

FIVEWAYS, CROWS NEST

Economic Impact Assessment



Prepared for Deicorp Projects

Contents

1.0	Introduction	5
1.1	The Planning Proposal.....	6
1.2	Purpose and study structure	6
2.0	Policy context	7
2.1	Greater Sydney Region Plan	7
2.2	North District Plan	8
2.3	St Leonards and Crows Nest 2036 Plan	9
2.4	Conclusion	9
3.0	Economic impact – Base Case	10
3.1	Base Case land uses and floorspace	10
3.2	Base Case economic assessment.....	10
4.0	Economic impact – Planning Proposal.....	12
4.1	Construction economic benefits.....	12
4.2	Post-construction economic benefits	14
4.3	Other impacts	16
4.5	Conclusion	18

Tables

Table 1: Floorspace GFA on-site.....	10
Table 2: Estimated employment generation - Base Case	10
Table 3: Estimated salary generation – Base Case	11
Table 4: Estimated Industry Value Added – Base Case	11
Table 5: Estimated construction cost.....	12
Table 6: Construction multipliers (\$m)	13
Table 7: Construction employment	13
Table 8: Post construction Planning Proposal floorspace yields	14
Table 9: Estimated employment generation – Planning Proposal	14
Table 10: Estimated salary generation – Planning Proposal.....	15
Table 11: Estimated Industry Value Added – Planning Proposal.....	15
Table 12: Impact on whole of government revenue.....	15

Figures

Figure 1: Fiveways subject site boundary.....	5
Figure 2: Subject site transport context.....	5

Quality Assurance

Report Contacts

Nicholas Hill

Associate

M.A Property Development, University of Technology Sydney B. Science, M Human Geography, Macquarie University

Nick.Hill@hillpda.com

Supervisor

Adrian Hack

Principal, Urban and Retail Economics

M. Land Econ. B.Town Planning (Hons). MPIA

Adrian.Hack@hillpda.com

Quality Control


Adrian Hack

Principal, Urban and Retail Economics

M. Land Econ. B.Town Planning (Hons). MPIA

Adrian.Hack@hillpda.com

Reviewer

Signature		Dated	09/11/20
-----------	---	-------	----------

Report Details

Job Number	C20074
Version	FINAL
File Name	Fiveways, Crows Nest Economic Impact Assessment
Date Printed	9/11/2020

INTRODUCTION

1.0 INTRODUCTION

HillPDA was commissioned by Deicorp Projects (Crows Nest) Pty Ltd to undertake an economic impact assessment (the study) of a Planning Proposal pertaining to land referred to as the Fiveways Triangle site located in Crows Nest. Specifically, the Five Ways Triangle site relates to land bounded by Falcon Street, Alexander Street and Pacific Highway (the subject site).

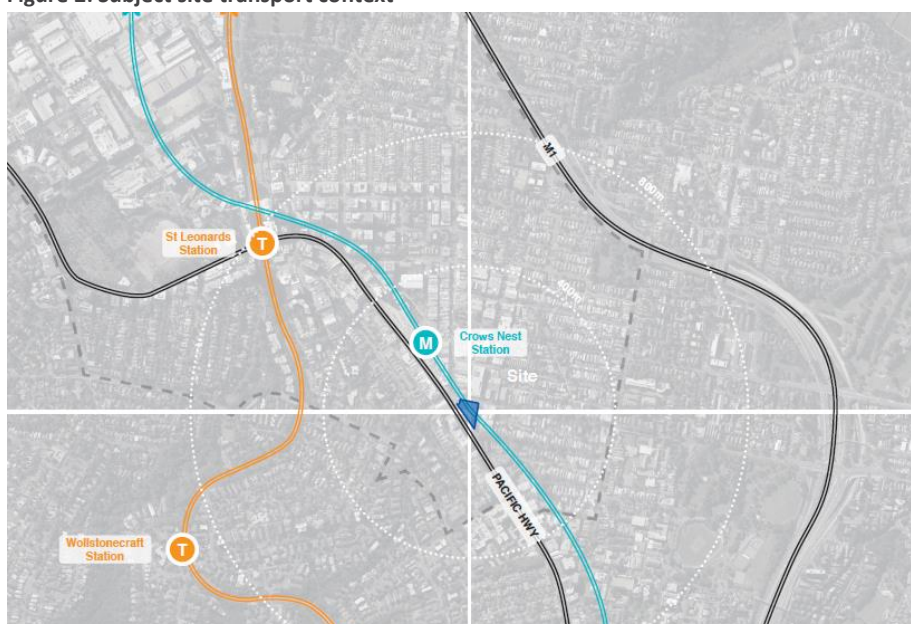
Figure 1: Fiveways subject site boundary



