

WALKER STREET

Economic Impact Assessment



Prepared for Avenor

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This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

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EXECUTIVE SUMMARY

HillPDA has been commissioned by Avenor (the Client) to undertake an economic impact assessment (the study) relating to a proposed mixed use development at 173-179 Walker Street, North Sydney (the subject site). A Planning Proposal is being prepared for the subject site which seeks amendment of the local planning controls as outlined in the North Sydney Local Environmental Plan 2013.

Specifically, the Planning Proposal seeks an introduction of a floor space ratio (FSR) for the subject site of 13.63:1¹. This would allow the development of 284 residential apartments, of which, a minimum of 14 (5% of total stock) would be affordable apartments, 80sqm of retail floorspace, a 1,515 community centre and 865sqm of publicly dedicated open space.

The objectives of this study are to assess the need for increased residential supply within the local area and to quantify the economic impact of the Planning Proposal.

The advancement of a mixed use development located on the subject site is in accordance with the *A Plan for Growing Sydney* (the Plan) and would address each of its targets (employment, private and affordable dwelling targets) by creating employment opportunities and additional diversity in dwelling choice.

The Planning Proposal is further in accordance with Direction 2.1 - Accelerate housing supply; Direction 2.2 - Accelerate urban renewal across Sydney, *Direction 2.1 – Accelerate housing supply across Sydney; Direction 2.2 – Accelerate urban renewal across Sydney; Direction 2.3 – Improve housing choice to suit different needs and lifestyle; Direction 1.6: Expand the Global Economic Corridor; and Direction 1.7: Grow strategic centres - providing more jobs closer to home* of the Plan. This is achieved through:

- Construction of a mixed use development which includes a residential component within an area where there is existing demand for apartment style living
- The urban renewal of land, that is in close proximity to existing and planned public transport nodes (North Sydney station, the Victoria Cross Sydney Metro station and bus stops along Miller Street)
- The provision of a mixture of apartment sizes and bed types provides a greater range of dwelling options at difference price points, creating opportunity for persons to age in place or enter the market
- The subject site is located within Sydney's Global Economic Corridor. The Planning Proposal would facilitate the construction of a mixed use development with employment floorspace. This would increase employment opportunities within the Corridor, supporting its continued growth
- North Sydney is identified as a Strategic Centre within the Plan. The Planning Proposal would increase the amount of employment and residential floorspace within the Centre. This would increase employment generation and opportunities for local and future residents to live and work closer to home. Increased residential densities would also increase the demand for retail and commercial services to be provided, further increasing the economic viability of the Centre. Furthermore, the inclusion of community and open space within the Planning Proposal would further enhance activity within the locality creating a more vibrant Centre.

As identified within the *draft North District Plan*, the Planning Proposal would contribute to the LGA in attaining its five year dwelling target (3,000 dwellings from 2016-2021) and increase the number of affordability dwellings in the LGA. The Planning Proposal is also in accordance with the direction that North Sydney Council

(Council) should support local opportunities to address demand and diversity (of housing) in and around local centres and infill areas.

Increased residential provision

A Plan for Growing Sydney acknowledges that Sydney's housing prices are high compared to other Australian capital cities. The *A Plan for Growing Sydney* highlights that governments can “*help to put downward pressure on prices (by) accelerating the supply and the variety of housing across Sydney, such as apartments and townhouses, will make it easier for people to find homes to suit their lifestyle and budget*”.

Strata dwellings within the North Sydney LGA provide a more affordable option for its residents and key workers. This is evident in the median strata price being 128% lower than the median price of non-strata dwellings in the LGA. Increased supply and variety of apartments within the LGA would continue in providing a more affordable product to the LGA's current and future residents. Furthermore, increased supply would help to place downward pressure on apartment prices which have witnessed significant growth in recent years.

As identified earlier, the *draft North District Plan* identifies a five year dwelling target for North Sydney LGA of 3,000 additional dwellings, while the *A Plan for Growing Sydney* identifies the need for an additional 573 dwelling per annum for the LGA to meet its 20 year target.

Assessment of the number of dwellings completed in 2016/17 and the LGAs strata pipeline, reveals that increased supply is needed in order for the LGA to attain these targets. Advancement of the Planning Proposal would contribute to the LGA in meeting these targets, while also providing a range of apartment sizes and bedroom types for the LGAs projected growth in household types.

The Department of Planning and Environment (DP&E) project that an additional 10,400 households will be accommodated in the LGA over the next 20 years (from 2016). Of this growth in households, 51% or 5,350 households is attributed to lone person households, while 23% and 12% is attributed to couples without dependents and couples with dependents, respectively.

The historic dominance of apartments within the LGA has witnessed an increasingly trend in households transitioning to live within apartment style dwellings. Of note is the significant proportional increase in couples without dependants, where 52% of this household type resided in apartment dwellings – up from 41% in 2006. While 85% of lone person households resided in apartments in 2016, a 5% increase over the ten year period.

The Planning Proposal would be providing a dwelling type and mixture that would be catering to the changing preferences of the local community and the projected growth in these household types.

Furthermore, analysis on rental affordability in the LGA highlights that a household on a very low income would only be able to afford 69% of the median market rent for a one bedroom apartment and 54% of market rent for a two bedroom apartment. While a low income household could afford the median market rent for a one bedroom apartment and while only 87% of market rent for a two bedroom apartment within the LGA.

