace	75,000sqm (approx.)	166,000-185,058sqm	155,650-174,790sqm
Residential supply	1,115 dwellings	308 hotel rooms	Nil
Maximum height of buildings	RL 160	RL 230-285	RL 230-285

Source: NSC (2017c)

The Masterplan Stage 2 was publicly exhibited in August 2018.

### **2.3.5 Alfred Street Precinct Planning Study**

Following the JRPP recommendation that the future land use of 275 Alfred Street be considered holistically together with other properties in the Precinct, Council resolved to carry out a strategic review of the Precinct. The Alfred Street Precinct Draft Planning Study was prepared in 2018 and placed on public exhibition.

#### **Alfred Street Precinct Draft Planning Study (2018)**

The draft Planning Study explored several land use and built form options before landing on a preferred option (as illustrated in Figure 2.4).

The Preferred Option envisages a B4 Mixed Use zone and an overall FSR of 3.5:1 across the precinct, distributed in different heights and forms across the individual sites. While the total volume of GFA is retained across the precinct, different FSR result on the sites therein.

Critically, the draft Planning Study prescribes amalgamation of the individual sites into 2 blocks:

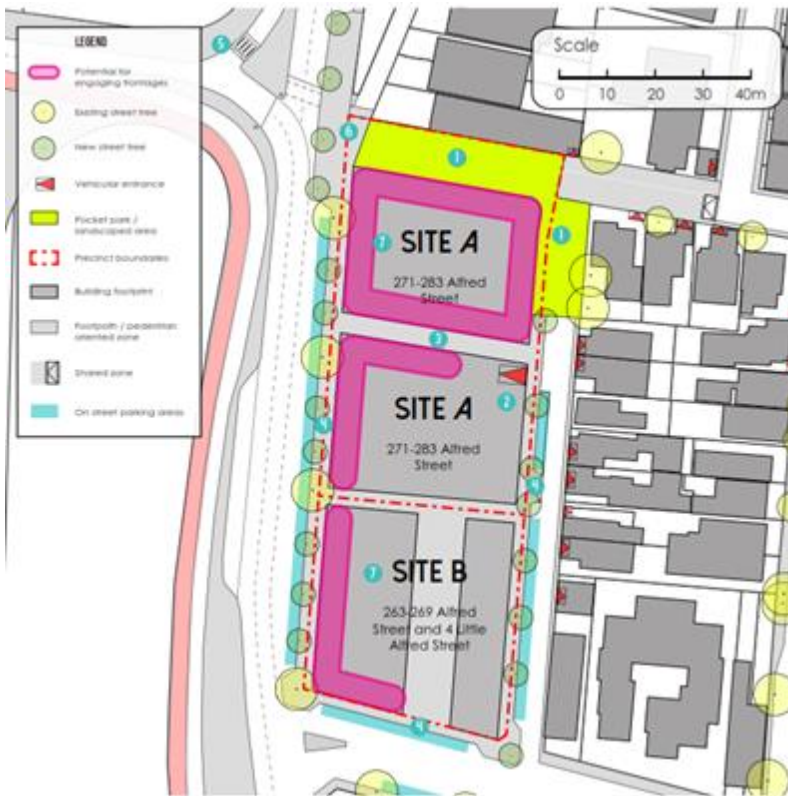
- Site A - 271-283 Alfred Street.
- Site B - 263-269 Alfred Street and 4 Little Alfred Street.

The draft Study states: "pending necessary approvals and public benefit outcomes, this study foresees:

- A maximum 23 storey residential tower over a 3 storey commercial podium at the northern end of the precinct. This outcome is contingent upon amalgamation with 271-283 Alfred Street (Site A), where a 3 storey commercial block will enable adequate separation to the southern neighbour (Site B).
- At the southern end of the precinct (Site B), a maximum of 6 storeys over a 3 storey commercial podium on the western half of the block and 3 storeys residential on the eastern half."

Figure 2.4 shows the proposed amalgamation blocks.

Figure 2.4: Alfred Street Precinct Preferred Option Amalgamation Blocks



Source: NSC (2018)

The preferred option distributes GFA across the precinct resulting in an overall volume of GFA equivalent to FSR 3.6:1. A minimum non-residential GFA requirement was proposed at FSR 1.1:1 across the precinct (as indicated by the blue in Figure 2.5).

Figure 2.5: Alfred Street Precinct Preferred Option Built Form Outcome



Source: NSC (2018)

The option comprises 5,800sqm of commercial GFA (290 jobs) and 170 dwellings (12,300sqm residential GFA).

### **Alfred Street Precinct Revised Planning Study (2019)**

Following public exhibition of the draft Planning Study, Council received a total of 31 submissions.

A revised Alfred Street Precinct Planning Study was prepared for adoption and endorsement as Council's preferred planning framework for the precinct.

The revised scheme still requires an amalgamation of Site A (275-283 Alfred Street), with a reduction in height of 2 storeys as well as a reduction in the non-residential GFA requirement. A pocket park previously proposed on the northern boundary of Site A is now a public through site-link, with the previously required publicly accessible laneway a "shared pedestrian zone".

Site B is still an amalgamated site (263-269 Alfred Street and 4 Little Alfred Street), with a greater proportion of residential floorspace within the built form.

Figure 2.6 indicates the revised amalgamation blocks.

**Figure 2.6: Alfred Street Precinct Revised Amalgamation Blocks**



Source: NSC (2019)

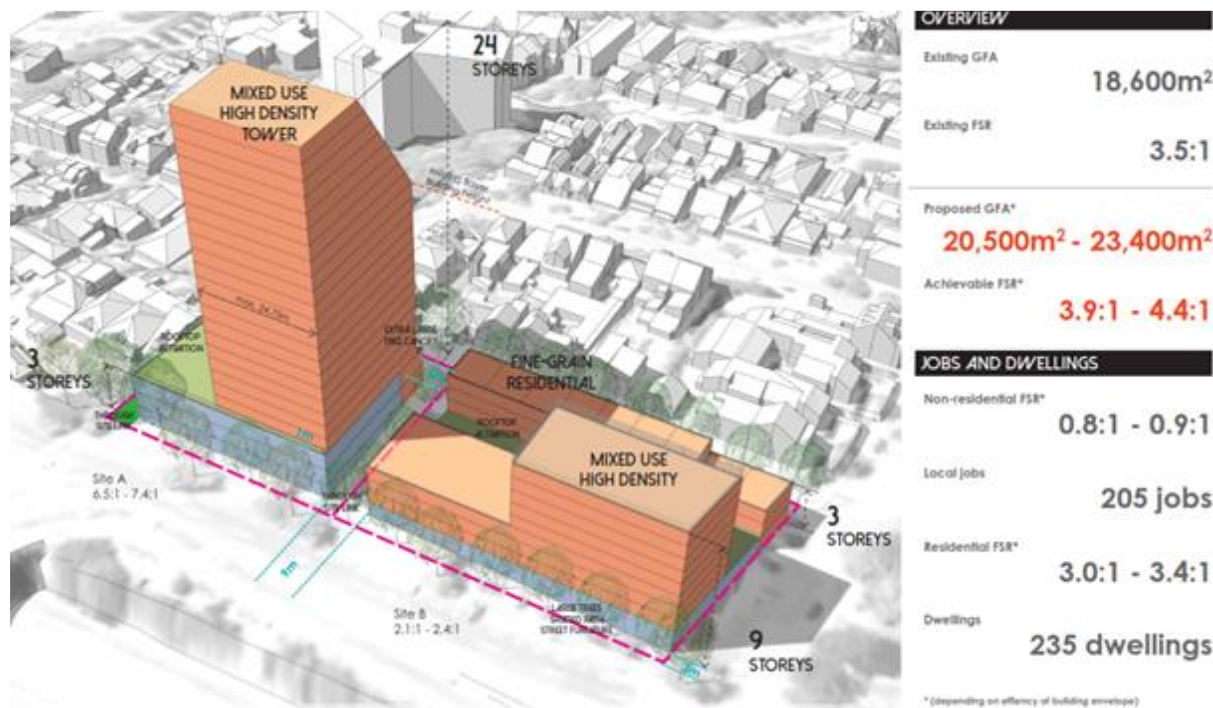
The revised Study states: "pending necessary approvals and public benefit outcomes, this study foresees:

- A maximum 21 storey residential tower over a 3 storey commercial podium at the northern end of the precinct. This outcome is contingent upon amalgamation with 271-283 Alfred Street (Site A), where a 3 storey commercial block will enable adequate separation to the southern neighbour (Site B).
- At the southern end of the precinct (Site B), a maximum of 8 storeys over a single storey commercial podium on the western half of the block and 3 storeys residential on the eastern half along Little Alfred Street."

The revised Study option distributes GFA across the precinct resulting in an overall volume of GFA ranging from FSR 3.9:1 to 4.4:1. The minimum non-residential GFA requirement is reduced to FSR 0.8:1 to 0.9:1 across the precinct (as indicated by the blue in Figure 2.6).

The revised scheme potentially accommodates 4,200sqm-4,800sqm of commercial GFA (circa 205 jobs) and circa 235 dwellings (15,700sqm-19,200sqm residential GFA).

Figure 2.7: Alfred Street Precinct Revised Built Form Outcome



Source: NSC (2019)

The post-exhibition report to Council responds to issues raised in the submissions received pertaining to:

- Resident concerns about height and scale of buildings
- Economic feasibility of proposed amalgamation blocks and development
- Traffic and parking impacts in the Precinct

In its response, Council had regard to a number of matters is developing revisions to the draft planning study. The matters of relevance to this study are:

- **Residential v Commercial Uses**

The exhibited draft planning study sought to reinforce the current employment function of the Bayer building and the rest of the precinct, thereby proposing a 'replacement' of commercial floorspace in redevelopment.

In the context of overall capacity for commercial floorspace, development interest and momentum in the North Sydney Centre, the loss of 14,000sqm of commercial floorspace in a precinct outside the North Sydney CBD was considered unfortunate but not detrimental to the integrity of the existing B3 Commercial Core in the North Sydney Centre.

Accordingly, a higher quantum of residential floorspace (at the expense of commercial) was considered to assist with mitigating the height and scale of buildings in the Precinct. Part ground floor residential uses were considered appropriate particularly in the surrounding residential context along Little Alfred Street.

- **Public Benefit**

The dedication of affordable housing was recognised to place greater height and bulk pressure on future redevelopment. Accordingly, the requirement for affordable housing was not recommended in redevelopment.

The revised planning study was recommended for adoption and endorsement as Council's preferred planning framework for the Precinct. It acknowledged detailed issues (i.e. traffic, parking, access) that have not been fully resolved in the planning study, with the opportunity to address these issues in supporting studies in a Planning Proposal.

The Study was not adopted however we have used the draft Study as a guide for the redevelopment of the Precinct.

## 2.4 IMPLICATIONS FOR THE PROPOSAL

North Sydney is important in the context of the Harbour CBD, being its northern component. North Sydney CBD is considered critical to the Harbour CBD's global competitiveness particularly through delivery of "high levels of development and amenity".

Given existing levels of amenity and transport infrastructure (and future infrastructure with a new Metro station at Victoria Cross), North Sydney Centre has an important role to play to accommodate additional housing and employment opportunities.

It is noted that the Alfred Street Precinct does not fall within the North Sydney CBD or the North Sydney Centre.

A housing supply target is set for North Sydney LGA of 3,000 additional dwellings by 2021 while a jobs target is set for North Sydney CBD of 15,600-21,100 additional jobs in the District Plan. A key action for Council is to "create capacity to achieve job targets by reviewing the current planning controls".

### **North Sydney Centre Capacity (excluding Ward Street Precinct Masterplan)**

As foreshadowed by actions in the District Plan, Council carried out a Capacity and Land Use Study (CLU study) for North Sydney as part of its review of the North Sydney Centre. Notably, the Alfred Street Precinct was not considered in the CLU study as it was focused on the North Sydney Centre per boundaries defined in North Sydney LEP (2013) which exclude the Precinct.