Source: HillPDA

The subject site is located around 240 metres from the proposed Crows Nest Metro Station (opening in 2024) and is within 800 metres of St Leonards Station. The subject site also fronts the Pacific Highway and is within 800 metres of the M1 Motorway which can be easily accessed via Falcon Street. These attributes increase the subject sites accessibility and connectivity for future residents, workers and visitors in both accessing the site and surrounding employment and leisure areas. This will contribute to the locality attaining the 30-minute concept.

Figure 2: Subject site transport context



Source: Tuner SilvesterFuller, Five Ways Crows Nest presentation 2020

1.1 The Planning Proposal

Development of the Planning Proposal would provide a mix of land uses, including commercial, retail, and residential. In total, around 29,820sqm of mixed-use gross floor area (GFA) would be developed, with this being comprised of:

- 21,818sqm GFA of residential space, equating to 233 apartments
- 8,002sqm GFA of commercial and retail space.

1.2 Purpose and study structure

The purpose of this study is to assess and quantify, where possible, the economic impact that would eventuate from development under the Planning Proposal. This is achieved through assessing and comparing the economic contribution of the subject site from its current built form and land uses to that which would eventuate from its redevelopment as proposed under the Planning Proposal.

Although the study assesses State and local planning documents/strategies it does not include any specific planning or policy recommendations which would require consideration of a range of other factors which will be explored in other specialist studies being undertaken in the preparation of the Planning Proposal.

To meet the requirements of the brief, the study is set out in the following manner:

- **Chapter 2** | undertakes an assessment of State and local planning policies of relevance to the Planning Proposal
- **Chapter 3** | Examines the economic contribution that the subject currently generates. This is referred to as the “Base Case”
- **Chapter 4** | Examines the economic implication that development under the Planning Proposal would have during the construction phase and post-construction. The economic implications are compared to the base case (estimated in Chapter 3).

2.0 POLICY CONTEXT

This Chapter analyses State and local planning strategies, it further identifies areas where the Planning Proposal assists in achieving the intent of these strategies from a housing and economic perspective.

2.1 Greater Sydney Region Plan

The Greater Sydney Region Plan – *A Metropolis of Three Cities* (Region Plan) was finalised in March 2018 by the Greater Sydney Commission. The vision of the Region Plan is to create a metropolis of three cities, specifically the Western Parkland City, Central River City and the Eastern Harbour City. The subject site is located within the Eastern Harbour City.

A core intent of the Region Plan is to give people greater housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and create the conditions for a stronger economy. The Plan prioritises providing greater housing supply. ‘Providing ongoing housing supply and a range of housing types in the right locations will create more liveable neighbourhoods and support Greater Sydney’s growing population.’ The NSW Government has identified that Greater Sydney would require additional 725,000 homes by 2036 to meet its population projections.

Key to delivering this supply of homes is providing a range of housing types, tenures and price points to meet demand, including houses, apartments, terraces and villas; dwellings owned outright, mortgaged or rented; and homes occupied by single people, families and groups. A range of housing types provides for the needs of community members at all stages of life. People can age in place as they move into smaller homes in their own neighbourhoods, while young adults leaving home can stay close to their families and communities.

Specifically, The Planning Proposal would be addressing the following objectives in the Region Plan:

- **Objective 10 - Greater housing supply**

This objective emphasises providing increased dwelling supply with a range of housing types in the right locations to create more liveable neighbourhoods and support Greater Sydney’s growing population.