If left unabated the housing affordability gap will continue to widen. As identified in the *A Plan for Growing Sydney*, increased residential supply can place downward pressure on housing prices and rents. Advancement of the Planning Proposal would increase dwelling supply and capacity within the LGA helping to alleviate the housing affordability gap and rental stress.

Economic contribution

The construction of a mixed use development comprising community, retail and residential uses would provide economic benefits during and post construction phases. These economic benefits of the Planning Proposal are estimated as follows:

During construction

- Estimated construction cost of \$156.4 million
- Construction would generate a further \$198.2 million of activity in production induced effects
- A further \$147.8 million in consumption induced effects
- Total economic activity of \$502.4 million
- 368 job years generated directly in construction
- Due to multiplier impacts the Planning Proposal is estimated to generate a total of 1,452 job years directly and indirectly
- Construction workers are likely to spend \$1.3 million in retail goods and services within the North Sydney area during the construction phase.

Post construction

- The Planning Proposal would have an estimated resident population of 502 residents
- The community centre, retail and residential floorspace within the Planning Proposal would facilitate the creation of an estimated 43 jobs
- These workers onsite could generate an estimated \$2.3 million in salaries annually
- Furthermore, the workers onsite could contribute \$2.7 million annually to the local economy or Gross Domestic Product (GDP)
- The Planning Proposal could generate a further \$92 million in Government revenue including development contributions, stamp duty and GST
- Residents and workers located onsite would generate \$8.5 million in retail expenditure annually. Given the retail offer in North Sydney a large proportion, say 60%, of this would likely be captured locally. The amount captured has been estimated at \$5.2 million
- The resident population onsite would increase the demand for additional retail floorspace. This is estimated at an additional 1,054sqm. Given that North Sydney is a Strategic Centre the majority of this floorspace would likely be directed towards the Centre
- The development of community, retail and residential uses on the subject site would improve street activation. The benefits of this activation would be increased security, increased passing traffic for local retailers and increased investment within the area
- Significant property investment decisions are generally viewed as a strong positive commitment for the local area
- The direct investment proposed by the development would, through a wide range of economic multipliers as outlined above, support investment in associated industries
- The Planning Proposal would create additional business opportunities in this locality
- The Planning Proposal would provide a modern community facility that would benefit the wider community.

INTRODUCTION

1.0 INTRODUCTION

HillPDA has been commissioned by Avenor (the Client) to undertake an economic impact assessment (the study) relating to a proposed mixed use development at 173-179 Walker Street, North Sydney (the subject site).

The subject site comprises approximately 2,340sqm of land and contains four pre-existing three storey residential flat buildings, providing a combined 24 apartments (Figure 1).

Under the North Sydney Local Environmental Plan 2013 (NSLEP 2013) the site is zoned R4 – High Density Residential with a maximum Height of Building of 12 metres.

A Planning Proposal is being prepared for the subject site which seeks amendment of the local planning controls as provided in the NSLEP 2013. Predominantly, the Planning Proposal seeks to introduce a Floor Space Ratio (FSR) on the subject site and increase the height to allow for a slender, 47 storey tower.

The objectives of this study are to assess the need for increased residential supply within the local area and to quantify the economic impact of the Planning Proposal.

1.1 The Planning Proposal

Specifically, the Planning Proposal seeks an introduction of a floor space ratio (FSR) for the subject site of 13.63:1². This would allow redevelopment of the subject site to include:

- 284 residential apartments, of which a minimum of 14 apartments or 5% would be affordable
- 865sqm of publicly dedicated open space
- A 1,515sqm dedicated to community facilities
- 80sqm of retail space.

Figure 1: Subject Site (red outline)



Source: HillPDA

² Excludes balconies and winter gardens

2.0 CONTEXTUAL REVIEW

This Chapter undertakes an appraisal of *A Plan for Growing Sydney* and *draft North District Plan*. It considers matters relating to the Planning Proposal and development from housing and economic perspective only.

2.1 A Plan for Growing Sydney 2031 (2014)

The DP&E published the A Plan for Growing Sydney to 2031 (the Plan) in December of 2014. It seeks to achieve the following outcomes:

- A competitive economy with world-class services and transport
- A city of housing choice, with homes that meet our needs and lifestyles
- A great place to live with communities that are strong, healthy and well connected
- A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

By 2031, Sydney's economic output will almost double to \$565 billion a year, with this economic growth being fuelled partly by an additional 689,000 new jobs over the period. Sydney will also experience a population growth of about 1.6 million persons. To meet this population growth, an additional 664,000 new dwellings will need to be constructed.

