

67-75 LORDS ROAD, LEICHHARDT

ECONOMIC IMPACT ASSESSMENT

PLATINO PROPERTIES
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EXECUTIVE SUMMARY

BACKGROUND

Platino Properties are preparing a planning proposal to amend the planning controls as they relate to 67-75 Lords Road in Leichhardt ('the Site'). It is proposed that the Site is rezoned from IN2 Light Industrial (FSR 1:1) to R3 Medium Density Residential and designated an FSR of 2.4:1. The Proposal includes provision for 3,000sqm of non-residential GFA.

The Parramatta Road Corridor Urban Transformation Strategy (PRCUTS) identifies the site for residential development. PRCUTS was underpinned by a suite of technical studies which addressed the need for employment land in the Parramatta Road Corridor, highlighting the locations appropriate for employment-generating land uses.

Notwithstanding PRCUTS recommendations for the Site, the Proposal incorporates space for appropriate non-residential uses in response to feedback from the community and Inner West Council.

AEC Group (AEC) has been engaged by Platino Properties to prepare an Economic Impact Assessment (EIA) to examine the economic impacts likely to result from the proposed planning controls envisaged by the Proposal and subsequent redevelopment of the Site.

STRATEGIC CONTEXT AND THE PROPOSAL

PRCUTS is recognised in the Greater Sydney Region Plan and Eastern City District Plan as a State-led initiative to provide "for a diversity of jobs and housing to meet the needs of a broad cross-section of the community". The

The Site is an important infill site in the Taverners Hill Precinct, measuring just over 1ha. The centrality of its location proximate to key transport nodes, specifically Parramatta Road and the Marion light rail stop (500m to north) provide good access links while its proximity to the MarketPlace Leichhardt Shopping Centre (200m to east) provides a high level of services and retail amenity.

PRCUTS identifies Taverners Hill as a mixed-use urban village with strong transport links and a revitalised town centre. R3 Medium Density Residential zone is proposed in large portions of the precinct, including on the Site. Consistent with PRCUTS, the Proposal seeks the following amendments to the Leichhardt LEP (2013):

- Rezoning from IN2 Light Industrial to R3 Medium Density Residential.
- FSR of 2.4:1.

While consistent with the density controls in PRCUTS, the Proposal proposes a mix of uses (rather than residential uses only). The amendments would facilitate development of approximately 26,158sqm GFA, comprised of 23,158sqm residential GFA (or 235 units arranged over 5 to 9 storeys) and 3,000sqm non-residential GFA.

The 3,000sqm of non-residential floorspace includes 500sqm for use by the APIA Leichhardt Football Club as multi-purpose space. The remaining 2,500sqm of floorspace will be flexibly designed to accommodate a range of uses that may include co-working offices and commercial spaces to cater to businesses and creative industries as well as to service the needs of the local community. Some of the non-residential floorspace envisaged on the Site comprises of generous floor-to-ceiling heights that will flexibly accommodate a variety of business activities.

The Proposal additionally includes delivery of community infrastructure including public domain and landscaping upgrades.

RESPONSE TO HOUSING AND EMPLOYMENT NEED

Catering to Observed Industry Growth

Analysis of the employment composition in the local area suggests nature of business occupier demand in the Taverners Hill Precinct has and is continuing to shift to accommodate services employment in response to population need. Significant growth in health and education, retail activity, arts and recreation activity, etc. are testament to this shifting employment structure. Industrial sectors such as wholesaling and manufacturing have steadily declined with the exception of food manufacturing.

This shift in occupier demand has obvious implications for the type of business accommodation required in the Precinct. The Proposal seeks to deliver commercial floorspace which can accommodate a variety of service-based and destination businesses, aligning with observed market demand.

Addressing a Market Gap

There is a distinctly modest growth of employment in knowledge-intensive industries in the local area. This is not surprising given its relative isolation from established employment hubs. Knowledge workers generally require a high quality urban environment that offers transport, retail and urban amenity.

The Proposal recognises an opportunity for co-shared work spaces to be located on-site. These shared work spaces would be curated to include work areas (not only for shared desks, but also shared workshops and studio space), recreational and breakout areas, and importantly spaces that allow interaction of the likeminded individuals/businesses in a collegial setting. This represents a key opportunity for the Site and the broader Leichhardt area.

Contributing to Housing

The capacity to provide housing close to transport and employment infrastructure is a key tenet of PRCUTS. The Proposal critically will assist in meeting demand for housing that is close to transport nodes and employment centres. Soaring and sustained price growth in recent years is reflective of a market that is inadequately supplied.

Population growth in the local area averaged 1.7% per annum (2006-2017) and outstripped dwellings growth that averaged 0.7% per annum over the same period. It is unsurprising that occupancy rates (persons per dwelling) has increased, from 2.3 persons in 2006 to 2.5 persons in 2016, implying more dwellings are needed to meet need.

The Proposal responds to demonstrated need for more dwellings by facilitating approximately 235 residential units (including 35 affordable housing units) and facilitating needed supporting commercial and community facilities.

ECONOMIC IMPACTS

The Planning Proposal incorporates 3,000sqm of non-residential floorspace that will be flexibly designed to suit the requirements of a range of possible businesses and uses as the nature of these specific uses is not yet known.

In order to estimate the economic impacts that are likely to arise from the Proposal, a Base Case has been compared with two different potential scenarios (the Proposal Case). These scenarios are based on research, feedback from the community, Council and Government about the desired uses on the Site.

- **Base Case:** The Site is developed according to PRCUTS recommended planning controls, to comprise approximately 25,658sqm residential GFA (or 315 new dwellings).
- **Proposal Case:** The Site is developed under the Proposal to accommodate approximately 26,158sqm GFA that is comprised of 23,158sqm residential GFA (or 235 new dwellings) and 3,000sqm of non-residential GFA.

Two scenarios are considered, wherein different configurations of co-shared work spaces are provided:

- **Scenario 1:** co-working space (1,000sqm), commercial space suitable for offices and space suitable for technical and scientific services, education and training technical services (1,000sqm).
- **Scenario 2:** co-working space (500sqm), commercial space suitable for offices and space suitable for technical and scientific services, education and training technical services (1,500sqm).

Common to both proposal case scenarios is the following configuration of space suitable for uses that service the needs of the local community. We assume the space could be occupied by uses as follows:

- APIA Leichhardt Football Club - 500sqm.
- Fitness studio/mixed martial arts - 200sqm.
- Art studio - 250sqm.
- Café/takeaway food - 50sqm.

The assessment distinguishes economic impacts during the construction phase and those economic impacts that will be more permanent in nature following construction completion and operations commencement.

Operational Phase

Being a residential scheme, economic activity in the Base Case is associated with dispersed jobs (i.e. residents working from home). The estimate of 12 persons working from home supports modest economic activity.

In the Proposal Case (both scenarios considered), the economic activity supported is brought about by dispersed jobs in new households and business activity carried out on-site within the non-residential floorspace proposed.

- The Proposal is estimated to support permanent jobs in the order of 128 (Scenario 1) and 96 (Scenario 2).
- Through flow-on and multiplier impacts, the Proposal is estimated to support total permanent jobs of 269 (Scenario 1) and 203 (Scenario 2) in the Inner West LGA.

An employee survey by Micromex Research (June 2018) identified 106.5 FTE employees currently accommodated on-site. Either scenario in the Proposal Case is likely to accommodate similar or greater number of employment opportunities than those that are currently on-site (128 workers in Scenario 1 and 96 workers in Scenario 2).

Net Economic Activity

Compared to the Base Case and depending on proposal scenario, the Proposal is anticipated to result in a range of *net increase* in economic activity through the direct and flow-on impacts associated (per annum):

- \$43.5 million to \$60.4 million *additional* in output (including \$19.0 million to \$26.5 million in direct activity).
- \$22.4 million to \$31.3 million *additional* in contribution to GRP (including \$8.9 million to \$12.6 million in direct activity).
- \$12.5 million to \$17.5 million *additional* in incomes and salaries paid to households.
- 175 to 242 *additional* FTE jobs (including jobs directly related to activity on-site and persons working at home).

The potential increase in ongoing economic activity in the Inner West LGA supported by the Proposal (compared to the Base Case) is presented in **Table ES.1**.

Table ES.1: Estimated Net Operational Impacts in Inner West LGA, Operational Phase

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Proposal Case (Scenario 1) v Base Case				
Direct	\$26.5	\$12.6	\$8.3	116
Type I Flow-On	\$12.9	\$6.2	\$3.8	45
Type II Flow-On	\$21.0	\$12.5	\$5.5	81
Total	\$60.4	\$31.3	\$17.5	242
Proposal Case (Scenario 2) v Base Case				
Direct	\$19.0	\$8.9	\$5.9	84
Type I Flow-On	\$9.5	\$4.6	\$2.8	33
Type II Flow-On	\$15.0	\$8.9	\$3.9	58
Total	\$43.5	\$22.4	\$12.5	175

Source: ABS (2017b, 2017c), AEC

The overall net impact on economic activity generated by the Proposal Case is notably greater than the Base Case, supporting 116 and 84 more direct jobs (i.e. on-site) respectively in Scenario 1 and 2.

Household Expenditure Supported

Increase to household expenditure levels can be expected due to the provision of new dwellings in both the Base Case and Proposal Case. Increased household expenditure will support additional economic activity, resulting in economic impacts for the Inner West LGA.

Household expenditure in the Proposal Case is estimated to support 62 direct FTE jobs and 106 total FTE jobs in the Inner West LGA. Other impacts include incomes and salaries paid to those households and contribution in output to the Inner West local economy.

Construction Phase

The construction phase in the Proposal Case is expected to support economic activity for the Inner West LGA businesses and workers through direct and flow-on impacts:

- \$125.5 million in output (including \$61.7 million in direct activity).
- \$47.2 million contribution to GRP (including \$14.1 million in direct activity).
- \$25.0 million in incomes and salaries paid to households.
- 337 FTE jobs (including 104 directly employed in construction activity).

The economic impacts estimated demonstrate the Proposal has economic merit, having the ability to contribute significantly to the Inner West local economy, both during construction and once completed.

POLICY ASSESSMENT

Eastern City District Plan

The Proposal aligns with the Eastern District's objective of concentrating new development within centres to maximise use of existing infrastructure, create walkable local centres and facilitate mixed-use neighbourhoods and communities that are healthy and resilient. The Proposal responds to the Greater Sydney Region Plan and Eastern City District Plan in a number of key areas:

- **Services and Infrastructure to meet Communities' Changing Needs**
Analysis of the socio-demographic characteristics demonstrates an increasing proportion of family households, particularly families with children. The Proposal seeks to provide opportunity for services and community facilities onsite, which will be co-located with local services (at the Marketplace Leichhardt local centre).
- **Communities are Healthy, Resilient and Socially Connected**
The Proposal will provide for social opportunities in a walkable, mixed-use neighbourhood close to centres (Leichhardt Marketplace) and public transport (light rail and bus services), generating opportunities for recreation, arts and community activities (including team training facilities for APIA Leichhardt Football Club).
- **Greater Housing Supply**
Improving housing choice by creating housing capacity. It is an undisputed fact that supply of new dwellings across the Inner West has not kept pace with demand over the past decade. The Proposal will deliver further housing supply and choice in a location within walking distance of rail infrastructure and a local centre.
- **Investment and Business Activity in Centres**
The proposed Co-working hub will provide an opportunity for individuals and businesses to be accommodated in a shared/collegial environment or separately. Flexible configuration of space within the development will allow the space offering to expand/adjust in response to market demand for desks, workshop or studio space.

Growing economic activity in Leichhardt Marketplace local centre by increasing the pool of expenditure available for spend at local businesses. This affirms the objective of growing investment and business activity in centres. Being a supermarket-based centre, increase in residential capacity within walking distance not only results in a good liveability outcome, it assists with the sustainability of the centre.