The objective aims to achieve this through providing dwellings where development is feasible; where existing or proposed infrastructure is present; and in targeting areas that are in proximity to employment and recreation areas. The development of a mixed-use development with a residential component is in accordance with this objective. The Planning Proposal would provide around 233 new dwellings with a range of sizes and configurations. As such, the Planning Proposal would be contributing to achieving this objective.

Furthermore, increased housing supply would be more appropriate within centres with high connectivity through public transport. The subject site is within walking distance to the public transport hub of the Crows Nest Metro station and St Leonards Station. The proximity to these existing and planning public infrastructure increase the sites appropriateness to urban renewal and deification.

- **Objective 11 - Housing is more diverse and affordable**

The Planning Proposal would provide a mix of apartments of varying sizes and bedroom numbers. This would increase dwelling diversity in the locality, providing a range of housing options and price points for persons downsizing or entering the market. As such, the Planning Proposal is in accordance with this objective.

- **Objective 12 - Great Places that bring people together**

This objective emphasises that well-designed places bring the community together, enhancing social cohesion and overall enjoyment. Great places focus on the public realm and open spaces that attract residents, workers, visitors, enterprise and investment. They recognise and celebrate the local character of the place, its people, and include the green infrastructure that supports the sustainability of the region and

people's wellbeing. The Planning Proposal would deliver benefits to the surrounding worker and resident community.

■ **Objective 14 - A Metropolis of Three Cities – integrated land use and transport creates walkable and 30-minute cities**

This objective emphasises the development of a diverse economy across Greater Sydney and the 30-minute city concept. The Planning Proposal would provide around 8,000sqm of employment space which would generate approximately 456 jobs. This would significantly increase the economic output and employment diversity within the Crows Nest locality.

A recent study has found Sydney siders on average spend 70 minutes commuting to work each day. This objective aims to reduce this commute time to 30 minutes by providing increased employment opportunities, housing and transport options in close proximity to each other. The Planning Proposal would provide increased employment and housing options in close proximity to the CBD and existing transport options, as such, it is in accordance with this objective.

■ **Objective 15 - (the) Eastern Economic Corridor (is) better connected and more competitive**

This objective aims to capitalise of a number of committed and potential transport infrastructure projects to increase the size of the labour market and boost productivity. Specifically, St Leonards and Crows Nest are identified as a location where the NSW Department of Planning and Environment is working with Lane Cove, North Sydney and Willoughby councils to undertake strategic planning investigations of St Leonards and Crows Nest Station Precinct.

The Planning Proposal would generate around 456 jobs increasing both the number and diversity of jobs within the Crows Nest Station Precinct. The Planning Proposal would also contribute to Crows Nest Station Precinct's attractiveness for increased investment, helping it capitalise on the development of the Sydney Metro.

2.2 North District Plan

The 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 1.083 million, 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 North Sydney LGA.

To house this growth, an additional 92,000 dwellings are required over a 20-year period to 2036, representing an average annual target of 4,600 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 650 per annum.

To support the new housing and employment targets, the 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 the Pacific Highway in Crows Nest suburb, known as Crows Nest Station this location is around 150 metres away from the subject site. This station would increase the connectivity of the subject site to surrounding housing, cultural and employment location. This will increase its accessibility for its future resident, worker and visitor communities to and from the site while also contributing to Sydney achieving its 30-minute city planning objective.

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 assists Council in their requirement

to work with the Greater Sydney Commission and Transport for NSW to identify urban renewal opportunities that connect to the Sydney Metro.

The subject site is located within St Leonards Strategic Centre. Over the 2016-36 period, a target of an additional 6,900 to 16,400 jobs are forecast for this area. The Planning Proposal would generate around 302 additional jobs, contributing to the District meeting this target. St Leonards is the sixth-largest office market in the Sydney Region. The provision of commercial space, as proposed in the Planning Proposal, would contribute to St Leonards commercial market while also providing jobs closer to where people live. Employment space provided in the Planning Proposal would also support the District in achieving the following planning priorities:

- Planning Priority N7: Growing a stronger and more competitive Harbour CBD
- Planning Priority N8: Eastern Economic Corridor is better connected and more competitive
- Planning Priority N10: Growing investment, business opportunities and jobs in strategic centres.