Specific to this Study is:

- *Direction 2.1 – Accelerate housing supply across Sydney*
This direction empathises accelerating the delivery of housing choice across Sydney. The direction aims to achieve this through identifying where development is feasible, where there is existing infrastructure and the targeting of areas where the delivery of homes is in close proximity to employment areas. The development of a mixed use development with a residential component is in line with this direction.
- *Direction 2.2 – Accelerate urban renewal across Sydney*
This direction focuses housing within centres with high connectivity through public transport. North Sydney and the proposed Victoria Cross Sydney Metro railway stations coupled with public buses along the Miller Street elevates the subject site as a suitable candidate to provide urban renewal opportunities for additional housing.
- *Direction 2.3 – Improve housing choice to suit different needs and lifestyle*
This direction emphasises increased housing diversity across Sydney. The provision and mixture of apartments within the Planning Proposal would increase dwelling diversity within the area, providing a range of housing options and price points for persons downsizing or entering the market.
- *Direction 1.6: Expand the Global Economic Corridor*
The Global Economic Corridor extends from Macquarie Park through the Sydney CBD to Port Botany and Sydney Airport. This direction highlights the need to support the delivery of mixed use developments within the Corridor that encourage employment opportunities. The Planning Proposal would increase the amount of employment floorspace on the subject site, which includes retail and community space. This would increase employment opportunities onsite and within the Centre.
- *Direction 1.7: Grow strategic centres - providing more jobs closer to home*

North Sydney is identified as a strategic centre within the Plan. This direction places emphasis on *improving planning policies and regulations (that would) encourage flexibility, higher density and a more diverse range of activities*. The Planning Proposal would increase housing and employment opportunities within the Centre. Furthermore, the inclusion of community and open space within the Planning Proposal would further enhance activity within the locality creating a more vibrant Centre.

2.2 Draft North District Plan

The draft North District Plan maps out the 20-year vision for the North District of Greater Sydney. The North District encompasses the LGAs of Hornsby, Hunter's Hill, Ku-ring-gai, Lane Cove, Mosman, Northern Beaches, North Sydney, Ryde and Willoughby. By 2036 it is projected that the District will have a population of 1.083million, representing an additional 196,350 persons over the 20 year period from 2016, of which 19,600 people, or 10% are projected to reside in the North Sydney.

To house this growth an additional 97,000 dwellings are required over a 20 year period to 2036, representing an average annual target of 4,850 dwellings. Specifically, the District Plan targets an additional 25,950 dwellings to be provided within the District over the next five years. The North Sydney target over this period is 3,000 dwellings or 300 per annum.

To support the new housing and employment targets the draft North District Plan identifies several new transport initiatives, of which, Sydney Metro is one. Sydney Metro is a new rail line that will connect Rouse Hill to Bankstown. Specifically, a new station would be provided along Miller Street, known as Victoria Cross, this location is a three to four minute walk from the proposed development. This station would increase the connectivity of the subject site to surrounding cultural and employment centres.

Another key focus of the District Plan is to increase housing diversity and affordability. The District Plan identifies a number of measures to improve affordability, with a key measure being to target 5-10% affordable housing for new developments.

The District Plan also highlights that North Sydney Council will monitor and support the delivery of North Sydney's five-year housing target of 3,000 homes and investigate local opportunities to address demand and diversity (of housing) in and around local centres and infill areas.

The Planning Proposal in accordance with the objectives and directives of the draft District Plan.

3.0 INCREASED RESIDENTIAL PROVISION

The following Chapter undertakes a review and analysis of the demographic and housing characteristics within North Sydney LGA. The intent of the Chapter is to provide justification for the provision of additional residential supply within the LGA to meet the current and future needs of the resident population.

The basis for this justification is sourced from the *A Plan for Growing Sydney* which provides there core directions in the provision of housing within Sydney. These directions are:

1. Direction 2.1: Accelerate housing supply across Sydney
2. Direction 2.2: Accelerate urban renewal across Sydney
3. Direction 2.3: Improve housing choice to suit different needs and lifestyles.

3.1 Dwelling price growth

A Plan for Growing Sydney acknowledges that Sydney's housing prices are high compared to other Australian capital cities. The Plan highlights that governments can "help to put downward pressure on prices (by) accelerating the supply and the variety of housing across Sydney, such as apartments and townhouses, will make it easier for people to find homes to suit their lifestyle and budget".

Delivering houses in greenfield and urban renewal locations will help people to live closer to family and friends, to workplaces and schools, and to the services they use on a daily or weekly basis".

In 2016, the median sale price for strata dwellings within North Sydney LGA reached over \$1.1 million. This was \$371,000 or 51% higher than the median strata dwelling recorded in Greater Sydney (\$729,000).

In comparison the median sale price for non-strata dwellings was just over \$2.5 million in 2016. This was \$1.6 million or 163% higher than that recorded for Greater Sydney (\$955,000).

Strata dwellings provide a more affordable option for residents and key workers within the LGA. This is evident with strata dwellings having a median value of \$1.1 million in 2016 which was 128% lower than the median price of non-strata dwellings.

Table 1: Median sale price (\$'000) in December

	2010	2016	Growth (\$)	Growth (%)
North Sydney LGA (non-strata)	1,320	2,510	1,190	90%
North Sydney LGA (strata)	633	1,100	467	74%
Greater Sydney (non-strata)	600	955	355	59%
Greater Sydney (strata)	490	729	239	49%

Source: NSW Rent and Sales Report

3.2 Need for increased capacity

3.2.1 Projected dwelling growth

The DP&E project that North Sydney LGA would require an additional 11,450 dwellings between 2016 and 2036, to house the additional 19,500 residents projected to reside within the LGA over the period.

This represents an annual dwelling increase of 573 dwellings need to be completed each year to meet this target.

Additionally, the draft *North District Plan* project that the LGA would require an additional 3,000 dwellings over a five year period from 2016. This equates to an additional 600 dwelling per annum.

