
1-5 CHESTER STREET, ANNANDALE ECONOMIC IMPACT ASSESSMENT

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EXECUTIVE SUMMARY

BACKGROUND

Britely Property are preparing a planning proposal to amend the planning controls pertaining to 1-5 Chester Street in Annandale (“the Site”). It is proposed that the Site be rezoned from IN2 Light Industrial (FSR 1:1) to R3 Medium Density Residential and designated an FSR of 2.6:1. This is referred to as “the Proposal”.

The Site is located approximately 300m north of Parramatta Road within the broader Camperdown Precinct, as identified under the Parramatta Road Corridor Urban Transformation Strategy (PRUTS). PRUTS envisages the Camperdown Precinct (“the Precinct”) evolving into an attractive, highly urbanised neighbourhood marked by taller residential and business buildings. Both Parramatta Road and Pyrmont Bridge Road will contain retail and commercial activities while new residential development is designated in two locations, including along Johnston’s Creek where the Site is situated.

Parramatta Road is identified by NSW Government (in A Plan for Growing Sydney and draft Central District Plan) as an urban renewal corridor, establishing the vision for a high quality multi-use corridor with improved transport choices, better amenity and balanced growth of housing and jobs.

The Proposal responds to a State strategic plan that identifies the Site as falling within an area designated for medium density housing. As part of the suite of recommended changes to planning controls in the Camperdown Precinct, PRUTS envisages the rezoning of existing IN2 Light Industrial land to a mix of B5 Business Development, B6 Enterprise Corridor at greater floorspace densities as well as medium and high density residential uses.

AEC Group (AEC) is engaged by Britely Property to prepare an Economic Impact Assessment (EIA) to examine the economic impacts likely to result from the proposed planning control amendments and development of the Site.

STRATEGIC AND MARKET CONTEXT

Strategic Planning

Strategic planning (both at state and local level) recognise changes in the economy which require provision of floorspace to cater to a growing population and evolving and emerging industries. Specifically:

- The Central District Plan (GSC, 2016) seeks to support the growth of innovation and creative industries, specifically the new creative economy and smart logistics.
- The Parramatta Road Corridor Urban Transformation Strategy (UrbanGrowth, 2016a) envisages the Camperdown Precinct as evolving into an attractive, highly urbanised neighbourhood marked by taller residential and business buildings.
- The former Leichhardt Council (now Inner West Council) has generally adopted an approach to protect all industrial lands. Its most recent study recommends positioning Camperdown Precinct as a mixed business precinct with recommendations for B5 Business Development and IN2 Light Industrial zones.

There would appear to be recognition of the emergence of the new economy, a growing population and changing nature of industry and consequent importance for planning frameworks to be responsive in order to accommodate population and employment growth.

Market Demand

The industrial lands in Camperdown is observed to be shifting to accommodate a broad range of service-based businesses concurrent with the decline of traditional manufacturing. These businesses include urban logistics occupiers and the broader services sector (including professional services, health care, IT media & telecommunications). The Precinct is desirable given its proximity to key markets and centrality of location.

That said, location alone does not determine the viability of industrial precincts. A raft of other influences both property-specific (access, building design, traffic) and market-specific (rents, prices, nature of demand and supply) equally impact the success and sustainability of industrial lands.

Concurrent with higher prices, local agents have noted that many (but not all) traditional industrial uses are beginning to avoid the Precinct as access issues on local streets (street parking) is hindering the ability of trucks and large vehicles to access properties therein.

These observations indicate that the transition towards that of a broader employment area is a natural evolution of the Precinct. It is evident that the industrial lands in the Precinct call for a more intensive use. Buildings that allow greater densities of employment floorspace will respond to market demand which continues to evolve.

Camperdown Precinct's proximity to the Sydney CBD and Camperdown-Ultimo education and health facilities makes it an important location for significant population and employment growth, supported by appropriately scaled residential development. Pressure on transport infrastructure and traffic congestion are important productivity considerations for growing the housing options around transport corridors and employment centres that will provide workers with the ability to not only live close to where they work but also close to amenity and services. The Proposal assists with addressing these issues by assisting to meet demand for housing near employment centres.

PRUTS' proposed land uses and higher densities in the northern portion of the Precinct (in B5 Business Development zone) align with observed market demand and would allow for mixed business uses in the Precinct.

ECONOMIC IMPACTS

PRUTS envisages the rezoning of existing IN2 Light Industrial land to a mix of B5 Business Development, B6 Enterprise Corridor, R3 Medium Density Residential and R4 High Density Residential. The change in zone from light industrial to a mix of business zones is accompanied by an increase to FSRs, which enables greater amounts of floorspace to accommodate a mix of business and enterprise uses. This will also permit uses that contribute to positive worker amenity such as child care centres, food and drink premises, restaurants, cafés, etc.

By virtue of its location and as part of the overall vision for the Camperdown Precinct, the Site is recommended for medium density residential uses (in an R3 Medium Density Residential zone). Development of the Site would assist to achieve the vision for the Camperdown Precinct.

The Site is currently occupied by Fitzhenry PJ Coach Painting which is a panel beater and car repair business specialising in luxury cars. The business is understood to employ two full time, and two part time workers converting to 3 FTE (full time equivalent).

The Proposal additionally provides for SOHO (Small Office Home Office) units that could cater to up four workers per unit (to total eight workers). These units are expected to appeal to creative-type professionals seeking to locate close to transport, services and within the Camperdown education and health precinct.

For the purposes of modelling employment and economic impacts a Base Case (where the planning controls in Camperdown Precinct are retained) is considered against the Intervention Case (where PRUTS planning controls are implemented).

Base Case - No Change to Planning Controls

Research indicates employment in the Precinct grew at an average annual rate in the order of 1.7% over the 2006-2011 period. Notable growth occurred in services sector employment, particularly in professional services, health care & social assistance, information media & telecommunications, as well as local urban services providers. This was met with commensurate decline in the sectors of manufacturing and wholesale trade.

Market investigations affirm the change in employment observed, with many professional firms, design and media companies observed to be showing interest in the area. Owing to traffic congestion and parking difficulties as well as increasing rents and prices, interest from more traditional industrial-type occupiers is observed to be softening.

If the Precinct retained its current suite of planning controls, employment growth is expected to continue at a 'natural rate', not unlike that which occurred in the 2006-2011 period. This natural growth will occur subject to the Precinct's ability to accommodate businesses' floorspace needs.

Employment projections assuming a 'natural rate of growth' with existing planning controls remaining unchanged are as follows: 3,134 workers (2017), 3,324 workers (2023), 4,337 workers (2050).

Implementation Case Implementation of PRUTS Planning Controls

Implementation of PRUTS planning controls would result in land currently zoned IN2 replaced by a mix of business and residential zones. Furthermore, higher FSRs are envisaged in all employment/ business zones:

- B5 Business Development (FSR 2:1 to FSR 4:1).
- B6 Enterprise Corridor (FSR 2:1).
- B7 Business Park (FSR 2:1).
- B2 Local Centre (FSR 1.5:1) and B4 Mixed Use (FSR 1.5:1 to FSR 3:1).

By virtue of greater FSRs, employment floorspace potential in the Precinct is increased. This Study however only focuses on the floorspace capacity in the B5 and B6 zones (which replace the current IN2 zone) and B7 zone, as any increased floorspace capacity in the B2 and B4 zones is assumed will be purposed for residential uses, which are permitted within the respective zones.

Following implementation of PRUTS planning controls, the existing IN2 zoned lands capacity increases from circa 109,356sqm GFA to 157,181sqm GFA (comprised of lands in new B5 and B6 zones). The small component of existing B7 lands capacity doubles from 1,245sqm GFA to 2,615sqm GFA.

While the increase to employment floorspace capacity in the existing IN2 lands (by circa 50,000sqm GFA) is a key implication of implementation of PRUTS planning controls, the change in land use zone to B5 and B6 would additionally result in a change in zone objectives and permissible uses to land currently zoned IN2. The proposed business zones and increased floorspace capacities would certainly assist in accommodating the broad range of businesses already attracted to the Precinct.

Employment projections assuming PRUTS expectations following implementation are made for the statistical areas examined in this Study. They are as follows: 3,134 workers (2017), 3,324 workers (2023), 5,703 workers (2050).

Net Economic Activity

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

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Indirect Impacts (Flow-on impacts)**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales.

Table ES.5.1: Additional Economic Activity, Base Case v Implementation Case (2017-2050)

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
Base Case				
Direct	\$243.7	\$131.6	\$84.6	1,204
Type I Flow-On	\$113.9	\$54.4	\$32.9	401
Type II Flow-On	\$200.8	\$119.2	\$52.2	772
Total	\$558.4	\$305.3	\$169.8	2,376
Implementation Case				
Direct	\$555.6	\$310.0	\$194.5	2,569
Type I Flow-On	\$256.7	\$126.1	\$76.7	902
Type II Flow-On	\$463.2	\$275.0	\$120.5	1,780
Total	\$1,275.4	\$711.0	\$391.7	5,251
Increase in Economic Activity				
Direct	\$311.9	\$178.4	\$109.9	1,366
Type I Flow-On	\$142.8	\$71.6	\$43.8	501
Type II Flow-On	\$262.4	\$155.8	\$68.3	1,008
Total	\$717.0	\$405.8	\$221.9	2,875

Source: AEC

The Implementation Case is projected to result in an additional contribution to the Inner West LGA economy of \$51.4 million in GRP and 360 FTE jobs in 2023 compared to what is expected under the Base Case. This represents the *net increase* in economic activity projected by amending the planning controls for the precinct by 2023.

Projections to 2050 indicate amendment of the planning controls as per the Implementation Case could result in a net increase of \$405.8 million in GRP and 2,875 FTE jobs by 2050 compared to the Base Case.

The modelling conducted indicates implementation of PRUTS will result in a significant contribution through the ongoing activities of employment and businesses accommodated in the Camperdown Precinct.

POLICY CONSIDERATIONS

Net Economic Impact

The rapid rise in the cost of housing has been widely commented upon. The former Leichhardt LGA experienced average annual dwelling price growth of more than 12% over the last five years. The former Ashfield and Marrickville LGAs also experienced strong average price growth at 8% and 10% respectively over the same period. If compared with wage growth (3-4% per annum), the issue of housing affordability is rapidly deteriorating.

The availability of housing options close to employment centres (not just Sydney CBD but also to employment centres of Camperdown, Surry Hills and Ultimo) has positive productivity benefits as it not only helps to reduce travel times but also alleviates pressure on infrastructure and transport networks.

A key economic cost of the Proposal is the repurposing of IN2 Light Industrial land for residential uses. Under PRUTS the repurposing of current IN2 lands to residential is accompanied by a repurpose to B5 and B6 zones which is intended to:

- Meet market demand for a mix of business uses and provide more intensive employment opportunities.
- Increase the employment floorspace capacity of the Precinct to accommodate a greater number of workers.
- Provide synergistic support to the Camperdown Education and Health Precinct by accommodating a range of services sector employment uses, including professional services, health care & social assistance.

The Proposal itself will contribute to meeting market demand, with SOHO units designated for the purpose of accommodating those professional service and creative jobs seeking space in the Precinct.

While some businesses will be displaced as sites in the Precinct are redeveloped, there will be a net increase in economic activity following full implementation of PRUTS (additional 1,366 direct jobs and \$178.4 million in GRP).

Redevelopment of the Precinct is expected to occur over a period of time. If a business were to move into a property in the Inner West Council area, there would effectively be a transfer (rather than a loss) of the employment and economic activity within the LGA.

On balance, this Study considers the economic impact of the Proposal to be net positive and thereby presenting a compelling case for consideration.

Draft Central District Plan

The Camperdown Precinct distinctly demonstrates growth in services employment (e.g. professional services, health care & social assistance and information media & technologies). This is consistent with its location on the fringe of the Ultimo-Camperdown Health and Education super precinct, proximity to Sydney CBD and the high-knowledge resident base of the Inner West.

The land use and density changes envisaged by PRUTS would enable the transition of Camperdown to a services sector employment precinct in line with the strategies of Productivity Priority 2 which:

- Provides flexibility in appropriate zones for the co-location of creative industries in desirable locations with access to transport and ancillary uses such as retail, cafés and restaurants.
- Incentivises opportunities for the provision of affordable space for creative and start-up businesses.

- Enhances synergies and connectivity between health and education facilities.
- Supports increased opportunities for a diversity of housing choices including price points close to work opportunities.

The Proposal itself (with the designation of two SOHO units) will contribute to supporting professional services and creative-focused employment, particularly as market demand for these types of industries is growing.

Productivity Priority 5 advocates that planning authorities take a precautionary approach to rezoning employment and urban services land, or adding additional permissible uses that would hinder their role and function. An exception would be where there is clear direction in the regional plan (A Plan for Growing Sydney), District Plan or an alternative strategy endorsed by the relevant planning authority.

The Proposal is advanced in accordance with PRUTS which is a strategy adopted by State Government, supported by Section 117 Ministerial Direction and is explicitly given recognition in A Plan for Growing Sydney and the draft Central District Plan. The Proposal is therefore consistent with the requirements of Productivity Priority 5.

Parramatta Road Corridor Urban Renewal

Implementation of PRUTS planning controls will enable the Precinct to transition into a more intensive employment precinct, in line with the change in employment profile that is already occurring. Implicit in PRUTS is the importance of enabling the transition of Camperdown Precinct to a mixed enterprise area that would have greater capacity accommodate land uses to support the education, research and associated uses of the hospital and universities.

The Site will contribute towards creating more of a mix of multi-dwelling housing locally, particularly in a location close to a transport corridor. In a locality where the household sizes are small and decreasing relative to metropolitan Sydney, there will be commensurate demand for units and multi dwelling product types. Units are the most affordable dwelling types so an increase in units is beneficial for affordability.

Economic modelling demonstrates that implementation of PRUTS planning controls is valuable, as it will facilitate the continued evolution of the local economy to one that is services-based and that supports creative industries and the health and education sectors.

While redevelopment elsewhere in the Camperdown Precinct will facilitate a greater intensity of employment and economic activity, delivery of medium density housing on the Site will concurrently enable the meeting of diverse housing need. The Proposal aligns with the PRUTS vision by accommodating additional housing as well as providing opportunities for creative and other complementary jobs to locate therein.

Conclusion

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

- A Plan for Growing Sydney.
- Draft Central District Plan.
- Parramatta Road Corridor Urban Transformation Strategy (PRUTS).

Land that is close to existing employment centres and public transport networks is scarce and valuable. As cities grow there is commensurate pressure on scarce lands to be developed for a variety of uses. The benefits of enabling more intensive use of land which is a finite asset are therefore obvious.

In the case of the Site and the broader Camperdown Precinct, state government policy has focused equally on intensifying employment opportunities and facilitating opportunities for diverse housing close to transport networks and employment centres. The Proposal seeks to meet these objectives by contributing to accommodating more intensive jobs and assisting to alleviate housing price pressure particularly in the former Leichhardt LGA where price growth has been sustained.

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1. INTRODUCTION

1.1 BACKGROUND AND OVERVIEW

Britely Property are preparing a planning proposal to amend the planning controls pertaining to 1-5 Chester Street in Annandale (“the Site”). It is proposed that the Site be rezoned from IN2 Light Industrial (FSR 1:1) to R3 Medium Density Residential and designated an FSR of 2.6:1. This is referred to as “the Proposal”.

The Site is located approximately 300m north of Parramatta Road within the broader Camperdown Precinct, as identified under the Parramatta Road Corridor Urban Transformation Strategy (UrbanGrowth, 2016a).

Parramatta Road is identified by NSW Government (in A Plan for Growing Sydney and draft Central District Plan) as an urban renewal corridor, establishing the vision for a high quality multi-use corridor with improved transport choices, better amenity and balanced growth of housing and jobs.

The Parramatta Road Corridor encompasses eight precincts spanning for 20km from Camperdown in the east to Granville in the west. The Camperdown Precinct is acknowledged to be of particular importance due to its role supporting education, research and uses associated with Royal Prince Alfred Hospital and University of Sydney.

The Parramatta Road Corridor Urban Transformation Strategy (PRUTS) envisages the Camperdown Precinct (“the Precinct”) evolving into an attractive, highly urbanised neighbourhood marked by taller residential and business buildings. Both Parramatta Road and Pyrmont Bridge Road will contain retail and commercial activities while new residential development is designated in two locations, including along Johnston’s Creek where the Site is situated.