By maximising the land use opportunities around the new Sydney Metro stations, the Planning Proposal is in accordance with the priorities and objectives of the District Plan.

2.3 St Leonards and Crows Nest 2036 Plan

The St Leonards and Crows Nest 2036 Plan promotes the delivery of the right development and infrastructure to 2036 to ensure that the area is a great place to live, work and visit. The Plan is meant to be a tool for a discussion with the community about how best to achieve the vision for the area. This vision being:

The St Leonards and Crows Nest area will be a major centre for workers, residents, students and visitors, offering a variety of homes, jobs and activities for the diverse local population. The area will continue to be a place that people are proud to work in, visit and call home.

The Plan identifies a high target of an additional 3,020 jobs to be accommodated in Crows Nest by 2036 and 6,683 dwellings in the St Leonards and Crows Nest area. Of these jobs, around 1,993 or 66% are forecast to be knowledge intensive, 725 or 24% population serving (including retail) while the remaining 302 or 10% are forecast to be health related jobs.

The Planning Proposal would provide a high-quality mixed-use development consisting of around 233 residential dwellings, commercial and retail space. Fruition of the Planning Proposal would support Crows Nest in attaining its forecast employment and dwellings targets while also contributing to the overall vision of the Leonards and Crows Nest 2036 Plan.

2.4 Conclusion

The above strategies and policies give impetus to the need to create housing and employment opportunities. This is evident in the Regional and District Plans which emphasise the need to increase the productivity of the Eastern City through growth and investment support. Meeting this need requires increased housing in centres, close to centres and close to public transport. Evidently, the Planning Proposal would provide additional housing stock in proximity to existing and proposed train stations and hence contributing to delivering a 30-minute city.

The Planning Proposal is consistent with relevant strategic and statutory planning controls and will facilitate the development of additional commercial floorspace on the subject site. The Planning Proposal will support a transit-oriented, more vibrant and diversified strategic centre with higher employment densities and will have a number of positive benefits for the surrounding area including increased employment and economic activity during the construction and post-construction phases, discussed further in Chapter 4.

The Planning Proposal would also be maximising the land use opportunities provided around the new Crows Nest Metro station, opening in 2024, and contribute to the area becoming a *place that people are proud to work in, visit and call home.*

3.0 ECONOMIC IMPACT – BASE CASE

The following Chapter examines the economic contribution that the subject current generates. This is referred to as the “Base Case”. The economic contribution under the base case is then compared to that generated under the Planning Proposal to assess the economic implications resulting from redeveloping the site.

Economic impacts include employment generation, wages and Gross Value Added, increased retail spend from workers on-site.

3.1 Base Case land uses and floorspace

We have estimated that the subject site currently provides around 4,600sqm GFA of mixed-use employment space. This is provided over predominately one to two story buildings however there are some buildings over this height with the tallest building being around four storeys. Using Google street viewer, we have estimated the following composition floor space by broad land use type as follows.

Table 1: Floorspace GFA on-site

Broad land use	GFA (sqm)
Retail general	880
Cafés and restaurants	880
Automotive servicing	190
Massage parlour / brothel	510
Educational services	950
Other - commercial	1,270
Total	4,600

Source: HillPDA,

The above land uses form basis of our base case assessment.

3.2 Base Case economic assessment

From the above land use table, the following economic performance indicators have been estimated.

3.2.1 Employment generation

Based on average employment densities, we have estimated that the subject site currently accommodates around **154 jobs**.

Table 2: Estimated employment generation - Base Case

Land use	Floorspace (NLA)*	Sqm/Employee	No. Workers
Retail general	792	28	28
Cafés and restaurants	720	28	26
Automotive servicing	190	60	3
Massage parlour / brothel	459	18	26
Educational services	855	45	19
Other - commercial	1,143	22	52
Total Employment	4,159		154

* Assumes 90% of GFA is leasable space (except for the auto service centre)

Sources: ABS Retail Survey 1998-99, Australian Benchmarks, Sydney City Employment & Floorspace Survey 2019 and HillPDA

3.2.2 Wages and salaries

Based on IBIS World Industry Reports, HillPDA has estimated the current annual worker salary generated for workers within the subject site at approximately **\$7.6 million**. The breakdown by land use is provided in the table below.