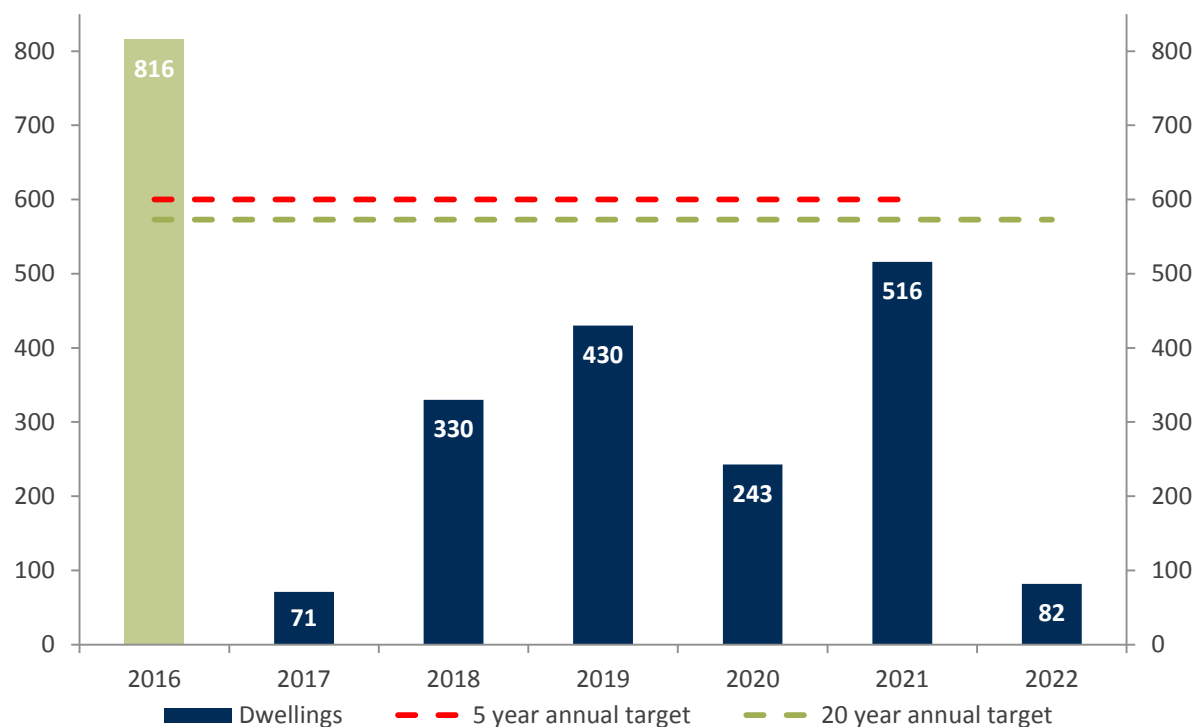
3.2.2 Residential dwelling pipeline

As discussed previously, the LGA would need to provide 573 per annum over the next 20 years to meet the targets identified by the DP&E or an additional 600 per annum as identified in the draft *North District Plan* over the five year period from 2016.

If all dwellings that are either completed (2016) or has a building application, building approval, construction, development application, development approval, early planning or has a rezoning application are completed and accounted, the LGA would be around 595 dwellings short of its five year target and 1,523 dwellings short of its 20 year target, over the 2016-2022 period.

As such, increased residential supply is needed in order for the LGA to meet these dwelling targets. This can be achieved through accelerating urban renewal in the North Sydney area.

Figure 2: Residential pipeline (2017 onwards strata)



Source: CordellsConnect, HillPDA – count of dwellings stated as completed (2017), building application, building approval, construction, development application, development approval, early planning or has a rezoning application – 2016 was sourced from DP&E dwelling completions

3.3 Increased dwelling choice

3.3.1 Apartment dwellings by household type

Apartments have remained the dominate dwelling type within the LGA over the ten year period from 2006. In 2016 of the 32,860 occupied private dwellings, 24,712 dwellings or 75% were apartments, representing a 5% proportional growth form that recorded in 2006.

The historic dominance of apartments within the LGA has witnessed an increasingly trend in households transitioning to live within apartment style dwellings. Of note, is the significant proportional increase in couples without dependants, where 52% of this household type resided in apartment dwellings – up from 41% in 2006.

All other household types have increased proportionally by 5% to 8% towards living within apartment style dwellings. The Planning Proposal would be providing a dwelling type and mixture that would be catering to the changing preferences of the local community.

Table 2: Proportion of households living in apartments by household type

Household type	2006	2011	2016
Couple families with dependents	41%	44%	52%
Couples without dependents	69%	73%	77%
Group households	77%	79%	82%
Lone person households	80%	82%	85%
One parent family	55%	56%	63%
Other families	75%	77%	80%

Source: 2016 Census - Time Series, household type over occupied apartment dwellings

3.3.2 Household type projections

The DP&E projects that the LGA will accommodate an additional 10,400 households by 2036. Of this growth, 51% or 5,350 households is attributed to lone person households, while 23% and 12% is attributed to couples without dependents and couples with dependents, respectively. As identified above, these household types have an increasingly propensity to reside within apartments style dwellings. This propensity would also be reasons of affordability, availability and changing preferences.

The Planning Proposal would be providing a product with a range of bedroom types and configurations that would be catering for these future household types.