Industrial and Urban Services Land

The Region Plan notes that the lands within PRCUTS are not subject to the industrial land strategies and actions of the Region Plan. Instead, development of industrial lands within the Corridor is to be guided by the Parramatta Road Corridor Implementation Tool Kit as PRCUTS and the Implementation Tool Kit have been subject to an extensive planning process.

Even though redevelopment of the Site would result in displacement of existing businesses, consideration of these and the overall impacts of PRCUTS recommendations were satisfied as part of the statutory process, resulting in s9.1 Direction of the *Environmental Planning and Assessment Act 1979*, which notably addressed the issue of ensuring there was no net loss of employment opportunities across the Parramatta Road Corridor.

Out-of-Sequence Checklist

Whilst the Site is located within the Taverners Hill Precinct, it does not fall within the 2016-2023 Release Area. Under the PRCUTS Implementation Plan (2016-2023), development of land which is not located within the 2016-2023 Release Area needs to be considered against an Out-of-sequence Checklist to ensure proposed development does not undermine delivery of the Infrastructure Schedule outlined in the Implementation Plan.

Criteria 5: Feasibility

Criteria 5 requires future development to be able to accommodate any additional costs and funding charges associated with delivery of infrastructure warranted by the development.

Analysis of market evidence, the development pipeline, 'as is' values of existing uses and prices paid for development sites suggest that large portions of the 2016-2023 Release Area are unlikely to be developed in the timeframe envisaged.

A large proportion of properties in the release area of the Taverners Hill Precinct (45%) are smaller than 300sqm in site area. In combination with the relatively modest FSR of 1.4:1 that applies to most of these properties, it is therefore unlikely these will be redeveloped in the 2016-2023 timeframe.

This observation is affirmed by the development pipeline - there is little to no development progressed in the Release Area. The Site therefore represents a valuable opportunity to achieve the objectives of the PRCUTS vision for the precinct. A review of the development pipeline and analysis of the feasibility of densities proposed in the precinct indicate the PRCUTS vision will otherwise struggle to be realised.

Notwithstanding the foregoing, consideration of the planning proposal and development application and thereafter lead-in time to mobilisation, the Proposal is not expected to be delivered/completed prior to 2023. The Proposal additionally envisages contribution of various infrastructure items to assist with realisation of PRCUTS vision.

The Proposal is considered to comply with Criteria 5.

Criteria 6: Market Viability

Criteria 6 requires the planning proposal to demonstrate a land use and development scenario that aligns with and responds to market conditions for the delivery of housing and employment for 2016 to 2023.

Population growth (average 1.4% per annum) has historically outstripped dwellings growth (average 0.8% per annum) in the Inner West LGA over the 2006-2016 period. It is no surprise that prices have experienced sustained and significant growth, indicative of an undersupplied market. The Proposal responds to this need by providing capacity for housing in proximity to local transport, services and infrastructure. As evidenced by the modest dwellings growth, there has been limited addition to housing supply in the LGA.

It is evident that the nature of business occupier demand within the Taverners Hill Precinct has and is continuing to shift to accommodate services employment in response to population need. Growth in health and education, retail activity, arts and recreation activity, etc. are testament to this shifting employment structure. Industrial sectors such as wholesaling and manufacturing have steadily declined with the exception of food manufacturing.

This Proposal seeks to deliver commercial floorspace to accommodate a range of service-based and destination businesses who seek a central location from which to service their markets. These businesses will be those that do not require heavy or frequent truck access.

Importantly, the Proposal will provide opportunities for businesses to share facilities that allow for interaction, collaboration and knowledge sharing in a collegial environment. Flexible configuration of floorspace will enable shared desk, workshop or studio space for creative users to be adjusted to meet market demand as necessary.

The Proposal additionally seeks to provide commercial floorspace that will facilitate social interaction for local community groups and residents. Multi-purpose facilities for the APIA Leichhardt Football Club at premises adjacent their training ground at Lambert Park is a valuable opportunity for the Site.

The Proposal will likely be well-met by the market given its centrality of location - close to Leichhardt Marketplace, Marion light rail stop and proximity to Parramatta Road. It is considered to comply with Criteria 6.

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1. INTRODUCTION

1.1 BACKGROUND AND OVERVIEW

Platino Properties are preparing a planning proposal to amend the planning controls as they relate to 67-75 Lords Road in Leichhardt ('the Site'). It is proposed that the Site is rezoned from IN2 Light Industrial (FSR 1:1) to R3 Medium Density Residential and designated an FSR of 2.4:1. This is referred to as "the Proposal".

The Site is located at the western end of Lords Road, approximately 100m west of Foster Street within the broader Taverners Hill Precinct as identified under the Parramatta Road Corridor Urban Transformation Strategy (UrbanGrowth, 2016a). The Marketplace Leichhardt shopping centre is approximately 300m to the east and the Marion light rail stop is about 500m to the north off Marion Street.

The Parramatta Road Corridor Urban Transformation Strategy is recognised in the Greater Sydney Region Plan and Eastern City District Plan as a State-led initiative to provide "for a diversity of jobs and housing to meet the needs of a broad cross-section of the community" (GSC, 2018a, 2018b).

The Parramatta Road Corridor is comprised of eight precincts spanning for 20km from Camperdown in the east to Granville in the west with Taverners Hill being one of these precincts. The Parramatta Road Corridor Urban Transformation Strategy (PRCUTS) envisages the Taverners Precinct ("the Precinct") and the existing character of the area to be bolstered with the creation of an urban village with strong transport links via the adjoining GreenWay and Hawthorne Canal and a revitalised neighbourhood centre. Enhanced accessibility to nearby transport modes and green space amenity is also an important objective for the precinct.

The Greater Sydney Region Plan recognises the role of the Parramatta Road Corridor Implementation Tool Kit to guide the incremental transformation of the Corridor in line with delivery of necessary infrastructure, noting the extensive process that was undertaken which culminated in PRCUTS and the Implementation Tool Kit. Development of industrial lands consistent with PRCUTS and the Implementation Tool Kit are therefore not subject to the industrial land strategies and action requirements of the Greater Sydney Region Plan.

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 Taverners Hill Precinct, PRCUTS envisages the rezoning of existing IN2 Light Industrial land to a mix of B4 Mixed Use and R3 Medium Density Residential. In the Taverners Hill Frame Area (fronting Parramatta Road) the B6 Enterprise Corridor zone is envisaged to be retained. Furthermore, PRCUTS 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 Proposal and realisation of residential development potential on the Site seeks to further the implementation of PRCUTS in Taverners Hill Precinct.

1.2 SCOPE AND PURPOSE

AEC Group (AEC) has been engaged by Platino Properties to prepare an Economic Impact Assessment (EIA) to examine the economic impacts likely to result from the proposed planning controls envisaged by the Proposal and subsequent redevelopment of the Site. The EIA considers the economic impacts that could result from the Proposal in comparison to the impacts that could result from the implementation of PRCUTS recommended planning controls on the Site.

In order to assess the economic impact of implementing the proposed planning control on the Site, a Base Case and Proposal Case are developed.

- **Base Case:** The Site as envisaged in PRCUTS, developed for medium density residential uses.
- **Proposal Case:** The Site as envisaged under the Proposal, developed for a mix of uses broader than residential, to include non-residential uses via the provision of commercial and community floorspace.

The EIA examines the economic impacts if the Site were redeveloped pursuant to the Proposal.

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 planning 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 of the site and its immediate surrounds, specifically noting its industry and occupation composition over the 2006-2016 period. The chapter also examines the socio-demographic characteristics of the immediate surrounding area of the Site.

The Chapter additionally examines the market context of the Precinct, gathering market intelligence to investigate how the Site responds to market need.

- **Chapter 4: Economic Impact Assessment**

This Chapter assesses the economic impacts of future development on the Site by investigating two scenarios:

- Base Case: the economic impacts should the Site be developed pursuant to PRCUTS recommended planning controls.
- Proposal Case: the economic impacts following implementation of changes to planning controls as envisaged by the Proposal.

- **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.

2. SITE CONTEXT

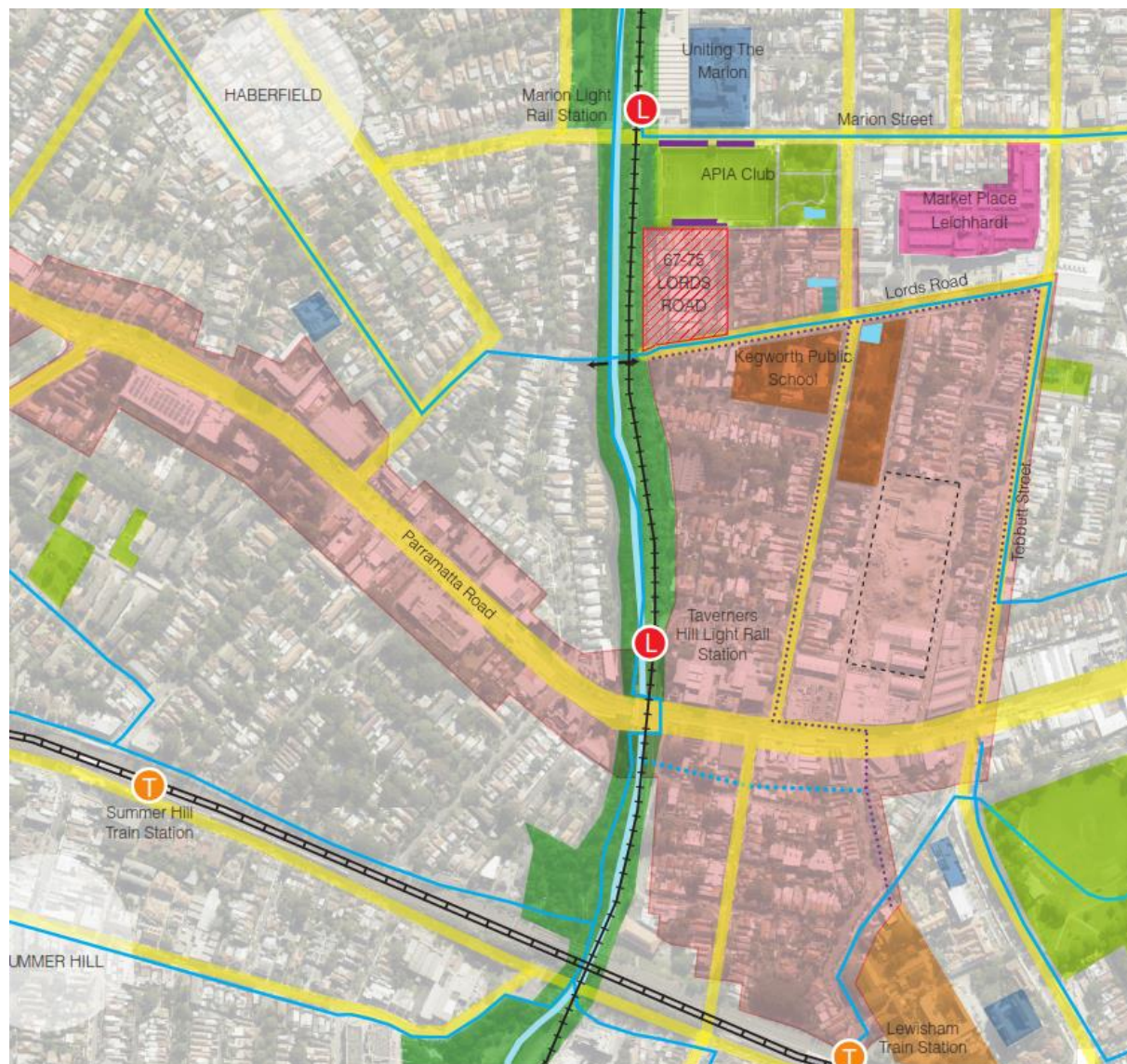
2.1 LOCATION

67-75 Lords Road, Leichhardt (the Site) measures approximately 1ha and is located within the Inner West local government area. The Site is generally bounded by the L1 Dulwich Hill Light Rail line to the west, terrace housing to the south and east and Lambert Park to the north.