Table 3: Estimated salary generation – Base Case

Land use	No. Workers	Average Wage	Total Remuneration
General retail	28	\$32,522	\$0.9
Cafes and restaurants	26	\$22,292	\$0.6
Automobile servicing centre	3	\$40,444	\$0.1
Massage parlour / brothel	26	\$38,600	\$1.0
Educational services	19	\$40,300	\$0.8
Other - commercial	52	\$81,292	\$4.2
Total	154	\$49,403	\$7.6

Source: IBIS World Industry Reports, HillPDA

3.2.3 Gross Value Added

Gross value added (GVA) 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).

We estimate that the current land uses potentially contribute **\$11.7 million** every year based on the following table.

Table 4: Estimated Industry Value Added – Base Case

Land use	No. Workers	Industry / Value Add / Worker	Industry Value Add (\$m)
General retail	28	\$43,087	\$1.2
Cafes and restaurants	26	\$27,181	\$0.7
Automobile servicing centre	3	\$59,138	\$0.2
Massage and sex services	26	\$51,500	\$1.3
Educational services	19	\$70,600	\$1.3
Other - commercial	52	\$133,196	\$6.9
Total	154	\$75,956	\$11.7

Source: IBIS World Industry Reports, HillPDA

3.2.4 Retail expenditure

A survey conducted by URBIS found that commercial workers in CBD locations spend an average of \$11,000 per annum on retail goods and services close to their place of work.

Current retail offering in and around the subject is more focused on food retail and personal services. As such, for the purpose of the assessment, HillPDA has applied a more conservative weekly expenditure of \$25 per week from retail, hospitalities, personal services and automotive servicing workers and \$50 per week from office workers. This equates to an annual spend of around **\$0.26 million** per annum for the 154 workers on-site.

4.0 ECONOMIC IMPACT – PLANNING PROPOSAL

This Chapter examines the economic implications that development of Planning Proposal would have within the Crows Nest and wider locality. Economic impacts are assessed during and post-construction with comparisons made against the “Base Case” to identify any positive or negative impacts.

Economic impacts include employment generation, wages and Gross Value Added, increased retail spend from residents and workers and increased demand for retail floorspace

4.1 Construction economic benefits

We have estimated the construction cost of the planning proposal at around \$155 million. This has been based on the following project elements.

Table 5: Estimated construction cost

Component	No.	Units	\$/unit	\$m
Demolition and clearing	4,681	sqm	150	\$0.7
Employment space	8,002	sqm	3,000	\$24.0
Residential dwellings	233	units	400,000	\$93.2
Car parking across seven basement levels	385	spaces	60,000	\$23.1
Site costs, external works & contingencies @ 10%				\$14.1
Total				\$155

Source: HillPDA, Rawlinson’s 2019, RLB 2019

4.1.1 Construction multiplier effects

The construction industry is a significant component of the economy accounting for 8% of Gross Domestic Product (GDP) and employing almost one million workers across Australia¹. 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
 - An industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect
- **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 2017-18 (ABS Pub: 5209.0). From these tables HillPDA identified first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.66 and \$0.91 respectively to every dollar of construction. The table below quantifies associated economic multipliers resulting from the construction process.

¹ 5206.0 Australian National Accounts: National Income, Expenditure and Product 2018

Table 6: Construction multipliers (\$m)

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.6200	0.6610	0.9050	3.1860
Output (\$million)	\$155	\$96	\$102	\$140	\$494

Source: HillPDA Estimate from ABS Australian National Accounts: Input-Output Tables 2017-18

The estimated direct construction cost of \$155 million, the proposal would generate a further **\$199 million** of activity in production induced effects and **\$140 million** in consumption induced effects. The total economic activity generated by construction of the Planning Proposal would be around **\$494 million**.

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”².

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 2.50 job years directly in construction³. Based on an estimated construction cost of \$155 million the proposal would directly generate **387 job years**⁴ directly in construction.