Table 3: Household type projections North Sydney LGA

	2016	2021	2026	2031	2036	Growth	Proportional Growth
Couple only	9,450	10,000	10,500	11,200	11,850	2,400	25%
Couple with children	5,550	5,950	6,250	6,550	6,800	1,250	23%
Single parent	1,800	1,950	2,150	2,300	2,450	650	36%
Other family households	300	350	350	350	350	50	17%
Multiple-family households	850	900	950	1,000	1,050	200	24%
Lone person	15,300	16,550	17,850	19,300	20,650	5,350	35%
Group	2,600	2,700	2,800	2,950	3,100	500	19%
Total	35,850	38,400	40,850	43,650	46,250	10,400	29%

Source: NSW DP&E

3.4 Housing stress and affordability

3.4.1 Rental growth

Analysis reveals that median rents within the LGA have remained higher within the LGA over the last ten years when compared to Greater Sydney. As of 2016, rents within the LGA were \$35 per week or 18% higher than that recorded for Greater Sydney.

Increased dwelling supply can help place downward pressure on rents, helping increase rental affordability within the area.

Table 4: Median weekly rental growth 2006-2016

	2006	2011	2016	Growth (#)	Growth %
North Sydney	350	480	575	225	64%
Greater Sydney	250	355	440	190	76%

Source: 2016 Census - Time Series Data

3.4.2 Rental and mortgage stress

Housing stress is a metric used to describe a situation where the cost of housing is high relative to the household income. As a rule of thumb, housing stress is defined as where housing costs (rent or mortgage repayments) are 30% or more of gross household income³.

While this figure provides a useful benchmark of housing affordability, the definition of affordability varies according to a household's individual circumstances.

As seen in the table below, housing mortgage stress within North Sydney LGA has decreased from 2006 to 2016. As of 2016 the median mortgage repayment was 25% of the median household income. Of course with the median cost so close to the 30% benchmark there will be a fair proportion of households under stress.

The trend in the rental market is considerably more negative with renting households experiencing stress increasing over the period as shown in the table below.

Table 5: Rental and mortgage stress

	2006	2016
North Sydney LGA median household income	\$93,704	\$122,512
North Sydney LGA median mortgage repayment	\$28,368	\$31,200
North Sydney LGA mortgage repayment as proportion of income	30%	25%
Greater Sydney median mortgage repayment as % of income	35%	29%
North Sydney LGA median rent	\$18,200	\$29,900
Median rent repayment as proportion of median income	19%	24%

Source: 2016 Census - Time Series Data, HillPDA

Although increased dwelling supply is not a silver bullet in addressing housing stress, as recognised in "*A Plan for Growing Sydney*" increased supply can put downward pressure on dwelling prices and the number of households experiencing stress.

3.4.3 Rental affordability

NSW Family and Community Services outline the eligibility criteria for affordable housing in their 2016/17 NSW Affordable Housing Ministerial Guidelines. In this document household income is the defining criteria for affordable housing eligibility, with the median income for Greater Sydney used as a bench mark.

The 2016/17 Guidelines define affordable housing for very low, low, and moderate income households. These categories have been applied to this analysis and are as follows:

- Very low-income household is less than 50% of Greater Sydney median household income
- Low-income household is more than 50% but less than 80% of Greater Sydney median household income

³ NSW Affordable Housing Ministerial Guidelines 2016-2017

- Moderate income household is between 80% and 120% of Greater Sydney median household income.

The median household income for North Sydney LGA was around \$122,510 in 2016. Based household income the affordable housing thresholds have been calculated as follows.

Table 6: Household income and affordability North Sydney LGA

Category	Household income	
	Weekly	Yearly
Median income	\$2,356	\$122,512
Very low household income (50% of median household income)	\$1,178	\$61,256
Low household income (80% of median household income)	\$1,885	\$98,010
Moderate income household (120% of median household income)	\$2,827	\$147,014

Source: 2016 ABS Census, HillPDA

To assess the ability of very low income and low income household's to meet the median rental repayment for the LGA, we applied the following methodology:

- Multiplied household incomes by 30% and divide by 52 to calculate the weekly rent that household can reasonably afford to pay without experiencing housing stress and
- Compared Step 1 to the LGA market rent in that year.

3.4.3.1 Very low income household rental affordability

A very low income household within North Sydney LGA, that is, a household that earns 50% of the median household income could afford to pay \$353/week⁴ on rental repayments in 2016.

This was only 69% of the median market rent for a one bedroom apartment and 54% of market rent for a two bedroom apartment within the LGA.

3.4.3.2 Low income household rental affordability

A low income household, that is, a household that earns 80% of the household median income could afford to pay \$565/week⁵ on rental repayments.

At this rate the household could afford the median market rent for a one bedroom apartment and while only 87% of market rent for a two bedroom apartment within the LGA.

Table 7: Rental affordability against North Sydney LGA median household income - 2016

Year	Median household income (2016)	Median household at affordability category	Rental affordability at 30% of median income	1 bedroom apartment market rent	Rental affordability as proportion of market rent	2 bedroom apartment market rent	Rental affordability as proportion of market rent
Very low household income at 50% of median household income	\$122,512	\$61,256	\$353	\$510	69%	\$650	54%
Low household income at 80% of median household income	\$122,512	\$98,010	\$565	\$510	111%	\$650	87%

Source: 2016 ABS, NSW Department of Housing rent tables, HillPDA *30% of household income directed towards rental repayment

If left unabated the housing affordability gap will continue to widen. Increased residential supply can place downward pressure on housing prices and rents as acknowledged in the *A Plan for Growing Sydney*. Advancement of the Planning Proposal would increase dwelling supply and capacity within the LGA helping to alleviate the housing affordability gap and rental stress.