The draft Central District Plan notes that Inner West Council will work with adjoining councils to implement PRUTS and supporting Implementation Tool Kit.

The Proposal responds to a State strategic plan that identifies the Site as falling within an area designated for medium density housing. As part of the suite of recommended changes to planning controls in the Camperdown Precinct, PRUTS envisages the rezoning of existing IN2 Light Industrial land to a mix of B5 Business Development, B6 Enterprise Corridor, R3 Medium Density Residential and R4 High Density Residential. Furthermore, PRUTS aspires to enable consolidated opportunities for residential uses to grow particularly in areas serviced by transport and community infrastructure and which are accessible to centres of employment.

The rezoning of light industrial lands to a mix of business zones is accompanied by an increase to FSRs, facilitating greater amounts of floorspace to accommodate a mix of business and enterprise uses. The Proposal and realisation of residential development potential on the Site is enabled by implementation of PRUTS in Camperdown Precinct.

1.2 SCOPE AND PURPOSE

AEC Group (AEC) has been engaged by Britely Property to prepare an Economic Impact Assessment (EIA) to examine the economic impacts likely to result from the proposed planning control amendments and subsequent redevelopment of the Site. Given that the Site does not in and of itself have recognition in strategic plans, the EIA considers the economic impacts that could result from the implementation of the Parramatta Road Corridor Urban Transformation Strategy (PRUTS), specifically in Camperdown Precinct.

In order to assess the economic impact of implementing the recommended planning control amendments in the Camperdown Precinct, a Base Case and Proposal Case are developed.

- **Base Case:** The Camperdown Precinct under existing planning framework.
- **Proposal Case:** The Camperdown Precinct as envisaged by PRUTS.

The purpose of the EIA is two-fold:

- 1 To carry out economic research and property market research to consider the employment and market profile of the Camperdown Precinct, as a mixed use, residential and employment area. This is to understand the employment composition and market appeal of the Precinct to various residential and commercial uses.

- 2 To carry out economic modelling to assess the economic impacts following the implementation of recommended planning control amendments in the Camperdown Precinct.

1.3 STRUCTURE OF THE STUDY

The Report has been structured in the following manner:

- **Chapter 1: Introduction**

This Chapter provides an overview and background of the Study, the scope, purpose and overall structure of the report.

- **Chapter 2: The Site and Proposal**

This Chapter reviews the Site, its current context within the Parramatta Road Corridor and analyses key State and local government policies as are relevant.

The Chapter notes how the Proposal responds to strategic planning for the Precinct and that which is envisaged for future development of the Site.

- **Chapter 3: Baseline Research**

This Chapter examines the employment profile in the Camperdown Precinct, specifically noting its industry and occupation composition over the 2006-2011 period.

The Chapter also examines the trends and influencing factors that affect employment composition in the Precinct, additionally gathering market intelligence to investigate its competitive standing as employment lands.

- **Chapter 4: Economic Impact Assessment**

This Chapter assesses the economic impacts of future development on the Site (following implementation of PRUTS in the Precinct) by investigating two scenarios:

- Base Case: the economic impacts in the absence of PRUTS.
- Proposal Case: the economic impacts following implementation of changes to planning controls as recommended by PRUTS.

- **Chapter 5: Policy Assessment**

This Chapter reviews and translates the key findings from Chapters 2 to 4 and applies them in the assessment of the Proposal against policy considerations, also carrying out a net community benefit test.

2. OVERVIEW OF THE SITE AND PROPOSAL

2.1 LOCATION CONTEXT

The Site is situated at 1-5 Chester Street in Annandale within the local government area of Inner West. The Sydney CBD is located approximately 4km to the northeast of the Site, with Parramatta Road and City West Link running east-west to the south and north respectively. Measuring approximately 1,300sqm in site area, the Site is triangular in shape with frontage to Chester Street and bound by Johnston’s Creek on its northwestern boundary. The Site is comprised a single allotment legally identified as Lot 11 in Deposited Plan 499846 with existing improvements occupying the majority of site area.

Situated approximately 300m north of Parramatta Road, the Site is located within 2km of Royal Prince Alfred Hospital and University of Sydney (Camperdown campus) and is on the northwestern fringe of the Camperdown-Ultimo Education and Health Precinct. The Site is located at the fringe of the Precinct adjacent the established suburb of Annandale with established dwellings immediately to the north, separated by Johnston’s Creek.

Figure 2.1: Strategic Context and Location of Camperdown-Ultimo Education and Health Precinct



Source: GSC (2016)

The Camperdown-Ultimo Education and Health Precinct incorporates important institutions including University of Technology Sydney, University of Sydney and Royal Prince Alfred Hospital. Various health and education institutes, research centres and student colleges are clustered in the precinct. The adjoining suburbs of Broadway, Newtown and Camperdown accommodate a vibrant mix of activities.

The Site falls within the “Camperdown Precinct”, which is one of the eight precincts identified in the Parramatta Road Corridor Urban Transformation Strategy (PRUTS).

2.2 CAMPERDOWN PRECINCT

The Camperdown Precinct is the easternmost precinct identified in the Parramatta Road Corridor. The precincts are categorised in two sections:

- Western Precincts: Granville and Auburn (City of Parramatta and Cumberland local government areas).
- Eastern Precincts: Homebush, Burwood-Concord, Kings Bay, Taverners Hill, Leichhardt and Camperdown (Strathfield, Burwood, Canada Bay, Inner West and City of Sydney local government areas).

Each precinct is defined as a ‘Precinct’ and with a Frame Area which covers land that stretches between in each precinct and Parramatta Road.

Figure 2.2: Parramatta Road Corridor (Inner West LGA)



Source: UrbanGrowth (2016a)

Figure 2.2 depicts three precincts located within the eastern end of the Parramatta Road Corridor, the Camperdown Precinct being at the easternmost end. The Precinct straddles two local government areas Inner West Council (formerly Leichhardt and Marrickville) and City of Sydney.

2.3 PLANNING POLICY AND CONTEXT

This section considers strategic planning policy documents which relate to the Site by virtue of its location within the Camperdown Precinct.

2.3.1 A Plan for Growing Sydney

A Plan for Growing Sydney (DPE, 2014) (the Plan) sets the strategic vision for Sydney towards 2031, by guiding land use planning decisions to enhance the productivity, liveability and sustainability of Sydney.

The strategic vision of the Plan comprises of four goals:

- **Goal 1:** A competitive economy with world-class services and transport.
- **Goal 2:** A city of housing choice with homes that meet our needs and lifestyles.
- **Goal 3:** A great place to live with communities that are strong, health and well connected.

- **Goal 4:** A sustainable and resilient city that protects the natural environment and has a balanced approach to the use of land and resources.

The Camperdown Precinct falls within the Global Economic Corridor and is part of the broader Broadway and Camperdown Education and Health Precinct. Goals 1, 2 and 3 are of relevance to the Precinct and the Site.

Support Key Industrial Precincts with Appropriate Planning Controls

Under Action 1.9.2, the *Industrial Lands Strategic Assessment Checklist* will guide the assessment of proposed rezonings of industrial lands. It poses questions about whether the site is near or within direct access to key economic infrastructure, how it contributes to a significant industry cluster, and how the proposed rezoning would impact on industrial land stocks and employment objectives in each subregion. The Checklist allows for evidence-based decisions and aims to prevent encroachment on important industrial sites.

The Plan states the Government will:

- Undertake an analysis of Sydney's stock of industrial zoned land to identify key industrial precincts and use the findings to:
 - Determine where improved planning controls are required to better protect industrial land from conversion to other uses.
 - Identify where improved and innovative planning controls will allow for the ongoing evolution of industrial activities to more intensive commercial activities.
 - Update the Industrial Lands Strategic Assessment Checklist.
- Assess new proposals to convert existing industrial zoned land to other uses under the Industrial Lands Strategic Assessment.

Support Growth of Complementary Health and Tertiary Education Activities

Action 1.10.2 is to plan for the land use and infrastructure requirements of significant metropolitan health and education precincts including at Broadway/Camperdown.

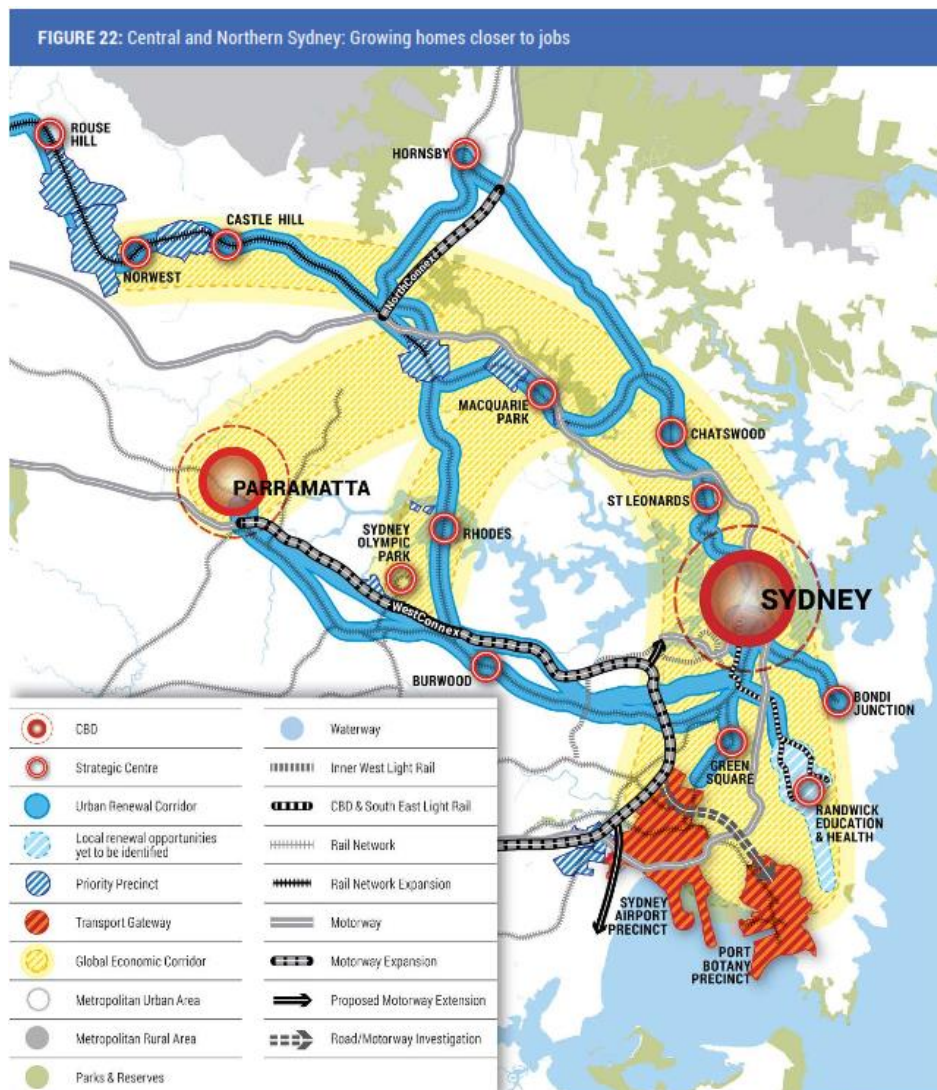
Accelerate Housing Supply across Sydney

In line with Direction 2.1 to accelerate housing supply across Sydney, Action 2.1.2 states the Government will accelerate new housing in designated infill areas (established urban areas) through the priority precincts and UrbanGrowth NSW programs.

The Government will continue to focus urban renewal activities to provide additional housing in specified locations, including Parramatta Road Corridor. At the time of publication of the Plan, the "Urban Renewal Strategy" was noted as being prepared to guide development in selected precincts along the Parramatta Road Corridor for increased housing, economic activity and social infrastructure especially around centres with good public transport access and amenity. Figure 2.3 identifies and depicts the urban renewal corridor of Parramatta Road.

Since the publication of the Plan, the Parramatta Road "urban renewal strategy" as quoted in the Plan has been completed, finalised and adopted. The strategy is titled *Parramatta Road Corridor Urban Transformation Strategy* (PRUTS), which is examined in section 2.3.3.

Figure 2.3: Identification of Parramatta Road Urban Renewal Corridor



Source: DPE (2014)

2.3.2 Draft Central District Plan

The draft Central District Plan sets out a 20-year vision, priorities and action for Greater Sydney's Central District, which includes the local government areas of City of Sydney and Inner West.

The Draft Plan sets out three goals:

- A productive city (Goal 1).
- A liveable city (Goal 2 and Goal 3).
- A sustainable city (Goal 3 and Goal 4).

Related to the goals of a productive city, the draft Central District Plan notes the following:

- Employment and urban services land in the Central District is highly productive. Many of these areas are transitioning from traditional manufacturing to professional, high-tech and scientific commercial uses with requirements for some ancillary distribution, warehouse and development spaces.
- The integrated land use planning and transport framework (Parramatta Road Corridor Urban Transformation Strategy) that establishes the vision for a high quality multi-use corridor with improved transport choices, better amenity and balanced growth of housing and jobs. Delivery of the Strategy is supported by the \$198m Urban Amenity Improvement Plan.

- Planning authorities should take a precautionary approach to protecting and supporting employment and urban services land. The exception being where there is clear direction in the regional plan (A Plan for Growing Sydney), the District Plan or an alternative strategy endorsed by the relevant planning authority.

Related to the goals of a liveable city, the draft Central District Plan notes the Inner West Council will, *inter alia*:

- Monitor and support delivery of Inner West's five-year housing target of 5,900 dwellings.
- Manage the competing demands for residential and enterprise lands.
- Work with adjoining councils to implement the Parramatta Road Corridor Urban Transformation Strategy and supporting Implementation Tool Kit.
- Investigate local opportunities to address demand and diversity in and around local centres and infill areas with a particular focus on transport corridors and other areas with high accessibility.

2.3.3 Parramatta Road Corridor Urban Transformation Strategy

The Parramatta Road Corridor Urban Transformation Strategy (PRUTS) sets the vision for improved transport choices, better amenity and balanced growth of housing and jobs. PRUTS has been adopted by NSW Government and is supported by a Section 117 Ministerial Direction which gives it statutory force.

PRUTS envisages the Camperdown Precinct evolving into an attractive, highly urbanised neighbourhood marked by taller residential and business buildings. Both Parramatta Road and Pyrmont Bridge Road will contain retail and commercial activities while new residential development is designated in two locations.

PRUTS recommends a series of land uses that acknowledge the importance of supporting the education, research and supporting uses associated with the Royal Prince Alfred Hospital and University of Sydney. The employment zones of B2 Local Centre, B4 Mixed Use, B5 Business Development and B6 Enterprise Corridor are proposed along Parramatta Road and for the majority of the Camperdown Precinct. Permitted uses in these employment zones are to align with the standard instrument template, subject to Inner West Council's requirements.

Medium density residential is recommended along the northern edge of the Precinct along Johnston's Creek while high density residential is suggested at the southern edge of the Precinct in the Hordern Place industrial estate. Development is to be appropriately scaled and complement the Precinct's industrial heritage character and the adjacent conservation area's lower density housing.

PRUTS projects long term employment potential (2050) of 2,285 jobs in 136,000sqm of employment floorspace (108,000sqm in the Precinct and 28,000sqm in the Frame Area).

The Site is located on the north-west fringe of the Camperdown Precinct. As the Site interfaces with an established residential suburb to the north, is envisaged to be zoned R3 Medium Density Residential and with an FSR of 1.5:1. Delivery of residential development is identified to be both a short term (2023) and longer-term proposition (2050).

The PRUTS Implementation Plan (2016-2023) guides land use planning and development decisions in the Corridor in the short term. It brings together the actions, timing, delivery responsibility and relevant funding arrangements required to support land use change between 2016 and 2023. Proposals that depart from the staging and sequencing in the Implementation Plan will need to be considered against the 'Out of Sequence Checklist'.

Such planning proposals will need to address the considerations below:

- Underlying strategic objectives of the Strategy.
- Delivery of necessary infrastructure and services.
- Feasibility and alignment with the market.
- Public benefit and costs to government.