LEP amendments recommended in the CLU study were given effect in Council's North Sydney Centre Planning Proposal which received Gateway Determination in 2017. Critically, the new planning controls were shown to have the capacity to unlock an additionally 529,000sqm of commercial floorspace. At a generic ratio of 20sqm per job, this additional capacity could accommodate 26,450 additional jobs, in excess of the higher jobs target set in the District Plan.

### **Ward Street Precinct Masterplan**

Council has been investigated potential land use and development outcomes for the Ward Street Precinct which is directly opposite the future Victoria Cross metro station. Two masterplan options were investigated, each with the potential to deliver around 100,000sqm net new commercial floorspace (allowing for demolition of existing commercial floorspace in the precinct).

At a generic ratio of 20sqm per job, 100,000sqm of additional commercial floorspace could accommodate 5,000 jobs, further contributing to North Sydney's capacity.

### **Alfred Street Precinct Revised Planning Study**

The Alfred Street Precinct revised planning study contemplates a total of 4,200-4,800sqm commercial floorspace. After allowing for a loss of the existing commercial floorspace of 14,000sqm, a net reduction in capacity of around 9,000sqm would result.

At the same generic ratio of 20sqm per job, the capacity reduction of 9,000sqm is equivalent to 450 jobs that would be displaced following redevelopment as envisaged by the revised planning study.

Council's post-exhibition report on the revised planning study noted the loss of commercial floorspace in the Precinct would be unfortunate, however in the context of capacity elsewhere in the North Sydney Centre and demonstrated development interest and momentum it was considered an acceptable outcome.

The Proposal responds to the revised planning study by proposing a mixed use development that co-locates commercial office, residential and ancillary retail in the Precinct. The Reference Scheme contemplates around 10,000sqm of commercial office floorspace, which is more than Council's revised planning study, thereby resulting in a lower reduction in employment floorspace (4,000sqm compared to 9,000sqm).

The next chapter examines the respective employment role of the North Sydney Centre and the Alfred Street Precinct and reviews commercial development and pipeline activity in understanding overall centre sustainability and capacity for future growth.

### 3. NORTH SYDNEY CENTRE

This Chapter examines the employment activity in the North Sydney Centre and the Alfred Street Precinct over the 2011-2016 period. Socio-demographic characteristics in the North Sydney LGA are examined to understand the implications for housing demand. The chapter additionally considers the sustainability of North Sydney as an employment hub and its future capacity to grow.

#### 3.1 EMPLOYMENT PROFILE

Australian Bureau of Statistics (ABS) Census data was analysed at the Destination Zone (DZ) statistical area level to understand economic and employment activity in both the North Sydney Centre (the Centre) and Alfred Street Precinct (the Precinct).

It is unfortunate that ABS statistical areas do not always align with investigation areas. Figure 3.1 illustrates the DZ analysis areas (according to ABS statistical areas) against the boundaries of the Centre and the Precinct. Both analysis areas are larger than the Centre and Precinct boundaries. Accordingly, actual employment numbers in the Centre and the Precinct are likely to be lower than reported in this section.

The areas based on ABS statistical areas are referred to as “the Centre Analysis Area” and “the Precinct Analysis Area”, and collectively ‘the Analysis Areas’.

Figure 3.1 illustrates the Analysis Areas against the North Sydney Centre and Alfred Street Precinct boundaries.

**Figure 3.1: Analysis Areas and Centre/ Precinct Boundaries**



Source: AEC

An overview of the employment profile of the Analysis Areas is provided in Table 3.1.

**Table 3.1: Analysis Areas, Employment Profile (2011-2016)**

Indicator	The Centre	The Precinct
<b>Total Employment</b>		
2016	43,293	873
2011	41,353	811
<b>Key Industries (2016, % of Total Employment)</b>		
Professional, Scientific and Technical Services	31.7%	40.3%
Financial and Insurance Services	16.0%	13.4%
Health Care and Social Assistance	2.9%	14.8%
<b>Key Occupations (2016, % of Total Employment)</b>		
Professionals	43.6%	41.4%
Managers	24.0%	20.8%
Clerical and Administrative Workers	16.0%	14.0%

Source: ABS (2012b, 2017b)

Employment grew in the Centre and in the Precinct over the 2011-2016 period. Professional, scientific & technical services dominate employment composition in both Analysis Areas followed by financial & insurance services. The occupation profile of both Analysis Areas affirms the white collar worker profile of both.

### 3.1.1 Employment by Industry

Table 3.2 and Table 3.3 outline the employment profiles of the Analysis Areas by ANZSIC (Australia New Zealand Standard Industry Classification) and by BIC (Broad Industry Classification).

Employment growth in the Centre Analysis Area was soft over the 2011-2016 period, averaging 0.9% per annum. Growth was marginally stronger in the Precinct Analysis Area, averaging 1.5% per annum.

**Table 3.2: Analysis Areas, ANZSIC Employment by Industry (Place of Work) (2011-2016)**

Industry	2011		2016		Change (11-16)	
	No.	%	No.	%	No.	%
<b>North Sydney Centre Analysis Area</b>						
Agriculture, Forestry and Fishing	38	0.1%	87	0.2%	49	129%
Mining	265	0.6%	221	0.5%	-44	-17%
Manufacturing	1,176	2.8%	1,003	2.3%	-173	-15%
Electricity, Gas, Water and Waste Services	413	1.0%	707	1.6%	294	71%
Construction	2,139	5.2%	2,873	6.6%	734	34%
Wholesale Trade	1,504	3.6%	1,173	2.7%	-330	-22%
Retail Trade	1,193	2.9%	1,153	2.7%	-41	-3%
Accommodation and Food Services	1,012	2.4%	1,008	2.3%	-4	0%
Transport, Postal and Warehousing	1,043	2.5%	1,303	3.0%	260	25%
Information Media and Telecommunications	3,079	7.4%	3,851	8.9%	773	25%
Financial and Insurance Services	6,664	16.1%	6,925	16.0%	260	4%
Rental, Hiring and Real Estate Services	683	1.7%	730	1.7%	47	7%
Professional, Scientific and Technical Services	13,236	32.0%	13,721	31.7%	486	4%
Administrative and Support Services	2,876	7.0%	2,588	6.0%	-287	-10%
Public Administration and Safety	1,824	4.4%	1,559	3.6%	-265	-15%
Education and Training	1,656	4.0%	1,779	4.1%	124	7%
Health Care and Social Assistance	1,347	3.3%	1,270	2.9%	-77	-6%
Arts and Recreation Services	190	0.5%	326	0.8%	136	72%
Other Services	1,016	2.5%	1,014	2.3%	-2	-
<b>Total</b>	<b>41,353</b>	<b>100%</b>	<b>43,293</b>	<b>100%</b>	<b>1,940</b>	<b>4.7%</b>



Industry	2011		2016		Change (11-16)	
	No.	%	No.	%	No.	%
<b>Alfred Street Precinct Analysis Area</b>						
Agriculture, Forestry and Fishing	1	0.1%	0	0.0%	-1	-100%
Mining	4	0.5%	0	0.0%	-4	-100%
Manufacturing	20	2.5%	13	1.5%	-7	-34%
Electricity, Gas, Water and Waste Services	3	0.4%	0	0.0%	-3	-100%
Construction	75	9.3%	26	2.9%	-50	-66%
Wholesale Trade	31	3.8%	9	1.0%	-22	-71%
Retail Trade	8	1.0%	31	3.5%	23	298%
Accommodation and Food Services	21	2.6%	18	2.1%	-2	-12%
Transport, Postal and Warehousing	0	0.0%	7	0.8%	7	4,395%
Information Media and Telecommunications	17	2.0%	30	3.5%	14	82%
Financial and Insurance Services	74	9.1%	117	13.4%	43	59%
Rental, Hiring and Real Estate Services	13	1.6%	31	3.6%	18	144%
Professional, Scientific and Technical Services	285	35.2%	351	40.3%	66	23%
Administrative and Support Services	71	8.8%	39	4.5%	-32	-45%
Public Administration and Safety	0	0.0%	17	2.0%	17	-
Education and Training	24	3.0%	30	3.5%	6	27%
Health Care and Social Assistance	134	16.5%	129	14.8%	-5	-4%
Arts and Recreation Services	4	0.5%	4	0.4%	-	-5%
Other Services	25	3.1%	19	2.2%	-6	-2%
<b>Total</b>	<b>811</b>	<b>100%</b>	<b>873</b>	<b>100%</b>	<b>63</b>	<b>7.7%</b>

Source: ABS (2012b, 2017b)

**Table 3.3: Analysis Areas, Broad Industry Classification (2011-2016)**

Industry	2011		2016		Change (11-16)	
	No.	%	No.	%	No.	%
<b>North Sydney Centre Analysis Area</b>						
Knowledge Intensive	28,361	69%	29,375	68%	1,013	4%
Health and Education	3,003	7%	3,050	7%	47	2%
Population Serving	5,551	13%	6,375	15%	824	15%
Industrial	4,438	11%	4,495	10%	56	1%
<b>Total</b>	<b>41,353</b>	<b>100%</b>	<b>43,293</b>	<b>100%</b>	<b>1,940</b>	<b>4.7%</b>
<b>Alfred Street Precinct Analysis Area</b>						
Knowledge Intensive	460	57%	586	67%	127	28%
Health and Education	158	19%	160	18%	2	1%
Population Serving	133	16%	98	11%	-35	-26%
Industrial	60	7%	29	3%	-31	-52%
<b>Total</b>	<b>811</b>	<b>100%</b>	<b>873</b>	<b>100%</b>	<b>63</b>	<b>7.7%</b>

Source: ABS (2012b, 2017b)

As a proportion of overall employment, knowledge-intensive industries dominate in both Analysis Areas (nearly 70% of total employment).

Unsurprisingly, employment growth in both Analysis Areas has been driven by knowledge-intensive industries. While population-serving employment has grown notably in the Centre Analysis Area, it declined in the Precinct Analysis Area over the 2011-2016 period. This is conceivably due to the isolation and lower exposure of the Alfred Street location which makes it challenging particularly for retail-based businesses.

### 3.1.2 Employment by Occupation

Aligning with the employment profile of both Analysis Areas, the occupational profile tells a similar story, with professionals the dominant occupation.

**Table 3.4: Alfred Street Employment Area, Employment by Occupation (2011-2016)**

Occupation	2011		2016		Change 2011-16	
	No.	%	No.	%	No.	%
<b>North Sydney Centre Analysis Area</b>						
Managers	9,792	23.7%	10,377	24.0%	585	6%
Professionals	18,024	43.6%	18,875	43.6%	850	5%
Technicians and Trades Workers	1,880	4.5%	2,230	5.2%	351	19%
Community and Personal Service Workers	1,082	2.6%	1,425	3.3%	342	32%
Clerical and Administrative Workers	7,932	19.2%	6,946	16.0%	-986	-12%
Sales Workers	2,118	5.1%	2,343	5.4%	225	11%
Machinery Operators and Drivers	105	0.3%	193	0.4%	88	84%
Labourers	420	1.0%	905	2.1%	485	116%
<b>Total</b>	<b>41,353</b>	<b>100%</b>	<b>43,293</b>	<b>100%</b>	<b>1,940</b>	<b>4.7%</b>
<b>Alfred Street Precinct Analysis Area</b>						
Managers	168	20.7%	181	20.8%	14	8%
Professionals	361	44.6%	362	41.4%	0	-
Technicians and Trades Workers	35	4.3%	50	5.7%	15	42%
Community and Personal Service Workers	70	8.6%	72	8.3%	2	3%
Clerical and Administrative Workers	113	13.9%	122	14.0%	9	8%
Sales Workers	38	4.7%	65	7.5%	27	71%
Machinery Operators and Drivers	0	0.0%	4	0.4%	4	-
Labourers	26	3.2%	18	2.0%	-8	-32%
<b>Total</b>	<b>811</b>	<b>100%</b>	<b>873</b>	<b>100%</b>	<b>63</b>	<b>7.7%</b>

Source: ABS (2012a, 2017b)

Note: Totals may not sum due to rounding.

### 3.1.3 Employment in the Precinct

In 2015, an audit of the number of jobs in the Precinct estimated that 549 jobs were accommodated in the various buildings. Since then, ABS 2016 census data has been released.