⁴ 30% of annual income directed towards rental repayment

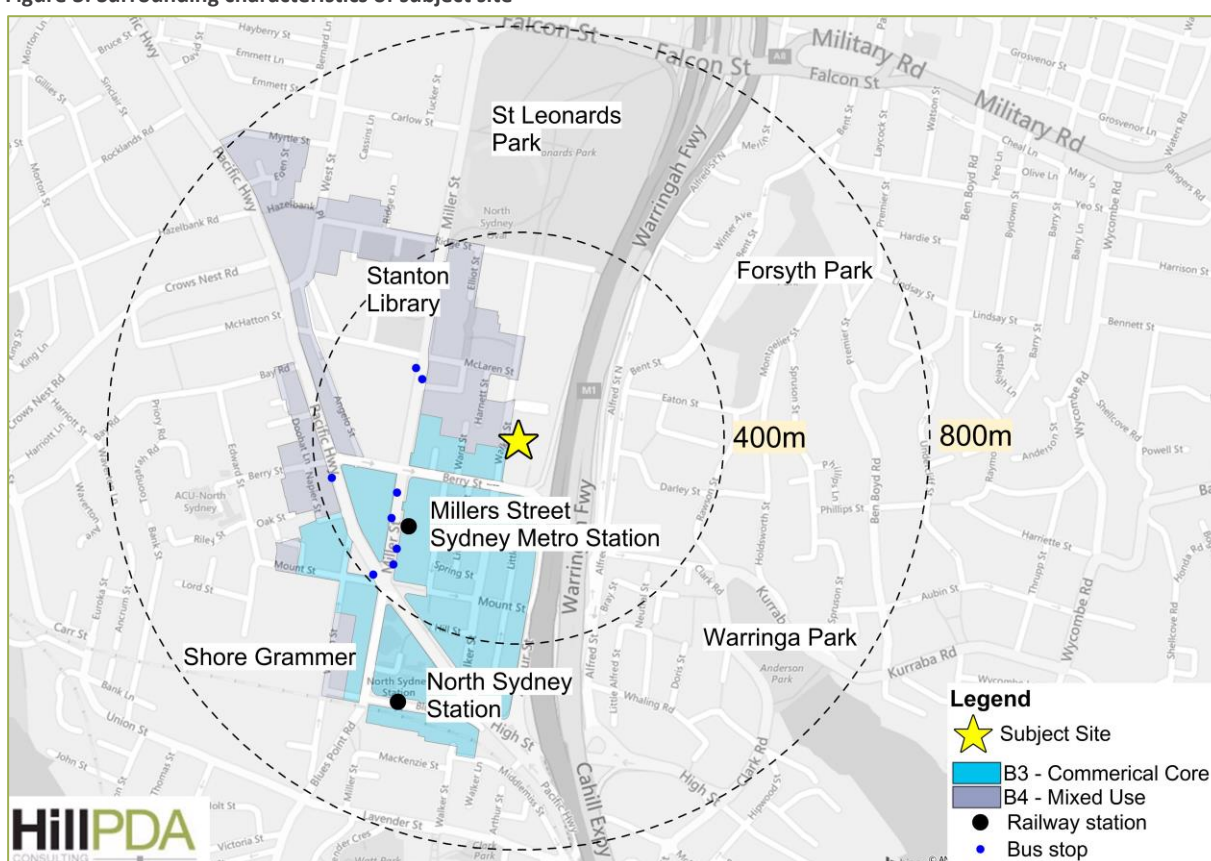
⁵ 30% of annual income directed towards rental repayment

3.5 Locational considerations

In providing justification for the provision of residential dwellings on the subject site, there are a few other locational factors for consideration. These include the following:

- The subject site is located in close proximity to existing transport infrastructure and is within 400 metres of eight state bus stops and the proposed Victoria Cross, Sydney Metro railway station. The site is also in close proximity, less than 800 metres, from North Sydney Railway Station. The connectivity of the subject site through existing transport infrastructure allows future residents increased accessibility to employment, retail facilities and public infrastructure
- The subject site is within 800 metres of surrounding schools including Shore Grammar School, North Sydney Demonstration School, Wenona School, Monte College and Australian Catholic University North Sydney
- The subject site is in close proximity to North Sydney commercial core and mixed use areas. Increased residential densities within the local area would increase the potential for the centre to capture additional retail expenditure, increasing its viability and attracting investment
- The site is in close proximity to surrounding public and private recreation areas such as St Leonards Park, Forsyth Park, Warringa Park and Sydney Harbour Foreshore Walk.

Figure 3: Surrounding characteristics of subject site



Source: HillPDA

4.0 ECONOMIC IMPACT ASSESSMENT

This Chapter examines the economic impacts of the Planning Proposal and post construction. Economic impacts include employment generation, wages and IVA, increased retail spend from local residents and workers, increased demand for retail floorspace and impacts on government revenue.

4.1 Construction economic benefits

HillPDA has been provided with an indicative construction cost estimated at \$156.42 million⁶ for the proposed development.