The Out of Sequence Process comprises of the following key steps:

- **Preliminary proposal** - Submission of a preliminary proposal to the relevant planning authority that addresses the relevant requirements of the Environmental Planning and Assessment Act, 1979 and Out of Sequence Checklist.
- **Preliminary assessment** - The relevant planning authority undertakes a preliminary assessment and forms a view as to whether the proposal should be considered for Gateway Determination by assessing the proposal against the Out of Sequence Checklist.
- **Rezoning** - If the planning proposal meets the minimum requirements of the Checklist, amendments to land use zones and development controls proceed through the standard LEP Gateway Process.

2.3.4 Local Planning Policy

Leichhardt Local Environmental Plan (2013)

The Site is currently zoned IN2 Light Industrial under the Leichhardt Local Environmental Plan (2013). The objectives of the zone are:

- To provide a wide range of light industrial, warehouse and related land uses.
- To encourage employment opportunities and to support the viability of centres.
- To minimise any adverse effect of industry on other land uses.
- To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.
- To support and protect industrial land for industrial uses.
- To retain existing employment uses and foster a range of new industrial uses to meet the needs of the community.
- To ensure the provision of appropriate infrastructure that supports Leichhardt's employment opportunities.
- To retain and encourage waterfront industrial and maritime activities.
- To provide for certain business and office premises and light industries in the arts, technology, production and design sectors.

The following uses are permitted with consent: agricultural produce industries, depots, educational establishments, garden centres, general industries, hardware and building supplies, industrial training facilities, light industries, neighbourhood shops, places of public worship, roads, storage premises, warehouse or distribution centres.

Council Policies and Studies

The former Leichhardt Municipal Council carried out a number of studies (over the course of 2011-2015) which has helped shape its policy position on its employment lands.

An Employment and Economic Development Plan (Hill PDA, 2013) and Industrial Lands Study (SGS, 2011) *inter alia*, recommended that industrial zoned lands be protected for their employment and service functions.

The Industrial Lands Study (SGS, 2011) specifically identifies for Council to develop a clear vision for the future of the Camperdown Precinct and maintain the industrial zoning.

In 2015, Leichhardt Council commissioned the Leichhardt Industrial Precinct Planning Study (SGS, 2015). It recommends positioning Camperdown as a mixed business precinct aligned with surrounding industries, to be rezoned an identified area to B5 Business Development. It also assumes inclusion of residential in the B5 zone. This necessitates introducing the B5 zone into the LEP land use classifications and including 'residential accommodation' as a use permitted with consent.

The Site does not fall within the area recommended for rezoning to B5 Business Development. The Site is within an area recommended for retention as IN2 Light Industrial zone.

Figure 2.4 depicts the area recommended for rezoning to B5 Business Development and the area recommended for retention as IN2 Light Industrial.

Figure 2.4: Recommended Rezoning to B5 Business Development and Retention of IN2 Light Industrial



Source: SGS (2015)

2.3.5 Implications for the Site and Precinct

The Camperdown Precinct is recognised at State level (A Plan for Growing Sydney, draft Central District Plan and PRUTS) as an important health and education precinct, having the potential for increased housing, economic activity and social infrastructure.

PRUTS recognises the importance of Camperdown as a specialist precinct which has the potential to support world class research, educational and health uses. As the precinct evolves, there is a possibility for Camperdown to be a new strategic centre due to agglomeration of health facilities and industries, and the resulting growth in knowledge-intensive jobs and dwellings. Due to Camperdown's proximity to the Sydney CBD, local residents will also have good accessibility to the health and education facilities, surrounding parklands and amenities.

Central to the land uses envisioned under PRUTS is recognition of the importance of supporting education, research and supporting uses associated with the Royal Prince Alfred Hospital and University of Sydney.

The B2 Local Centre, B4 Mixed Use, B5 Business Development and B6 Enterprise Corridor employment zones are proposed along Parramatta Road and for the majority of the Camperdown Precinct. Medium density residential is recommended along the northern edge of the Precinct along Johnston's Creek while high density residential is suggested at the southern edge of the Precinct. Both areas act as a transition from future employment to existing residential areas.

Both the metropolitan plan (A Plan for Growing Sydney) and district Plan (draft Central District Plan) highlight the implementation of Parramatta Road Corridor urban renewal strategy, specifically noting for Inner West Council to work with UrbanGrowth NSW to implement PRUTS and the supporting Implementation Tool Kit.

2.4 THE PROPOSAL

The Planning Proposal seeks the following amendments to the Leichhardt Local Environmental Plan (2013):

- Rezoning from IN2 Light Industrial to R3 Medium Density Residential.
- Change in FSR of 1:1 to 2.6:1.

The amendments would facilitate development of 41 new apartments (including nine 1-bedroom units, 24 2-bedroom units, three 3-bedroom units and 2 SOHO apartments) over 5-6 storeys.

Standing for Small Office Home Office, SOHO apartments are intended to facilitate a live-work environment. These type of apartments have their origins in a neighbourhood in New York City where many artists' lofts and art galleries were co-located among residential uses.

The co-location of SOHO apartments with other apartments will particularly facilitate accommodation of creative professionals in the Precinct. Small boutique practices or a collection of individuals could occupy these SOHO apartments during the day, potentially accommodating up to four persons per SOHO apartment.

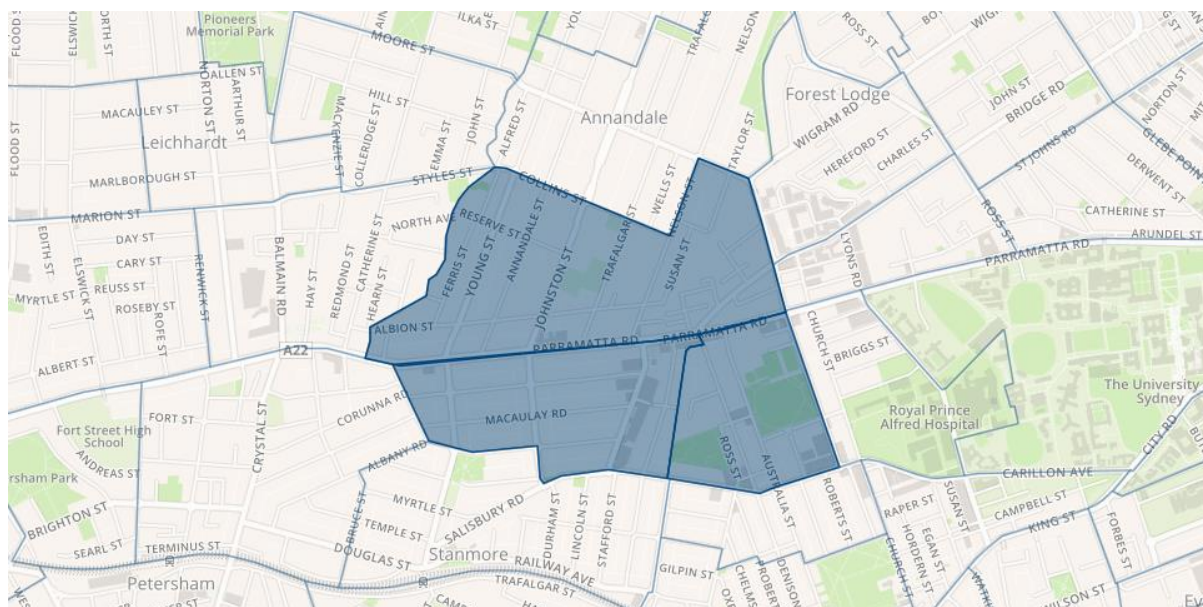
3. BASELINE RESEARCH

3.1 EMPLOYMENT PROFILE

In order to understand the employment and economic activity occurring in the Camperdown Precinct (where the Site is located), ABS Census data for 2006 and 2011 was analysed using Travel Zone (TZ) from BTS (2014). Census data 2016 for employment was not released at the time of writing.

Travel zone boundaries (TZ 820, 316 and 237) are the best approximation of the Camperdown Precinct which falls within the Inner West Council local government area. The employment profile provides a contextual indication of the employment structure of the Precinct. Figure 3.1 depicts the area analysed.

Figure 3.1: Precinct Statistical Area Analysis (Inner West LGA)



Source: BTS (2014)

Even though the travel zones do not exactly align to the Camperdown Precinct boundary (per PRUTS), they are a useful proxy for understanding employment activity (2011).

Employment Profile

Key employment data for the Precinct highlights:

- Estimated employment of approximately 2,829 people in 2011.
- Professional, scientific & technical services (14.3%), retail trade (13.4%) and construction (10.5%) are the largest employers.
- Key occupations include professionals (25.9%), followed by managers (15.4%) and clerical and administrative workers (13.7%), reflective of its industry profile.

Table 3.1: Employment Profile Overview, Camperdown Precinct

Indicator	
Total Employment	
2011	2,829
2006	2,598
Key Industries	
Professional, Scientific and Technical Services	14.3%
Retail Trade	13.4%

Indicator	
Construction	10.5%
Wholesale Trade	9.7%
Manufacturing	8.2%
Health Care and Social Assistance	8.1%

Source: BTS (2014)

The following sections investigate at a finer grain the composition of employment.

3.1.1 Employment by Industry

There were 2,829 workers employed in the Camperdown Precinct in 2011. There is a notable focus on professional, scientific & technical services (14.3%) and retail trade (13.4%). This highlights dominance in services sector employment.

Table 3.2 demonstrates that between 2006 and 2011 the number of jobs in the Precinct increased by 231 or 8.9%. The largest growth industries by number of jobs were:

- Health care and social assistance (+69 jobs).
- Retail trade (+50 jobs).
- Professional, scientific and technical services (+40 jobs).
- Arts and recreation services (+27 jobs).
- Construction (+49 jobs).
- Information media and telecommunications (+30 jobs).

The industries of manufacturing (-46 jobs), wholesale trade (-28 jobs) and financial & insurance services (-19 jobs) recorded job losses over the period.

Table 3.2: Employment by Industry, 2006-2011 (19 sector, 1-digit ANZSIC), Camperdown Precinct

Industry	2006		2011		Change 2006-2011	
	#	%	#	%	#	%
Agriculture, Forestry and Fishing	5	0.2%	12	0.4%	7	152%
Mining	0	0.0%	0	0.0%	0	0%
Manufacturing	279	10.7%	233	8.2%	-46	-17%
Electricity, Gas, Water and Waste Services	2	0.1%	2	0.1%	1	33%
Construction	249	9.6%	298	10.5%	49	20%
Wholesale Trade	303	11.7%	275	9.7%	-28	-9%
Retail Trade	329	12.7%	379	13.4%	50	15%
Accommodation and Food Services	170	6.5%	208	7.4%	39	23%
Transport, Postal and Warehousing	14	0.5%	16	0.6%	1	10%
Information Media and Telecommunications	104	4.0%	134	4.8%	30	29%
Financial and Insurance Services	42	1.6%	23	0.8%	1-	-46%
Rental, Hiring and Real Estate Services	95	3.7%	86	3.0%	-9	-10%
Professional, Scientific and Technical Services	365	14.1%	405	14.3%	40	11%
Administrative and Support Services	63	2.4%	72	2.5%	8	13%
Public Administration and Safety	87	3.4%	83	2.9%	-4	-5%
Education and Training	140	5.4%	157	5.5%	17	12%
Health Care and Social Assistance	159	6.1%	228	8.1%	69	43%
Arts and Recreation Services	63	2.4%	89	3.2%	27	43%
Other Services	129	5.0%	129	4.5%	-1	-1%
Total	2,598	100.0%	2,829	100.0%	231	8.9%

*totals may not add due to rounding
Source: BTS (2014)

The average annual growth in employment in the Precinct equates to 1.7% over the 2006-2011 period.

3.1.2 Employment by Occupation

The employment profile of the Camperdown Precinct primarily comprises professionals (25.6%), managers (15.4%) and clerical & administrative workers (13.7%).

Table 3.3: Employment by Occupation, 2006-2011 (1-digit ANZSIC), Camperdown Precinct

	No.	%
Managers	435	15.4%
Professionals	725	25.6%
Technicians and Trades Workers	404	14.3%
Community and Personal Service Workers	225	7.9%
Clerical and Administrative Workers	387	13.7%
Sales Workers	340	12.0%
Machinery Operators and Drivers	101	3.6%
Labourers	211	7.5%
Total	2,829	100.0%

*totals may not add due to rounding
Source: BTS (2014)

The Camperdown Precinct has a growing focus on a number of service sectors, including retail (+50 jobs), professional, scientific & technical services (+40 jobs), health care and social assistance (+69 jobs) and information media & telecommunications (+30 jobs). Manufacturing and wholesale trade experienced losses in employment (-46 jobs and -28 jobs respectively).

Furthermore, the high proportion of professionals is reflective of the changing industry profile. The changes in employment indicate a precinct in transition, moving from an industrial to a services base.

3.2 TRENDS AND FUTURE INFLUENCES

The Camperdown Precinct is mostly zoned light industrial with a mix of business zones (B2, B4, B7) also subsisting. Despite its industrial zoning, broad macro-economic trends and local market dynamics have resulted in the Precinct's transition from traditional light industrial uses to a broader spectrum of services-focused uses.

The following section details the current macroeconomic trends and local market influences driving the changing employment character of the Precinct.

3.2.1 Macro-economic Trends

A broad spectrum of factors influences industrial activity within the Precinct and metropolitan Sydney. Some of these are internal factors centric to the local area while many are not. Significant influences on industrial activity are driven at the global and national level. Understanding the broader context in which the industrial sector operates is essential in understanding future demand for employment land in the Precinct.

Traditional Industrial Activity

"Industrial activity" is defined under the NSW Standard Instrument LEP template as comprising:

"...the manufacturing, production, assembling, altering, formulating, repairing, renovating, ornamenting, finishing, cleaning, washing, dismantling, transforming, processing, recycling, adapting or servicing of, or the research and development of, any goods, substances, food, products or articles for commercial purposes, and includes any storage or transportation associated with any such activity."

Accordingly, the industrial sector encompasses two sub-subsectors: manufacturing and logistics. *Manufacturing* is the process through which goods and products are made from raw materials. *Logistics* is the means by which those goods and products are taken to customers.

Manufacturing and logistics operators are both impacted by the same global trends but in different ways, which manifests in different land requirements.

The following global factors have had significant implications for industrial activity in Australia:

- Globalisation and Globalised Competition**

Increased global interconnectedness, particularly over the last two decades, has facilitated the integration of markets and supply chains on a global level. As Australian businesses benefit from branching out into new markets, the vulnerability of local business to global trends and international competition has also increased.

Local businesses involved in manufacturing and processing of goods face fierce competition on the global market. Cheap imports (produced with significantly lower wage costs and often very large economies of scale) have been further supported by low tariffs and the recent high value of the Australian dollar.

The decline in Australia’s traditional manufacturing sector, has had significant flow-on impacts for related sectors including wholesale/retail trade and transportation sectors. However, as imports increase and the proliferation of e-commerce grows, growth in the transport and logistics sector is countering the decline in traditional manufacturing employment.

- Productivity**

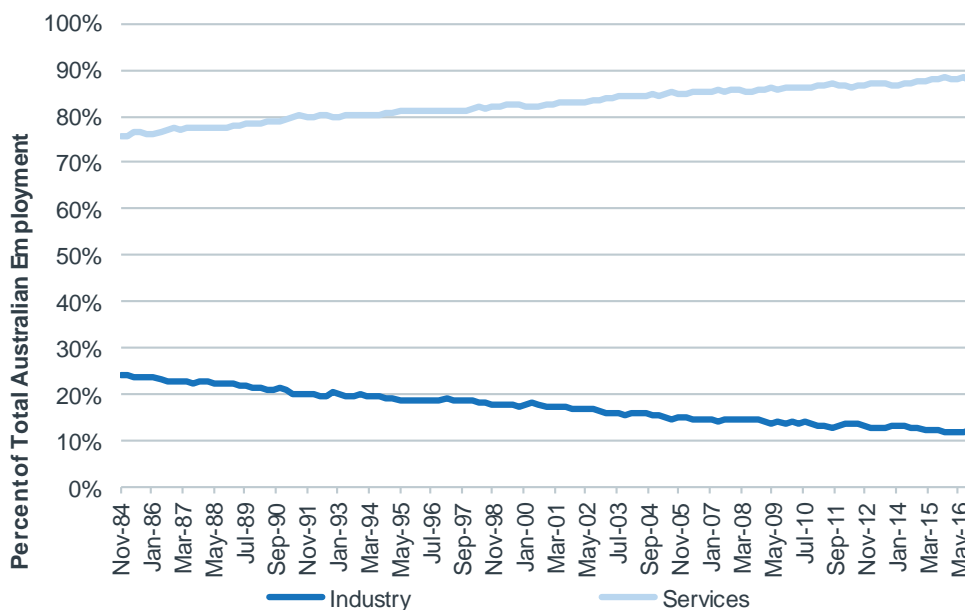
Rising input costs such as capital, utilities and labour are reducing profit margins and is having significant impacts upon the competitiveness of Australian business. In response to these challenges many businesses are actively seeking productivity gains, most notably those associated with technological growth, capital investment, improved workforce skills and effective industrial relations. It accordingly plays a key role in determining profit margins and the ability of businesses to engage in industrial activity in Australia.