Between 2011 and 2016 (as shown in Table 3.2) the Precinct Analysis Area experienced growth of about 7.7%. By applying this growth rate as a proxy for the number of jobs in the Precinct estimated in 2015, the result is 591 jobs. We highlight that the Precinct is smaller than the Precinct Analysis Area, hence the number of jobs in the Precinct (estimate of 591) is expectedly lower than the jobs in the Precinct Analysis Area (873 in 2016).

Lands in the Precinct Analysis Area outside the Precinct are mostly residential zones (a mix of R2, R3, R4), a B1 zone at the corner of Kurraba Road and Clark Road and recreational zones (RE1 and RE2).

Employment uses are permitted with consent in these zones, some of which include: entertainment facilities, health consulting rooms, home-based child care, information and education facilities, medical centres, places of public worship, registered clubs, respite day care centres.

Business and office premises, neighbourhood shops and supermarkets, medical centres and health services facilities are among the uses permitted with consent in the B1 Neighbourhood Centre zone.

It is therefore conceivable that the difference of 282 jobs (873 less 591) occurs in areas outside the Precinct where employment uses are permitted.

In order to 'test' the estimate of 591 jobs in the Precinct, analysis against existing floorspace in the Precinct is undertaken in Table 3.5. This is to examine the resultant floorspace ratio per job/ worker.

**Table 3.5: Existing Buildings**

Address	Description	Estimated Existing GFA*	Estimated Jobs <sup>^</sup>
<b>Site A</b>			
271-273 Alfred St	2 x 3 storey commercial buildings	2,300sqm	96
275 Alfred St	18 storey commercial building	9,700sqm	404
283 Alfred St	3 storey commercial building	2,200sqm	91
<b>Total</b>		<b>14,200sqm</b>	<b>591</b>
<b>Site B</b>			
263-269 Alfred St	13 townhouses	4,370sqm	
4 Little Alfred St	20 residential strata units		

Source: AEC

\*The estimate of existing GFA in the Precinct is based on a combination of information sources (including select landowners, external observations and data on commercial databases), building floorspace in the existing is estimated. The majority of employment is assumed to be accommodated in Site A (271-283 Alfred Street), with Site B (263-269 Alfred Street and 4 Little Alfred Street) mostly residential in nature with a select number of dwellings accommodating business activity.

<sup>^</sup>For the purposes of the testing the reasonableness of the jobs estimate, the assumed number of jobs (591) is divided into 14,200sqm of estimated GFA. A generic worker/ floorspace ratio of 24sqm results. This ratio is 20% higher than current observations (around 20sqm per job), however is not surprising given the small floorplates of the existing buildings and their age. It is not uncommon for floorspace worker occupancy ratios to be higher in less efficient, older buildings with smaller floorplates.

The above analysis indicates that the approach of applying the Precinct Analysis Area employment growth rate (7.7% over 2011-2016 period) to previously estimated number of jobs in the Precinct (549 jobs) results in a reasonable estimate of jobs (591) in the Precinct.

## 3.2 SOCIO-DEMOGRAPHIC PROFILE

This section examines the socio-demographic profile of residents to understand the changing characteristics of population and households. Data for North Sydney LGA is compared against the North District (comprised of City of Ryde, Hornsby, Hunters Hill, Ku-ring-gai, Lane Cove, Mosman, North Sydney, Northern Beaches, Willoughby).

### Population Growth

There were almost 72,000 residents in the North Sydney LGA in 2016, representing over 8% of residents in the North District. Between 2006 and 2016, population in the North Sydney LGA averaged 1.6% per annum which was slightly higher than the average growth observed (1.4% per annum) in the North District.

**Table 3.6: Historic Population (2006-2016), North Sydney LGA**

Area	2006	2011	2016	Change (2006-2016)		Avg. Annual Growth
				#	%	
North Sydney LGA	61,512	66,747	71,809	10,297	16.7	1.6%
North District	756,507	812,500	867,809	111,302	14.7	1.4%

Source: ABS (2018c)

### Household and Family Composition

Households in North Sydney LGA are dominated by family households, comprising 53% of total households. The proportion of family households increased steadily over the decade, while lone person households recorded a concurrent decrease. In 2016, 32% of households comprised of a lone person compared to 35% in 2006.

A breakdown of family composition in North Sydney LGA reveal couples without children make up a large component of family households (54%). Couples with children are the second largest family type, comprising 34% of total families in 2016. In contrast, the reverse is true of family composition in the North District, where family households are dominated by couples with children (52%) followed by couples without children (35%).

**Table 3.7: Household Composition (2006-2016), North Sydney LGA**

Household Composition	North Sydney LGA			North District		
	2006	2011	2016	2006	2011	2016
Family households	46.0%	49.6%	53.0%	67.6%	69.5%	70.5%
Lone person households	34.9%	34.1%	32.4%	23.0%	22.4%	21.3%
Group households	7.3%	6.9%	6.1%	3.8%	3.7%	3.6%
Other households	11.8%	9.4%	8.5%	5.6%	4.4%	4.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ABS (2017f)

**Table 3.8: Family Composition (2006-2016), North Sydney LGA**

Family Composition	North Sydney LGA			North District		
	2006	2011	2016	2006	2011	2016
Couples with no children	57.3%	56.6%	53.7%	36.3%	35.7%	34.9%
Couples with children	28.7%	31.0%	34.0%	50.2%	51.1%	52.3%
Single parent families	10.4%	9.6%	10.0%	11.6%	11.5%	11.2%
Other families	3.6%	2.8%	2.3%	1.8%	1.6%	1.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ABS (2017f)

**Household and Family Composition by Age Cohort**

The profile of household and family types indicates a dominance by smaller households (high proportion of lone persons and couples with no children) compared to the North District aggregate. To understand the structure better, disaggregation of household and family types by age is undertaken. The following observations are made:

- The majority of couples without children are observed to be retirees, with 35% families aged 55 years+. Younger couples without children also have a notable presence, those aged 25-34 years making up 39%.
- Couples with children are mostly aged between 35 and 49 years (55% of all families).
- Lone person households are generally older residents. Residents aged 55 years+ comprise almost 45% of lone person households.
- More than 60% of households comprise one or two persons, with 25% of all households aged 55 years+.

**Table 3.9: Family Composition by Age Cohort (2016), North Sydney LGA**

Age Cohort	Family Households				Non-Family Households*	
	Couples with No Children	Couples with Children	One Parent Family	Other Family	Lone Person	Group
15-19 years	0.0%	0.0%	0.0%	1.7%	0.4%	0.7%
20-24 years	2.8%	0.1%	0.2%	22.7%	2.5%	13.1%
25-29 years	16.6%	2.0%	0.7%	25.2%	7.3%	31.1%
30-34 years	20.3%	13.2%	3.1%	13.2%	10.4%	20.3%
35-39 years	10.3%	21.1%	7.5%	8.2%	10.2%	11.3%
40-44 years	6.0%	19.0%	14.4%	4.7%	9.1%	5.5%
45-49 years	4.8%	14.3%	17.3%	5.0%	8.1%	3.5%
50-54 years	4.5%	11.4%	16.1%	1.5%	7.2%	3.0%
55-59 years	5.4%	8.3%	14.4%	3.7%	7.7%	2.7%
60-64 years	7.0%	5.6%	8.9%	3.7%	7.7%	2.5%
65+ years	22.4%	5.1%	17.3%	10.2%	29.3%	6.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
% of Total Households	28.5%	18.0%	5.3%	2.3%	32.4%	6.1%

\*Age cohort data not available for 'Other Households'

Source: ABS (2017a)

### 3.3 COMMERCIAL LAND USES

North Sydney CBD is one Sydney's major office markets, with more than 800,000sqm of commercial office floorspace. Businesses and employees benefit from the existing transport interchange and proximity to the Sydney CBD, which contribute to agglomeration benefits and access to a diverse labour pool.

Supply side issues in the Sydney CBD and the imminent completion of Sydney Metro are cumulatively contributing to increased demand interest in North Sydney. This uptick in activity is observed on numerous fronts:

- **Investor interest**

In the 12 months to July 2018 sales of \$1.26b in North Sydney CBD were reported. Foreign purchasers accounted for 80% of the sales by value, notably purchase of a 50% stake in 100 Miller Street by Hong Kong based Early Light Holdings at a market yield of 4.7%. This is the first sub-5% yield transaction outside the Sydney CBD, indicative of the confidence investors have in North Sydney as an investment proposition.

- **Demand for office space**

Strong demand for office space has resulted in impressive effective rental growth for prime and secondary space of 16.5% and 15.7% respectively over the past 12 months (Knight Frank, 2018).

- **Record low vacancy levels**

Vacancy levels have fallen to 6.3% from 7.9% recorded 12 months prior in January 2018. Vacancy rates for prime grade floorspace are particularly low as a shortage of prime grade quality stock persists.

- **Positive net absorption**

Pre-commitments continue to drive development and market activity in North Sydney, with net absorption expected to be strongest to 2020, averaging 26,000sqm lettable area per annum (Knight Frank, 2018).

- **Strong supply pipeline**

A number of commercial developments are under construction, others with approval or under assessment and poised for delivery. Notable developments in the pipeline include:

- 1 Denison Street, 41 storey tower (66,000sqm GFA retail, commercial office, media production and broadcast space), new pedestrian plaza, public forecourt under construction. Expected completion 2020.
- 86-96, 100 Mount Street, 36 storey tower (45,000sqm GFA commercial office and minor retail provision) under construction. Expected completion 2019.
- 118 Mount Street, 29 storey tower (22,000sqm GFA commercial office and minor retail provision) under construction. Expected completion 2020.
- 88 Walker Street, 48 storey tower (24,000sqm GFA commercial office, hotel, pub) with development approval. If commenced, completion could potentially occur in 2022.
- 73 Miller Street, alterations and additions to existing 14 storey commercial building and increase of 5,000sqm GFA. Development application submitted.

There is no shortage of demand from investors seeking office assets in North Sydney CBD. Investment volumes are constrained by a lack of stock to purchase not by a lack of buyers seeking to acquire.

The strong investment market is being driven by:

- Low interest rates in Australia and globally, prompting attraction to higher returns in property assets.
- Yields in Sydney generally are low compared to the long term trends but remain high by global standards. Prime yields in Sydney are in the order of 5-6% compared to 3.5% in London and 4.15% in New York.
- Conversion opportunities for non-commercial office uses in the CBDs including North Sydney.
- Strong leasing conditions underpinned by significant demand in an environment where large withdrawals of space (particularly in Sydney CBD) are occurring.

Ancillary and complementary uses to commercial are equally needed to support the urban and retail amenity of the North Sydney Centre.

## 3.4 SUSTAINABILITY AND POTENTIAL FOR FUTURE GROWTH

### Current and Target Employment

The North Sydney Centre experienced moderately soft employment growth over the 2011-2016 period, averaging growth of less than 1% per annum. Analysis of 2016 census data indicates there were approximately 43,300 jobs in the Centre itself (centre boundaries as defined in North Sydney LEP 2013 and which exclude Alfred Street Precinct).

The 43,300 jobs in the Centre are lower than the District Plan's estimate of 60,400 jobs, though the District Plan includes areas south of the Centre extending to Milsons Point. If these areas to the south were included, 2016 census data indicates approximately 48,600 jobs.

In either scenario (whether 'North Sydney' is defined as the North Sydney Centre or as extending to the south to include Milsons Point), the following additional jobs are required to achieve the baseline target of 76,000 jobs.

- North Sydney Centre - additional 32,700 jobs (76,000 jobs less 43,300 jobs in 2016).
- North Sydney Centre plus Milsons Point - additional 27,400 jobs (76,000 jobs less 48,600 jobs in 2016).

At a generic rate of 20sqm per job, the additional floorspace required to accommodate the analysed job growth would range from 548,000sqm to 654,000sqm.

To achieve the higher target of 81,500 jobs, the following additional jobs would be required:

- North Sydney Centre - additional 38,200 jobs (81,500 jobs less 43,300 jobs in 2016).
- North Sydney Centre plus Milsons Point - additional 32,900 jobs (81,500 jobs less 48,600 jobs in 2016).