4.1.1 Construction multiplier effects

The construction industry is a significant component of the economy accounting for 6.7% of Gross Domestic Product (GDP) and employing almost one million workers across Australia.⁷ The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

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

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.65 and \$0.95 respectively to every dollar of construction.

The table below quantifies associated economic multipliers resulting from the construction process.

Table 8: Construction multipliers (\$m)

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.6200	0.6470	0.9450	3.2120
Output (\$million)	\$156	\$97.0	\$101.2	\$147.8	\$502.4

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0)

The estimated direct construction costs will generate a further \$198.2 million of activity in production induced effects and \$147.8 million in consumption induced effects. Total economic activity generated by construction of the proposal is estimated at \$502.4 million.

⁶ Indicative construction cost 18/08/217

⁷ Source: IBIS World Construction Industry Report 2015

Note that the multiplier effects are national, and not necessarily local. The ABS states that:

“Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”

In particular the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality many of these resources would have been employed elsewhere. Note that the NSW Treasury guidelines state:

“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”⁸.

Nevertheless, economic multiplier impacts represent considerable added value to the Australian economy.

4.1.2 Construction related employment

Every one million dollars of construction work undertaken generates 2.35 job years directly in construction⁹. Based on \$156 million estimated construction cost 368 job years¹⁰ would be directly generated by the Planning Proposal as shown in the table below.

Table 9: Construction employment

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.728	0.7940	1.423	3.945
Employment No. per \$million*	2.352	1.713	1.869	3.347	9.280
Total job years created	368	268	292	523	1,452

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2012-13 (ABS Pub: 5209.0)

The ABS Australian National Accounts: Input-Output Tables 2012-13 identified employment multipliers for first round, industrial support and consumption induced effects of 0.73, 0.79 and 1.42 respectively for every job year in direct construction. Including the multiplier impacts the Planning Proposal is estimated to generate a total of 1,452 job years directly and indirectly.

4.1.3 Retail expenditure from construction workers

Construction workers on site would generate additional sources of retail expenditure. This would be spent predominately on convenience-related items such as lunches, coffees, snacks and so on. A recent survey conducted by URBIS found that workers in Sydney CBD on average spent \$230 per week on retail items. This average spend encompasses clothing, internet and supermarket purchases. For construction workers HillPDA has applied a more conservative spend of \$15 a day or \$75 a week for 46 working weeks generated by each worker during the construction period.

We have estimated that:

⁸ Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government (TPP 09-7) NSW Treasury

⁹ Source: ABS Australian National Accounts: Input – Output Tables 2012-13 (ABS Pub: 5209.0) adjusted to 2016 dollars

¹⁰ Note: One job year equals one full-time job for one year

- 368 construction job years would be directly supported on the subject site over the course of the development; and
- The workers on site will spend an average of \$3,450 per annum in the North Sydney locality.

On this basis existing retailers in the local area of the subject site would enjoy \$1.3 million revenue from construction workers on site during the period of construction.

4.1.4 Other construction impacts

The construction process may lead to short-term negative impacts in the locality such as increased traffic, noise, dust and so on. We have assumed that the development would take necessary steps to mitigate the extent of these impacts.

4.2 Economic impacts of the Planning Proposal

4.2.1 Employment generation

Following construction, the Planning Proposal would provide employment floorspace, that is, 80sqm of retail space and 1,515sqm dedicated to community facilities.

The residential component would also accommodate some jobs. According to ABS 7.6% of workers undertake the majority of work at home (ABS Locations of Work 2008, Cat 6275.0). Given that there are an average of 1.3 working residents per household in North Sydney LGA (ABS Census 2011) then almost one in 10 dwellings is expected to provide employment.

HillPDA has applied a more conservative rate of 1.1 workers per household given smaller household sizes living in apartments.

The table below provides an estimate of the number of jobs that would be supported on site following construction and occupation.

Table 10: Estimated employment generation of Planning Proposal

	Floorspace (NLA)	Sqm/Employee	No. of Workers
Retail general*	72	40	2
Community service**	1,288	70	18
Home Based Businesses	270 apartments***		23
Total Employment			43

Source: HillPDA *assumes 90% efficiency rate, ** assumes 85% efficiency rate, and ***assumes a 5% vacancy rate

As indicated in the table above, the proposed development would facilitate the creation of 43 jobs on site.

4.2.2 Salaries generation

Based on IBIS World Industry Reports, HillPDA has estimated a combined annual remuneration at approximately \$2.3 million for workers on site. The details by land use are provided in the table below.

Table 11: Estimated salaries (\$2017)

	No. of Workers	Average Wage	Total Wage Generation (\$m)
Retail general	2	\$34,007	\$0.07
Community service	18	\$45,284	\$0.82
Home Based Businesses	23	\$60,000	\$1.38
Total	43		\$2.26

Source: IBIS World Industry Reports 2015; and ABS Average Weekly Earnings (Cat 6302), indexed to CPI

4.2.3 Industry value added

Industry value added (IVA) of an industry refers to the value of outputs less the costs of inputs. It measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP).

Based on IBIS World Industry Reports, HillPDA has estimated the combined IVA from land uses proposed in the Planning Proposal at approximately \$2.7 million per annum. The details by land use are provided in the table below.