While some businesses have found productivity gains by offshoring production, others gain through higher workforce skills, state of the art technology, strong corporate governance and the financial sector. Businesses that succeed in this environment have often embraced technology and knowledge in order to gain a competitive advantage. An important corollary of business efforts to lift productivity has been a change in their floorspace requirements and utilisation.

Evolution of Industrial Activity

Trends at the global level have brought about a fundamental structural shift in the economy with many of Australia’s traditional industrial sectors becoming high-cost and non-competitive with businesses in lower cost emerging economies. This structural shift in Australian business is further demonstrated through the historical declines in employment in traditional industry sectors and the rise of employment in the service sectors (refer to **Figure 3.2**).

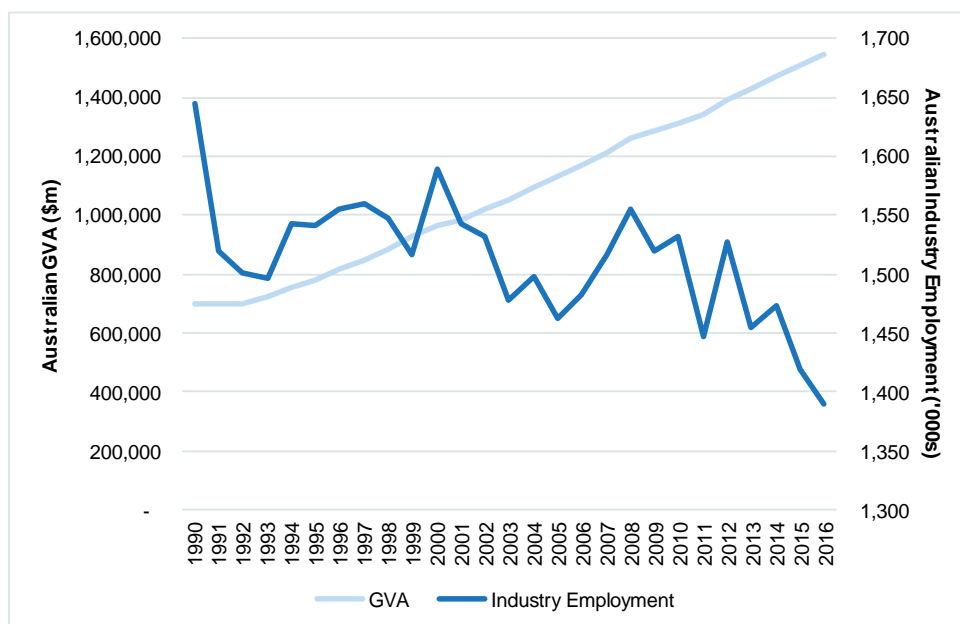
Figure 3.2: Australian Employment, 1984-2016



Source: ABS (2016)

A transition is also taking place within the industrial sector. Since 1985, industry employment has been in general decline (refer to **Figure 3.3**) against the value of what the sector produces (as measured by Gross Value Added).

Figure 3.3: GVA and Industry Employment, 1990-2016



Source: ABS (2016)

This change (lower employment to production) signals the rise of the knowledge-based economy in Australia and highlights the importance that adaptability and innovation will play in future productivity and competitiveness of Australian business. This structural change has far-reaching ramifications including how businesses require and use floorspace.

Urban Logistics and Services

The major developing trend set to define the future of industrial uses in Western economies is a focus on urban logistics. The expansion of e-commerce means that successful retailers will be those that have a clear multi-channel strategy, allowing customers to trade across several platforms - online, in store and on mobile.

The ability of retailers to offer next day or same day delivery, for example, will influence purchasing decisions. This means far greater emphasis on the 'Last Mile' in which the end product is delivered to the consumer. In order to meet the demands of consumers in terms of choice, availability and delivery, many extra nodes in the supply chain are required in addition to storage space close to large population centres.

Many urban support services have time critical requirements for delivery to inner/middle ring locations. Owing to service delivery standards (particularly where there are cold storage requirements), this industry requires accommodation in easily accessible locations proximate to key markets.

There are several urban service businesses within the Precinct that service a local market. With strong population growth in the Inner West and City of Sydney LGAs forecasted to 2036, demand for such services will undoubtedly persist. However, the ability such business within the Precinct to remain viable is largely tied to both market influences and property-specific characteristics (access, building structure, clearance heights, car and truck parking, loading docks, roads, etc.).

Local market influences and property-specific factors are discussed next.

3.2.2 Local Demographic and Market Influences

The viability of any industrial precinct is a function of both location and property-specific factors. Market dynamics equally influence industrial land; rising land values and supply constraints in other sectors have resulted in industrial precincts recycled for higher or more intense land use.

Local Population Growth

Demand for urban services and logistics is directly linked to the size of the surrounding population, whose growth is largely being driven by the emergence of city living and re-urbanisation of formerly overlooked inner city areas. A larger urban population will require a network of employment lands to facilitate their lifestyle. Whether that be land for construction materials, to service ever-changing retail habits or deliver fast-food to their homes quickly, the need for proximate employment land will expand with population growth.

Changing Employment Character of the Precinct

The Camperdown Precinct is undergoing a notable transition from a historically industrial based area to that of a broader service-based employment area with a strong focus on creative and enterprise uses. The music, film and media industry have established a base within the Precinct whilst a number of creative users (web designers) are emerging south of Parramatta Road along Australia Street. Additionally, strong demand is observed by local agents from other creative users (production companies) and gym and fitness operators whilst large format retailers are seeking space along Parramatta Road.

This transition to a broader population-serving employment area is being driven by a combination of factors. The Precinct's proximity to the University of Sydney and Royal Prince Alfred Hospital inherently provides strong access to a skilled and young workforce. As emerging businesses with a tech or creative focus have increasingly become found on non-traditional work environments in inner city areas, the Precinct lends itself to such users given the existence of many like-minded occupiers and strong amenity (micro-breweries, childcare centres, gyms, etc).

With an influx of demand from non-traditional industrial users, increases in values and rents is understood to have impacted the viability of the area for many traditional industrial uses (e.g. automotive repairers) who typically need to operate from lower cost base. Further to this, growing number of workers and visitors to the Precinct is understood to be contribution to parking and congestion issues along much of the local road network. This poses challenges for existing occupiers whose operations are reliant on good and unimpeded access.

3.3 CURRENT MARKET ACTIVITY

This section analyses the nature of market activity observed in the Precinct. Demand, buyer and tenant profile, sale prices and rents and the current development pipeline provide insight into the performance of the Precinct from which a considered assessment is made on the likely impact of the Proposal on the surrounding Precinct.

3.3.1 Employment Land Uses

Market Demand and Occupier Profile

In line with much of the Inner West market, demand for employment land within the Precinct has been robust over the past 12-18 months. Anecdotal evidence from local sales and letting agents indicates the market is relatively tightly held; well-positioned and functional space is typically absorbed within 1-2 weeks from coming to market.

An uptick in activity across the Precinct is being driven by the growing popularity of the area amongst creative users and professional firms. The demand profile of tenants and occupiers within the Precinct has shifted significantly over the past 12-24 months.

Local agents note new interest is overwhelmingly driven by service-orientated businesses; gym and fitness studios, bulky goods retail, media and production firms, niche food and beverage manufacturing. As a result, local agents note many traditional industrial occupiers have found it difficult to compete in the current market given they typically require lower rental rates to be commercially viable compared to the abovementioned uses.

Agents note smaller suites (<300sqm) are currently most popular owing the strong interest from SME businesses with smaller footprint requirements.

The WestConnex project will require a number of industrial properties (67-99 Pyrmont Bridge Road; 160-196 Parramatta Road) as temporary construction sites during the construction phase. While these properties will be temporarily removed from the market, they are expected to be available post-construction and operation of WestConnex.

Sales Evidence

A limited number of sales within the Precinct has occurred over the past 12 months. Notwithstanding the popularity of the Precinct, the area is relatively tightly held among owner occupier businesses. Table 3.4 identifies the most recent sale transactions observed within the Precinct since late 2013.

Table 3.4: Sales Evidence Q4 2013-Q3 2017

Address	Area* (sqm)	Sale Price (Sale Date)	Analysis (\$/sqm)	Commentary
North of Parramatta Road				
8/21-29 Chester St	202	\$940,000 (June 2017)	\$4,650	Industrial strata units within strata complex of nine (9). Relatively aged complex (circa 1980s) comprising high roller shutter doors, warehouse space and mezzanine office space.
9/21-29 Chester St	185	\$862,500 (May 2015)	\$4,660	
4/21-29 Chester St	314	\$700,000 (March 2015)	\$2,230	Located north of Parramatta Road at base of a cul-de-sac; road is heavily congested from kerbside parking.
2/1 Gordon St	317	\$965,000 (Feb 2015)	\$3,050	Relatively modern industrial strata unit comprising high roller shutter doors, hardstand warehouse space and modern mezzanine office space with rear lane access. Purchased by mobile glass repairer.
63-65 Pyrmont Bridge Rd	1,120	\$5,200,000 (Nov 2013)	\$4,650	Large freestanding brick commercial building comprising showroom, warehouse and office space with two high roller shutter doors and on-site parking (25).
South of Parramatta Road				
4/1 Hordern Pl	531	\$1,000,000 (Feb 2017)	\$1,900	Industrial strata unit comprising high roller shutter doors, high internal clearance, hardstand warehouse space, mezzanine office space and carparking (2). Comprised within aged industrial complex (circa 1980s) of 20 units.
29 Australia St	551	\$2,835,000 (March 2016)	\$5,150	Former industrial warehouse converted into modern office space comprising high ceilings, polished concrete flooring, exposed steel trusses, open floor plan, 2.5 bathrooms, kitchen area and on-site parking (3). Recently leased in May 2017 for \$185,000 per annum (\$335/sqm floor area), resulting in a gross yield of 6.5%.
18/1 Hordern Pl	355	\$990,000 (March 2015)	\$2,800	Industrial strata unit comprising high roller shutter doors, high internal clearance, hardstand warehouse space, mezzanine office space and carparking (3). Comprised within aged industrial complex (circa 1980s) of 20 units.
32 Denison St	439	\$1,962,000 (March 2015)	\$4,470	Former industrial warehouse repurposed for office use comprising office space, workshop space and low clearance roller doors.
27 Australia St	443	\$2,385,000 (March 2015)	\$5,400	Former industrial warehouse converted into modern office space comprising high ceilings, polished concrete and timber flooring, exposed steel trusses, open floor plan, one bathrooms and on-site parking (3). Leased in May 2016 for \$180,000 per annum (\$406/sqm floor area), resulting in a gross yield of 7.5%.
5/1 Hordern Pl	557	\$900,000 (Jan 2015)	\$1,600	Industrial strata unit comprising high roller shutter doors, high internal clearance, hardstand warehouse space, mezzanine office space and carparking (2). Comprised within aged industrial complex (circa 1980s) of 20 units.

*Floor area

Source: CoreLogic RP Data/PriceFinder

Notwithstanding the dearth of sales transactions, demand for office space in the Precinct underpins strong sale results. The next section investigates current industrial leasing activity within the Precinct.

Leasing Evidence

Leasing activity within the Precinct has been more notable compared to sales activity as landlords seek to capitalise on strong market conditions and rising rents. Extensive discussions with local letting agents indicates strong demand is witnessed from a range of businesses - gym and fitness uses, media, IT and production companies, child care centres, large format retailers and boutique food and beverage providers. Owing to strong market conditions, well-positioned space is typically leased within 2-4 weeks from coming to market.

Anecdotal evidence from local agents suggests rents are circa \$150/sqm to \$350/sqm of floor area (gross).

- 106-112 Pyrmont Bridge Road, Annandale**
 Large commercial building previously used as modern showroom space comprising 810sqm of ground floor space and 790sqm of upper floor space. Leased in September 2017 to Sydney Pole Dancing at \$450/sqm for the ground floor space and \$250/sqm for the upper floor space (\$562,000 per annum). The lease is subject to Development Application for use of property as dance studio.
- Ground Floor, 212-220 Parramatta Road**
 Large showroom space (958sqm) with frontage to Parramatta Road within aged, two storey commercial building previously occupied by an antiques retailer. Leased in August 2017 to a bulky goods retailer for \$333,384 per annum (\$350/sqm gross) under a five (5) year lease. Strong interest was received with the property leasing within 4 weeks coming to market.
- 6/21-29 Chester Street, Annandale**
 Leased in March 2017 to a media company for \$60,000 (\$300/sqm gross) for a 3 year term. Was leased quickly following release to market (<4 months) with strong interest from a number of other users. Similar properties within this complex occupied by 'legacy' tenants are leased at much lower rates (circa \$100/sqm gross), indicative of the growth in industrial rents within the Precinct.
- 23 Nelson Street, Annandale**
 Small two storey brick commercial building with ground and upper level office space in addition to workshop space leased to a production company in November 2016 for \$90,000 per annum (\$330/sqm gross) under a three year lease. Strong level of interest with the property leased within three weeks from coming to market.

The foregoing leasing evidence correlates with informal discussions held with local leasing agents, indicating strong rents circa \$300/sqm to \$350/sqm of floor area (gross). A number of industrial and showroom spaces are currently on the market (22 Water Street) with asking rents also within this range, circa \$350/sqm of floor area.

The next section investigates the current level of commercial and industrial development activity being pursued within the Precinct and surrounds.

Development Activity

A review of the development pipeline indicates a dearth of industrial and commercial development is proposed within Annandale or Camperdown - adaptive reuse and refurbishments representing the only form development activity.

A DA was recently submitted to City of Sydney to repurpose an aged industrial building (44-50 Australia Street) to office premises comprising a total of five (5) commercial tenancies totalling 1,240sqm of commercial GFA. No new industrial or commercial development is currently proposed within the Precinct north of Parramatta Road.

3.3.2 Residential Land Uses

The strength of metropolitan Sydney's residential property market has been widely commented upon. Despite much of the recent public commentary regarding a potential pullback in property prices in some residential markets, the long-term outlook for the Sydney residential market remains positive underpinned by strong fundamentals:

- Strong population growth.
- Low interest rates.
- Relatively low unemployment rates.
- Historic undersupply resulting in significant housing shortfall and pent up demand.

These core fundamentals ultimately form the primary drivers of demand for residential property and resulted in the sharp increases in property prices across Sydney over the 2013-16 period. Whilst tempering slightly over the course of 2017, capital growth has continued unabated in the Inner West LGA, particularly in the former Leichhardt LGA.

Table 3.5 outlines how median dwelling prices in the Inner West LGA have soared over the last five years. Price growth was particularly marked in the former Leichhardt LGA where price growth peaked in the 2014-15 period to exceed 20% per annum. Over the five year period of 2012-2017, average annual price growth has been 12.2%.

Rental growth has also been strong, albeit at lower average annual growth rates of 3%-6% in each of the former Inner West LGAs. In contrast, wage growth over the period has been more modest, circa 3%-4% average annual growth.