Table 7: Construction employment

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.731	0.851	1.434	4.016
Employment No. per \$million*	2.497	1.826	2.125	3.581	10.029
Total job years created	387	283	329	555	1,554

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2017-18

From the ABS Australian National Accounts: Input-Output Tables 2017-18 HillPDA identified employment multipliers for first round, industrial support and consumption induced effects of 0.73, 0.85 and 1.43 respectively for every job year in direct construction. Including the multiplier impacts, the proposal would generate a total of **1,554 job years directly and indirectly**.

² Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSE Government (TPP 09-7) NSW Treasury

³ Source: ABS Australian National Accounts: Input – Output Tables 2015-16 (ABS Pub: 5209.0) adjusted to 2018 dollars

⁴ Note: One job year equals one full-time job for one year

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 \$50 a week for 46 working weeks generated by each worker during the construction period.

On this basis, existing retailers in the local area of the site would enjoy around **\$0.89 million** in additional retail expenditure 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 the necessary steps to mitigate the extent of these impacts.

4.2 Post-construction economic benefits

Upon completion, the Planning Proposal would provide the following land use elements:

Table 8: Post construction Planning Proposal floorspace yields

Land use	GFA	NLA
Retail	2,053	1,845
Commercial office	5,949	5,347
Residential apartments	233 (units)	

We have assumed that 70% of retail space is attributed to speciality food, restaurants and food services while the remaining 30% is non-food general retail. The economic impacts of the Planning proposal are assessed below.

4.2.1 Employment generation

Based on industry standard employment densities, we have estimated that upon operation and full occupation, the proposal has the potential to generate around **456 jobs**. This represents an increase of around **302 jobs** over the Base Case.

Table 9: Estimated employment generation – Planning Proposal

Land use	Floorspace (NLA)	Sqm/Employee	No. Workers
Retail - speciality food	1,292	20	65
Retail – Non-food	554	28	20
Commercial office	5,347	15	356
Working from home*	221**	1 job / 15 units	15
Total Employment			456

Source: ABS Retail Survey 1998-99, Australian Benchmarks, Sydney City Employment & Floorspace Survey 2019 and HillPDA

* ABS 2016, North Sydney LGA. Based on the number of residents working from home and living in occupied apartments

** Assuming one worker per 15 units will undertake the majority of their work at home (ABS Locations of Work 2008 Cat 6275.0) and allowing for a 5% vacancy rate

4.2.2 Wages and salaries

Based on IBIS World Industry Reports, HillPDA has estimated the worker salary generated at approximately **\$32.2 million** per annum. This represents an increase of around **\$24.6 million** per annum over the Base Case.

The breakdown by land use is provided in the table below.

Table 10: Estimated salary generation – Planning Proposal

Land use	No. Workers	Average Wage	Total Remuneration
Retail - speciality food	65	\$23,784	\$1.5
Retail - general	20	\$32,522	\$0.7
Commercial office	356	\$81,292	\$28.9
Working from home	15	\$70,000	\$1.0
Total	456	\$74,010	\$32.2

Source: IBIS World Industry Reports, HillPDA

4.2.3 Gross Value Added

Gross value added (GVA) 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).

We estimate that the proposed land uses would potentially contribute **\$51.7 million** every year to the local economy. This represents an increase of around **\$40 million** per annum over the Base Case.

Table 11: Estimated Industry Value Added – Planning Proposal

Land use	No. Workers	Industry / Value Add / Worker	Industry Value Add (\$m)
Retail - speciality food	65	\$32,959	\$2.1
Retail - general	20	\$43,087	\$0.9
Commercial office	356	\$133,196	\$47.4
Working from home	15	\$87,500	\$1.3
Total	456	\$118,285	\$51.7

Source: IBIS World Industry Reports, HillPDA

4.2.4 Additional government revenue

State and local government stand to receive additional revenue from development which is estimated at **\$99 million**. The details are shown in the table immediately below:

Table 12: Impact on whole of government revenue

Source of Revenue	Total (\$m)
GST from Residential Apartments *1	42
Stamp Duty Revenue *2	51
Developer Contributions *3	2
Payroll Tax during Construction *4	4
Total	99

*1 Assuming average apartment sale price of \$2m

*2 Assuming average apartment sale price of \$2m

*3 Assuming 1% of design and construction cost

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

4.2.5 Worker retail expenditure

A survey conducted by URBIS found that commercial workers in CBD locations spend an average of \$11,000 per annum on retail goods and services close to their place of work.