The Site is well-served by transport infrastructure with the Marion light rail stop approximately 500m to the north. The L1 Dulwich Hill Light Rail is a 23-stop light rail line extending 12.8km from Dulwich Hill to Central Station in the Sydney CBD. The Site is also located proximate to the T2 Inner West Rail Line with the Lewisham train station circa 1km to the south. Parramatta Road is located approximately 350m south providing vehicular access to the Sydney CBD and western suburbs of Sydney. Buses are accessible on Marion Street and Parramatta Road.

The immediate surrounding area of the Site is characterised by a variety of uses including low-density housing, public recreation areas, light industrial and warehouse buildings and a primary school. The Marketplace Leichhardt Shopping Centre is located approximately 200m east of the Site and is anchored by Woolworths, Target and ALDI with 45 specialty shops. Figure 2.1 depicts the local context of the Site.

Figure 2.1: Local Context Map



Source: Stewart Hollenstein+Matthew Pullinger

2.2 SITE DESCRIPTION

The Site is comprised within a single allotment being Lot 1 in DP 940543. The Site is rectangular in shape and generally level with a single street frontage to Lords Road at the Site's southern boundary. An unnamed street is located along the eastern boundary of the Site.

The Site bears a site area of just over one hectare with a frontage of 78m to Lords Road (scaled and approximated from aerial photography). The Site is improved with warehouse/light industrial buildings arranged over two storeys, with vehicular access available along the western boundary. At-grade parking is available along the western and eastern boundaries. Figure 2.2 illustrates the position of the Site.

At present, the Site accommodates a range of businesses including those who have warehouse/storage facilities at the site.

According to an employee survey carried out in June 2018 (Micromex Research, 2018), there were approximately 106.5 full time equivalent (FTE) employees. Few tenants indicated their staff travelled to work via the light rail with the majority of tenants requiring some form of truck access to receive deliveries and the like. The survey indicates that on-site parking is well utilised by the tenants with some businesses indicating staff and clients experienced difficulty finding parking on-site.

Figure 2.2: Site Context Map



Source: SIX Maps

The Site falls within the "Taverners Hill Precinct", which is one of the eight precincts in the Parramatta Road Corridor Urban Transformation Strategy (PRCUTS).

2.3 TAVERNERS HILL PRECINCT

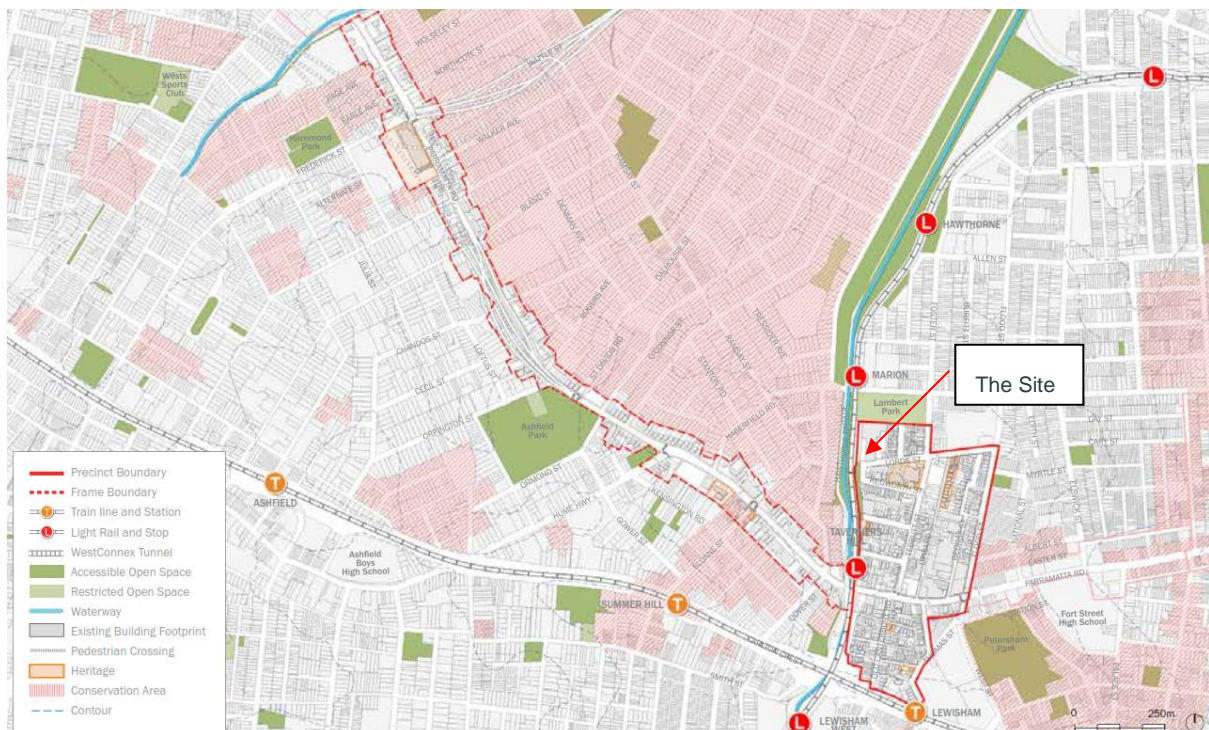
The Taverners Hill Precinct is one of the easternmost precincts identified within the Parramatta Road Urban Transformation Corridor. The Corridor comprises a total of eight precincts categorised into two main sections:

- 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 comprises a main 'precinct area' and a 'frame area'. Frame areas typically include land between precincts.

The Taverners Hill Precinct is located immediately east of Hawthorne Canal, the GreenWay and the T2 Inner West Light Rail line. It is bounded by Lords Road and Lambert Park to the north and the Western Rail Line to the south. Flood Street and Carrington Street bound the Precinct to the east. The stretch of Parramatta Road west of Hawthorne Canal to Iron Cove Creek is classified as the Taverners Hill Frame Area.

Figure 2.3: Taverners Hill Precinct



Source: UrbanGrowth (2016)

The Taverners Hill Precinct is focused on Parramatta Road, extending to its north and south and includes the Taverners Hill light rail stop. The Marion and Lewisham West light rail stops fall outside the Precinct to the north and south respectively.

The Precinct is characterised by a mix of built forms, primarily being small car yards and warehouse buildings fronting Parramatta Road with low and medium density housing in its north and south portions. A range of land uses are observed, notably storage and warehousing, car yards, mixed business and light industrial uses, retail and residential uses.

2.4 PLANNING POLICY

2.4.1 A Metropolis of Three Cities - Greater Sydney Region Plan

A Metropolis of Three Cities - Greater Sydney Region Plan (the Region Plan, GSC, 2018a) sets the strategic vision for Greater Sydney towards 2036. A framework for the liveability, productivity and sustainability of the metropolis of three cities is detailed.

10 Directions, each comprised of a series of objectives are articulated to deliver and monitor the Region Plan.

The objectives of direct relevance to the Proposal are:

- Liveability Direction
 - Objective 6 - Services and infrastructure meet communities' changing needs.
 - Objective 7 - Communities are healthy, resilient and socially connected.
 - Objective 10 - Greater housing supply.
- Productivity Direction
 - Objective 22 - Investment and business activity in centres.
 - Objective 23 - Industrial and urban services land is planned, retained and managed.

Each of these objectives are discussed in turn.

Objective 6

The objective emphasises the importance of ensuring services and infrastructure is tailored to meet the changing needs of population groups. Improved health, public transport and accessibility outcomes can be achieved through the provision of schools, recreation, transport, arts and cultural, community and health facilities in walkable, mixed-use places that are co-located with social infrastructure and local services. This is related to Objective 7.

Objective 7

The objective aims to deliver infrastructure and services to support socially connected communities that include:

- Playgrounds, libraries, education facilities and active street life.
- Farmers' markets, eat streets, street verges and community gardens.
- Creative arts centres, theatres, live music and co-working spaces.
- Bushcare groups, outdoor gyms, sportsgrounds, aquatic centres and community spaces.

The objective recognises the importance of having mixed-use neighbourhoods close to centres and public transport that will not only promote walking and cycling, but also generate social opportunities in walkable neighbourhoods.

Objective 10

A central tenet of the requirement to create more housing capacity is that the provision of new homes should be linked to local infrastructure, both to optimise existing infrastructure and to maximise investment in new infrastructure.

Opportunities for urban renewal are seen as valuable, however they need to be considered by location and by capacity of existing and proposed infrastructure. In established areas, urban renewal opportunities around regional transport and strategic centres where walking and cycling links are available contribute to liveability.

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

The 0-5 year housing supply targets are a minimum and councils are required to find additional opportunities to exceed their target to address demand. Developers are recognised to play an important role in supporting housing outcomes and facilitate development capacity created by the planning system.

Objective 22

Centres are a key element of the urban structure of Greater Sydney and play an important role to providing access to jobs, goods and services. The Region Plan establishes a hierarchy of three levels of centres - metropolitan, strategic and local centres.

The scale and role of centres are important for a variety of functions:

- Metropolitan centres are economically significant and will continue to be the focus of government investment.
- Strategic centres increase access to a wide range of jobs, goods and services and supports the vision for a 30-minute city.
- Local centres are important for providing access to day-to-day goods and services close to where people live. They are a collection of shops and health, civic or commercial services. Enhancing their accessibility, connectivity through walking and cycling paths is important.

The Leichhardt Marketplace is identified in the Eastern City District Plan (GSC, 2018b) as a local centre. This is further examined in section 2.4.2.

The Region Plan identifies the role of supermarket-based centres in providing opportunities for local employment. It further notes that increasing residential development within walking distance of a supermarket-based centre is a desirable liveability outcome.

Objective 23: Industrial and Urban Services Land

The Region Plan states that the retention, growth and enhancement of industrial and urban services land across Greater Sydney should be reflective of the differing needs of the three Cities. The approaches to managing industrial and urban services land are:

- Retain and manage, applicable to the Eastern City, North West Growth Area and established industrial areas in the Western City including the Western Sydney Employment Area.
- Review and manage, applicable to established areas of the Central City, Hornsby, Liverpool and Fairfield.
- Plan and manage, applicable to the South West and Western Sydney Airport growth areas.

Importantly, the Region Plan notes that the lands within PRCUTS are not subject to the industrial land strategies and actions of the Region Plan. Instead, development of industrial lands within the Corridor is to be guided by the Parramatta Road Corridor Implementation Tool Kit as PRCUTS and the Implementation Tool Kit have been subject to an extensive planning process. Provisions for development in PRCUTS and the Implementation Tool Kit were made under a s9.1 direction of the *Environmental Planning and Assessment Act 1979*.

2.4.2 Eastern City District Plan

The Eastern City District Plan (the District Plan) is a 20-year plan to manage growth in the context of economic, social and environmental matters to achieve the 40-year vision for Greater Sydney. The District Plan assists councils to plan for and deliver growth and change, and align their local planning strategies to place-based outcomes, through a set of planning priorities and actions. The planning priorities and actions align with the 10 Directions of the draft Region Plan and their corresponding objectives.

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

- Liveability Direction
 - Planning Priority E3 - Providing services and social infrastructure to meet people's changing needs.
 - Planning Priority E4 - Fostering healthy, creative, culturally rich and socially connected communities.
 - Planning Priority E5 - Providing housing supply, choice and affordability with access to jobs, services and public transport.
- Productivity Direction

The Region Plan states the importance of growing investment and business activities in centres. Local centres are identified to be best planned for at the local level informed by a place-based strategic planning process. The District Plan therefore does not comment on local centres such as Marketplace Leichhardt.

As Objective 23 exempts land in PRCUTS from the industrial land strategies and actions of the Region Plan, the planning priority in the district plan that relates to this objective is not considered.