At a generic rate of 20sqm per job, the additional floorspace required to accommodate the analysed job growth would range from 658,000sqm to 764,000sqm.

### Commercial Supply Capacity

Council has completed significant work in estimating supply capacity in the North Sydney Centre, investigating various scenarios that could unlock employment growth capacity. When implemented, Council's planning proposal has the capacity to unlock 529,000sqm of additional floorspace.

There is significant development and investor interest in the Centre, with a number of major commercial buildings under construction and others either under assessment or approved. Assuming all are delivered as proposed, there is potential for more than 160,000sqm commercial GFA delivered over the next 3-4 years (as outlined in section 3.3).

On a net basis (after allowing for demolition of existing floorspace), this could equate to around 112,000sqm additional GFA, or an average of around 28,000sqm GFA over the next few years (Knight Frank, 2018).

The Ward Street Precinct Masterplan was noted by Council to have received significant private sector interest, with development there having the potential to deliver additional 100,000sqm GFA. Over-station development above the Victoria Cross metro station is understood to be planned for 65,000sqm+ of office and retail space.

Cumulatively, there appears to be in the order of 806,000sqm GFA of additional commercial supply capacity in the Centre. By dividing the floorspace by a generic ratio of 20sqm per job, supply capacity for 40,300 additional jobs results. The supply capacity exceeds the additional jobs required in all the target scenarios discussed above.

### Population Demography and Housing Demand

There is a high proportion of small households (one or two persons) in the North Sydney LGA, with:

- The majority of couples without children are observed to be retirees, with 35% families aged 55 years+. Younger couples without children also have a notable presence, those aged 25-34 years making up 39%.
- Couples with children are mostly aged between 35 and 49 years (55% of all families).
- Lone person households are generally older residents, with residents aged 55 years+ comprising 45%.

The composition of households and families has direct implications for housing demand and the type of residential product. With more than 60% of households comprised of one or two persons, more smaller format dwellings (including residential units) will conceivably be required.

### **Sustainable Growth**

The North Sydney Centre is on the cusp of significant urban renewal, driven not only by commercial development and infrastructure investment but also development activity in other asset classes including residential and short-term accommodation (hotels).

Development and investment momentum in the Centre are a product of a number of factors supply side issues in the Sydney CBD, catalytic impacts of a few major projects and increasing attractiveness of North Sydney as a business destination with the imminent arrival of Sydney Metro.

North Sydney already appears to be a residential destination for the young and the old alike, with more than 60% of households comprised of either one or two persons. As the north Sydney Centre continues to renew and transform into a significant hub of business and economic activity, its appeal as a place to live will be commensurate.

In order for growth to be sustainable, the infrastructure that supports growth will also be required. This includes suitable housing options close to transport links and services.

The Precinct could accommodate small businesses and occupiers who might prefer a location away from the CBD core. The Precinct would effectively play a supportive role to the North Sydney CBD as a fringe location, also accommodating housing options for smaller households.

## 4. ECONOMIC IMPACT ASSESSMENT

### 4.1 INTRODUCTION

This chapter provides an overview of the economic impacts arising from the Base Case and Proposal Case. The Base Case and Proposal Case are described below.

#### 4.1.1 Base Case

The **Base Case Today** scenario assumes that existing buildings in the Alfred Street Precinct will continue operations 'as is'. It is a snapshot in time (i.e. today).

An 'extension' of the Base Case scenario (**Base Case Looking Forward**) is also examined. Like the Base Case Today, this scenario assumes the existing planning controls are retained and but considers what might occur in the future particularly given the age of the commercial buildings in the Precinct (dating from the 1960's and 1970's), including the Bayer building.

#### **Refurbishment of Bayer Building**

The Bayer building is nearly 50 years old and approaching the end of its economic useful life. Unless significant expenditure is incurred to renew the building and services and upgrade the standard of accommodation to contemporary standards, a key risk for sustainability of the asset is CapEx risk.

The intention of any refurbishment exercise to upgrade office accommodation is to preserve asset value by attracting prospective tenants at higher rents and/or retain existing tenants. In the case of well positioned commercial buildings, regular upgrades and refurbishments to ensure the buildings retain value and remain competitive, are a commercial proposition. That is, net revenue 'unlocked' by a refurbishment exceeds net cost.

In order to understand the sustainability of the Bayer building as an existing commercial building, a financial analysis of refurbishment/retrofit of the existing building was carried out.

Two revenue scenarios were considered:

- **Secondary Grade Rents**

The quality and standard of accommodation is not the sole factor of a building's grade classification. Location is a key determinant. Accordingly, CapEx programs for assets in secondary locations should accordingly be reflective of their limited ability to command prime grade rents. Average net rents for secondary office space ranges from \$500/sqm to \$600/sqm in North Sydney. An assumption of \$650/sqm of lettable area is made.

- **Prime Grade Rents**

Prime grade buildings are in the centre core of Walker, Miller and Arthur Streets. Depending on location and accommodation quality, average net rents for prime grade office space is circa \$700/sqm-\$800/sqm of lettable area. For the purposes of this exercise, an assumption in the upper end of the range is adopted.

Cost assumptions were made based on an indicative cost plan from Spicer Consultants (detailed in Appendix A).

Table 4.1 illustrates that that a refurbishment (even if prime grade rents could be achieved) is a poor commercial proposition. Feasibility expectedly worsens if a more realistic view on expected rents is taken.

**Table 4.1: Feasibility Testing Results, Refurbishment Option**

Net Office Rents*	Site Area (sqm)	Existing Value	Residual Land Value	Project IRR	Development Margin	Feasible?
Prime grade, \$800/sqm	1,334	\$87,000,000	\$21,700,000	-5.76%	-33.52%	No
Secondary grade, \$650/sqm	1,334	\$87,000,000	\$9,900,000	-10.69%	-44.51%	No

\*signage/advertising revenue has not been included  
Source: AEC

The cost of refurbishment exceeds the revenue gain from a refurbishment. Commercial refurbishment/upgrade of the existing building is not financially feasible for a number of reasons.



The building is nearly than 50 years old and is isolated from the main commercial centre of North Sydney. While many owners of secondary commercial assets incorporate regular refurbishments into CapEx programs and budgets, the ability of the building to be refurbished in this manner is challenged on a number of fronts.

- **Isolated location from main commercial centre**

The isolation and distance from tenant services, amenity and public transport options, all of which are critical for commercial space to be attractive. By virtue of its fringe location, the potential for any commercial refurbishment to unlock value is limited.

- **Small building floorplates** (400sqm-460sqm)

The building configuration facilitates only small tenancies thus limiting its appeal to a small section of the market. Many small tenants are reluctant to commit for leases longer than 2 years, accordingly resulting in a risky lease profile for the building. The current weighted lease duration is 1.3 years.

- **Extensive presence of asbestos and re-cladding of façade**

An asbestos risk assessment report identified asbestos on almost every level of the building (both friable and non-friable type). This means that any refurbishment of the building will have to ensure appropriate containment and monitoring, adding to the cost of remediation.

The cumulative impact of a constrained revenue profile *and* substantial refurbishment cost is that a commercial refurbishment is not a viable proposition for the Bayer building.

### **Base Case Looking Forward**

Due to the age of buildings in the Precinct (particularly the Bayer building), the following observations are made:

- Due to the age of the Bayer Building, significant capital expenditure would be required to upgrade the floorspace to contemporary standards and to ensure it remains competitive in attracting tenants.
- Refurbishment to prime or secondary grade asset not a commercial proposition (demonstrated in Table 4.1).

In the **Base Case Looking Forward** and the buildings remain 'as is', the Bayer building will likely continue to deteriorate in ability to attract tenants at market rents. This results in a loss of competitive standing accompanied by reduction in occupancy levels and corresponding reduction in the number and quality of jobs accommodated.

The Base Case Looking Forward can be expected to result in lower economic contribution compared to the Base Case. For the purposes of the EIA, the Bayer building is assumed to experience a 25% reduction in occupancy. This leads to overall Precinct employment of 490 jobs (reduced from 591 jobs assumed in the Base Case Today).

Increasing vacancy levels are typically accompanied by declining rents or modest growth. It is not desirable from an economic perspective for space to be subject to high levels of vacancy (other than the usual 'friction' levels that ordinarily result from tenant letting up and changeover).

**Table 4.2: Assumed Base Case Employment**

Address	Estimated Existing GFA*	Base Case Jobs Today	Base Case Jobs Looking Forward
271-273 Alfred St	2,300sqm	96	96
275 Alfred St	9,700sqm	404	303*
283 Alfred St	2,200sqm	91	91
<b>Total</b>	<b>14,200sqm</b>	<b>591</b>	<b>490</b>

\*Occupancy reduced by 25%  
Source: AEC

#### 4.1.2 Proposal Case

The Proposal Case assumes a comprehensive redevelopment of the Alfred Street Precinct per the Reference Scheme, with the existing buildings to be demolished for a mixed use development comprising retail and commercial floorspace (about 10,127sqm GFA) and approximately 156 residential units (about 14,499sqm GFA) to a total GFA of 24,626sqm.

The economic impacts are assessed at the North Sydney LGA level using AEC's proprietary Input-Output (IO) model. Refer to Appendix A for a description of Input-Output modelling methodology and key assumptions).

## 4.2 DRIVERS OF ECONOMIC IMPACT

The section estimates economic activity supported through the economic activity resulting from redevelopment of the Precinct under the Proposal Case compared to if it remained in its existing use (Base Case).

The economic impacts have been assessed at the **North Sydney LGA level**. An Input-Output model, including the development of specific regional Input-Output transaction tables, was developed to reflect the economic structure of the North Sydney LGA (refer to Appendix A). Input-Output modelling describes economic activity through the examination of four types of impacts which are defined and described in the table below.

**Table 4.3: Economic Indicators**

Indicator	Description
Output	Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. <b>Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.</b>
Gross Product	Refers to the value of output after deducting the cost of goods and services inputs in the production process. <b>Gross product (e.g., Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.</b>
Income	Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the Project.
Employment	Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow on activity, and is expressed in terms of Full-Time Equivalent (FTE) positions. One FTE job is defined as one person working full time for a period of one year.

Source: AEC

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities by industries increasing their activity in response to the direct spending. Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

The following estimates consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

### Drivers of Economic Activity

In order to understand the economic impacts likely to result from the Proposal compared to the Base Case, it is necessary to distinguish economic impacts during the construction phase of the Proposal and the economic impacts of the Base Case and Proposal Case that are more permanent in nature.

- **Construction Phase:** Construction activity from the Proposal will draw resources from and thereby generate economic activity in the North Sydney LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA. No construction is envisaged for the Base Case.
- **Operational Phase:** On completion, the Precinct is expected to generate ongoing economic/ operational activity through the employment floorspace as well as dispersed jobs and household expenditure. This will replace the existing activity in the Precinct. Three types of operational phase activities are examined:
  - Business operations: Economic activity due to retail and commercial activities in the Precinct in the Proposal, compared to the existing business operations in the Base Case Today and Base Case Looking Forward scenarios.
  - Dispersed jobs: Economic activity occurring as a result of employment activity from 'dispersed jobs', i.e. residents who work from home, driven by new development in the Proposal. This is compared to dispersed jobs located in existing dwellings in the Precinct that will be replaced by the Proposal.
  - Household impacts: Economic activity occurring as a result of direct expenditure of net new households in the Precinct, i.e. the households who live in the new dwellings developed less existing households. Household impacts have been modelled separately from the business operations and dispersed jobs to avoid potential double counting of impacts.

## 4.3 ECONOMIC ACTIVITY AND IMPACTS

The economic contribution can be traced through the economic system via:

- **Initial stimulus (direct) impacts**, which represent the economic activity of the industry directly experiencing the stimulus.
- **Flow-on impacts**, which are disaggregated to:
  - **Production induced effects (type I flow-on)**, which comprise the effects from:
    - Direct expenditure on goods and services by the industry experiencing the stimulus (direct suppliers to the industry), known as the first round or direct requirements effects.<sup>2</sup>
    - The second and subsequent round effects of increased purchases by suppliers in response to increased sales, known as the industry support effects.
  - **Household consumption effects (type II flow-on)**, which represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the economic system.