Current retail offering in and around the subject is more focused on food retail and personal services. As such, for the purpose of the assessment, HillPDA has applied a more conservative weekly expenditure of \$25 per week for retail and hospitality workers and \$50 per week for office workers.

This equates to an annual spend of around **\$0.92 million** per annum for the 441 non-resident workers on-site – \$0.66 million higher than the Base Case.

4.2.6 Resident retail expenditure and floorspace demand

The Planning Proposal would benefit Crows Nests existing retailers by increasing the resident population and hence retail expenditure. HillPDA estimates that the Planning Proposal could have a resident population of around 409 residents based on an average occupancy of rate 1.85⁵ and assuming a 5% vacancy rate.

Assuming an average spend of around \$21,600⁶ total retail spend generated by residents on-site would be around **\$8.8 million** (\$2019).

Of course, not all this expenditure will be captured by existing retailers in Crows Nest, but HillPDA would expect a rate of around 60% would be captured in the local area (\$5.3 million).

When combined with workers on-site, the Planning Proposal would provide sources for an increase in retail sales captured by Crows Nest retailers likely in the order of **\$6.2 million per annum, an increase of around \$6.0 million per annum over the Base Case.**

The resident population would also increase the demand for local retail services to be provided locally. It is estimated that the residents on-site would generate demand for retail floorspace in the order of around **865sqm**⁷. Given that Crows Nest forms part of St Leonards Strategic Centre the majority of this floorspace would likely be directed towards and retained within this Strategic Centre boundary, further increasing its vibrancy and viability of the locality for residents, workers and visitors.

4.3 Other impacts

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 raise the profile of the Crows Nest and support a wide range of economic multipliers which would, in turn, support investment in associated industries.

The provision of a mixed-use development on the subject site would increase the economic benefits of the scheme to surrounding businesses, services and increase the patronage of the public transport system – particularly the Sydney Metro line.

⁵ ABS 2016 North Sydney LGA community profile – average number of persons in occupied apartments

⁶ MarketInfo data 2018 – assumed impact year of 2024 to coincide with Crows Nest Station

⁷ Calculated at a per capita provision of 2.11sqm/person as identified in the GSC report Sydney Retail Demand and Supply Stage 2 Deep End Services – North District

4.3.2 Jobs closer to home

There are many benefits associated with providing jobs closer to home, most notably a reduced need to travel and the flow-on benefits associated with this in terms of reduced pressure on infrastructure.

A reduction in the number and length of journeys made, in particular those made in private vehicles, has environmental benefits. There are also lifestyle benefits related to increased free time, reduced travel-related stress and a reduced likelihood of road-related accidents.

Crows Nest Metro station is only around 150 metres from the subject site and within 800 metres of St Leonards station providing a rapid and frequent public transport service to the city and other employment areas. Providing jobs closer to home meets the GSC 30-minute city direction, where residents live within 30 minutes of their jobs, education and health facilities, services and great places.

4.3.3 Town centre activation

A high-density mixed-use development comprising retail, commercial and residential uses would create increased pedestrian traffic having the effect of further activating the centre. This precinct activation would have the benefits of increasing security, increasing trade for retailers through increased passing trade and increased investment in the local area.

4.3.4 Transit Orientated Development

High-density mixed-use development close to major transport nodes meets urban consolidation objectives. It results in improved efficiencies, reduces dependency on private motor vehicle usage and encourages the use of public transport.

4.3.5 Environment

The principal of building higher density developments, in locations close to transit nodes is accepted as delivering environmental benefits. These benefits are associated with providing a genuine alternative to the private car, thereby reducing the number of journeys made by private vehicle and thus reducing vehicle emissions. The provision of an improved range of services, the provision of a mix of uses on the site would also support a reduction in vehicle emissions and improve transport safety.