Table 12: Estimated Industry Value Add of Planning Proposal (\$2017)

	No. of Workers	Industry / Value Add / Worker	Industry Value Add (\$m)
Retail general	2	\$48,550	\$0.10
Community service	18	\$51,934	\$0.93
Home Based Businesses	23	\$74,400	\$1.71
Total	43		\$2.74

Source: IBIS World Industry Reports 2015; and ABS Average Weekly Earnings (Cat 6302), indexed to CPI

4.2.4 Expenditure from workers

HillPDA has applied a \$20 per day for non-residential workers within the development. As such, we have estimated an annual retail expenditure of \$92,000. This would be captured by retail services within North Sydney.

4.2.5 Expenditure from residents

The Planning Proposal would benefit North Sydney Strategic Centre and its existing retailers by increasing the resident population and hence retail expenditure. HillPDA estimates an additional 502 residents would live on site based on an average occupancy of 1.86¹¹ and a 5% vacancy rate.

Assuming an average spend of \$16,290¹² total retail spend generated by residents on site would be \$8.5 million (\$2017).

Of course not all of this expenditure will be captured by existing retailers in North Sydney, but HillPDA would expect a rate of around 60% would be captured in the local area.

When combined with workers on site, the Planning Proposal would provide sources for an increase in retail sales captured North Sydney retailers likely in the order of \$5.2 million.

The resident population would also increase the demand for local retail services to be provided locally. It is estimated that the 502 residents would generate an additional demand for retail floorspace in the order of

¹¹ ABS 2016 North Sydney LGA community profile – average number of persons in occupied apartments

¹² Mapinfo AnySite 2017 Expenditure Data – assumed impact year of 2021 and real time growth of 1% per annum

1,054sqm¹³. Given that North Sydney is a Strategic Centre the majority of this floorspace would likely be directed towards the Centre.

4.2.6 Impact on whole-of-government revenue

Based on the table below the Planning Proposal is likely to contribute an additional \$83 million to government revenue.

Table 13; Impact on whole-of-government revenue

Source of Revenue	Total (\$m)
GST from Residential Apartments ^{*1}	41
Stamp Duty Revenue ^{*2}	22
Developer Contributions ^{*3}	10
Payroll Tax during Construction ^{*4}	2
Payroll Tax over 10yrs post construct ^{*5}	1
Land Tax Revenue (over 10yrs) ^{*6}	16
Total	92

*1 Assuming average apartment sale price of \$1,600,000

*2 Assuming average apartment sale price of \$1,600,000

*3 Section 94 (or 94A) + assumes a \$20,000/apartment SIC Levy + Other

*4 Assuming 50% of workers do not attract payroll tax due to varying business sizes

*5 Assuming 50% of workers do not attract payroll tax due to varying business sizes

*6 Assuming 20% of buyers are subject to land tax

4.3 Other economic benefits

4.3.1 Investment stimulus

Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment in the Planning Proposal would support a wide range of economic multipliers which would in turn support investment in associated industries. It would also raise the profile of North Sydney to potential investors.

The provision of a mixed use development on the subject site would increase the economic benefits of the scheme to surrounding businesses, services and the financial feasibility of public transport. The benefits of residential uses in the North Sydney LGA are recognised in increasing the demand for retail, commercial and transport services and hence increasing the viability of these services.

The Planning Proposal would create additional business opportunities in this locality associated with future residents and employment floorspace on site. It would increase the profile of this area and, in so doing, increase the financial feasibility of mixed use developments, potentially acting as a catalyst on surrounding sites.

4.3.2 Street activation

The construction of a mixed use development comprising uses such as community, retail and residential located on the subject site would create increased pedestrian traffic having the effect of further activating the local area. This street activation would have the benefits of increasing security, increasing trade for retailers through increased passing trade and increase investment within the local area.

¹³ Calculated at a per capita provision of 2.1sqm/person as identified within the draft North District Plan

4.3.3 Replacing old with new

The redevelopment of the subject site would be replacing the four pre-existing two storey residential buildings, that provide 24 apartments, with a modern mixed use development that provides 284 residential apartments, of which a minimum of 14 (5% of total stock) of apartments would be affordable apartment and employment floorspace. As such, the Planning Proposal is in line with the planning objectives of urban renewal projects, increased densities around public transit nodes (North Sydney and Victoria Cross Station) and the status of North Sydney as a Strategic Centre.

4.4 Conclusion

The Planning Proposal would provide approximately 80sqm of retail floorspace, a 1,515sqm dedicated to community facilities and 284 residential apartments. These land uses would increase the economic output of the subject site. Specifically, these uses would generate an estimated 43 jobs, \$2.3 million per annum in wages and contribute \$2.7 million per annum to local economy or GDP. Non-resident workers onsite would also generate an estimated \$115,000 per annum in retail expenditure that would be captured by local retailers.

The development would also have an estimated population of 502 residents. These residents would generate an additional \$8.5 million in retail expenditure, of which, the majority would be spent locally within North Sydney Centre further increasing the viability of retailers within the Centre. These residents would also generate additional demand in retail floorspace provision estimated at 1,054sqm. Given that North Sydney is a Strategic Centre the majority of this floorspace would likely be directed towards the Centre.

The Planning proposal would also provide 284 residential apartments, of which, 14 (5% of total stock) are affordable dwellings. In doing so, the Planning Proposal is contributing to the LGA in meeting its private and affordable dwelling targets while also providing increased housing supply and choice. As such, the Planning Proposal is in accordance with State planning strategies (reviewed in Chapter 2) for Sydney and the North District.

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