Table 3.5 Median Dwelling Prices and Rents, Inner West LGA (2012-17)

Inner West LGA	2012-13	2013-14	2014-15	2015-16	2016-17	Average Annual Change (2012-17)
Median Dwelling Prices						
Ashfield	3.8%	25.6%	11.7%	-2.2%	3.4%	8.0%
Leichhardt	2.1%	16.9%	23.9%	6.4%	12.8%	12.2%
Marrickville	5.2%	6.7%	19.2%	8.6%	10.6%	10.0%
Median Dwelling Rents						
Ashfield	4.9%	2.3%	2.3%	6.7%	1.2%	4.0%
Leichhardt	3.3%	0.8%	4.0%	6.9%	0.7%	3.1%
Marrickville	7.0%	5.4%	2.1%	7.1%	6.6%	5.6%

Source: FACS (2017)

As a result of the significant increases in property values combined with historically weak wage growth, housing affordability within metropolitan Sydney has become a principal issue. In tandem with shrinking family sizes and lifestyle changes, higher density product has grown in popularity across many regions of Sydney, particularly within the Inner West of Sydney. Buyers struggling to enter the housing market as well as older couples seeking to downsize from existing housing are collectively driving the demand for higher density living.

With dwelling price levels far outstripping wage growth it is no surprise housing affordability levels have deteriorated over the 2011-2016 period, the proportions of household income spent on housing increasing.

Enquires with selling and marketing agents operating within the Annandale area suggest demand is heavily geared to the owner occupier market. The investor market is overwhelmingly locally based - little to no interest from foreign investors has been observed in recent times.

Owner occupier purchasers within the local housing market are predominantly professional couples and families with few FHBs able to compete given the strong housing prices. Whilst many buyers are understood to be local Inner West residents, local agents note the area is continuing to attract a wider catchment of buyers seeking to relocate within the ever-growing popular areas of Annandale, Camperdown and surrounds.

3.4 IMPLICATIONS FOR THE SITE AND PRECINCT

The role of industrial lands in Camperdown (north and south of Parramatta Road) is observed to be shifting to accommodate a broad range of service-based businesses concurrent with the decline of traditional manufacturing. These businesses include urban logistics occupiers and the broader services sector (which includes professional services, health care, IT media and telecommunications). The Precinct is desirable to these businesses given its proximity to key markets as well as to the Camperdown health and education precinct.

That said, location alone does not determine the viability of industrial precincts. A raft of other influences both property-specific (access, building design, traffic) and market-specific (rents, prices, nature of demand and supply) equally impact the success and sustainability of industrial lands.

It is evident that the nature of occupier demand within the Precinct has and is continuing to shift to accommodate services employment, which is broader than industrial uses. Such users have, in combination with the current industrial market cycle, contributed to higher prices and rents within the Precinct.

Higher prices have contributed to pricing out some 'traditional' industrial occupiers (automotive services, importers, building suppliers) who have subsequently relocated to more affordable areas, some along Parramatta Road. As 'legacy' tenancies expire, landlords will conceivably seek to secure market rents. Concurrent with higher prices,

local agents have noted that many (but not all) traditional industrial uses are beginning to avoid the Precinct as access issues on local streets (street parking) is hindering the ability of trucks and large vehicles to access properties therein.

These observations indicate that the transition towards that of a broader employment area is a natural evolution of the Precinct. It is evident that the industrial lands in the Precinct call for a more intensive use. Buildings that allow greater densities of employment floorspace will respond to market demand which continues to evolve.

PRUTS' proposed land uses and higher densities in the northern portion of the Precinct (in B5 Business Development zone) align with observed market demand and would allow for more of these mixed business uses to occupy the Precinct.

The capacity to provide housing close to transport and employment infrastructure is a key tenet of PRUTS. The Proposal critically will assist in meeting demand for housing that is close to transport nodes and employment centres. Soaring and sustained price growth over the 2012-2017 period is reflective of a market that is inadequately supplied.

The next chapter investigates the economic implications of a rezoning of the Site as part of the implementation of PRUTS.

4. ECONOMIC IMPACT ASSESSMENT

4.1 INTRODUCTION AND APPROACH

The following sections examine the estimated economic activity supported through the operational phases following implementation of PRUTS in the Camperdown Precinct. The economic impacts have been assessed at the Inner West Local Government Area (LGA) level.

An Input-Output model, including the development of a series of specific regional Input- Output transaction tables, was developed to reflect the economic structure of the Inner West 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 4.1: 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. 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. 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 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.

4.2 DRIVERS OF ECONOMIC ACTIVITY

The Site falls within the Camperdown Precinct along the Parramatta Road Corridor, which is identified by NSW Government (through A Plan for Growing Sydney, draft Central District Plan and PRUTS) as having the potential to be a high quality multi-use corridor with improved transport choices, better amenity and balanced growth of housing and jobs.

The Site is currently occupied by Fitzhenry PJ Coach Painting which is a panel beater and car repair business specialising in luxury cars. The business is understood to employ two full time, and two part time workers converting to 3 FTE (full time equivalent).

PRUTS recommends land use change and incorporates a plan for staging and implementation, in the short term 2016-2023 and longer term to 2050. It is supported by a Section 117 Ministerial Direction which gives it statutory force. Amendments to land use zones, density and built form controls are proposed to local planning instruments.

Specific to Camperdown Precinct, PRUTS envisages the IN2 Light Industrial zone to no longer apply, with by a mix of B2 Local Centre, B4 Mixed Use, B5 Business Development and B6 Enterprise Corridor zones to apply. Furthermore, the floorspace capacity of these lands is increased through application of higher FSRs, ranging from FSR 1.5:1 to FSR 4:1. Current FSRs in the IN2 zone do not exceed FSR 1:1.

By virtue of its location and as part of the overall vision for the Camperdown Precinct, the Site is recommended for medium density residential uses (in an R3 Medium Density Residential zone). As development of the Site assists to achieve the vision for the Camperdown Precinct, it is therefore necessary to examine the economic impacts resulting from implementation of PRUTS planning interventions in the broader Precinct.

In order to understand the economic impacts likely to result from implementation of planning controls (to achieve PRUTS vision), it is necessary to firstly understand the employment and economic activity that may result in a base case where there is no change to existing planning controls. This can then be compared to the employment and economic activity which may result following implementation of PRUTS recommended planning controls.

The assessment also examines the economic impacts of the proposed development, in particular the quantum and nature of workers accommodated, at present and in the proposed development.

4.2.1 Base Case - No Change to Planning Controls

The Camperdown Precinct is at present subject to a mix of employment zones: IN2 Light Industrial, B2 Local Centre, B4 Mixed Use and B7 Business Park. A small portion of the Precinct is zoned R1 General Residential.

The FSR controls are currently as follows:

- IN2 Light Industrial (FSR 1:1).
- B7 Business Park (FSR 1:1).
- B2 Local Centre (FSR 1:1 to FSR 2:1).
- B4 Mixed Use (FSR 1.5:1 to FSR 3:1).

Research in Chapter 3 indicates the Precinct grew at an average annual rate in the order of 1.7% over the 2006-2011 period. Notable growth occurred in services sector employment, particularly in professional services, health care & social assistance, information media & telecommunications. This was met with commensurate decline in the sectors of manufacturing and wholesale trade.

Market investigations affirm the change in employment observed, with many professional firms, design and media companies observed to be showing interest in the area. Owing to traffic congestion and parking difficulties as well as increasing rents and prices, interest from more traditional industrial-type occupiers is observed to be softening.

If the Precinct retained its current suite of planning controls, employment growth is expected to continue at a 'natural rate', not unlike that which occurred in the 2006-2011 period. Though, this natural growth is subject to the Precinct's ability to accommodate businesses' floorspace needs.

Developing a 2017 Starting Point

The employment by industry data for 2017 was estimated by taking the average annual rate of total employment between 2006 and 2011. This amounted to an average growth of 1.7% per annum and was extrapolated to provide the total employment estimate for 2017. The industry mix in 2017 was calculated by using the average contribution derived from historic contribution to change between 2006 and 2011, and the Bureau of Transport Statistics (BTS, 2014) projected contribution to change between 2011 and 2041 for the precinct. Some manual adjustments were made to this derived average where appropriate, and then applied to the estimated 2017 total employment.

A summary of 2006, 2011 and inferred 2017 employment by industry is presented in Table 4.2.

Table 4.2. Employment by Industry, Precinct, 2006, 2011 and 2017

Industry	2006	2011	2017
Agriculture, Forestry and Fishing	5	12	15
Mining	0	0	0
Manufacturing	279	233	224
Electricity, Gas, Water and Waste Services	2	2	3
Construction	249	298	317
Wholesale Trade	303	275	274
Retail Trade	329	379	441
Accommodation and Food Services	170	208	248
Transport, Postal and Warehousing	14	16	20
Information Media and Telecommunications	104	134	158
Financial and Insurance Services	42	23	37
Rental, Hiring and Real Estate Services	95	86	86
Professional, Scientific and Technical Services	365	405	432
Administrative and Support Services	63	72	83
Public Administration and Safety	87	83	85
Education and Training	140	157	179
Health Care and Social Assistance	159	228	284
Arts and Recreation Services	63	89	109
Other Services	129	129	137
Total	2,598	2,829	3,134

Source: ABS (2012), BTS (2014), AEC.

Base Case Employment Projections

The total employment for the Base Case, where there would be no change to planning controls, was estimated by taking the projected growth rate of total employment for the precinct according to Bureau of Transport Statistics projections (BTS, 2014) between 2011 and 2041, of 1.0% per annum on average. This growth rate was applied to 2017 total employment in the precinct to project future total employment for the precinct in 2023 and 2050.

The projected industry mix in the base case was estimated following the same process as described for 2017 above. Projections to 2023 and 2050 by industry are presented in the table below.

Table 4.3. Employment by Industry, Base Case, 2017, 2023 and 2050

Industry	2017	2023	2050
Agriculture, Forestry and Fishing	15	17	26
Mining	0	0	0
Manufacturing	224	219	190
Electricity, Gas, Water and Waste Services	3	3	6
Construction	317	328	389
Wholesale Trade	274	274	270
Retail Trade	441	480	686
Accommodation and Food Services	248	274	407
Transport, Postal and Warehousing	20	23	39
Information Media and Telecommunications	158	173	253
Financial and Insurance Services	37	45	92
Rental, Hiring and Real Estate Services	86	87	89
Professional, Scientific and Technical Services	432	449	537
Administrative and Support Services	83	90	127
Public Administration and Safety	85	86	93
Education and Training	179	194	269
Health Care and Social Assistance	284	320	507
Arts and Recreation Services	109	122	188
Other Services	137	142	170
Total	3,134	3,324	4,337

Source: ABS (2012), BTS (2014), AEC.

In undertaking the economic impacts of this scenario, employment by 1-digit ANZSIC industry in the table were allocated across their respective sub-industries in the Input-Output model based on the shares of sub-industries to their parent 1-digit ANZSIC industry in 2011. These employment estimates were then converted to industry output estimates using the multipliers between output and employment in the Input-Output model.

Only the change in employment/economic activity from 2017 was modelled.

4.2.2 Implementation Case - Implementation of PRUTS Planning Controls

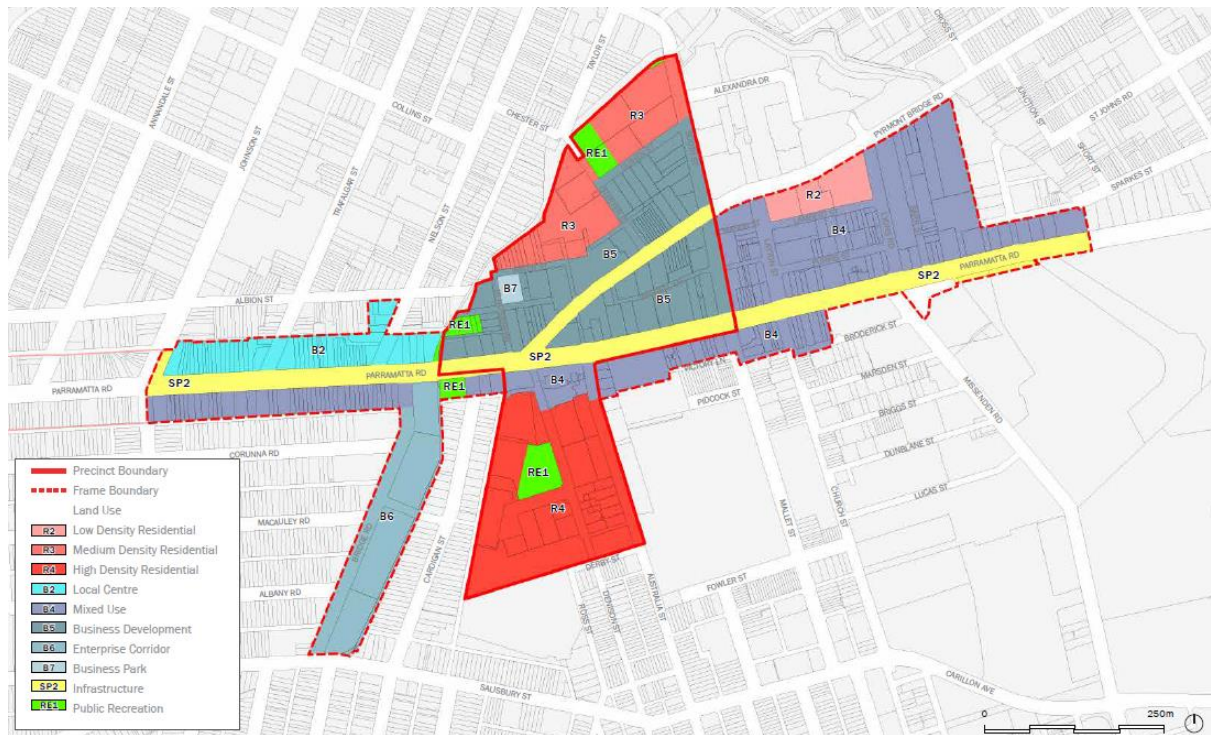
Implementation of PRUTS planning controls would result in land currently zoned IN2 replaced by a mix of business and residential zones, i.e. B5 Business Development, B6 Enterprise Corridor, R3 Medium Density Residential and R4 High Density Residential. Furthermore, higher FSRs are envisaged in all employment/ business zones:

- B5 Business Development (FSR 2:1 to FSR 4:1).
- B6 Enterprise Corridor (FSR 2:1).
- B7 Business Park (FSR 2:1).
- B2 Local Centre (FSR 1.5:1)
- B4 Mixed Use (FSR 1.5:1 to FSR 3:1).

By virtue of greater FSRs, the employment floorspace potential in the Precinct is increased. This Study however only focuses on the floorspace capacity in the B5 and B6 zones (which replace the current IN2 zone) and B7 zone, as any increased floorspace capacity in the B2 and B4 zones is assumed will be purposed for residential uses, which are permitted within the respective zones.

Figure 4.1 depicts the land use zones recommended in PRUTS.

Figure 4.1 Camperdown Precinct Recommended Land Use Zones



Source: UrbanGrowth (2016d)

Change in Employment Floorspace Capacity (Current IN2 Lands)

A high-level estimate of total maximum employment floorspace capacity in the existing IN2 and B7 lands is in the order of 110,000sqm GFA. Following the replacement of the IN2 zone with B5, B6, R3 and R4 zones together with designation of higher FSRs, maximum employment floorspace capacity is estimated at 160,000sqm GFA. This represents an increase in employment floorspace capacity of 50,000sqm GFA in spite of repurpose of some of the IN2 zoned land to residential uses (R3 and R4).

Table 4.4 contains the comparison of employment floorspace capacity. Note that increase in floorspace capacity in the B2 and B4 zones is *not considered* as the additional capacity is assumed to be purposed for residential uses.

Table 4.4: High-level Estimate of Employment Floorspace Capacity

Land Use Zone	Site Area (sqm)	FSR	Total GFA Potential (sqm)	
Existing Planning Controls				
IN2 Light Industrial	68,060	1:1	68,060	109,356
	41,296	1:1	41,296	
B7 Business Park	1,245	1:1	1,245	1,245
B2 Local Centre	16,730	1:1	16,730	32,297
	9,115	1.5:1 to 2:1	15,567	
B4 Mixed Use	47,330	2:1 to 3:1	117,838	150,659
	17,196	1.5:1 to 3:1	32,822	
Implementation of PRUTS Planning Controls				
B5 Business Development	43,025	1.5:1 to 4:1	122,833	122,833
B6 Enterprise Corridor	16,356	2:1	34,348	34,348
B7 Business Park	1,245	2:1	2,615	2,615
B2 Local Centre	16,730	1.5:1	25,095	25,095
B4 Mixed Use	47,330	2:1 to 3:1	117,838	168,801
	26,311	1.5:1 to 3:1	51,963	

*site areas scaled from aerial photography and include heritage items and strata titled blocks

Source: AEC

Following implementation of PRUTS planning controls, the existing IN2 zoned lands capacity increases from circa 109,356sqm GFA to 157,181sqm GFA (comprised of lands in new B5 and B6 zones). The small component of existing B7 lands capacity doubles from 1,245sqm GFA to 2,615sqm GFA.