Each of the relevant planning priorities are discussed in turn.

Planning Priority E3

As the District's population grows, so too will increased demand on existing services and infrastructure including sports and recreation facilities. Consequently, integrated and targeted delivery of services and infrastructure is needed to support growth, taking into account existing levels of provision, use and changing requirement.

The co-location of social infrastructure facilities in neighbourhoods that are accessible improves health outcomes and enhances the overall liveability of a neighbourhood or centre.

Planning Priority E4

A multi-faceted approach and place-based approach is required to support healthy lifestyles and strong social connections. Delivery of fine grain urban form and local mixed-use places are identified as having a role to provide better access to local retailers of fresh food, together with opportunities for people to participate in arts, recreation and cultural activities.

Access to diverse open spaces and opportunities for recreational physical activity are important, as are lifelong learning facilities and libraries, which provide valuable opportunities to continue education and connect with others in the community.

Planning Priority E5

New housing must be in the right places to meet demand for different housing types, tenure, price points, preferred location and design. Housing supply must be coordinated with local infrastructure to create liveable, walkable, cycle-friendly neighbourhoods with shops, services and public transport.

The District Plan sets five-yearly housing targets for the Eastern City District, based on dwelling needs and existing opportunities to deliver supply. The housing target for Inner West LGA for the period 2016-2021 is 5,900 dwellings. The District Plan notes that the short term (2016-2021) targets are generally consistent with known housing approvals and construction activity. They are minimum targets and largely reflect the delivery potential under current planning controls.

Relevant actions required to implement this Priority include preparation of local housing strategies to:

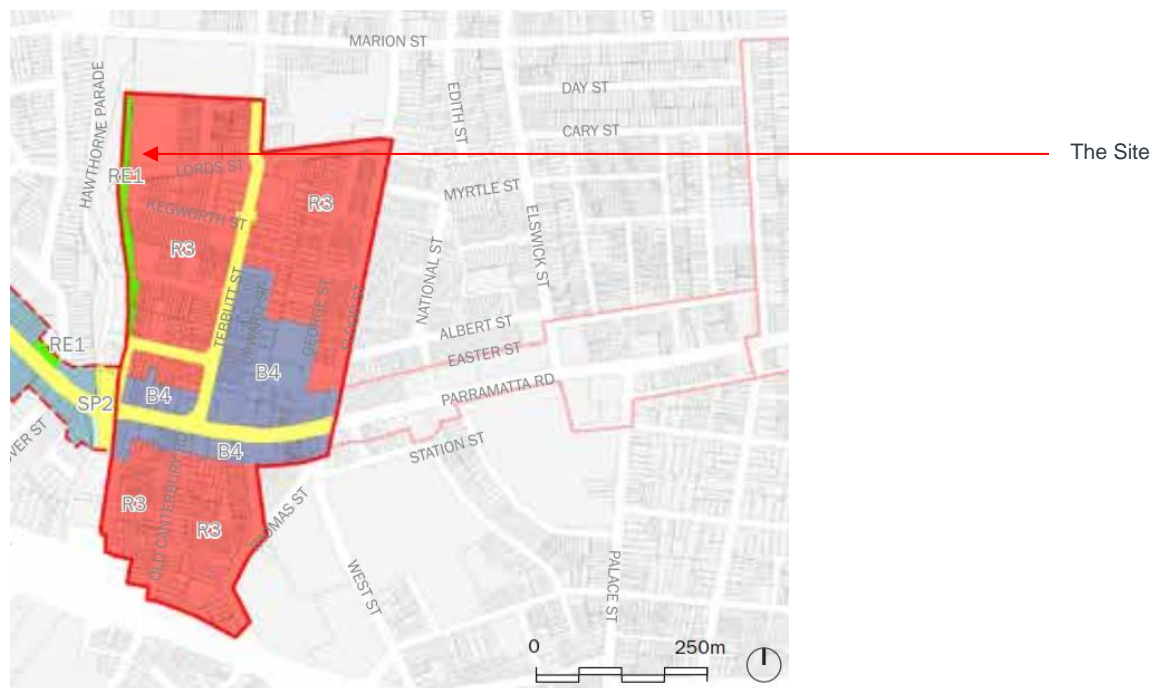
- Deliver five-year housing supply targets for each local government area.
- Deliver 6–10 year (when agreed) housing supply targets for each local government area.
- Establish capacity to contribute to the longer term 20-year strategic housing target for the District.
- Housing strategy requirements outlined in Objective 10 of the Greater Sydney Region Plan.

2.4.3 Parramatta Road Corridor Urban Transformation Strategy (2016)

The Parramatta Road Corridor Urban Transformation Strategy (PRCUTS) sets the vision for improved transport choices, better amenity and balanced growth of housing and jobs. PRCUTS has been adopted by NSW Government and is supported by a Section 9.1 Ministerial Direction which gives it statutory force.

PRCUTS envisages the Taverners Hill Precinct further evolving as a distinctly mixed-use urban village with strong transport links and a revitalised town centre. Tebbutt Street is to be reinforced as the Precinct's main street with scaled residential development to occur in select areas to attract and retain people in the core of the Precinct. Employment lands will be focused on both sides of Parramatta Road, Tebbutt Street, Upwards Street and George Street.

PRCUTS recommends a mix of land use zones in the Precinct. A B4 Mixed Use zone is recommended along Parramatta Road (within the Precinct Area) and along parts of Tebbutt Street and George Street. An R3 Medium Density Residential zone is proposed throughout the remainder of the Precinct, including for the Site. Development is to be appropriately scaled and complement the Precinct's heritage character and the adjacent conservation area's lower density housing. Outside the Precinct Area, the western Frame Area along Parramatta Road will be retained as B6 Enterprise Corridor.

Figure 2.4: Land Use Zone, Taverners Hill Precinct

Source: UrbanGrowth (2016)

The Site is located in the north-west edge of the Taverners Hill Precinct. The Site is envisaged to be zoned R3 Medium Density Residential with an FSR 2.4:1. The Site is located outside the 2016-2023 Release Area.

The PRCUTS 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'.

Proposals that depart from the staging and sequencing recommended in PRCUTS 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 is comprised 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.

We note the Site does not fall within the 2016-2023 Release Area and accordingly the Proposal must address the Out of Sequence Checklist. This is addressed in Chapter 5.

2.5 IMPLICATIONS FOR THE SITE

The Site is an important infill site in the Taverners Hill Precinct, measuring circa 1ha. The centrality of its location proximate to key transport nodes, specifically Parramatta Road and the Marion light rail stop provide good access links while proximity to the MarketPlace Leichhardt Shopping Centre provides excellent services and retail amenity.

The Taverners Hill Precinct is recognised at State level (by virtue of PRCUTS, Greater Sydney Region Plan and Eastern District Plan). The potential for Tebbutt Street to be reinforced as the Precinct's main street is identified, along with scaled residential in select areas, including along Lords Road where the Site is located.

PRCUTS identifies Taverners Hill as a mixed-use urban village with strong transport links and a revitalised town centre. The B4 Mixed Use zone is proposed along Parramatta Road (within the precinct area) and the retention of B6 Enterprise Corridor along Parramatta Road to the west. R3 Medium Density Residential zone is proposed in the rest of the precinct area.

Both the Region Plan and District Plan highlight that implementation of PRCUTS does not require industrial lands to be subject to the industrial land strategies and action requirements of the Region Plan and District Plan. The requirements of the supporting Implementation Tool Kit are applicable.

The Region Plan and District Plan articulate a series of objectives to deliver on, *inter alia*, liveability and productivity, emphasising the importance of ensuring walkable, mixed use places that are co-located with social infrastructure and local services. The Region Plan additionally states the importance of supermarket-based centres in providing opportunities for local employment and the desirable outcome of increasing residential development within walking distance of a supermarket-based centre.

The Proposal

Consistent with PRCUTS and the directions of the Greater Sydney Region Plan, the Planning Proposal seeks the following amendments to the Leichhardt Local Environmental Plan (2013):

- Rezoning from IN2 Light Industrial to R3 Medium Density Residential.
- FSR of 2.4:1.

The amendments would facilitate development of approximately 25,182sqm GFA, comprised of 22,482sqm residential GFA (or approximately 235 new apartments) and 3,000sqm non-residential GFA (2,000sqm commercial floorspace and 1,000sqm multi-purpose community floorspace), arranged over 3-9 storeys.

The Proposal envisages configuration of the 2,000sqm commercial floorspace in a Co-working hub that offers the opportunity for individuals and businesses to flexibly occupy space for a variety of functions.

The co-working space would be curated to accommodate desks, workshop and studio space for creative users who may require larger areas, recreational and breakout areas, conference/meeting rooms and supporting services. Depending on market response and demand, the offer/split between shared desk, workshop or studio space can be expanded/adjusted.

Multi-purpose community floorspace would include the following anticipated uses:

- APIA Leichhardt Football Club - 500sqm.
- Fitness studio/mixed martial arts - 250sqm.
- Dance/music/arts studio - 200sqm.
- Café/takeaway food - 50sqm.

Non-residential floorspace is envisaged on the ground floor of select buildings, comprised of high floor-to-ceiling heights that will flexibly accommodate a range of businesses and their activity. Local service businesses, creative industrial users, recreation and leisure uses could be accommodated within the Proposal.

The Proposal additionally envisages provision of the following community infrastructure items:

- Multi-purpose community space for use by APIA Leichhardt Football Club. The stratum of space is to be directly accessible from Lambert Park and comprise an area in the order of 500sqm.
- Upgrade of lighting at Lambert Park, which is currently leased by Council to APIA Leichhardt Football Club.
- Public access to Central Park area in the development and maintenance of the Central Park area.
- Pedestrian through-site link to connect to Marion light rail stop, subject to access through Lambert Park.
- Public domain upgrades and landscaping works including improved streetscape and street plantings on Kegworth Street and Lords Road.
- Public art (sculpture and water feature) near the entrance to the tunnel under the railway line.
- Clearance of weeds and provision of self-maintaining planting along rail corridor subject to access permission from Transport for NSW, in consultation with Council's Greenways Coordinator.
- Affordable housing units within the development to be owned and managed by Bridge Housing.

The next chapter investigates the nature of demand and need for the Proposal.

3. BASELINE RESEARCH

This chapter examines the employment profile and socio-demographic profile of the Site's catchment and Inner West LGA. References to the "Inner West" refer to the LGA. The employment profile assists an understanding of the nature of the need for commercial floorspace and the socio-demographic profile helps understand the need for housing and community infrastructure to support that need. The chapter additionally reviews the market context of the Site.