### 4.3.1 Construction Phase

The economic impacts during the Construction Phase are presented for the Proposal Case only, as there is no construction in the Base Case.

#### Proposal Case

Economic activity generated by businesses and workers in the North Sydney LGA is expected to be supported direct and flow-on impacts arising during construction:

- \$101.9 million in output (including \$54.7 million directly).
- \$39.5 million contribution to GRP (including \$14.2 million directly).
- \$19.1 million in incomes and salaries paid to households.
- 258 FTE jobs (including 120 directly employed in construction activity).

**Table 4.4: Construction Impacts in North Sydney LGA, Proposal Case**

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Initial Stimulus	\$54.7	\$14.2	\$7.0	120
Production Induced	\$24.5	\$11.8	\$6.9	73
Household Consumption Impacts	\$22.8	\$13.4	\$5.3	65
<b>Total</b>	<b>\$101.9</b>	<b>\$39.5</b>	<b>\$19.1</b>	<b>258</b>

Source: ABS (2012b, 2017c, 2018b, 2019), AEC

\*totals may not sum due to rounding

Major industry beneficiaries of the construction phase include:

- Construction (GRP of \$14.2 million).
- Professional, scientific and technical services (\$4.6 million).
- Financial and insurance services (\$4.2 million).

<sup>2</sup> Modelling note: In assessing construction phase impacts, AEC's modelling approach treats subcontractors in the construction services sector engaged through first round effects as part of the initial stimulus impact rather than as part of the production induced impact.

### 4.3.2 Operational Phase

This section outlines the economic activity that is estimated to occur generated by:

- Commercial activity from businesses operating in the Precinct.
- Dispersed jobs (i.e. jobs conducted from home) from residents living in the Precinct.

Economic impacts in the Operational Phase are assessed separately for the Base Case Today, Base Case Looking Forward and Proposal Case.

#### **Base Case Today**

The Base Case scenario assumes the existing commercial buildings and dwellings in the Precinct will continue their existing business activity. The Base Case assumes there are 591 existing jobs in the commercial buildings and 2 dispersed jobs in the existing dwellings in the Precinct.

The business activity generated by the commercial and dispersed jobs conducted in the Precinct is estimated to support the following economic activity directly through the activities of existing businesses and through flow-on impacts via supply chain activity and household consumption (per annum):

- \$440.3 million in output (including \$196 million directly).
- \$244.2 million contribution to GRP (including \$105.3 million directly).
- \$123.6 million in incomes and salaries paid to households.
- 1,303 FTE jobs (including 593 FTE directly related to commercial activity and dispersed jobs in the Precinct).

**Table 4.5: Operational Impacts in North Sydney LGA, Base Case Today**

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Initial Stimulus	\$196.0	\$105.3	\$59.9	593
Production Induced	\$89.4	\$47.6	\$27.7	268
Household Consumption Impacts	\$155.0	\$91.3	\$36.0	442
<b>Total</b>	<b>\$440.3</b>	<b>\$244.2</b>	<b>\$123.6</b>	<b>1,303</b>

Source: ABS (2012b, 2017c, 2018b, 2019), AEC

\*Note: Totals may not sum due to rounding

Major industry beneficiaries of the operational phase include:

- Financial and insurance services (\$62 million)
- Professional, scientific and technical services (\$53.35 million)
- Ownership of dwellings (\$25.5 million).

#### **Base Case Looking Forward**

The Base Case Looking Forward scenario considers what might happen in the future should there be no change to existing planning controls.

The buildings remain 'as is' and the commercial buildings will likely continue to deteriorate in quality and ability to attract tenants at market rents. A loss of competitive standing can be expected to be accompanied by a reduction in occupancy levels and corresponding reduction in the number and quality of jobs accommodated.

The Base Case Looking Forward can be expected to result in lower economic contribution compared to the Base Case. For the purposes of the EIA, the Bayer building is assumed to experience a 25% reduction in occupancy in the future should there be no change to existing planning controls.

The potential impacts on employment in the Base Case Today and Base Case Looking Forward were outlined in Table 4.2. Based on those assumptions, business activity generated by the commercial and dispersed jobs in the Precinct is estimated to support the following economic activity directly through the activities of existing businesses and through flow-on impacts via supply chain activity and household consumption (per annum):

- \$365.4 million in output (including \$162.6 million directly).
- \$202.7 million contribution to GRP (including \$87.4 million directly).
- \$102.6 million in incomes and salaries paid to households.
- 1,082 FTE jobs (including 492 FTE directly related to commercial activity and dispersed jobs in the Precinct).

**Table 4.6: Operational Impacts in North Sydney LGA, Base Case Looking Forward**

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Initial Stimulus	\$162.6	\$87.4	\$49.7	492
Production Induced	\$74.2	\$39.5	\$23.0	223
Household Consumption Impacts	\$128.6	\$75.8	\$29.8	367
<b>Total</b>	<b>\$365.4</b>	<b>\$202.7</b>	<b>\$102.6</b>	<b>1,082</b>

Source: ABS (2012b, 2017c, 2018b, 2019), AEC

\*Note: Totals may not sum due to rounding

Major industry beneficiaries of the operational phase include:

- Financial and insurance services (\$51.4 million)
- Professional, scientific and technical services (\$44.4 million)
- Ownership of dwellings (\$21.2 million).

A reduction in economic activity that flows through the North Sydney LGA is apparent by comparing the Base Case Today (Table 4.5) and Base Case Looking Forward (Table 4.6).

### **Proposal Case**

The Proposal envisages the Precinct is redeveloped into a mixed use development incorporating new retail and commercial floorspace (10,127sqm GFA) and 156 new residential units.

The retail and commercial floorspace is estimated to accommodate 506 full time jobs. The residential component could accommodate an estimated 214 residents, of which **4 will work from home**. The activity in the Precinct will support the following impacts directly through the business activity of retailers and office workers in the Precinct as well as flow-on impacts via supply chain activity and household consumption (per annum):

- \$379.1 million in output (including \$168.7 million directly).
- \$210.2 million contribution to GRP (including \$90.7 million directly).
- \$106.4 million in incomes and salaries paid to households.
- 1,122 FTE jobs (including 510 FTE directly related to commercial activity and dispersed jobs in the Precinct).

**Table 4.7: Operational Impacts in North Sydney LGA, Proposal Case**

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Initial Stimulus	\$168.7	\$90.7	\$51.6	510
Production Induced	\$77.0	\$41.0	\$23.9	231
Household Consumption Impacts	\$133.4	\$78.6	\$31.0	380
<b>Total</b>	<b>\$379.1</b>	<b>\$210.2</b>	<b>\$106.4</b>	<b>1,121</b>

Source: ABS (2012b, 2017c, 2018b, 2019), AEC

\*Note: Totals may not sum due to rounding

Major industry beneficiaries of the operational phase include:

- Financial and insurance services (\$53.3 million)
- Professional, scientific and technical services (\$46 million)
- Ownership of dwellings (\$21.9 million)

### 4.3.3 Net Operational Impact on Economic Activity

A comparison of the net operational impacts generated by the Proposal is compared to the Base Case.

#### **Base Case Today**

Compared to the Base Case Today, the Proposal will result in an overall net negative impact on economic activity in the economy, mainly due to the proportionately lower number of jobs (83 jobs) accommodated in the Precinct as a result of development as envisaged by the Proposal.

Compared to the Base Case Today, the Proposal will result in the following economic impacts through the initial stimulus and flow-on impacts (per annum):

- \$61.2 million *less* in output (including \$27.3 million directly).
- \$34 million *less* in contribution to GRP (including \$14.6 million directly).
- \$17.2 million *less* in incomes and salaries paid to households.
- 181 *fewer* FTE jobs (including 83 FTE directly related to commercial activity and dispersed jobs).

#### **Base Case Looking Forward**

Compared to the Base Case Looking Forward, the Proposal will result in the following economic impacts through the initial stimulus and flow-on impacts (per annum):

- \$13.6 million in *additional* output (including \$6.1 million directly).
- \$7.5 million in *additional* GRP (including \$3.2 million directly).
- \$3.8 million *additional* in incomes and salaries paid to households.
- 39 *additional* FTE jobs (including 18 FTE directly related to commercial activity and dispersed jobs).

The Proposal Case results in a net reduction in employment floorspace (10,200sqm compared to the existing 14,200sqm). The foregoing modelling assumes that the employment activity associated with the floorspace reduction is 'lost' from the North Sydney economy.

In reality though, the employment it is more likely to be displaced to the North Sydney Centre and therefore the associated economic activity is retained in the local economy.

**Table 4.8: Net Operational Impacts in North Sydney LGA**

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
<b>Base Case Today</b>				
Initial Stimulus	-\$27.3	-\$14.6	-\$8.3	-83
Production Induced	-\$12.4	-\$6.6	-\$3.8	-37
Household Consumption Impacts	-\$21.6	-\$12.7	-\$5.0	-62
<b>Total</b>	<b>-\$61.2</b>	<b>-\$34.0</b>	<b>-\$17.2</b>	<b>-182</b>
<b>Base Case Looking Forward</b>				
Initial Stimulus	\$6.1	\$3.2	\$1.9	18
Production Induced	\$2.8	\$1.5	\$0.9	8
Household Consumption Impacts	\$4.8	\$2.8	\$1.1	13
<b>Total</b>	<b>\$13.6</b>	<b>\$7.5</b>	<b>\$3.8</b>	<b>39</b>

Source: ABS (2012b, 2017c, 2018b, 2019), AEC

\*Note: Totals may not sum due to rounding

## 4.4 HOUSEHOLD EXPENDITURE SUPPORTED

This section outlines the household expenditure that could result from new residents in the 156 new dwellings in the Proposal Case and potential economic activity supported.

The household expenditure activity supported should not be combined with the impacts in section 0 as some impacts are likely to already be captured in the assessment (e.g. expenditure on retail by households is likely to be spent at the retail outlets locating to the Precinct). This section provides insight into the specific economic activity supported in the North Sydney LGA through household expenditure as its own separate analysis.

### Base Case

From a resident and household spend perspective, the Base Case Today and Base Case Looking Forward are assumed to be similar.

Household expenditure associated with the 33 dwellings in the Base Case is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- \$3.9 million in output (including \$1.8 million in direct activity).
- \$2.3 million contribution to GRP (including \$1.1 million in direct activity)
- \$1.1 million in incomes and salaries paid to households.
- 15 FTE jobs (including 9 direct employees).

**Table 4.9: Household Expenditure Impacts in North Sydney LGA, Base Case**

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$1.8	\$1.1	\$0.6	9
Type I Flow-On	\$0.8	\$0.4	\$0.2	2
Type II Flow-On	\$1.3	\$0.8	\$0.3	4
<b>Total</b>	<b>\$3.9</b>	<b>\$2.3</b>	<b>\$1.1</b>	<b>15</b>

Source: ABS (2017d), AEC

\*Note: Totals may not sum due to rounding

### Proposal Case

Household expenditure associated with the Proposal's 156 dwellings is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- \$18.4 million in output (including \$8.5 million in direct activity).
- \$10.8 million contribution to Gross Regional Product (including \$5.2 million in direct activity)
- \$5.1 million in incomes and salaries paid to households.
- 73 FTE jobs (including 44 direct employees).

**Table 4.10: Household Expenditure Impacts in North Sydney LGA, Proposal Case**

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$8.5	\$5.2	\$2.6	44
Type I Flow-On	\$3.6	\$1.9	\$1.0	10
Type II Flow-On	\$6.4	\$3.7	\$1.5	18
<b>Total</b>	<b>\$18.4</b>	<b>\$10.8</b>	<b>\$5.1</b>	<b>73</b>

Source: ABS (2017d), AEC

\*Note: Totals may not sum due to rounding

### **Net New Household Expenditure**

The additional household expenditure associated with the *net new* residents in the Proposal Case is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- \$14.5 million in *additional* output (including *additional* \$6.7 million in direct activity).
- \$8.5 million *additional* contribution to GRP (including *additional* \$4.1 million in direct activity)
- \$4 million in incomes and salaries paid to households.
- 58 *additional* FTE jobs (including 35 *additional* direct employees).