While the floorspace capacity in the B2 and B4 zoned lands is also expected to increase with the implementation of PRUTS planning controls, this additional capacity is not considered in the modelling. This is in line with an assumption that the additional floorspace capacity will likely be purposed for residential uses.

Change to Zone Objectives and Permissible Uses

While the increase to employment floorspace capacity in the existing IN2 lands (by circa 50,000sqm GFA) is a key implication of implementation of PRUTS planning controls, the change in land use zone to B5 and B6 would additionally mean a change in zone objectives and permissible uses to land currently zoned IN2.

The Leichhardt LEP (2013) does not currently have a B5 or B6 zone whereas the Marrickville LEP (2011) does. PRUTS notes that permissible uses in the B5 and B6 zones will be subject to Inner West Council's requirements.

This Study is guided by the zone objectives and permissible uses contained in the Marrickville LEP. **Table 4.5** presents the zone objectives of the current IN2 Light Industrial zone (Leichhardt LEP) and notes potential objectives and permissible uses that could be applied to the B5 and B6 zones (by applying provisions in the Marrickville LEP).

Table 4.5: Zone Objectives and Permitted Uses

Zone Objectives	Permitted with Consent	Prohibited
B5 Business Development		
<ul style="list-style-type: none"> To enable a mix of business and warehouse uses, and bulky goods premises that require a large floor area, in locations that are close to, and that support the viability of, centres. To enable a purpose built dwelling house to be used in certain circumstances as a dwelling house. To support urban renewal and a pattern of land use and density that reflects the existing and future capacity of the transport network. 	Bulky goods premises, centre-based child care facilities, dwelling houses, food and drink premises, garden centres, hardware and building supplies, hotel or motel accommodation, landscaping material supplies, light industries, markets, passenger transport facilities, respite day care centres, roads, serviced apartments, vehicle sales or hire premises, warehouse or distribution centres.	Various including <i>inter alia</i> : industries, residential accommodation, retail premises, transport depots, truck depots, vehicle body repair workshops, vehicle repair stations.
B6 Enterprise Corridor		
<ul style="list-style-type: none"> To promote businesses along main roads and to encourage a mix of compatible uses. To provide a range of employment uses (including business, office, retail and light industrial uses). To maintain the economic strength of centres by limiting retailing activity. To provide for residential uses, but only as part of a mixed development. To enable a purpose built dwelling house to be used in certain circumstances as a dwelling house. 	Business premises, community facilities, dwelling houses, food and drink premises, garden centres, hardware and building supplies, hotel or motel accommodation, landscaping material supplies, light industries, markets, neighbourhood shops, office premises, passenger transport facilities, plant nurseries, roads, self-storage units, serviced apartments, vehicle sales or hire premises, warehouse or distribution centres.	Various uses including <i>inter alia</i> : centre-based child care facilities, commercial premises, industries, residential accommodation, storage premises.
IN2 Light Industrial		
<ul style="list-style-type: none"> To provide a wide range of light industrial, warehouse and related land uses. To encourage employment opportunities and to support the viability of centres. To minimise any adverse effect of industry on other land uses. To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area. To support and protect industrial land for industrial uses. To retain existing employment uses and foster a range of new industrial uses to meet the needs of the community. To ensure the provision of appropriate infrastructure that supports Leichhardt's employment opportunities. To retain and encourage waterfront industrial and maritime activities. 	Agricultural produce industries, depots, educational establishment, garden centres, general industries, hardware and building supplies, industrial training facilities, light industries, neighbourhood shops, places of public worship, roads, storage premises, warehouse or distribution centres.	Various uses including <i>inter alia</i> : centre-based child care facilities, heavy industries, health services facilities, pubs, residential accommodation, restaurants or cafes, shops.

Zone Objectives	Permitted with Consent	Prohibited
<ul style="list-style-type: none"> To provide for certain business and office premises and light industries in the arts, technology, production and design sectors. 		

Source: Marrickville City Council (2011), Leichhardt Municipal Council (2013)

A change in land use zone from IN2 Light Industrial to B5 Business Development would effectively permit a range of mixed business uses (including those that are light industrial in nature), as well as uses that contribute to positive worker amenity such as child care centres, food and drink premises, restaurants, cafés, etc.

The floorspace requirements of services sector employment (particularly those associated with the Ultimo-Camperdown Education and Health Precinct) are generally those of commercial premises, be they business or office-type floorspace. The proposed business zones and increased floorspace capacities would certainly assist in accommodating the types of businesses attracted to the Precinct.

Implementation Case Projections

The total employment for the Implementation Case was estimated by taking the projected growth rate of total employment for the precinct according to the vision for jobs growth in PRUTS planning and design guidelines between 2023 and 2050, of 1.8% per annum on average. This growth rate was applied to 2017 total employment in the precinct to project future total employment for the precinct in 2023 and 2050.

The projected industry mix in the implementation case was estimated following the same process as described for estimating the 2017 employment starting point in section 4.2.1, though some minor differences in adjustment were made to reflect an anticipated higher prevalence of office-type activities in the Implementation Case. Projections to 2023 and 2050 by industry are presented in the table below.

Table 4.6. Employment by Industry, Implementation Case, 2017, 2023 and 2050

Industry	2017	2023	2050
Agriculture, Forestry and Fishing	15	18	35
Mining	0	0	0
Manufacturing	224	215	161
Electricity, Gas, Water and Waste Services	3	4	8
Construction	317	329	401
Wholesale Trade	274	271	254
Retail Trade	441	506	900
Accommodation and Food Services	248	290	546
Transport, Postal and Warehousing	20	25	56
Information Media and Telecommunications	158	183	335
Financial and Insurance Services	37	66	244
Rental, Hiring and Real Estate Services	86	88	98
Professional, Scientific and Technical Services	432	487	826
Administrative and Support Services	83	100	207
Public Administration and Safety	85	88	109
Education and Training	179	203	346
Health Care and Social Assistance	284	343	701
Arts and Recreation Services	109	130	257
Other Services	137	148	218
Total	3,134	3,324	5,703

Source: ABS (2012), UrbanGrowth (2016d), AEC.

In undertaking the economic impacts of this scenario, employment by 1-digit ANZSIC industry in the table were allocated across their respective sub-industries in the Input-Output model based on the shares of sub-industries to their parent 1-digit ANZSIC industry in 2011. These employment estimates were then converted to industry output estimates using the multipliers between output and employment in the Input-Output model.

Only the change in employment/ economic activity from 2017 was modelled.

Referring more specifically to the Site, the proposed SOHO residential units could cater to accommodate up four workers per unit (to total eight workers). These units are expected to appeal to creative-type professionals seeking to locate close to transport, services and within the Camperdown education and health precinct.

4.3 ECONOMIC ACTIVITY AND IMPACTS

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

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Indirect Impacts (Flow-on impacts)**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
 - **Indirect Impact (Type I)** represents the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services in the intermediate usage quadrant, and subsequent round effects of increased purchases by suppliers in response to increased sales.
 - **Indirect Impact (Type II)** represents the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the economic system.

The premise behind Type I and Type II indirect impacts applies across both the construction and operational phase, except the impacts on industry will be different. For example, Type I impacts during the construction phase may include professional services (e.g. architects, engineers), manufacturing (steel, construction materials) while examples of Type I impacts during the operational phase may include manufacturing (food and beverage, food related), administrative and support services (e.g. building cleaning, employment services, travel agencies, etc.).

4.3.1 Base Case - No Change to Planning Controls

2017 to 2023

The estimated additional direct and flow-on activity in 2023 (compared to 2017) associated with the Base Case scenario is estimated to be:

- \$88.5 million in output (including \$38.6 million in direct activity).
- \$48.4 million contribution to Gross Regional Product (GRP, including \$20.9 million in direct activity).
- \$26.9 million in incomes and salaries paid.
- 377 full-time equivalent (FTE) jobs (including 191 direct employees).

Table 4.7. Additional Operational Impacts, The Base Case (2017-2023)

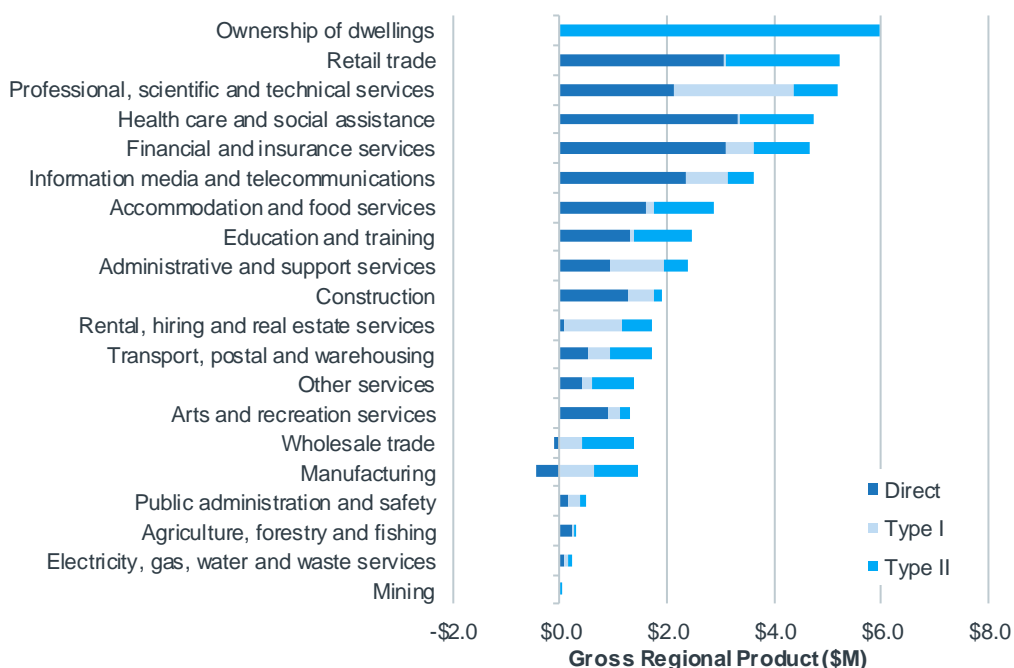
Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$38.6	\$20.9	\$13.4	191
Type I Flow-On	\$18.1	\$8.6	\$5.2	63
Type II Flow-On	\$31.8	\$18.9	\$8.3	122
Total	\$88.5	\$48.4	\$26.9	377

Source: AEC

Major industry beneficiaries of additional activity in the base case in 2023 include:

- Ownership of dwellings (GRP of \$6.0 million).
- Retail trade (GRP of \$5.1 million).
- Professional, scientific and technical services (GRP of \$5.1 million).

Figure 4.2. Additional Gross Regional Product (GRP) Impacts by Industry, The Base Case (2017-2023)



Source: AEC

2017 to 2050

The estimated additional direct and flow-on activity in 2050 (compared to 2017) associated with the Base Case scenario is estimated to be:

- \$588.4 million in output (including \$243.7 million in direct activity).
- \$305.3 million contribution to Gross Regional Product (GRP, including \$131.6 million in direct activity).
- \$169.8 million in incomes and salaries paid.
- 2,376 full-time equivalent (FTE) jobs (including 1,204 direct employees).

Table 4.8. Additional Operational Impacts, The Base Case (2017-2050)

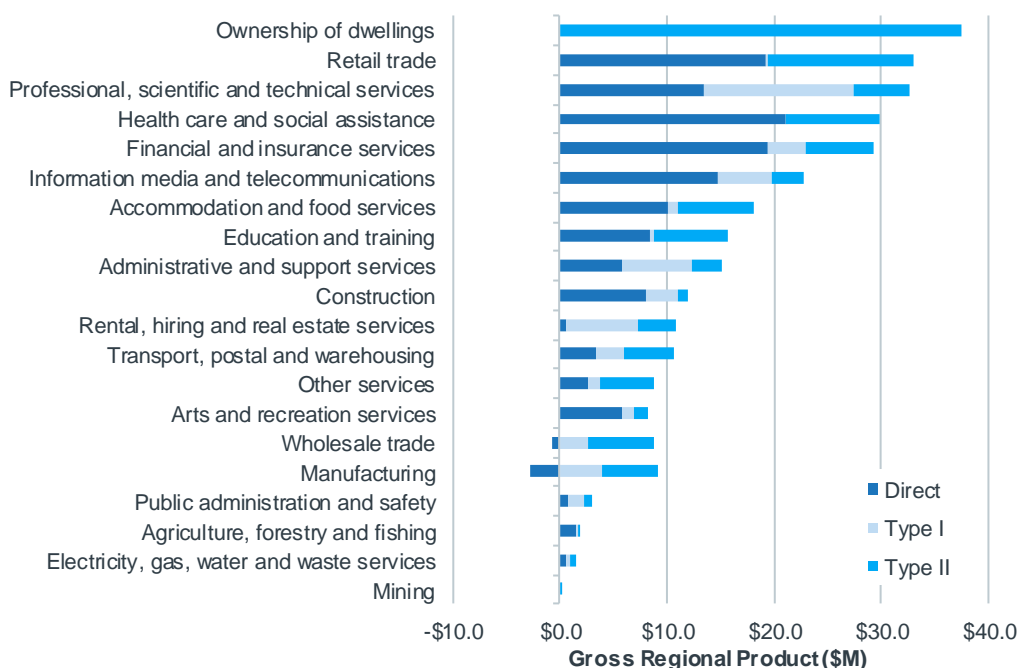
Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$243.7	\$131.6	\$84.6	1,204
Type I Flow-On	\$113.9	\$54.4	\$32.9	401
Type II Flow-On	\$200.8	\$119.2	\$52.2	772
Total	\$558.4	\$305.3	\$169.8	2,376

Source: AEC

Major industry beneficiaries of additional activity in the base case in 2050 include:

- Ownership of dwellings (GRP of \$37.6 million).
- Retail trade (GRP of \$33.0 million).
- Professional, scientific and technical services (GRP of \$32.7 million).

Figure 4.3. Additional Gross Regional Product (GRP) Impacts by Industry, The Base Case (2017-2050)



Source: AEC

4.3.2 Implementation Case - Implementation of PRUTS Planning Controls

2017 to 2023

The estimated additional direct and flow-on activity in 2023 (compared to 2017) associated with implementing the PRUTS planning controls is estimated to be:

- \$178.9 million in output (including \$77.9 million in direct activity).
- \$99.7 million contribution to Gross Regional Product (GRP, including \$43.5 million in direct activity).
- \$54.9 million in incomes and salaries paid.
- 737 full-time equivalent (FTE) jobs (including 360 direct employees).