3.1 EMPLOYMENT PROFILE

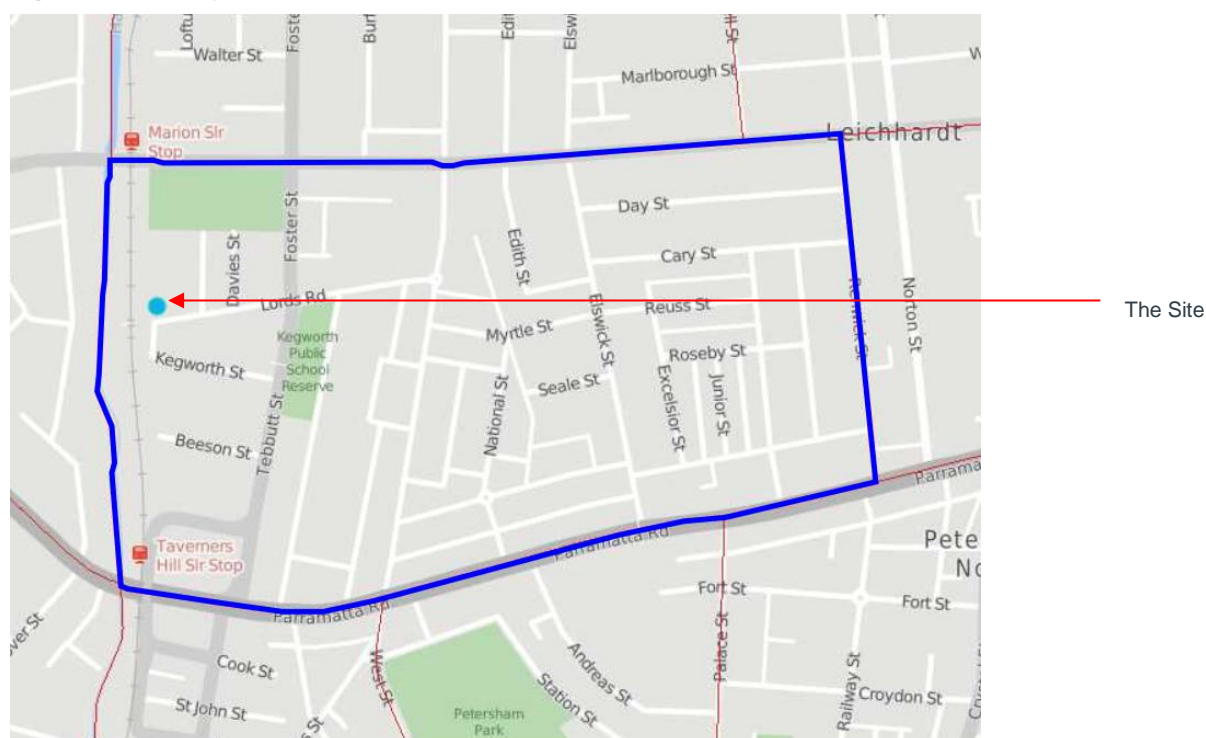
In order to better understand the employment and activity occurring around the Site, ABS census data (ABS, 2017) between 2006-2016 was analysed using Destination Zone (DZ) data. This section considers the employment profile of workers in the immediate area of the Site by analysing types of employment categorised under the Australian and New Zealand Standard Industry Classification (ANZSIC.)

The ANZSIC is a hierarchical classification of industry with four levels, namely Divisions (the broadest level), Subdivisions, Groups and Classes (the finest level). At the Divisional level (referred to as 1-digit ANZSIC), the main purpose is to provide a limited number of categories which provide a broad overall picture of the economy.

Classification of the ANZSIC industries into broad industry categories (population-serving, knowledge-intensive, health and education, industrial) allows more focused understanding of the role an area may currently be fulfilling, and how this has changed over time.

The boundaries of the Catchment Area are depicted in Figure 3.1. For benchmarking purposes, the employment profile of the Catchment Area is compared against the broader Inner West LGA.

Figure 3.1: Employment Profile, Catchment Area



Source: ABS

3.1.1 Employment by Industry

The Catchment Area employed just under 2,650 workers in 2016 (ABS, 2017). The major employing industries include retail trade (28.9%), education and training (21.1%), professional, scientific and technical services (9.3%), construction (6.8%) and health care and social assistance (5.4%). Table 3.1 summarises the employment profile.

Table 3.1: Employment Profile Overview, Catchment Area (2006-2016)

Indicator	Catchment Area	Inner West LGA
Total Employment (Number)		
2016	2,647	65,572
2011	2,271	60,214
2006	2,080	53,684
Key Industries (2016, % of Total)		
Retail Trade	28.9%	11.6%
Education and Training	21.1%	9.0%
Professional, Scientific and Technical Services	9.3%	8.6%
Key Occupations (2016, % of Total)		
Professionals	29.0%	24.3%
Sales Workers	16.4%	9.4%
Managers	15.0%	13.7%

Source: ABS (2017c)

The number of education and training workers in the Catchment Area has grown strongly over the 2006-16 period, rising by 217 workers (63.6%), followed by retail trade (123 workers; 19.2%), construction (93 workers; 106.8%) and health care and social assistance workers (66 workers; 85.1%). Conversely, the manufacturing and wholesale trade industries have recorded strong declines over the 2006-2016 period, declining by 117 workers (-48.6%) and 106 workers (-74.3%), respectively.

Overall, the Catchment Area has expanded by just over 560 workers over the 2006-16 period with the majority of this growth delivered by the education and training and retail trade sectors. This trend is unsurprising given the Catchment Area includes the Leichhardt Marketplace Shopping Centre, Kegworth Public School, Sydney Catholic Schools and several private preschools and day-care-centres.

Table 3.2 illustrates the Catchment Area is largely a population-serving and health and education precinct - both growing strongly over the 2006-2016 period with only modest growth in the knowledge-intensive sectors. By comparison, industrial employment has declined by 55.8% over the 2006-2016. These are in line with general trends observed across the Inner West LGA.

Table 3.2: Employment by Industry, Catchment Area (2006-2016)

Industry	2006		2011		2016		Change (2006-16)	
	No.	%	No.	%	No.	%	No.	%
Broad Industry Classification								
Knowledge-intensive	371	17.8%	389	17.1%	535	20.2%	164	1%
Population-serving	901	43.3%	1,028	45.3%	1,237	46.7%	336	67.56%
Health and Education	420	20.2%	515	22.7%	703	26.6%	283	37.29%
Industrial	389	18.7%	339	14.9%	172	6.5%	-217	-55.81%
Total	2,080	100.0%	2,271	100.0%	2,647	100.0%	567	27.2%
ANZSIC								
Agriculture, Forestry and Fishing	1	0.0%	0	0.0%	5	0.2%	5	601.4%
Mining	0	0.0%	0	0.0%	0	0.0%	0	41.4%
Manufacturing	241	11.6%	201	8.9%	124	4.7%	-117	-48.6%
Electricity, Gas, Water and Waste Services	0	0.0%	0	0.0%	0	0.0%	0	-70.7%
Construction	87	4.2%	103	4.5%	179	6.8%	93	106.8%
Wholesale Trade	143	6.9%	133	5.9%	37	1.4%	-106	-74.3%
Retail Trade	642	30.9%	707	31.1%	766	28.9%	123	19.2%
Accommodation and Food Services	80	3.8%	101	4.5%	87	3.3%	7	8.8%
Transport, Postal and Warehousing	4	0.2%	5	0.2%	5	0.2%	2	48.8%
Information Media and Telecommunications	73	3.5%	57	2.5%	84	3.2%	11	14.5%
Financial and Insurance Services	27	1.3%	25	1.1%	49	1.9%	22	78.9%

Industry	2006		2011		2016		Change (2006-16)	
	No.	%	No.	%	No.	%	No.	%
Rental, Hiring and Real Estate Services	20	1.0%	22	1.0%	51	1.9%	30	149.0%
Professional, Scientific and Technical Services	200	9.6%	233	10.2%	245	9.3%	45	22.4%
Administrative and Support Services	24	1.1%	27	1.2%	77	2.9%	53	223.9%
Public Administration and Safety	26	1.3%	25	1.1%	30	1.1%	4	14.5%
Education and Training	342	16.4%	400	17.6%	559	21.1%	217	63.6%
Health Care and Social Assistance	78	3.7%	114	5.0%	144	5.4%	66	85.1%
Arts and Recreation Services	29	1.4%	47	2.1%	78	2.9%	49	168.8%
Other Services	63	3.0%	70	3.1%	127	4.8%	64	101.1%
Total	2,080	100.0%	2,271	100.0%	2,647	100.0%	567	27.2%

Source: ABS (2017a, 2012, 2007)

The following observations are made from the changing employment profile of the Catchment Area:

- Growth in employment over the 2006-2016 period has been fuelled by the education and training and retail trade sectors; these industries accounting for approximately 60.2% of additional employment over this period.
- Conversely, sharp falls in traditional industrial sectors such as manufacturing and wholesale trade were recorded over 2006-2016 period; these sectors accounting for all employment losses within the Catchment Area.
- The majority of employment growth within the Catchment Area occurred over the 2011-2016 period (376 workers; 16.6%); lower growth occurred over the 2006-2011 period (191 workers; 9.2%). The converse is observed in the broader Inner West LGA, where growth was strongest in the 2006-2011 period (12.2%) compared to the more recent 2011-2016 period (8.9%).
- On average, employment within the Catchment Area has grown by 2.4% per annum over the 2006-2016 period, slightly higher than the 2.0% per annum average observed in the Inner West LGA.

Further disaggregation of the industries which have grown or declined significantly over the 2006-2016 period within the Catchment Area is detailed in Table 3.3.

Table 3.3: Employment by Industry (Select 2-digit ANZSIC), Catchment Area (2006-2016)

Industry	2006		2011		2016		Change (2006-16)	
	No.	%	No.	%	No.	%	No.	%
Education and Training (+63.6%)								
Preschool and School Education	314	15.1%	363	16.0%	486	18.4%	172	54.7%
Tertiary Education	0	0.0%	0	0.0%	16	0.6%	15	3675.7%
Adult, Community and Other Education	28	1.3%	37	1.6%	58	2.2%	30	109.3%
Retail Trade (+19.2%)								
Motor Vehicle and Motor Vehicle Parts Retailing	114	5.5%	84	3.7%	81	3.1%	-33	-28.6%
Fuel Retailing	0	0.0%	0	0.0%	0	0.0%	-	0.0%
Food Retailing	182	8.8%	193	8.5%	223	8.4%	40	22.1%
Other Store-Based Retailing	346	16.6%	430	18.9%	455	17.2%	110	31.8%
Non-Store Retailing and Retail Commission-Based Buying and/or Selling	0	0.0%	0	0.0%	6	0.2%	6	600.0%
Manufacturing (-48.6%)								
Food Product Manufacturing	12	0.6%	15	0.7%	31	1.2%	19	155.3%
Beverage and Tobacco Product Manufacturing	0	0.0%	0	0.0%	0	0.0%	-	0.0%
Textile, Leather, Clothing and Footwear Manufacturing	43	2.1%	36	1.6%	0	0.0%	-43	-100.0%
Wood Product Manufacturing	8	0.4%	7	0.3%	4	0.1%	-4	-53.9%
Pulp, Paper and Converted Paper Product Manufacturing	10	0.5%	7	0.3%	0	0.0%	-10	-99.6%

Industry	2006		2011		2016		Change (2006-16)	
	No.	%	No.	%	No.	%	No.	%
Printing (including the Reproduction of Recorded Media)	112	5.4%	93	4.1%	59	2.2%	-53	-47.2%
Petroleum and Coal Product Manufacturing	0	0.0%	0	0.0%	0	0.0%	-	0.0%
Basic Chemical and Chemical Product Manufacturing	0	0.0%	0	0.0%	0	0.0%	-	-100.0%
Polymer Product and Rubber Product Manufacturing	0	0.0%	0	0.0%	0	0.0%	-	0.0%
Non-Metallic Mineral Product Manufacturing	7	0.4%	10	0.5%	4	0.2%	-3	-42.9%
Primary Metal and Metal Product Manufacturing	4	0.2%	5	0.2%	3	0.1%	-1	-10.2%
Fabricated Metal Product Manufacturing	0	0.0%	0	0.0%	0	0.0%	-	44.2%
Transport Equipment Manufacturing	20	1.0%	8	0.3%	0	0.0%	-20	-100.0%
Machinery and Equipment Manufacturing	0	0.0%	0	0.0%	5	0.2%	5	0.0%
Furniture and Other Manufacturing	24	1.1%	21	0.9%	17	0.7%	-6	-26.7%
Wholesale Trade (-74.3%)								
Basic Material Wholesaling	17	0.8%	15	0.7%	0	0.0%	-17	-100.0%
Machinery and Equipment Wholesaling	40	1.9%	34	1.5%	21	0.8%	-19	-47.5%
Motor Vehicle and Motor Vehicle Parts Wholesaling	16	0.7%	12	0.5%	12	0.4%	-4	-25.5%
Grocery, Liquor and Tobacco Product Wholesaling	14	0.7%	14	0.6%	4	0.2%	-9	-67.4%
Other Goods Wholesaling	54	2.6%	53	2.3%	0	0.0%	-54	-100.0%
Commission-Based Wholesaling	4	0.2%	5	0.2%	0	0.0%	-4	-100.0%

Source: ABS (2017a, 2012, 2007)

The following observations can be drawn from further disaggregation of industry sub-sectors detailed in Table 3.3.