**Table 4.11: Net New Household Expenditure Impacts in North Sydney LGA,**

<b>Impact</b>	<b>Output (\$M)</b>	<b>GRP (\$M)</b>	<b>Incomes (\$M)</b>	<b>Employment (FTEs)</b>
Direct	\$6.7	\$4.1	\$2.0	35
Type I Flow-On	\$2.8	\$1.5	\$0.8	8
Type II Flow-On	\$5.1	\$2.9	\$1.2	14
<b>Total</b>	<b>\$14.5</b>	<b>\$8.5</b>	<b>\$4.0</b>	<b>58</b>

Source: ABS (2017d), AEC

\*totals may not sum due to rounding

Net new household expenditure in the Precinct increases the pool of expenditure available to be captured by local businesses in the North Sydney Centre and elsewhere in the North Sydney LGA. This contributes to the economic vitality and sustainability of the North Sydney CBD as the northern component of the Harbour CBD.

Refer to Appendix A for a detailed description of the assumptions and drivers that underpin the estimates of economic activity supported.



## 5. POLICY ASSESSMENT

### 5.1 EMPLOYMENT AND ECONOMIC IMPACTS

To compare the outcome of the Base Case against the Proposal Case, each of the identified impacts compared to the Base Case are summarised and ranked based on the rating system outlined in Table 5.1.

- Base Case Today** assumes existing buildings will continue operations 'as is'. It is a snapshot in time (today).  
 An 'extension' of the Base Case scenario (**Base Case Looking Forward**) is also examined. Like the Base Case Today, this scenario assumes the existing planning controls are retained and but considers what might occur in the future particularly given the age of the Bayer building (nearly 50 years old).
- Proposal Case:** The Precinct is developed as envisaged under the Proposal into a mix of uses including retail and commercial office and residential units.

**Table 5.1: Economic Impact Rating Matrix**

Severity of Impact	Score	Explanation
Strong Positive Impact	+3	The scenario would make a strong positive contribution towards this impact compared to the Base Case
Slight Positive Impact	+1	The scenario would make a slight positive contribution towards this impact compared to the Base Case
Neutral Impact	0	The scenario would make neither positive or a negative contribution towards this impact compared to the Base Case
Slight Negative Impact	-1	The scenario would make a slight negative contribution towards this impact compared to the Base Case
Strong Negative Impact	-3	The scenario would make a strong negative contribution towards this impact compared to the Base Case

Source: AEC

Table 5.2 identifies the economic impacts and derives a total score for Proposal using the Base Case Looking Forward as the starting point of '0'. The higher the positive score the greater the net positive economic impact from an employment perspective, the lower the score the greater the adverse economic impact.

**Table 5.2: Economic Impact, Base Case v Proposal Case**

Impact	Base Case Today	Rating	Base Case Looking Forward	Rating	Proposal Case	Rating
<b>Construction Phase</b>						
Output (\$M)	n.a.	0	n.a.	0	\$54.7	+3
GRP (\$M)	n.a.	0	n.a.	0	\$14.2	+3
Incomes (\$M)	n.a.	0	n.a.	0	\$7	+3
Employment (FTE)	n.a.	0	n.a.	0	120	+3
<b>Operational Phase</b>						
Output (\$M)	\$196	+2	\$162.6	0	\$168.7	+1
GRP (\$M)	\$105.3	+2	\$87.4	0	\$90.7	+1
Incomes (\$M)	\$59.9	+2	\$49.7	0	\$51.6	+1
Employment (FTE)	593	+2	492	0	511	+1
<b>Household Expenditure</b>						
Output (\$M)	\$1.8	0	\$1.8	0	\$8.5	+3
GRP (\$M)	\$1.1	0	\$1.1	0	\$5.2	+3
Incomes (\$M)	\$0.6	0	\$0.6	0	\$2.6	+3
Employment (FTE)	9	0	9	0	44	+3
<b>Total</b>		<b>8</b>		<b>0</b>		<b>28</b>

Source: AEC

Compared to Base Case Today, the Proposal results in lower levels of economic activity due to a net reduction in commercial floorspace. Compared to Base Case Looking Forward, the Proposal has higher levels of economic activity due to the expectation that as it ages, the Bayer building will deteriorate in appeal and occupancy levels.

## 5.2 SECTION 9.1 DIRECTION

The Section 9.1(2) direction considered relevant in this Assessment is Section 1.1 Business and Industrial Zones. The objectives are identified below together with their consideration in the context of the Proposal.

**Table 5.3: Consistency with Section 9.1(2) Objectives**

No.	Objective	Proposal Case
1	Encourage employment growth in suitable locations	<p>The Precinct is physically disconnected from the North Sydney Centre by the Warringah Freeway. The Precinct's isolation and disconnection are factors that were acknowledged by the Sydney North Joint Regional Planning Panel and North Sydney Council, recognising that the Precinct is not a suitable location within which to grow employment.</p> <p>Investigations by Council indicate the North Sydney Centre has the supply capacity required to accommodate employment growth. Growth in the Centre is considered much more suitable than in the Precinct given the proximity of the former to transport and urban amenity.</p> <p>Knowledge-intensive sectors require good quality urban amenity in order to be attracted to a location. The Precinct has a limited offer in this respect.</p> <p>A key site in the Precinct (Bayer building) is nearing the end of its economic useful life. Refurbishment or development into a commercial building is tested and found to be not financially viable.</p> <p>In the absence of the Proposal Case, the Bayer building will continue to age and deteriorate, conceivably resulting in lower occupancy rates and negative employment growth.</p> <p>The Proposal reference scheme envisages in the order of 10,000sqm of employment floorspace, thereby resulting in around 4,000sqm loss of floorspace and displacement of businesses. It is likely that businesses will seek to be accommodated in the North Sydney Centre, thereby the economic activity would not be 'lost' from the North Sydney LGA, merely relocated elsewhere within the LGA.</p> <p>For these reasons, the Proposal Case complies with this Objective.</p>
2	Protect employment land in business and industrial zones	<p>The B4 Mixed Use zoning sought would not lead to a reduction in the quantum of land zoned for businesses uses in North Sydney CBD and the Precinct would still accommodate some employment uses post-development.</p> <p>The Proposal Case complies with this Objective.</p>
3	Support the viability of identified strategic centres	<p>The North Sydney Centre is the northern component of the Harbour CBD and should be the primary location for high density commercial and retail in accordance with planning policy.</p> <p>The Proposal would increase the quantum of household expenditure by new residents and thereby provide a net positive addition to the pool of expenditure available to be captured by local businesses in the North Sydney Centre and elsewhere in the North Sydney LGA.</p> <p>For these reasons, the Proposal Case would fulfil this Objective.</p>

Source: AEC

Section 9.1 Directions set out five requirements for planning authorities to consider when preparing a planning proposal that will affect land within an existing or proposed business or industrial zone.

**Table 5.4: Planning Authority Considerations**

Consideration	Achieved?	Explanation
Give effect to the objectives of this direction	Yes	Table 5.3 has established that the objectives of the direction would be achieved via the Proposal.
Retain the areas and locations of existing business and industrial zones	No	<p>The Proposal Case would ensure the Precinct accommodates business activity in non-residential floorspace.</p> <p>It would not adversely impact upon the quantum or location of business or industrial zoned land elsewhere in the local area, but would support the viability of the North Sydney Centre.</p>
Not reduce the total potential floor space area for employment uses and related public services in business zones	N.A.	<p>The Proposal Case would reduce the quantum of floorspace for employment in the Precinct, but as identified in this EIA the suitability of the Precinct for commercial office uses has deteriorated and will continue to if there is no change to planning controls.</p> <p>Employment floorspace is contemplated in the Proposal Case on the ground level as well as in the podium levels.</p> <p>The Proposal would have no impact upon public service land use within a business zone.</p>
Not reduce the total potential floor space area for industrial uses in industrial zones	N.A.	No industrial land would be impacted by the Proposal.

Consideration	Achieved?	Explanation
Ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning	Yes	<p>The Proposal Case is consistent with State and local government objectives to focus employment growth in suitable locations as well as accelerate housing supply in suitable locations, support jobs, economic development and efficient and effective use of land.</p> <p>The Precinct does not fall within the North Sydney CBD and is not considered a suitable location within which to promote employment growth due to its disconnection from the CBD.</p> <p>The Greater Sydney Region Plan and North District Plan have key objectives for a stronger and more competitive Harbour CBD whilst ensuring investment in existing centres. As the northern component of the Harbour CBD, North Sydney CBD has an important role.</p> <p>In particular, Priority N10 of the District Plan recognises the need to balance adequate mixed or residential zoned land around a commercial core to ensure new residential development can benefit from access and services in centres.</p> <p>The Proposal aligns with the tenets of the Region Plan and District Plan which seek to strengthen the Harbour CBD and grow investment in centres.</p> <p>The Proposal complies with this condition.</p>

Source: AEC

A planning proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Director-General of the Department of Planning (or an officer of the Department nominated by the Director-General) that the provisions of the planning proposal that are inconsistent are:

- a) justified by a strategy which:
  - i. gives consideration to the objective of this direction, and
  - ii. identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and
  - iii. is approved by the Director-General of the Department of Planning, or
- b) justified by a study (prepared in support of the planning proposal) which gives consideration to the objective of this direction, or
- c) in accordance with the relevant Regional Strategy, Regional Plan or Sub-Regional Strategy prepared by the Department of Planning which gives consideration to the objective of this direction, or
- d) of minor significance.

The rezoning of the Precinct from B3 Commercial Core to B4 Mixed Use will generally be inconsistent with the subclause 4(b) (retention of existing business zones), however the proposal will be generally consistent with the objectives of the North District Plan and Greater Sydney Region Plan which encourage employment growth in suitable locations, support jobs, economic development and efficient and effective use of land.

The Precinct is isolated from the North Sydney CBD and adjoins a residential zone; the JRPP decision and North Sydney Council have identified that it is not suitable for employment growth. Whilst the Precinct is located in the northern portion of the Harbour CBD, it will still provide some commercial space for small businesses, start-ups and creative uses which will play a support role to the North Sydney CBD.

### 5.3 CONCLUSION

The Proposal demonstrates alignment with the objectives of state and local planning policy, in particular:

- Adopting a place-based planning approach in response to Council's Alfred Street Precinct revised planning study to ensure that new residential development will result in housing in the right locations and high quality urban outcomes.
- Supporting a stronger and more competitive Harbour CBD by renewing an ageing asset and delivering contemporary commercial floorspace opportunities to accommodate business and jobs.
- Delivering new housing that addresses the demographic profile of North Sydney LGA residents who tend to be focused in small households (more than 60% of households comprised of one or two persons in 2016).

The commercial buildings in the Precinct (including the Bayer building) date from the 1960's and 1970's. The viability of a commercial refurbishment of the Bayer building was modelled. Owing to its isolated location from the North Sydney CBD, refurbishment and/ or redevelopment into a commercial building is not a viable proposition. The rents achievable on completion of refurbishment/ redevelopment are insufficient to justify the works.

Should existing planning controls remain unchanged and the buildings remain 'as is', the commercial buildings will likely deteriorate in quality and decline in its ability to attract tenants at market rents. A loss of competitive standing can be expected to be accompanied by a reduction in occupancy levels and corresponding reduction in the number and quality of jobs accommodated. This is the opportunity cost of the Proposal Case.

The Precinct when redeveloped would play a role to accommodate small businesses and occupiers who might prefer a location away from the CBD core, effectively a supportive role to the North Sydney CBD.

The Proposal reference scheme has around 10,000sqm of employment floorspace, potentially a reduction of 4,000sqm (which is less than the draft planning study which was equivalent to a reduction of 9,000sqm).

While businesses would be displaced, it is likely they will seek to be accommodated in the North Sydney Centre where there is significant stock of secondary grade buildings and rents are comparable to the Precinct. The economic activity would therefore not be 'lost' from North Sydney, merely relocated elsewhere within the LGA.

North Sydney already appears to be a residential destination for the young and old alike, with more than 60% of households comprised either of one or two persons. As the North Sydney CBD continues to renew and transform into a significant business destination, its appeal as a place to live will be commensurate.