Table 4.9. Additional Operational Impacts, Implementation Case (2017-2023)

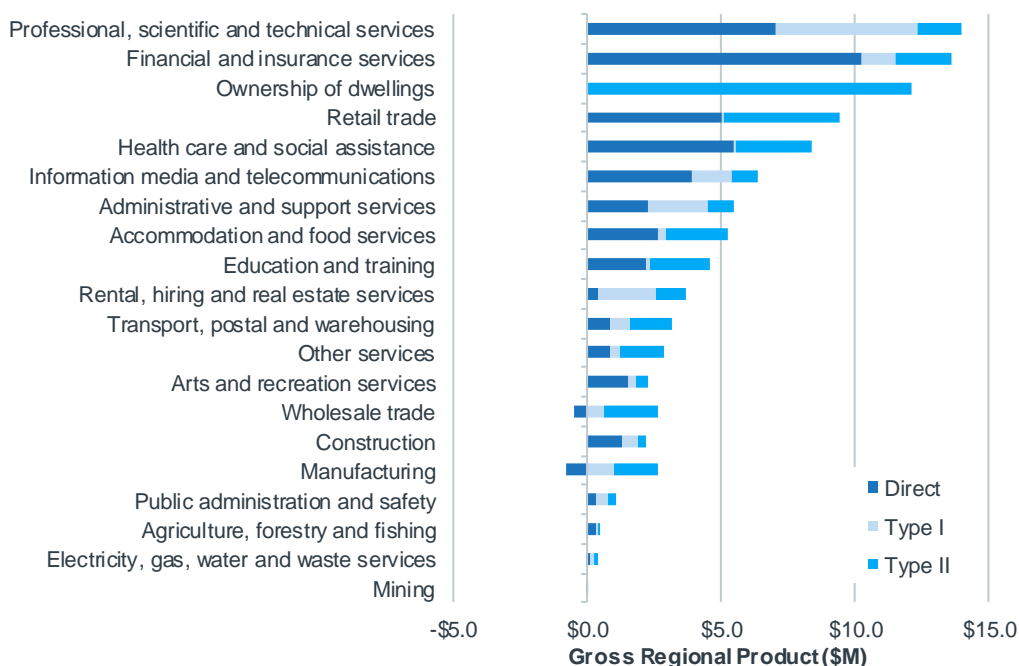
Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$77.9	\$43.5	\$27.3	360
Type I Flow-On	\$36.0	\$17.7	\$10.8	127
Type II Flow-On	\$65.0	\$38.6	\$16.9	250
Total	\$178.9	\$99.7	\$54.9	737

Source: AEC

Major industry beneficiaries of the implementation of PRUTS planning controls in 2023 include:

- Professional, scientific and technical services (GRP of \$14.0 million).
- Financial and insurance services (GRP of \$13.6 million).
- Ownership of dwellings (GRP of \$12.2 million).

Figure 4.4. Additional Gross Regional Product (GRP) Impacts by Industry, Implementation Case (2017-2023)



Source: AEC

2017 to 2050

The estimated additional direct and flow-on activity in 2050 (compared to 2017) associated with implementing the PRUTS planning controls is estimated to be:

- \$1,275.4 million in output (including \$555.6 million in direct activity).
- \$711.0 million contribution to Gross Regional Product (GRP, including \$310.0 million in direct activity).
- \$391.7 million in incomes and salaries paid.
- 5,251 full-time equivalent (FTE) jobs (including 2,569 direct employees).

Table 4.10. Additional Operational Impacts, Implementation Case (2017-2050)

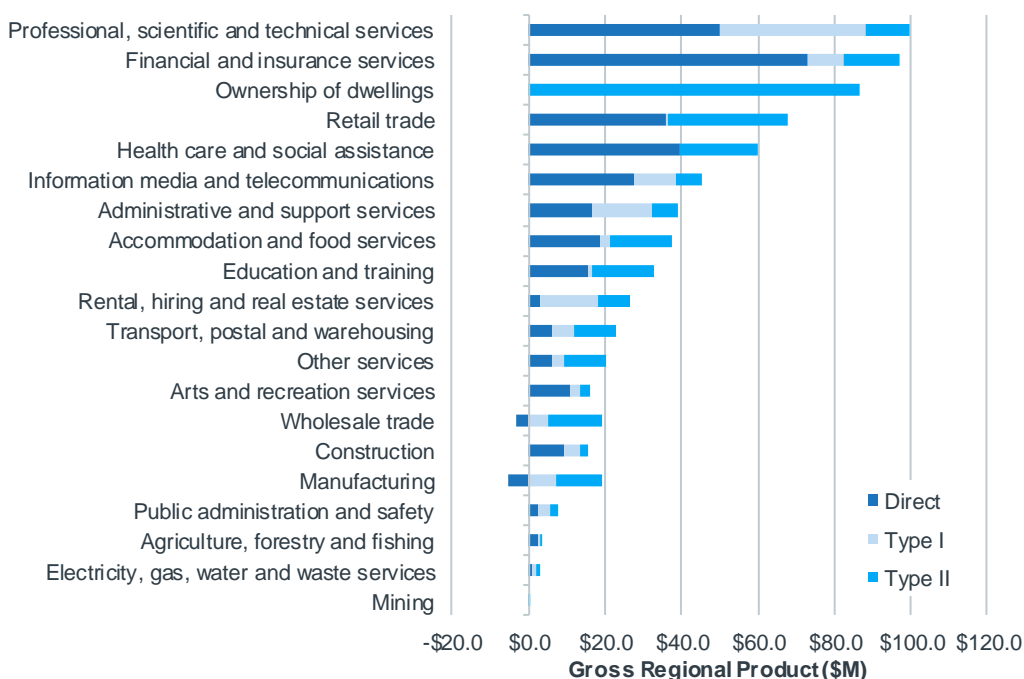
Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$555.6	\$310.0	\$194.5	2,569
Type I Flow-On	\$256.7	\$126.1	\$76.7	902
Type II Flow-On	\$463.2	\$275.0	\$120.5	1,780
Total	\$1,275.4	\$711.0	\$391.7	5,251

Source: AEC

Major industry beneficiaries of the implementation of PRUTS planning controls in 2050 include:

- Professional, scientific and technical services (GRP of \$99.9 million).
- Financial and insurance services (GRP of \$97.2 million).
- Ownership of dwellings (GRP of \$86.7 million).

Figure 4.5. Additional Gross Regional Product (GRP) Impacts by Industry, Implementation Case (2017-2050)



Source: AEC

4.3.3 Net Increase in Economic Activity

The Implementation Case is projected to result in an additional contribution to the Inner West LGA economy of \$51.4 million in GRP and 360 FTE jobs in 2023 compared to what would be expected under the Base Case. This represents the *net increase* in economic activity projected by amending the planning controls in the Precinct.

Projections to 2050 indicate amendment of the planning controls as per the Implementation Case could result in a net increase of \$405.8 million in GRP and 2,875 FTE jobs by 2050 compared to the Base Case.

Table 4.11. Comparison of Additional Operational Impacts, Base Case v Implementation Case

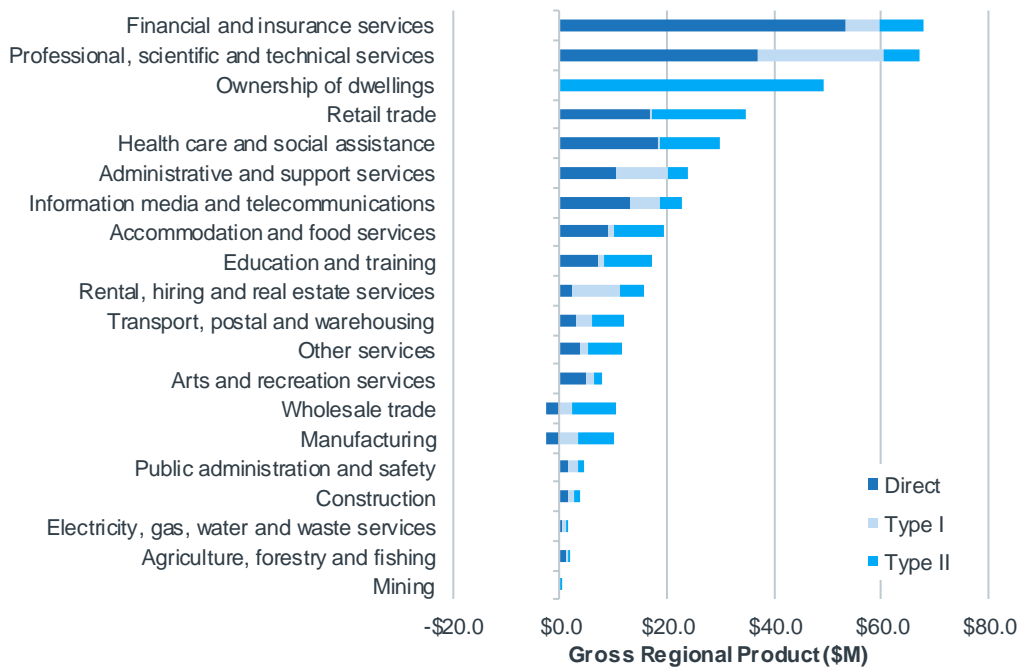
Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTEs)
2023				
Direct	\$39.3	\$22.6	\$13.9	170
Type I Flow-On	\$18.0	\$9.1	\$5.5	63
Type II Flow-On	\$33.1	\$19.7	\$8.6	127
Total	\$90.4	\$51.4	\$28.0	360
2050				
Direct	\$311.9	\$178.4	\$109.9	1,366
Type I Flow-On	\$142.8	\$71.6	\$43.8	501
Type II Flow-On	\$262.4	\$155.8	\$68.3	1,008
Total	\$717.0	\$405.8	\$221.9	2,875

Source: AEC

Significant industry beneficiaries of the revision to planning controls include:

- Financial and insurance services (net increase in GRP in 2050 of \$67.9 million)
- Professional, scientific and technical services (net increase in GRP in 2050 of \$67.2 million).

Figure 4.6. Net Additional Gross Regional Product (GRP), Implementation Case v Base Case (2050)



Source: AEC

Implementation of the PRUTS planning controls will assist to position the Precinct to meet market demand. Equally important will be the facilitation of greater floorspace capacity to accommodate more intensive employment and economic activity. By 2050 total additional jobs are estimated to be 2,875 with \$717 million in additional output and \$406 million in gross regional product (GRP).

Development on the Site itself will assist in meeting market demand for professional and creative-type workers, with the two proposed SOHO units able to accommodate up to a total of eight workers.

5. POLICY ASSESSMENT

The Proposal seeks to rezone the Site to facilitate development of 41 dwellings. Chapter 4 examined the economic and employment impacts of implementation of PRUTS planning controls which includes repurposing current IN2 zoned land into a mix of B5, B6, R3 and R4 zones.

This chapter examines the net economic impacts that are expected to result from the development of dwellings on the Site.

5.1 ECONOMIC BENEFITS

Implementation of PRUTS planning controls will enable the Precinct to transition into a more intensive employment precinct, in line with the change in employment profile that is already occurring. The designation of mixed business zones will allow light industrial activity to remain, as well as facilitate services sector employment such as professional services, IT media & telecommunications, health care & social assistance, arts & recreation, etc.

The rapid rise in the cost of housing has been widely commented upon. Specific to the Inner West Council area, and in particular the former Leichhardt local government area, dwelling price growth has been notably strong. The analysis in section 3.3.2 indicates average annual growth of more than 12% over the last five years in the former Leichhardt LGA. While also experiencing strong price growth, the former Ashfield and Marrickville LGAs are comparatively modest at 8% and 10% average annual growth rates over the 2012-2017 period. Notwithstanding, if compared with wage growth (3-4% per annum), the issue of housing affordability is rapidly deteriorating.

The proposed increase in dwellings will contribute towards creating more of a mix of multi-dwelling housing locally, particularly in a location close to a transport corridor. In a locality where the household sizes are small and decreasing relative to metropolitan Sydney, there will be commensurate demand for units and multi dwelling product types. Units are the most affordable dwelling types so an increase in units is beneficial for affordability.

The availability of housing options close to employment centres (not just Sydney CBD but also to employment centres of Camperdown, Surry Hills and Ultimo) has positive productivity benefits as it not only helps to reduce travel times but also alleviates pressure on infrastructure and transport networks.

The provision of new dwellings has the potential to generate adverse externalities on traffic, travel times, congestion, etc. in the vicinity. Whilst we note this potential, it is not the purpose of this Study to assess traffic impacts which will be considered by a specialist consultant. As such for the purposes of this Study it is assumed that adverse traffic and transport impacts would be mitigated by appropriate provisions in the Proposal.

The Proposal would increase the potential for workers in the LGA to live locally and could increase job containment rates, reduce the negative time, cost and congestion externalities associated with commuting. In doing so it would also assist in ensuring that labour supply and population growth is not constrained by a lack of housing to accommodate workers locally.

5.2 ECONOMIC COSTS

Based on the analysis in this Study, the key economic cost of the Proposal is the repurposing of IN2 Light Industrial land for residential uses.

As the foregoing analysis shows, under PRUTS the repurposing of current IN2 lands to residential is accompanied by a repurpose to B5 and B6 zones which are intended to:

- Meet market demand for a mix of business uses and provide more intensive employment opportunities.
- Increase the employment floorspace capacity of the Precinct to accommodate a greater number of workers.
- Provide synergistic support to the Camperdown Education and Health Precinct by accommodating a range of services sector employment uses, including professional services, health care & social assistance.

The Proposal itself will contribute to meeting market demand, with SOHO units designated for the purpose of accommodating those professional service and creative jobs seeking space in the Precinct.

While some businesses will be displaced as sites in the Precinct are redeveloped, there will be a net increase in economic activity following full implementation of PRUTS (additional 1,366 direct jobs and \$178.4 million in GRP). Notably, redevelopment of the Precinct is expected to occur over a period of time.

A review of available properties for lease in the area (within a 4km radius) identifies a number of options available for businesses in the Precinct who may seek an alternate location during the development and implementation of PRUTS. The majority of properties are in the Inner West Council area. This review was carried out at the time of writing and the list of available properties is dynamic and ever-changing. This however provides an indication of the potential relocation options available to businesses who may be displaced (either temporarily or permanently). If a business were to move into a property in the Inner West Council area, there would effectively be a transfer (rather than a loss) of the employment and economic activity within the LGA.

A review of industrial and bulky goods warehouse properties available for lease in a 4km radius from the Site is contained in Appendix B.

5.3 NET ECONOMIC IMPACTS

To compare the outcome of the Base Case versus the Implementation 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**.

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 as the starting point of '0'. The higher the positive score the greater the net positive economic impact from a community perspective, the lower the score the greater the adverse economic impact.

Table 5.2: Total Economic Impact of Base Case versus Implementation Case

Impact	Base Case	Rating	Implementation Case	Rating
Employment & Economic Impact				
Output (\$M)	\$558.4	+1	\$1,275.4	+3
GRP (\$M)	\$305.3	+1	\$711.0	+3
Income (\$M)	\$169.8	+1	\$391.7	+3
Employment (FTE)	2,376	+1	5,251	+3
Compatibility with Strategic Plans and Clusters				
Ultimo-Camperdown Education and Health Precinct	Accommodates some health care & service sector employment but overall limited to meet market demand	+1	Much greater floorspace capacity and zone objectives compatible with encouraging a broad range of business and enterprise uses	+3
Parramatta Road Corridor Urban Renewal	N/A	0	Contribute to achieving vision of PRUTS as acknowledged by State strategic plans	+3
Housing Impact				
Housing Supply	N/A	0	43	+3
Homes Close to Jobs	N/A	0	Yes	+3
Total		5		24

Source: AEC

The Implementation Case would deliver a clear, strong positive economic impact comparative to the Base Case. Delivery of the Proposal contributes to achievement of the PRUTS vision and will make a positive net contribution subject to the resolution of required infrastructure and services delivery.

5.4 SECTION 117 (2) DIRECTIONS

The Section 117(2) direction (specifically 1.1 Business and Industrial Zones) as applicable to the EIA is considered.

The objectives of this direction are to:

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

The Proposal's consistency with the s117 Direction for Business and Industrial zones is outlined in Table 5.3.

Table 5.3: Consistency with Section 117 Direction - 1.1 Business and Industrial Zones

No.	Provision	Comment	Consistency
A Planning Proposal must:			
a	Give effect to the objectives of this direction	The Proposal seeks to achieve the objectives of the PRUTS Camperdown Precinct to: <ul style="list-style-type: none"> • Encourage employment growth within an existing employment precinct. • Transition existing industrial land to mixed business in response to an increase services sector employment and decline in traditional manufacturing employment. • Ensure viable and permissible uses that support the Ultimo-Camperdown Education and Health Precinct. 	Yes
b	Retain the areas and locations of existing business and industrial zones	The Camperdown Precinct will be rezoned from IN2 Light Industrial to a mix of business zones (B5 Business Development and B6 Enterprise Corridor). There would be no net loss of land available for employment uses.	Yes
c	Not reduce the total potential floorspace area for employment uses and related public services in business zones	PRUTS provides for a significant uplift in total potential employment floorspace.	Yes
d	Not reduce the total potential floorspace area for industrial uses in industrial zones	The Camperdown Precinct will be rezoned from IN2 Light Industrial to a mixed of business zones. Light industries would continue to be permissible within the new zones.	Yes
e	Ensure that proposed new employment areas are in accordance with a strategy that is approved by the D-G of the Department of Planning	The Proposal is in line with the objectives of PRUTS which is a strategy adopted by State Government and has statutory weight. PRUTS recognises the importance of land uses that will support education and health related activities of the Camperdown Education and Health Precinct, identified both in A Plan for Growing Sydney and draft Central District Plan.	Yes

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.