- Growth in preschool and school education sub-sectors has fueled the growth in the education and training industry, accounting for just under 80% of employment growth within the sector over the 2006-2016 period. This is conceivably attributed to growth at Sydney Catholic Schools district office at 38 Renwick Street, Leichhardt and the Kegworth Public School (60 Tebbutt Street). This aligns with the growth story of the Inner West LGA with preschool and school education accounting for approximately 85% of employment growth in the education and training sector over the 2006-2016 period.
- 'Other store-based retailing' accounted for the majority of growth within the retail trade sector. This aligns with strong growth observed at the Leichhardt Marketplace. Of interest, motor vehicle retailing was the only sub-sector which recorded a decline over the 2006-2016 period. These trends are mimicked in the Inner West LGA; other store-based retailing and food retailing recording strong growth whereas motor vehicle retailing declined.
- Manufacturing is observed to be decreasing across a variety of sub-sectors, particularly printing and textile, leather, clothing and footwear manufacturing sub-sectors. We note that food product manufacturing has grown over the 2006-2016 period however, particularly over the 2011-2016 period. This trend is also observed within the Inner West LGA; all forms of manufacturing recording declines with the exception of food product manufacturing (+21.3%) and beverage and tobacco product manufacturing (+631.3%).
- All wholesale trade sub-sectors also experienced declines over the 2006-2016 period within the Inner West LGA.

The next section reviews the occupation profile of the Catchment Area.

3.1.2 Employment by Occupation

Table 3.4 shows the occupations of workers within the Catchment Area. The most dominant occupation as at 2016 is observed to be professionals, accounting for just under one third of all workers within the Catchment Area. Sales

workers are the second largest occupation type, accounting for 16.4% of workers, followed by managers (15.0%) and clerical and administrative workers (12.1%).

Over the five years to 2016, the largest increase in occupation is observed to be professional workers with an additional 179 workers, followed by community and professional service workers (73 workers). Overall, workers within the Catchment Area are predominantly white collar workers (such as professionals, clerical and administration workers and managers), accounting for 56% of all workers.

Table 3.4: Employment by Occupation, Catchment Area (2006-2016)

Occupation	2006		2011		2016		Change (2006-16)	
	No.	%	No.	%	No.	%	No.	%
Managers	356	17.1%	373	16.4%	398	15.0%	42	11.9%
Professionals	520	25.0%	588	25.9%	767	29.0%	247	47.5%
Technicians & Trades Workers	238	11.5%	264	11.6%	313	11.8%	75	31.4%
Community & Personal Service Workers	106	5.1%	140	6.1%	212	8.0%	106	100.0%
Clerical and Administrative Workers	345	16.6%	355	15.6%	321	12.1%	-24	-6.9%
Sales Workers	378	18.2%	411	18.1%	434	16.4%	56	14.7%
Machinery Operators & Drivers	29	1.4%	32	1.4%	53	2.0%	23	79.2%
Labourers	108	5.2%	109	4.8%	150	5.7%	41	38.1%
Total	2,080	100.0%	2,271	100.0%	2,647	100.0%	567	27.2%

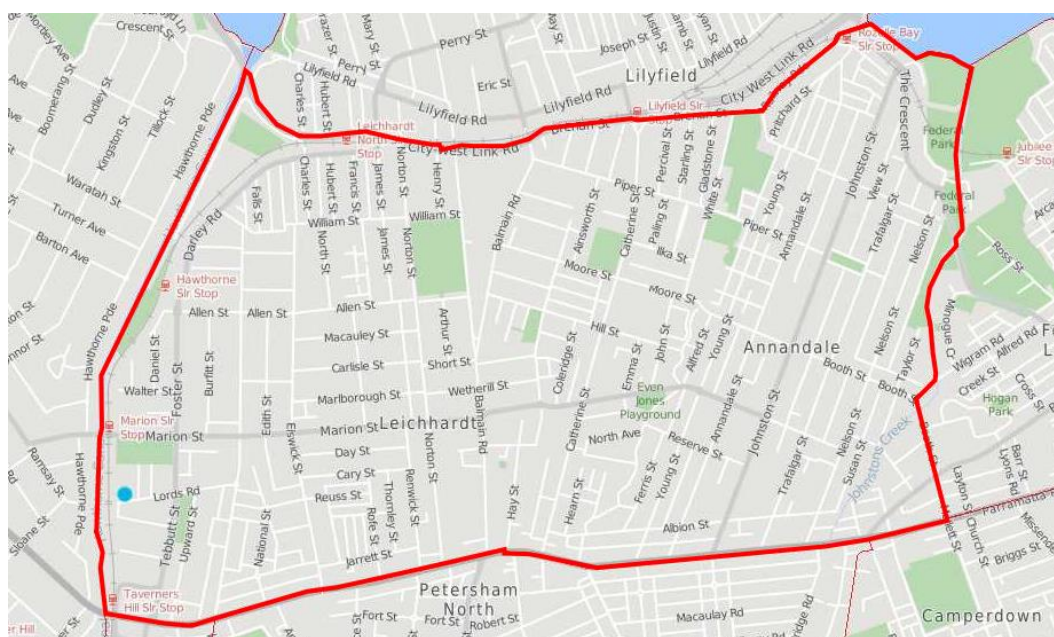
Source: ABS (2017a, 2012, 2007)

The employment profile (industries and occupations) demonstrate a strong services employment base both in the Catchment Area and LGA that responds to population growth and associated need.

3.2 SOCIO-DEMOGRAPHIC PROFILE

This section provides an overview of the socio-economic profile of the area immediately surrounding the Site as depicted in Figure 3.2 (referred to as the 'Analysis Area'). Analysis of the Analysis Area's socio-demographic profile provides insight into resident characteristics and changes which have occurred over time.

Figure 3.2: Socio-Demographic Profile, Analysis Area



Source: ABS

The basis of the demographic analysis is ABS geographical level known as Statistical Area Level 2 (SA2). SA2s represent the smallest ABS geographical areas which can be analysed over a time series (e.g. 2006, 2011, 2016) and is thus the most useful geographical area to examine change over time.

3.2.1 Population and Households

Historical Population Growth

The Analysis Area recorded a population of 28,402 in 2017, comprising 14.6% of the broader Inner West LGA's total population of 195,113. The Analysis Area recorded an average annual growth of 1.7% over the 2006-2017 period; this pace of growth is slightly higher than that recorded for the Inner West LGA with an average annual growth rate of 1.4% over the same period.

Table 3.5 illustrates historical population growth for the Analysis Area and Inner West LGA.

Table 3.5: Historical Population Growth, Analysis Area & Inner West LGA (2006-2017)

Year	Historical Population		Average Annual Growth	
	Analysis Area	Inner West	Analysis Area	Inner West
2006	23,588	167,602	-	-
2007	24,024	170,481	1.8%	1.7%
2008	24,647	173,375	2.6%	1.7%
2009	25,190	176,106	2.2%	1.6%
2010	25,595	178,395	1.6%	1.3%
2011	25,992	180,301	1.6%	1.1%
2012	26,383	182,278	1.5%	1.1%
2013	26,830	184,704	1.7%	1.3%
2014	27,255	187,135	1.6%	1.3%
2015	27,615	189,540	1.3%	1.3%
2016	27,957	192,030	1.2%	1.3%
2017	28,402	195,113	1.6%	1.6%

*Estimated Resident Population
Source: ABS (2018)

Age Demographic

The age structure of the Analysis Area generally aligns with the broader Inner West LGA; the resident population is observed to be quite young and mostly in their reproductive and working years with over 65% of the population aged 44 years or younger. Those aged 35-44 years comprise the largest proportion of the resident age group (18.9%), closely followed by those aged 0-14 years (18.6%). Table 3.6 shows the age structure of the Analysis Area and Inner West LGA.

The median age of the Analysis Area is 36.8 years, slightly lower than Inner West LGA median age of 37.7 years.

Table 3.6: Age Structure, Analysis Area & Inner West LGA (2016)

Age Group	Analysis Area	Inner West LGA
0-14 years	18.6%	15.4%
15-24 years	10.0%	11.1%
25-34 years	17.6%	20.7%
35-44 years	18.9%	17.2%
45-54 years	13.8%	13.5%
55-64 years	9.9%	10.1%
65-74 years	6.7%	6.7%
75-84 years	3.1%	3.7%
85 years and over	1.4%	1.6%

Source: ABS (2017b)

Household and Family Composition

The Analysis Area comprises a high proportion of family households (60.3%), followed by lone person households (25.2%). Family households have risen over the 2006-16 period, accounting for 56.4% of all

households in 2006. Conversely, the proportion of lone person households has fallen over this period to 25.2%, previously accounting for 28.0% of all households in 2006.

These rates and trends generally align with those of Inner West LGA that has similarly recorded increases in family households and declines in lone person households.

Table 3.7: Household Composition, Analysis Area & Inner West LGA (2016)

Household Type	Analysis Area	Inner West LGA
Family households	60.3%	58.5%
Lone person households	25.2%	25.5%
Group households	7.2%	8.6%
Other households	7.3%	7.4%
Total	100.0%	100.0%

Source: ABS (2017c)

Families with children are the dominant family cohort within the Analysis Area, accounting for 47.4% of all family households. Couples without children were also a dominant family type, representing just under 37.9% of families followed by one parent families at 12.6%. The proportion of families with children has risen strongly over the 10 years to 2016, previously recorded at 38.5% of families in 2006 whilst families without children and single parent families have decreased (as a proportion) over this period.

Table 3.8: Family Composition, Analysis Area & Inner West LGA (2016)

Household Type	Analysis Area	Inner West LGA
Couple family with no children	37.9%	40.7%
Couple family with children	47.4%	43.3%
One parent family	12.6%	13.6%
Other family	2.1%	2.5%
Total	100.0%	100.0%

Source: ABS (2017c)

Household Income and Housing Costs

Households within the Analysis Area on average earn \$2,714 per week, which is well above the average household income recorded for the Inner West LGA at \$2,429. Household incomes across the Analysis Area are observed to have risen by approximately 4.4% per year over the 2006-2016 period, slightly lower than the 4.4% observed within the Inner West LGA.

Households within the Analysis Area spend approximately 26.7% of their weekly income on mortgage repayments which is broadly in line with average repayment rates observed in the broader Inner West LGA at 27.2%. For those households renting, approximately 20.2% of their weekly income is spent on rental payments; slightly below the Inner West LGA rate of 20.9%.

Table 3.9: Household Income v Housing Costs, Analysis Area & Inner West LGA (2016)

Household Type	Analysis Area	Inner West LGA
Average Weekly Household Income	\$2,714	\$2,429
Average Weekly Mortgage Repayment	\$785	\$715
Average Weekly Rent	\$548	\$508
% of household income spent on mortgage	26.7%	27.2%
% of household income spent on rent	20.2%	20.9%

Source: ABS (2017b,c)

3.2.2 Dwelling Type and Ownership

Historical Dwelling Growth and Type

A total of 10,638 dwellings were recorded in the Analysis Area as at Census 2016, comprising 4% of the total housing stock within the Inner West LGA with a total of 74,288 dwellings.

Just over 270 new dwellings were added to Analysis Area's housing stock over the 2011-16 period; equating to a 0.5% average annual growth rate, or 57 dwellings per year. This is lower than the Inner West LGA average annual growth rate of 0.9%. Of the 3,371 new dwellings delivered across the Inner West LGA over the 2011-16 period, just over 8% were delivered within the Analysis Area.