4.5 Conclusion

The Planning Proposal would provide approximately 8,002sqm GFA of employment space and 233 residential dwellings. The provision of these land uses on-site would increase the economic output of the Crows Nest, St Leonards Strategic Centre and wider District.

Specifically, over the Base Case the proposal would generate an additional 302 jobs; \$25 million per annum in wages and contribute \$40 million more per annum to the local economy (or GRP). Construction will also generate 387 jobs years directly on-site and provide \$99 million in State and local government revenue in GST, stamp duties, payroll tax and developer contributions.

Non-resident workers on-site would also generate an estimated \$0.92 million per annum in retail expenditure that would be captured by local retailers. This is around \$0.66 million greater than that already estimated to be generated under the Base Case.

In addition, the Planning Proposal would generate economic benefits resulting from the resident's on-site (estimated at 409 persons). These economic benefits primarily relate to increased residential expenditure which could be captured by retailers in the locality, including those in Crows Nest, St Leonards, North Sydney, and Sydney CBD. This is estimated at an additional \$5.3 million per annum. The population would also increase the demand for retail space by around 865sqm, the majority of this would likely be directed towards surrounding retail centres, such as Crows Nest and St Leonards, further increasing their vibrancy, viability and attractiveness to investors.

The Planning Proposal would have additional economic benefits, these being:

- Providing a catalyst for further investment in the locality.
- Contributing to increasing housing diversity and affordability in the LGA and District.
- Providing jobs closer to home and contributing to the LGAs employment targets.
- Contribute to transit orientated development objectives by concentrating more people near the train station and commercial services, thereby reducing the reliance on private motor vehicle travel and increasing the use of public transport.
- Contributing to Sydney achieving the 30-minute city concept.

The above has assessed the economic merits of the Planning Proposal. Form this assessment, it is concluded that the economic impact of the Planning Proposal is strongly supported from an economic perspective.

Disclaimer

1. This report is for the confidential use only of the party to whom it is addressed ("Client") for the specific purposes to which it refers and has been based on, and takes into account, the Client's specific instructions. It is not intended to be relied on by any third party who, subject to paragraph 3, must make their own enquiries in relation to the issues with which this report deals.
2. HillPDA makes no representations as to the appropriateness, accuracy or completeness of this report for the purpose of any party other than the Client ("Recipient"). HillPDA disclaims all liability to any Recipient for any loss, error or other consequence which may arise as a result of the Recipient acting, relying upon or using the whole or part of this report's contents.
3. This report must not be disclosed to any Recipient or reproduced in whole or in part, for any purpose not directly connected to the project for which HillPDA was engaged to prepare the report, without the prior written approval of HillPDA. In the event that a Recipient wishes to rely upon this report, the Recipient must inform HillPDA who may, in its sole discretion and on specified terms, provide its consent.
4. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by HillPDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. HillPDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, HillPDA does not present them as results that will actually be achieved. HillPDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.
5. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.
6. This report does not constitute a valuation of any property or interest in property. In preparing this report HillPDA has relied upon information concerning the subject property and/or proposed development provided by the Client and HillPDA has not independently verified this information except where noted in this report.
7. In relation to any valuation which is undertaken for a Managed Investment Scheme (as defined by the Managed Investments Act 1998) or for any lender that is subject to the provisions of the Managed Investments Act, the following clause applies:

This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.
8. HillPDA makes no representations or warranties of any kind, about the accuracy, reliability, completeness, suitability or fitness in relation to maps generated by HillPDA or contained within this report.

Liability limited by a scheme approved under the Professional Standards Legislation



SYDNEY

Level 3, 234 George Street
Sydney NSW 2000
GPO Box 2748 Sydney NSW 2001
t: +61 2 9252 8777
f: +61 2 9252 6077
e: sydney@hillpda.com

MELBOURNE

Suite 114, 838 Collins Street
Docklands VIC 3008
t: +61 3 9629 1842
f: +61 3 9629 6315
e: melbourne@hillpda.com

WWW.HILLPDA.COM