In addition to contributing to additional housing close to established employment centres, the Proposal itself is expected to contribute to providing opportunities for business within designated SOHO units. Overall, the Proposal is progressed in accordance with PRUTS which is aimed at enhancing the provision of housing and jobs.

5.5 CENTRAL DISTRICT PLAN

The Implementation Case responds to the draft Central District Plan in a number of key areas, specifically contributing to Productivity Priority 2 which seeks to support the growth of innovation and creative industries.

The Camperdown Precinct is distinctly demonstrating growth in services employment (e.g. professional services, health care & social assistance and information media & technologies). This is consistent with its location on the fringe of the Ultimo-Camperdown Health and Education super precinct, proximity to Sydney CBD and the high-knowledge resident base of the Inner West. The services sector jobs seeking to locate in Camperdown could conceivably incorporate elements of research, development and innovation (associated with health and education) are generally accommodated in commercial premises and less so in industrial-type premises.

The land use and density changes envisaged by PRUTS would enable the transition of Camperdown to a services sector employment precinct in line with the strategies of Productivity Priority 2 which:

- Provides flexibility in appropriate zones for the co-location of creative industries in desirable locations with access to transport and ancillary uses such as retail, cafés and restaurants.
- Incentivises opportunities for the provision of affordable space for creative and start-up businesses.
- Enhances synergies and connectivity between health and education facilities.
- Supports increased opportunities for a diversity of housing choices including price points close to work opportunities.

The Proposal itself (with the designation of two SOHO units) will contribute to supporting professional services and creative-focused employment, particularly as market demand for these types of industries is growing.

Productivity Priority 5 advocates that planning authorities take a precautionary approach to rezoning employment and urban services land, or adding additional permissible uses that would hinder their role and function. An exception would be where there is clear direction in the regional plan (A Plan for Growing Sydney), District Plan or an alternative strategy endorsed by the relevant planning authority.

The Proposal is advanced in accordance with PRUTS which is a strategy adopted by State Government, supported by Section 117 Ministerial Direction and is explicitly given recognition in A Plan for Growing Sydney and the draft Central District Plan. The Proposal is therefore consistent with the requirements of Productivity Priority 5.

5.6 PARRAMATTA ROAD CORRIDOR URBAN RENEWAL

The evolution of a traditional industrial area is not new. Until recently most of Southern Employment Lands (South Sydney) was zoned for industrial purposes (IN1 and IN2 zones). The emergence of new forms of business and enterprise in the area (e.g. high tech and creative industry, service retail and distribution activity) meant that a variety of floorspace was required close to customer bases, the airport and inner ring distribution networks.

The City of Sydney responded to the evolution of business activity and in 2015 rezoned large proportions of the Southern Employment Lands to B6 Enterprise Corridor and B7 Business Park to allow for a wider range of business activities and employment opportunities.

The permissibility of a wide range of business uses in Southern Employment Lands has enabled a diversification of the local economy and has contributed to the area's wide appeal as a business or employment precinct. The built form that subsists in the Southern Employment Lands does not resemble that of Macquarie Park (which is characterised by large campus-style buildings), rather there is a co-location of industrial and warehouse space with retail, office and community facilities, many of which are in smaller format buildings. Tenant amenity is observed to be improving with the adaptive reuse of some warehouses to accommodate various retail uses including artisan food and drink providers.

The future role of the Camperdown Precinct is without question important. The ability of the Precinct to continue to meet the needs of business and industry is predicated on its ability to optimise use of its lands, particularly critical given its proximate location to the health and education precinct of Camperdown but also its central location within a growing population base.

Implicit in PRUTS is the importance of enabling the transition of Camperdown Precinct to a mixed enterprise area that would have greater capacity accommodate land uses to support the education, research and associated uses of the hospital and universities.

A change of land use zones to mixed business and concurrent increase to FSR controls cumulatively enhance the competitive standing of the Precinct as an enterprise area. The area would continue to permit light industries and local urban services but also permit enhancement to worker amenity by allowing child care centres, restaurants and cafés and recreation uses.

Economic modelling demonstrates that implementation of PRUTS planning controls is valuable, as it will facilitate the continued evolution of the local economy to one that is services-based and that supports creative industries and the health and education sectors.

While redevelopment elsewhere in the Camperdown Precinct will facilitate a greater intensity of employment and economic activity, delivery of medium density housing on the Site will concurrently enable the meeting of diverse housing need. The Proposal aligns with the PRUTS vision by accommodating additional housing as well as providing opportunities for creative and other complementary jobs to locate therein.

5.7 SUMMARY

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

- A Plan for Growing Sydney.
- Draft Central District Plan.
- Parramatta Road Corridor Urban Transformation Strategy (PRUTS).

Land that is close to existing employment centres and public transport networks is scarce and valuable. As cities grow there is commensurate pressure on scarce lands to be developed for a variety of uses. The benefits of enabling more intensive use of land which is a finite asset are therefore obvious.

In the case of the Site and the broader Camperdown Precinct, state government policy has focused equally on intensifying employment opportunities and facilitating opportunities for diverse housing close to transport networks and employment centres. The Proposal seeks to meet these objectives by contributing to implementation of PRUTS and assisting to alleviate housing price pressure particularly in the former Leichhardt LGA where price growth has been sustained.

Based on the foregoing analysis, this Study considers the economic impact of the Proposal to be net positive and thereby presenting a compelling case for consideration.

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APPENDIX A: INPUT-OUTPUT METHODOLOGY

Input-Output Model Overview

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:

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Flow-on impacts**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
- **Industry Support Effects (Type I)**, which represent the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services in the intermediate usage quadrant, and subsequent round effects of increased purchases by suppliers in response to increased sales.
- **Household Consumption Effects (Type II)**, 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.
- **Value added:** Refers to the value of output after deducting the cost of goods and services inputs in the production process. Value added defines the true net 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).

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 2013-14 Australian transaction table (ABS, 2016b).

Estimates of gross production (by industry) in the study area were developed based on the percent contribution to employment (by place of work) of the study area to the Australian economy (ABS, 2012), and applied to Australian gross output identified in the 2013-14 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 2013-14 (as used in the Australian national IO transaction tables) to current values using the Consumer Price Index (ABS, 2017).

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.

APPENDIX B: PROPERTIES FOR LEASE

The following details industrial and bulky goods warehouse properties available for lease at the time of writing. These properties are generally in a 4km radius around the Site.

Table B.1: Properties Available for Lease

Address	Site Area	Floor Area	Zoning	Asking Rent (p.a.)	Analysis (\$/sqm)	Description
2/1 Gordon St Annandale	672sqm	317sqm	IN2	\$85,000 gross	\$268/sqm floor area	Located approximately 15m south of the Site, the property is improved with a strata titled industrial suite comprising high clearance warehouse space (7m-8m) with automated roller shutter doors, 3-phase power, kitchen area and mezzanine office space. Subject to similar features to the Site.
70 Shepherd St Marrickville	904sqm	900sqm	IN2	\$126,000 net	\$140/sqm floor area	Large freestanding warehouse building approximately 2.4km south-west of the Site comprising high clearance hardstand warehouse space, roller shutter doors, 3-phase power, small office component, kitchenette and toilet facilities. Overall considered comparable to the Site albeit in poorer location.
69-71 Marrickville Rd Marrickville	516sqm	950sqm	IN1	TBA	TBA	Approximately 3.3km south-west of the Site, the property is a large freestanding industrial building formerly utilised as a food production facility. The building includes hardstand warehouse space, refurbished mezzanine office space and modern kitchenette and toilet facilities. Overall considered inferior given its distance from Parramatta Road.
12 Hutchinson St St Peters	721sqm	721sqm	B7	\$88,000 gross	\$122/sqm floor area	Located circa 2.8km south of the Site, the property is improved with an attached warehouse building comprising low-clearance roller doors, high clearance warehouse space and toilet facilities. Whilst similarly located adjacent an arterial road (Princes Highway), the property is overall considered slightly inferior given the quality of the building.
641-643 Parramatta Rd Leichhardt	189sqm	370sqm	IN2	\$65,000 net	\$176/sqm site area	Located approximately 2.4km west of the Site, the property is improved with a freestanding two storey warehouse/showroom building with frontage to Parramatta Road. The building comprises ground floor warehouse/showroom space, upper level office space and rear loading dock. Overall considered comparable to the Site however with much larger proportion of office space.
94-98 Smith St Summer Hill	195sqm	206sqm	R2*	\$104,000 gross	\$505/sqm floor area	Located approximately 3.3km west of the Site, the property is improved with a freestanding brick workshop/warehouse building previously occupied by an auto mechanic. Overall considered comparable however located in an inferior location away from Parramatta Road.
15/2 Burrows Road South St Peters	170sqm	170sqm	IN1	\$52,000	\$305/sqm floor area	Located approximately 3.8km south of the Site, the property comprises a high clearance industrial strata warehouse (5.6m) with ground floor hardstand space, mezzanine office and kitchen and toilet facilities. Overall considered superior building however located in an inferior location away from Parramatta Road.
Unit B, 15-21 Cornwallis St Redfern	200sqm	200sqm	B4	\$49,400 gross	\$247/sqm floor area	Approximately 2.4km southeast of the Site, the property is improved with a freestanding brick warehouse building comprising high clearance warehouse space with roller shutter doors (6m-7m), toilet facilities and small mezzanine office component. Overall considered comparable however does not benefit from proximity to Parramatta Road.
58 Shepherd St Marrickville	500sqm	435sqm	IN2	\$110,000 gross	\$252/sqm floor area	Approximately 2.4km southwest of the Site, the property is improved with a freestanding brick warehouse building comprising hardstand warehouse space with 3-phase power, low clearance roller shutter doors, mezzanine office space and toilet facilities. Overall considered slightly inferior given its distance from main roads and age of building.
20 Farr St Marrickville	312sqm	417sqm	IN2	\$89,000 gross	\$213/sqm floor area	Approximately 2.7km south-west of the Site, freestanding brick warehouse building comprising hardstand warehouse space with 3-phase power, roller shutter doors, mezzanine office space, kitchenette and toilet facilities. Overall considered slightly inferior to the Site given its distance from main roads and age of improvements.

Source: Realcommercial.com.au (as at 6 September 2017)

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OUTCOME DRIVEN



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21 May 2018

Alex Sicari
Briteley

Dear Alex,

RE: 1-5 CHESTER STREET, ANNANDALE EIA - RESPONSE TO COMMENTS FROM INNER WEST COUNCIL

Further to the Economic Impact Assessment (EIA) prepared in September 2017 and the preliminary comments received from Inner West Council in May 2018, we herein provide comment on key issues raised.

Since the preparation of the EIA, the Eastern District Plan has been released in its final version. We highlight the priorities relevant to the Site (by virtue of its location within the Camperdown Precinct which is part of the Parramatta Road Corridor Urban Transformation Strategy):

- Planning Priority E1 intends to support growth of the three cities by supporting infrastructure planning and delivery that will in turn support forecast growth.
- Planning Priority E2 recognises the benefits of collaboration of governments, community and business. The priority specifically identifies collaborative processes between various agencies for the planning and delivery of infrastructure, housing, jobs and places.
- Planning Priority E5 recognises the importance of providing housing supply, choice and affordability that has access to jobs, services and public transport. The Parramatta Road Corridor Urban Transformation Strategy is one of the State-led initiatives identified that will provide additional capacity for housing supply.

The Eastern City District Plan highlights the role of the Parramatta Road Corridor Urban Transformation Strategy (PRCUTS) (November 2016) to provide for a diversity of jobs and housing to meet the needs of a broad cross-section of the community. The role of PRCUTS along with the Parramatta Road Corridor Implementation Tool Kit are recognised to guide the incremental transformation of the Parramatta Road Corridor in line with the delivery of necessary infrastructure.

Furthermore, the District Plan highlights that provisions for development consistent with PRCUTS and Implementation Toolkit are made under a section 9.1 Direction, reflective of the extensive process undertaken and therefore land subject of PRCUTS is not subject to the industrial lands strategies and actions of the District Plan (quoted from Eastern District Plan, 2018).

Leichhardt Industrial Precinct Planning Study

Leichhardt Council commissioned an Industrial Precinct Planning (IPP) study in May 2016 to help shape and influence the PRCUTS which was being prepared at the time.

With regard the Camperdown Precinct the IPP study recommended two strategies for consideration:

- Strategy 3a - To develop Camperdown as a distinct commercial precinct (through introduction of a B5 Business Development zone).
- Strategy 3b - To develop Camperdown as an industrial mixed-use precinct (through introduction of a B5 Business Development zone with residential accommodation inserted as a permitted use with consent).

The IPP study was of the view that while “more risky” from the perspective of residential encroachment, that without cross-subsidisation by residential uses, industrial and commercial development in the Camperdown Precinct was unlikely to be financially viable, underpinning the basis for developing Strategy 3b.

While Strategy 3a would in theory preserve a mix of business uses, the IPP study did not recommend the strategy in the absence of participation/presence in the Precinct by an anchor (e.g. RPA or USYD). The fragility of the development of industrial and commercial floorspace was acknowledged by the IPP study in its interim findings. Notwithstanding, the IPP study recommended that IN2, B5 and B6 zoned sites should encourage 2 storey industrial buildings that “maximise building floorplates on the site and minimise surface car parking or provide basement parking only” (SGS, 2016).

Regardless of strategy (3a or 3b), Council proposed to rezone the periphery of the precinct to B5 Business Development while retaining the central portion (where 1-5 Chester Street is situated) as IN2 Light Industrial. There does not appear to be an FSR control proposed for the Site and its surrounds.

Further to the IPP study’s proposition that industrial uses should be encouraged in 2 storey buildings, it is important to note that industrial uses do not generally respond to density in the same manner as residential or commercial uses do.

Industrial uses require vehicle circulation space and loading/unloading areas as well as high span building clearance. As a consequence, it is rare that industrial buildings are arranged over 2 storeys or more. Industrial buildings that are arranged over 2 storeys or more typically accommodate business and office uses (as observed in locations such as Surry Hills, Alexandria, etc.). Notably, these uses are not permitted under the Leichhardt LEP (2013) which only allows business and office premises in the IN2 zone if they are in the arts, technology, production and design sectors. Unless more commercial-type uses are permitted, 2 storey industrial buildings will not be viable.

In Council’s preliminary comments letter there was a comment the EIA should have considered the employment that could be accommodated in an IN2 zone with an FSR of 1.5:1. We are unsure where the floorspace designation of 1.5:1 originates from. In any event, we are of the view that an FSR capacity of 1.5:1 would likely be unrealised unless commercial and office uses were permitted.

The Status of PRCUTS

Council additionally comments that the EIA should:

- Carry out a floorspace analysis excluding the City portion of the precinct.
- Consider the economic impacts excluding the City portion of the precinct.
- Broaden the search of alternate properties to other industrial precincts in the Council area and adjacent areas of the Eastern City District Plan area.

The importance and implementation PRCUTS is recognised in the now finalised District Plan. The Implementation Plan of PRCUTS is supported by section 9.1 Direction (previously known as s117 Ministerial Directions) which means it has statutory force. Given that the above matters were already considered in PRCUTS we have not carried out additional analysis. As highlighted earlier in this letter, the Eastern City District Plan highlights that provisions for development consistent with PRCUTS and Implementation Toolkit is not subject to the industrial lands strategies and actions of the District Plan.

We however make comment on select criteria set out in the Out of Sequence Checklist in the Implementation Plan.

- **Feasibility**
An integrated infrastructure delivery plan is understood to have been prepared to accompany the planning proposal that sought a rezoning of the Site to R3 Medium Density Residential. The envisaged cost of required infrastructure will be offset against the development, which nevertheless will be feasible to deliver.
- **Market Viability**
Market analysis in the EIA demonstrates a strong need for dwellings and space for creative-type businesses in the Precinct. The Proposal responds to market conditions and is consistent with this criterion.

Please contact the undersigned should you need to discuss any of the foregoing.

Yours sincerely

Esther Cheong

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