Table 3.10: Historical Dwelling Growth, Analysis Area & Inner West LGA (2006-2016)

Region	Occupied Private Dwellings			Average Annual Growth		
	2006	2011	2016	2006-11	2011-16	2006-16
Analysis Area	9,902	10,365	10,638	0.9%	0.5%	0.7%
Inner West LGA	68,741	70,917	74,288	0.6%	0.9%	0.8%

Source: ABS (2017b)

Of the approximately 10,638 dwellings recorded in 2016, semi-detached houses accounted for approximately 52.5% of all dwellings, followed by flats and apartments (24.6%) and separate houses (21.2%). The proportion of medium-density is higher than that observed in the Inner West LGA, where a higher proportion of apartments and flats are observed (41.3%), followed by semi-detached housing (32.5%) and separate houses (24.5%).

Across the broader Inner West LGA, strong growth in the number of apartments has been observed (5,851; 23%) over the 2006-2016 period. This is a reflection of increasing density through infill development.

Dwelling Ownership

The majority of residents within the Analysis Area are owner-occupiers; 33.5% of residents own their home with a mortgage whilst 24.5% of residents own their home outright. Renters also comprise a major portion of the market with 41.5% of residents being renters. By comparison, slightly lower home ownership rates are observed across the Inner West LGA with approximately 29.1% of residents owning their home with a mortgage and 25.4% owning their home outright. A higher proportion of renters are also observed throughout the rest of the LGA.

Table 3.11: Dwelling Ownership, Analysis Area & Inner West LGA (2006-2016)

Region	Owned Outright	Owned with a Mortgage	Rented	Other Tenure Type	Total
2006					
Analysis Area	23.9%	33.6%	42.1%	0.4%	100.0%
Inner West LGA	26.5%	29.2%	43.7%	0.5%	100.0%
2011					
Analysis Area	23.5%	34.9%	41.4%	0.3%	100.0%
Inner West LGA	25.5%	31.3%	42.7%	0.5%	100.0%
2016					
Analysis Area	24.5%	33.5%	41.5%	0.4%	100.0%
Inner West LGA	25.4%	29.1%	45.0%	0.5%	100.0%

Source: ABS (2017b)

Persons per Dwelling

Comparison of population and dwelling data indicates there are approximately 2.45 persons per dwelling within the Inner West LGA, rising from 2.40 persons per dwelling in 2011 and from 2.33 persons per dwelling in 2006.

The next section investigates business and market activity in areas proximate to the Site.

3.3 MARKET AND BUSINESS ACTIVITY

The Site is surrounded by a variety of business uses in a number of business and industrial zones.

- **MarketPlace Leichhardt, Leichhardt**

The MarketPlace Leichhardt is a sub-regional shopping centre located within a B2 Local Centre zone approximately 200m to the east of the Site. The centre is anchored by Woolworths (4,365sqm), Target (3,960sqm) and ALDI (1,258sqm) with over 66 specialty retailers (Property Council of Australia, 2018). The centre comprises a total of 16,799sqm of retail floorspace and is a major, highly amenable shopping precinct.

- **Flood Street, Leichhardt**

Immediately opposite and adjacent the MarketPlace Leichhardt Shopping Centre are a number of single storey commercial buildings (many being former factory buildings) located within the B2 Local Centre zone. The buildings are occupied by a variety of retail and commercial businesses including a dentistry, furniture store, art collective, café, gym and takeaway food operator.

- **Marion Street, Leichhardt**

Marion Street comprises a number of commercial and retail operators in a 'high-street' style retail setting within the B2 zone. Older style commercial buildings (ground floor retail, upper level commercial) dominate this strip with a variety of personal services, food and beverage and service-based commercial business (real estate agencies) observed. This precinct adjoins the northern entry of the MarketPlace Leichhardt Shopping Centre.

Further west along Marion Street and adjacent the Marion Light Rail Station is a small cluster IN2 Light Industrial land currently occupied by a car service centre.

- **Parramatta Road, Leichhardt/Petersham**

Directly south of the Site, Parramatta Road is occupied by a variety of businesses within the IN2 Light Industrial zone on the northern side of Parramatta Road (Leichhardt) as well as within the B6 Enterprise Corridor zone on the southern side (Petersham).

Within the IN2 zone, business activity is strongly focused on the automotive industry with a number of car yards and mechanics in addition to other operators including gymnasiums, electrical wholesalers, printing services, equipment hire and small publishing groups. Along the southern side of Parramatta Road within the B6 zone, occupiers include automotive repairs, car yards, service station, bulky goods retailers and a licenced hotel.

3.3.1 Employment Land Uses

Market Demand and Occupier Profile

Demand for business premises within the Taverners Hill Precinct has been relatively muted in recent times given a dearth of purchase and lease opportunities; the Precinct is observed to tightly held amid expectations of imminent rezoning.

Anecdotal evidence from local commercial agents indicates demand has evolved from traditional industrial occupiers (automotive users, warehousing, trades) towards more service-based and/or creative users, particularly small-scale food and drink manufacturing and gym and fitness studios. 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 tenancies (<300sqm) are currently most popular owing the strong interest from SME businesses with smaller footprint requirements.

Sales Activity

A dearth of commercial sales activity within business areas surrounding the Site has been observed in recent times, particularly along Parramatta Road. The areas falling within the PRCUTS precincts have been particularly tightly held in recent years as landowners await implementation of new planning controls.

Table 3.12 analyses a number of recent commercial and industrial sales proximate to the Site.

Table 3.12: Commercial Sales Activity

Address	Floor Area (sqm)	Sale Price (Sale Date)	Analysis (\$/sqm)	Commentary
617-619 Parramatta Rd	446	\$2,160,100 (July 2017)	\$4,845/sqm	Aged single storey warehouse zoned IN2 sold subject to a going concern; achieved a 3.38% gross yield.
151 Marion St	205	\$1,650,000 (Apr 2017)	\$8,050/sqm	Aged two storey commercial building zoned B2 with ground floor retail space and upper level studio.
359 Parramatta Rd	300	\$1,787,500 (Oct 2016)	\$5,950/sqm	Aged two storey attached commercial building zoned B2 with ground floor retail and upper level office.

Address	Floor Area (sqm)	Sale Price (Sale Date)	Analysis (\$/sqm)	Commentary
174 Marion St	350	\$1,385,000 (Feb 2016)	\$4,000/sqm	Aged, single storey commercial building zoned B2 sold with long-term tenant (butcher) to a local investor.

Source: AEC/CoreLogic RP Data

Leasing Activity

In contrast to sales activity, more leasing activity within business zones proximate the Site is observed in recent times. Informal discussions with local agents note much of the new interest for showroom and warehouse space is being driven by non-traditional industrial users, notably food producers, craft breweries and commercial businesses with larger office requirements as opposed to businesses seeking warehouse and/or factory space.

The following properties proximate to the Site are understood to have recently been leased.

- **Suite 1, 194 Marion Street, Leichhardt** is located within the B2 Local Centre zone along Marion Street to the north of the Site and Taverners Hill precinct. The site is improved with an aged commercial showroom building and was leased to a small power tool retailer in April 2018 for \$26,000 per annum (gross), equating to \$216/sqm of floor area. Anecdotal evidence from the letting agent indicates the response from the market was sluggish, largely given the location of the site at the edge of the centre and distance from MarketPlace Leichhardt.
- **76 Flood Street, Leichhardt** is improved with an aged freestanding warehouse building (350sqm floor area) located within an R1 General Residential zone just north of the Taverners Hill precinct boundaries. The site was leased in September 2017 for \$90,000 per annum (gross), equating to \$260/sqm of floor area. The lessee intended on operating a café and office from the building.
- **118-120 Marion Street, Leichhardt** is a brand new ground floor retail suite along Marion Street and forms part of a recently constructed mixed-use development. It is understood the 115sqm suite was leased in October 2017 to a yoga studio for circa \$70,000 per annum (gross), equating to just over \$600/sqm of floor area. This is representative of the strong premium afforded to high-quality retail space within the area.
- **155 Marion Street, Leichhardt** was leased for \$260/sqm (gross) per annum in October 2017; the site comprises a 140sqm single storey cottage located within the B2 Local Centre. The property was leased to a mobile phone repair company for a term of 3 years.

It is understood there are a number of properties currently being marketed for lease in the Taverners Hill Precinct.

12 Upward Street is a large freestanding warehouse building (1,012sqm floor area) currently zoned IN2 Light Industrial and falls within the Taverners Hill Precinct. Released to market for lease in mid-July, the site has received a number of offers to date from a microbrewery and electrical wholesaler. The asking rent is understood to be \$210/sqm (gross) per annum and the lease will not be subject to a demolition clause.

Unit 1/10-12 George Street comprises a strata-titled, 400sqm warehouse unit which has been on the market for approximately 5-6 weeks and is located within the Taverners Hill Precinct. Anecdotal evidence from the letting agent indicates a gross rent of \$300/sqm of floor area is being sought with a number of enquiries from food manufacturers and general office-type users received to date. The property will not be subject to a demolition clause however only includes a limited number of car spaces which has detracted from its desirability.

Development Activity

A review of the development pipeline indicates a dearth of industrial and commercial development is proposed within the Precinct with a number of small change of use applications and/or refurbishments representing the only commercial development observed in recent times.

A number of residential and mixed-use development applications have been initiated in recent times, notably those along George Street and Lords Road. These are discussed in further detail in Chapter 5.

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.

There is sustained demand close to major employment areas and local services. This is evidenced by minor softening of market conditions in recent months compared to outer areas of Sydney.

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 2017-18, capital growth has been sustained in the Inner West LGA, particularly in the former Leichhardt LGA.

Table 3.13: Median Dwelling Prices and Rents, Inner West LGA (2012-2017)

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%

Note: FACS 2018 sales and rents data yet to be released
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. 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 Leichhardt area suggest demand is heavily geared to the owner occupier market. The investor market is overwhelmingly locally based, with little to no interest from foreign investors.

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 locate to centrally located areas such as Leichhardt.

3.4 IMPLICATIONS FOR THE SITE

Catering to Observed Industry Growth

It is evident that the nature of business occupier demand within the Taverners Hill Precinct has and is continuing to shift to accommodate services employment in response to population need. Significant growth in health and education, retail activity, arts and recreation activity, etc. are testament to this shifting employment structure.

Industrial sectors such as wholesaling and manufacturing have steadily declined with the exception of food manufacturing, unsurprising as food and beverage product responds directly to population need.

This shift in occupier demand has obvious implications for the type of business accommodation required within the Precinct. The Proposal seeks to deliver commercial floorspace which can accommodate a variety of service-based and destination businesses and thus aligns with current market demand.

Addressing a Market Gap

Analysis of the employment profile of the Catchment Area in section 3.1 reveals distinctly modest growth of employment in knowledge-intensive industries. This is not surprising given the Catchment Area's relative isolation from established employment hubs. Knowledge workers generally require a high quality urban environment that offers transport, retail and urban amenity.

The Proposal additionally recognises an opportunity for co-shared work spaces to be located on-site. These shared work spaces would be curated to include work areas (for shared desks, workshops and studio space), recreational and breakout areas, and importantly spaces that allow interaction and collaboration. Co-working providers typically focus in areas that are amenity-rich (for example in Sydney CBD and fringe locations such as Surry Hills, Pyrmont/Ultimo, Chippendale), recognising that their users have a high amenity requirement.

A curated approach to providing a high amenity environment for businesses who seek flexibility of use but also the use of not just desk space, but workshop and studio space is a key opportunity for the Site and the broader Leichhardt area.

Contributing to Housing

The capacity to provide housing close to transport and employment infrastructure is a key tenet of PRCUTS. The Proposal critically will assist in meeting demand for housing that is close to transport nodes and employment centres. Soaring and sustained price growth in recent years is reflective of a market that is inadequately supplied.