In order for growth to be sustainable, the infrastructure that supports growth will also be required. This includes suitable housing options that meet with demographic need.

The Study considers the economic impact of the Proposal to be net positive and thereby presents a compelling case for consideration.

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## APPENDIX A: REFURBISHMENT OF BAYER BUILDING COST ASSUMPTIONS

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An indicative Cost Plan prepared by Spicer Consultants indicates the cost of a commercial refurbishment, including:

- Internal demolition.
- Basement refurbishment and compliance with BCA requirements.
- Building refurbishment and structural augmentation (commercial areas and plant).
- Structural upgrade and external areas upgrade, compliance with BCA requirements.
- Re-cladding of existing building including asbestos removal.
- Modification of lifts (new car and maintenance only).
- External works, allowance for making good roads, footpaths and streetscape and landscaping.
- Site services, allowance for upgrading of incoming/outgoing services, electrical substations

An overall cost to refurbish the existing structure is estimated at circa \$43m (Spicer Consultants, 2018). This excludes professional fees, statutory costs, contingencies, interest, etc.

A construction period of 12 months is assumed for the refurbishment. Tenants are vacated with new leases assumed to be pre-committed prior to commencement.

## APPENDIX B: INPUT-OUTPUT METHODOLOGY

Input-Output analysis demonstrates inter-industry relationships in an economy, depicting how the output of one industry is purchased by other industries, households, the government and external parties (i.e. exports), as well as expenditure on other factors of production such as labour, capital and imports. Input-Output analysis shows the direct and indirect (flow-on) effects of one sector on other sectors and the general economy. As such, Input-Output modelling can be used to demonstrate the economic contribution of a sector on the overall economy and how much the economy relies on this sector or to examine a change in final demand of any one sector and the resultant change in activity of its supporting sectors.

The economic contribution can be traced through the economic system via:

- **Initial stimulus (direct) impacts**, which represent the economic activity of the industry directly experiencing the stimulus.
- **Flow-on impacts**, which are disaggregated to:
  - **Production induced effects (type I flow-on)**, which comprise the effects from:
    - Direct expenditure on goods and services by the industry experiencing the stimulus (direct suppliers to the industry), known as the first round or direct requirements effects.<sup>3</sup>
    - The second and subsequent round effects of increased purchases by suppliers in response to increased sales, known as the industry support effects.
  - **Household consumption effects (type II flow-on)**, which represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the economic system.

These effects can be identified through the examination of four types of impacts:

- **Output:** Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
- **Gross product:** Refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g., Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
- **Income:** Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the project.
- **Employment:** Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow-on activity, and is expressed in terms of full time equivalent (FTE) positions.

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow-on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending.

Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

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<sup>3</sup> Modelling note: In assessing construction phase impacts, AEC's modelling approach treats subcontractors in the construction services sector engaged through first round effects as part of the initial stimulus impact rather than as part of the production induced impact.

## MODEL DEVELOPMENT

Multipliers used in this assessment are derived from sub-regional transaction tables developed specifically for this project. The process of developing a sub-regional transaction table involves developing regional estimates of gross production and purchasing patterns based on a parent table, in this case, the 2015-16 Australian transaction table (ABS, 2018b).

Estimates of gross production (by industry) in the study areas were developed based on the percent contribution to employment (by place of work) of the study areas to the Australian economy (ABS, 2012b; ABS, 2017b), and applied to Australian gross output identified in the 2015-16 Australian table.

Industry purchasing patterns within the study area were estimated using a process of cross industry location quotients and demand-supply pool production functions as described in West (1993).

Where appropriate, values were rebased from 2015-16 (as used in the Australian national IO transaction tables) to 2018 values using the Consumer Price Index (ABS, 2019).

## MODELLING ASSUMPTIONS

The key assumptions and limitations of Input-Output analysis include:

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using Input-Output multipliers is the implicit assumption that the economy has no supply-side constraints so the supply of each good is perfectly elastic. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using Input-Output multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. The system is in equilibrium at given prices, and prices are assumed to be unaffected by policy and any crowding out effects are not captured. This is not the case in an economic system subject to external influences.
- **Fixed ratios for intermediate inputs and production (linear production function):** Economic impact analysis using Input-Output multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. That is, the input function is generally assumed linear and homogenous of degree one (which implies constant returns to scale and no substitution between inputs). As such, impact analysis using Input-Output multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount. Further, it is assumed each commodity (or group of commodities) is supplied by a single industry or sector of production. This implies there is only one method used to produce each commodity and that each sector has only one primary output.
- **No allowance for economies of scope:** The total effect of carrying on several types of production is the sum of the separate effects. This rules out external economies and diseconomies and is known simply as the “additivity assumption”. This generally does not reflect real world operations.
- **No allowance for purchasers’ marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.



Despite these limitations, Input-Output techniques provide a solid approach for taking account of the inter-relationships between the various sectors of the economy in the short-term and provide useful insight into the quantum of final demand for goods and services, both directly and indirectly, likely to be generated by a project.

In addition to the general limitations of Input-Output analysis, there are two other factors that need to be considered when assessing the outputs of sub-regional transaction table developed using this approach, namely:

- It is assumed the sub-region has similar technology and demand/ consumption patterns as the parent (Australia) table (e.g. the ratio of employee compensation to employees for each industry is held constant).
- Intra-regional cross-industry purchasing patterns for a given sector vary from the national tables depending on the prominence of the sector in the regional economy compared to its input sectors. Typically, sectors that are more prominent in the region (compared to the national economy) will be assessed as purchasing a higher proportion of imports from input sectors than at the national level, and vice versa.

## DRIVERS OF ECONOMIC IMPACT

The following sections examine the estimated economic activity supported through the operations of businesses locating to the Precinct if it was redeveloped under proposal compared to if it remained in its existing use.

- The **Base Case Today** scenario assumes that existing buildings in the Alfred Street Precinct will continue operations 'as is'. It is a snapshot in time (i.e. today).

An 'extension' of the Base Case scenario (**Base Case Looking Forward**) is also examined. Like the Base Case Today, this scenario assumes the existing planning controls are retained but considers what might occur in the future particularly given the age of the commercial buildings in the Precinct.

In the Base Case Looking Forward and the buildings remain 'as is', the commercial buildings will likely deteriorate in quality and ability to attract tenants at market rents. A loss of competitive standing can be expected to be accompanied by a reduction in occupancy levels and corresponding reduction in the number and quality of jobs accommodated. For the purposes of the EIA, the Bayer building is assumed to experience a 25% reduction in occupancy.

- **Proposal Case:** The Precinct is developed as envisaged under the Reference Scheme into a mix of uses including retail and commercial office and residential units.

The economic impacts are assessed at the North Sydney LGA level using AEC's proprietary Input-Output (IO) model.

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending. Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

The following estimates consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

### Drivers of Economic Activity

In order to understand the economic impacts likely to result from the Proposal compared to the Base Case, it is necessary to distinguish economic impacts during the construction phase of the Proposal and the economic impacts of the Base Case and Proposal Case that will be more permanent in nature following construction completion

- **Construction Phase:** Construction activity associated with the Proposal will draw resources from and thereby generate economic activity in the North Sydney LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA. No construction is envisaged for the Base Case.

- **Operational Phase:** On completion, the Precinct is expected to generate ongoing economic/ operational activity through the completed employment floorspace as well as dispersed jobs and household expenditure. This replaces existing activity in the Precinct. Three types of operational phase activities are examined:
  - Business operations: Economic activity due to retail and commercial activities in the Precinct, compared to the existing business operations in the Base Case scenario.
  - Dispersed jobs: Economic activity occurring as a result of employment activity from 'dispersed jobs', i.e. residents who work from home in new dwellings in the Proposal. This is compared to dispersed jobs located in existing dwellings in the Precinct that will be replaced by the Proposal.
  - Household impacts: Economic activity as a result of direct expenditure of households locating to the Precinct, i.e. the households who live in the new dwellings developed. This is compared to household expenditure impacts derived from existing households in the Precinct that will be replaced by the Proposal. Household impacts have been modelled separately from the business operations and dispersed jobs operational phase impacts to avoid potential double counting of impacts.

### Construction Phase

The Proposal Case envisages demolition of the existing buildings in the Precinct to facilitate mixed use development to include new retail and commercial suites (approximately 10,127sqm) and 156 residential units. Estimates of generic construction costs are derived from industry research and cost publications.

For modelling purposes, construction costs (including contingency) for the Base Case and Proposal Case were broken down into their respective ANZSIC industries. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

**Table A. 1: Construction Cost Allocations, Proposal Case**

Component	ANZSIC	Proposal (\$M)
Commercial	Non-Residential Building Construction	\$26.2
Retail	Non-Residential Building Construction	\$2.8
Residential Units	Residential Building Construction	\$63.79
Car Parking	Non-Residential Building Construction	\$9.7
Demolition	Construction Services	\$0.5
Site Works/Infrastructure	Construction Services	\$2.1
Landscaping	Construction Services	\$1.1
Consultant Fees	Professional, Scientific and Technical Services	\$10.6
<b>Total</b>		<b>\$87.7</b>

Source: AEC

Only the construction activity expected to be undertaken within the North Sydney LGA has been included in the economic impact assessment. For the purposes of this assessment it was assumed:

- Approximately 50% of the direct expenditure on construction-related (i.e. Residential Building Construction, Non-Residential Building Construction and Construction Services) activity would be sourced from local businesses and labour. Of this:
  - Approximately 25% of purchases on goods and services (supply chain related activity) made by construction-related businesses sourced from outside the North Sydney LGA would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in North Sydney LGA).
  - Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e., 5% of the Type II flow on activity associated with non-local workers is assumed to represent additional local activity in North Sydney LGA).

- Approximately 15% of the direct expenditure on professional, scientific and technical services activity would be sourced from local businesses and labour.

Only flow-on activity of locally sourced professional, scientific and technical services activity is included, as it is not anticipated professional, scientific and technical services businesses located outside of North Sydney LGA would purchase goods/ services from within North Sydney LGA.

## Operational Phase

### **Base Case Today**

In order to model the economic impacts, operational employment levels for the economic activity from non-residential floorspace in the Base Case scenario were categorised into the ANZSIC industries of the Employment Area. Employment by industry estimates were converted to an output value using a multiplier based on the national transaction table (ABS, 2017b; ABS, 2017c).

By applying analysis of ABS and TfNSW data, an estimated 2.1% of the residents in the North Sydney LGA would work from home, with the Base Case accommodating **two dispersed workers** in its 33 existing dwellings.

Table A. 2 outlines the operational output drivers for the non-residential floorspace and the dispersed jobs, in the relevant ANZSIC industries they were allocated to.

**Table A. 2: Operational Output Drivers, Base Case**

ANZSIC Sector	Output (\$M) Non-Residential	Output (\$M) Dispersed Jobs	Output (\$M)
Agriculture, Forestry and Fishing	\$0.0	\$0.0	\$0.0
Mining	\$0.0	\$0.0	\$0.0
Manufacturing	\$4.4	\$0.0	\$4.5
Electricity, Gas, Water and Waste services	\$0.0	\$0.0	\$0.0
Construction	\$11.5	\$0.1	\$11.6
Wholesale Trade	\$2.2	\$0.0	\$2.2
Retail Trade	\$2.9	\$0.0	\$2.9
Accommodation and Food Services	\$1.6	\$0.0	\$1.6
Transport, Postal and Warehousing	\$2.3	\$0.0	\$2.3
Information Media and Telecommunications	\$11.7	\$0.0	\$11.7
Financial and Insurance Services	\$58.9	\$0.1	\$59.0
Rental, Hiring and Real Estate Services	\$10.2	\$0.0	\$10.2
Ownership of Dwellings	\$0.0	\$0.0	\$0.0
Professional, Scientific and Technical Services	\$60.1	\$0.1	\$60.2
Administrative and Support Services	\$8.8	\$0.0	\$8.8
Public Administration and Safety	\$2.4	\$0.0	\$2.4
Education and Training	\$3.3	\$0.0	\$3.3
Health Care and Social Assistance	\$12.6	\$0.0	\$12.7
Arts and Recreation Services	\$0.6	\$0.0	\$0.6
Other Services	\$2.0	\$0.0	\$2.0
<b>Total</b>	<b>\$195.4</b>	<b>\$0.5</b>	<b>\$196.0</b>

Source: ABS (2012b, 2017c, 2018b, 2019), AEC

\*Totals may not sum due to rounding

### **Base Case Looking Forward**

Output estimates for the operational employment from the commercial floorspace was developed using the same assumptions and methodologies as outlined above for the Base Case Output estimates. Employment by industry estimates were converted to an output value using a multiplier based on the national transaction table (ABS, 2017b; ABS, 2017c).

Output estimates for the dispersed jobs for the Base Case Looking Forward are identical to the Base Case Today.

Table A. 3 outlines the operational output drivers for the non-residential floorspace and the dispersed jobs, in the relevant ANZSIC industries they were allocated to.

**Table A. 3: Operational Output Drivers, Base Case Looking Forward**

ANZSIC Sector	Output (\$M) Non-Residential	Output (\$M) Dispersed Jobs	Output (\$M)
Agriculture, Forestry and Fishing	\$0.0	\$0.0	\$0.0
Mining	\$0.0	\$0.0	\$0.0
Manufacturing	\$3.7	\$0.0	\$3.7
Electricity, Gas, Water and Waste services	\$0.0	\$0.0	\$0.0
Construction	\$9.5	\$0.1	\$9.6
Wholesale Trade	\$1.8	\$0.0	\$1.8
Retail Trade	\$2.4	\$0.0	\$2.4
Accommodation and Food Services	\$1.4	\$0.0	\$1.4
Transport, Postal and Warehousing	\$1.9	\$0.0	\$1.9
Information Media and Telecommunications	\$9.7	\$0.0	\$9.7
Financial and Insurance Services	\$48.9	\$0.1	\$49.0
Rental, Hiring and Real Estate Services	\$8.4	\$0.0	\$8.5
Ownership of Dwellings	\$0.0	\$0.0	\$0.0
Professional, Scientific and Technical Services	\$49.8	\$0.1	\$50.0
Administrative and Support Services	\$7.3	\$0.0	\$7.3
Public Administration and Safety	\$2.0	\$0.0	\$2.0
Education and Training	\$2.7	\$0.0	\$2.8
Health Care and Social Assistance	\$10.5	\$0.0	\$10.5
Arts and Recreation Services	\$0.5	\$0.0	\$0.5
Other Services	\$1.7	\$0.0	\$1.7
<b>Total</b>	<b>\$162.1</b>	<b>\$0.5</b>	<b>\$162.6</b>

Source: ABS (2012b, 2017c, 2018b, 2019), AEC

\*Totals may not sum due to rounding

### **Proposal Case**

Output estimates for the operational employment from the non-residential floorspace was developed using the same assumptions and methodologies as outlined above for the Base Case Output estimates.

Additionally, the residential uses as envisaged under the Proposal Case would generate a larger quantum of dwellings and therefore dispersed jobs, i.e. people working from home, compared to the existing dwellings in the Base Case.

Data provided indicates the Proposal would accommodate approximately 156 new dwellings and some 214 new residents.

By applying analysis of ABS and TfNSW data, an estimated 2.1% of the residents in the North Sydney LGA would work from home, with the Proposal accommodating **four dispersed workers** in its residential units. These four dispersed jobs are allocated into their relevant ANZSIC industries to calculate estimated output drivers, and are outlined in Table A. 4.

**Table A. 4: Operational Output Drivers, Proposal Case**

ANZSIC Sector	Output (\$M) Non-Residential	Output (\$M) Dispersed Jobs	Output (\$M) Total
Agriculture, Forestry and Fishing	\$0.0	\$0.0	\$0.0
Mining	\$0.0	\$0.0	\$0.0
Manufacturing	\$3.4	\$0.1	\$3.4
Electricity, Gas, Water and Waste services	\$0.0	\$0.0	\$0.0
Construction	\$8.7	\$0.2	\$8.8
Wholesale Trade	\$1.6	\$0.1	\$1.7
Retail Trade	\$6.3	\$0.0	\$6.3
Accommodation and Food Services	\$5.0	\$0.0	\$5.0
Transport, Postal and Warehousing	\$1.7	\$0.0	\$1.7
Information Media and Telecommunications	\$8.8	\$0.1	\$8.9
Financial and Insurance Services	\$44.5	\$0.2	\$44.7
Rental, Hiring and Real Estate Services	\$7.7	\$0.1	\$7.7
Ownership of Dwellings	\$0.0	\$0.0	\$0.0
Professional, Scientific and Technical Services	\$45.4	\$0.3	\$45.7
Administrative and Support Services	\$6.6	\$0.1	\$6.7
Public Administration and Safety	\$1.8	\$0.0	\$1.8
Education and Training	\$2.5	\$0.0	\$2.5
Health Care and Social Assistance	\$9.5	\$0.1	\$9.6
Arts and Recreation Services	\$0.4	\$0.0	\$0.5
Other Services	\$1.5	\$0.0	\$1.5
<b>Total</b>	<b>\$155.4</b>	<b>\$1.4</b>	<b>\$156.8</b>

Source: AEC

\*totals may not sum due to rounding

## HOUSEHOLD EXPENDITURE SUPPORTED

This section outlines the household expenditure that would be associated with the new dwellings in the Proposal Case, and the potential economic activity supported.

The household expenditure activity supported **should not be combined** with the impacts of the Proposal Case in the section above, as some of these impacts are likely to have already been captured in the assessment (e.g. some household expenditure is expected to be spend on the dispersed jobs locating on-site in the Proposal Case).

This section is to understand specific economic activity supported in North Sydney LGA through household expenditure as its own separate analysis.

### Household Expenditure

The ABS Household Expenditure Survey (ABS, 2017d) was used to identify the proportion of weekly household incomes that is spent across expenditure items. This was then applied to average weekly household incomes in North Sydney LGA as outlined in the 2016 Census of Population and Housing (ABS, 2017a), annualised and allocated into their respective ANZSIC industries. The breakdown to ANZSIC industries was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

Table A. 5 show the additional household expenditure estimated to be generated in the North Sydney LGA as a result of the new households in the Proposal Case.

**Table A. 5: Household Expenditure by Industry, Base Case**

Industry	Expenditure Estimate	Proportion Spent in North Sydney LGA	North Sydney LGA Estimate
Retail trade	\$1.12	75%	\$0.84
Ownership of Dwellings	\$0.27	100%	\$0.27
Food and Beverage Services	\$0.26	50%	\$0.13
Finance	\$0.23	50%	\$0.11
Primary and Secondary Education Services (incl Pre-Schools and Special Schools)	\$0.08	80%	\$0.06
Health Care Services	\$0.12	50%	\$0.06
Public Administration	\$0.10	50%	\$0.05
Construction Services	\$0.19	25%	\$0.05
Insurance and Superannuation Funds	\$0.06	50%	\$0.03
Rental and Hiring Services (excl. Real Estate)	\$0.04	75%	\$0.03
Personal Services	\$0.04	75%	\$0.03
Residential Care and Social Assistance	\$0.05	50%	\$0.02
Automotive Repair and Maintenance	\$0.04	50%	\$0.02
Sports and Recreation	\$0.03	50%	\$0.01
Road Transport	\$0.03	50%	\$0.01
Non-residential Property Operators and Real Estate Services	\$0.02	75%	\$0.01
Professional, Scientific and Technical Services	\$0.02	50%	\$0.01
Technical, Vocational and Tertiary Education Services (incl undergraduate and postgraduate)	\$0.04	20%	\$0.01
Heritage, Creative and Performing Arts	\$0.01	50%	\$0.01
Other Services	\$0.01	50%	\$0.01
Building Cleaning, Pest Control and Other Support Services	\$0.01	50%	\$0.01
Gambling	\$0.01	50%	\$0.00
Motion Picture and Sound Recording	\$0.00	75%	\$0.00
Other Repair and Maintenance	\$0.01	50%	\$0.00
Arts, Sports, Adult and Other Education Services (incl community education)	\$0.01	25%	\$0.00
Rail Transport	\$0.00	50%	\$0.00
Postal and Courier Pick-Up and Delivery Services	\$0.00	50%	\$0.00
Auxiliary Insurance Services	\$0.00	25%	\$0.00
Accommodation	\$0.00	10%	\$0.00
Electricity Transmission, Distribution, On Selling and Electricity Market Operation	\$0.06	0%	\$0.00
Gas Supply	\$0.0	0%	\$0.0
Water Supply, Sewerage and Drainage Services	\$0.0	0%	\$0.0
Telecommunications Services	\$0.1	0%	\$0.0
Internet Service Providers, Internet Publishing and Broadcasting, Websearch Portals and Data Processing	\$0.0	0%	\$0.0
Broadcasting (except Internet)	\$0.0	0%	\$0.0
Water, Pipeline and Other Transport	\$0.0	0%	\$0.0
Air and Space Transport	\$0.0	0%	\$0.0
<b>Total</b>	<b>\$2.98</b>		<b>\$1.80</b>

Source: ABS (2017d), AEC

\*Note: totals may not sum due to rounding

**Table A. 6: Household Expenditure by Industry, Proposal Case**

Industry	Expenditure Estimate	Proportion Spent in North Sydney LGA	North Sydney LGA Estimate
Retail trade	\$5.31	75%	\$3.98
Ownership of Dwellings	\$1.27	100%	\$1.27
Food and Beverage Services	\$1.22	50%	\$0.61
Finance	\$1.07	50%	\$0.54
Primary and Secondary Education Services (incl Pre-Schools and Special Schools)	\$0.37	80%	\$0.30
Health Care Services	\$0.55	50%	\$0.28
Public Administration	\$0.49	50%	\$0.25
Construction Services	\$0.88	25%	\$0.22
Insurance and Superannuation Funds	\$0.30	50%	\$0.15
Rental and Hiring Services (excl. Real Estate)	\$0.20	75%	\$0.15
Personal Services	\$0.18	75%	\$0.14
Residential Care and Social Assistance	\$0.23	50%	\$0.11
Automotive Repair and Maintenance	\$0.17	50%	\$0.08
Sports and Recreation	\$0.14	50%	\$0.07
Road Transport	\$0.13	50%	\$0.06
Non-residential Property Operators and Real Estate Services	\$0.08	75%	\$0.06
Professional, Scientific and Technical Services	\$0.10	50%	\$0.05
Technical, Vocational and Tertiary Education Services (incl undergraduate and postgraduate)	\$0.19	20%	\$0.04
Heritage, Creative and Performing Arts	\$0.06	50%	\$0.03
Other Services	\$0.06	50%	\$0.03
Building Cleaning, Pest Control and Other Support Services	\$0.05	50%	\$0.02
Gambling	\$0.04	50%	\$0.02
Motion Picture and Sound Recording	\$0.02	75%	\$0.02
Other Repair and Maintenance	\$0.03	50%	\$0.01
Arts, Sports, Adult and Other Education Services (incl community education)	\$0.04	25%	\$0.01
Rail Transport	\$0.02	50%	\$0.01
Postal and Courier Pick-Up and Delivery Services	\$0.01	50%	\$0.00
Auxiliary Insurance Services	\$0.01	25%	\$0.00
Accommodation	\$0.00	10%	\$0.00
Electricity Transmission, Distribution, On Selling and Electricity Market Operation	\$0.27	0%	\$0.00
Gas Supply	\$0.1	0%	\$0.0
Water Supply, Sewerage and Drainage Services	\$0.0	0%	\$0.0
Telecommunications Services	\$0.3	0%	\$0.0
Internet Service Providers, Internet Publishing and Broadcasting, Websearch Portals and Data Processing	\$0.1	0%	\$0.0
Broadcasting (except Internet)	\$0.0	0%	\$0.0
Water, Pipeline and Other Transport	\$0.0	0%	\$0.0
Air and Space Transport	\$0.1	0%	\$0.0
<b>Total</b>	<b>\$14.10</b>		<b>\$8.52</b>

Source: ABS (2017d), AEC

\*Note: totals may not sum due to rounding

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OUTCOME DRIVEN