By way of comparison, population growth in the immediate catchment of the Site averaged 1.7% per annum (2006-2017) and outstripped dwellings growth that averaged 0.7% per annum over the same period. It is unsurprising that occupancy rates (persons per dwelling) has increased, from 2.3 persons in 2006 to 2.5 persons in 2016.

The next chapter investigates the economic impacts of a rezoning and development of the Site as envisaged in the Proposal.

4. ECONOMIC IMPACT ASSESSMENT

4.1 INTRODUCTION

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

- **Base Case:** The Site is developed according to PRCUTS recommended planning controls, to comprise approximately 25,658sqm GFA (or 315 new dwellings).
- **Proposal Case:** The Site is developed under the Proposal to accommodate approximately 26,158sqm GFA that is comprised of 23,158sqm residential GFA (or 235 new dwellings) and 3,000sqm of non-residential GFA.

Two scenarios are considered, wherein different configurations of co-shared work spaces are provided:

- **Scenario 1:** co-working space (1,000sqm), commercial space suitable for offices and space suitable for technical and scientific services, education and training technical services (1,000sqm).
- **Scenario 2:** co-working space (500sqm), commercial space suitable for offices and space suitable for technical and scientific services, education and training technical services (1,500sqm).

Common to both proposal case scenarios is the following configuration of space suitable for uses that service the needs of the local community. We assume the space could be occupied by uses as follows:

- APIA Leichhardt Football Club - 500sqm.
- Fitness studio/mixed martial arts - 200sqm.
- Art studio - 250sqm.
- Café/takeaway food - 50sqm.

The economic impacts are assessed at the Inner West Local Government Area (LGA) level, using AEC's proprietary Input-Output (IO) model (Refer to Appendix A for details of Input-Output modelling methodology and key modelling assumptions).

4.2 DRIVERS OF ECONOMIC IMPACT

The following sections examine the estimated economic activity supported through the operations of businesses locating to the Site if redeveloped under the Proposal Case compared to if it was developed under the Base Case.

The economic impacts have been assessed at the Inner West Local Government Area (LGA) level. An Input-Output model, including the development of specific regional Input-Output transaction tables, was developed to reflect the economic structure of the 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 estimates of economic impact consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

Drivers of Economic Activity

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

- **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in Inner West LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.
- **Operational Phase:** On completion of development, the site is expected to generate ongoing economic/operational activity through the following:
 - Economic activity that would not otherwise occur in the Inner West LGA as a result of employment activity from 'dispersed jobs', i.e. residents who work from home.
 - Direct turnover generated by the retail, food and beverage, recreational and commercial operational activities (Proposal Case only).
 - Economic activity that would not otherwise occur in the Inner West LGA as a result of direct expenditure of new households.

Refer to Appendix B for a description of the drivers and assumptions that underpin the assessed economic impacts. The next section describes the impacts on economic activity for the Base Case and Proposal Case.

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 production induced support activity 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 paid within the economic system.

The premise behind Type I and Type II indirect impacts applies across both the construction and operations 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) and manufacturing (steel, construction materials) while examples of Type I impacts during the operations phase may include manufacturing (food and beverage and related) and administrative and support services (e.g. building cleaning, employment services, travel agencies).

4.3.1 Construction Phase

The economic impacts during Construction are assessed in the Base Case and Proposal Case.

Base Case

The construction phase in the Base Case is expected to support economic activity for the Inner West LGA businesses and workers through direct and flow-on impacts:

- \$126.5 million in output (including \$62.6 million in direct activity).
- \$47.3 million contribution to GRP (including \$14.1 million in direct activity).
- \$25.0 million in incomes and salaries paid to households.
- 342 FTE jobs (including 109 directly employed in construction activity).

Table 4.2: Construction Impacts, Base Case

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$62.6	\$14.1	\$7.7	109
Type I Flow-On	\$34.1	\$15.5	\$9.5	119
Type II Flow-On	\$29.8	\$17.7	\$7.7	114
Total	\$126.5	\$47.3	\$25.0	342

Source: ABS (2017b, 2017c), AEC

Major industry beneficiaries of the construction phase in the Base Case include:

- Construction (GRP of \$14.8 million).
- Ownership of Dwellings (\$5.6 million)
- Professional, Scientific and Technical Services (\$4.9 million).

Proposal Case

The construction phase in the Proposal Case is expected to support economic activity for the Inner West LGA businesses and workers through direct and flow-on impacts:

- \$125.5 million in output (including \$61.7 million in direct activity).
- \$47.2 million contribution to GRP (including \$14.1 million in direct activity).
- \$25.0 million in incomes and salaries paid to households.
- 337 FTE jobs (including 104 directly employed in construction activity).

Table 4.3: Construction Impacts, Proposal Case

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$61.7	\$14.1	\$7.8	104
Type I Flow-On	\$33.9	\$15.4	\$9.4	118
Type II Flow-On	\$29.9	\$17.8	\$7.8	115
Total	\$125.5	\$47.2	\$25.0	337

Source: ABS (2017b, 2017c), AEC

Major industry beneficiaries of the construction phase in the Proposal Case include:

- Construction (GRP of \$14.9 million).
- Ownership of Dwellings (\$4.9 million)
- Professional, Scientific and Technical Services (\$3.8 million).

Economic impacts generated by construction activity in the Base Case are marginally greater than those in the Proposal Case. This is due to the difference in levels of economic activity associated with residential and non-residential building construction, with the former generally more costly and thereby generating higher levels of economic activity.

Overall, despite a higher level of economic activity in the Base Case, the difference between the two is considered modest. The following describes the level of economic activity by which the Base Case *exceeds* the Proposal:

- \$0.9 million in output (including \$0.9 million in direct activity).
- \$0.1 million contribution to GRP (including \$0.1 million in direct activity).
- \$0 million in incomes and salaries paid to households.
- 5 FTE jobs (including 5 directly employed in construction activity).

Table 4.4: Estimated Net Operational Impacts in Inner West LGA, Construction Phase

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$0.9	\$0.1	-\$0.0	5
Type I Flow-On	\$0.1	\$0.1	\$0.1	0
Type II Flow-On	-\$0.1	-\$0.1	-\$0.0	-0
Total	\$0.9	\$0.1	-\$0.0	5

Source: ABS (2017b, 2017c), AEC

4.3.2 Operational Phase

Economic impacts in the Operational Phase are assessed separately for the Base Case and Proposal Case.

Base Case

The activity associated with dispersed jobs in new households is estimated to support the following economic impacts through direct and flow-on impacts (per annum):

- \$7.6 million in output (including \$3.3 million in direct activity).
- \$4.0 million contribution to Gross Regional Product (GRP, including \$1.7 million in direct activity).
- \$2.2 million in incomes and salaries paid to households.
- 27 full-time equivalent (FTE) jobs (including 12 persons working from home).

Table 4.5: Operational Impacts, Base Case

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$3.3	\$1.7	\$1.0	12
Type I Flow-On	\$1.7	\$0.8	\$0.5	6
Type II Flow-On	\$2.6	\$1.5	\$0.7	10
Total	\$7.6	\$4.0	\$2.2	27

Source: ABS (2017b, 2017c), AEC

Proposal Case (Scenario 1)

The activity associated with commercial activities and dispersed jobs in new households is estimated to support the following economic impacts through direct and flow-on impacts (per annum):

- \$68.0 million in output (including \$29.8 million in direct activity).
- \$35.3 million contribution to Gross Regional Product (GRP, including \$14.3 million in direct activity).
- \$19.7 million in incomes and salaries paid to households.
- 269 full-time equivalent (FTE) jobs (including 119 directly related to on-site activities and 9 persons working from home).

Table 4.6: Operational Impacts, Proposal Case (Scenario 1)

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$29.8	\$14.3	\$9.3	128
Type I Flow-On	\$14.6	\$7.0	\$4.2	51
Type II Flow-On	\$23.6	\$14.0	\$6.1	91
Total	\$68.0	\$35.3	\$19.7	269

Source: ABS (2017b, 2017c), AEC

Proposal Case (Scenario 2)

The activity associated with commercial activities and dispersed jobs in new households is estimated to support the following economic impacts through direct and flow-on impacts (per annum):

- \$51.1 million in output (including \$22.3 million in direct activity).
- \$26.4 million contribution to Gross Regional Product (GRP, including \$10.6 million in direct activity).
- \$14.7 million in incomes and salaries paid to households.
- 203 full-time equivalent (FTE) jobs (including 87 directly related to on-site activities and 9 persons working from home).

Table 4.7: Operational Impacts, Proposal Case (Scenario 2)

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$22.3	\$10.6	\$6.9	96
Type I Flow-On	\$11.2	\$5.4	\$3.3	39
Type II Flow-On	\$17.6	\$10.4	\$4.6	68
Total	\$51.1	\$26.4	\$14.7	203

Source: ABS (2017b, 2017c), AEC

Net Operational Impact on Economic Activity

Compared to the Base Case and depending on proposal scenario, the Proposal is anticipated to result in a range of net increase in economic activity through the direct and flow-on impacts associated (per annum):

- \$43.5 million to \$60.4 million *additional* in output (including \$19.0 million to \$26.5 million in direct activity).
- \$22.4 million to \$31.3 million *additional* in contribution to GRP (including \$8.9 million to \$12.6 million in direct activity).
- \$12.5 million to \$17.5 million *additional* in incomes and salaries paid to households.
- 175 to 242 *additional* FTE jobs (including 84 to 116 jobs directly related to activity on the Site and persons working from home).

The potential increase in ongoing economic activity supported by the Proposal Case (both scenarios) compared to the Base Case is presented in **Table 4.8**.

Table 4.8: Estimated Net Operational Impacts in Inner West LGA, Operational Phase, Proposal Case Compared to Base Case

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Proposal Case (Scenario 1) v Base Case				
Direct	\$26.5	\$12.6	\$8.3	116
Type I Flow-On	\$12.9	\$6.2	\$3.8	45
Type II Flow-On	\$21.0	\$12.5	\$5.5	81
Total	\$60.4	\$31.3	\$17.5	242

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Proposal Case (Scenario 2) v Base Case				
Direct	\$19.0	\$8.9	\$5.9	84
Type I Flow-On	\$9.5	\$4.6	\$2.8	33
Type II Flow-On	\$15.0	\$8.9	\$3.9	58
Total	\$43.5	\$22.4	\$12.5	175

Source: ABS (2017b, 2017c), AEC

The overall net impact on economic activity generated by the Proposal Case is notably greater than the Base Case, supporting 128 and 83 more direct jobs (i.e. on-site) respectively in Scenario 1 and 2.

4.4 HOUSING IMPACTS

4.4.1 Household Expenditure Supported

This section outlines the household expenditure that would be associated with 315 dwellings in the Base Case compared to 235 dwellings in the Proposal Case, and potential economic activity supported.

The household expenditure activity supported should not be combined with the impacts in section 4.3.2 as some of these impacts are likely to have already been captured in the assessment (e.g. some expenditure on retail and food and beverage by households is likely to be spent and the retail and food/beverage outlets locating to the Site). This section is to understand specific economic activity supported in Inner West LGA through household expenditure as its own separate analysis.

Increase to household expenditure levels can be expected due to the provision of new dwellings in both the Base Case and Proposal Case. Increased household expenditure will support additional economic activity, resulting in economic impacts for the Inner West LGA.

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

Base Case

Household expenditure associated with the 315 new residential dwellings is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- \$30.3 million in output (including \$14.6 million in direct activity).
- \$17.8 million contribution to Gross Regional Product (GRP, including \$9.0 million in direct activity).
- \$8.9 million in incomes and salaries paid to households.
- 142 full-time equivalent (FTE) jobs (including 84 direct employees).

Table 4.9. Household Expenditure Impacts, Residential Dwellings in Base Case

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$14.6	\$9.0	\$4.7	84
Type I Flow-On	\$5.2	\$2.6	\$1.5	17
Type II Flow-On	\$10.6	\$6.3	\$2.7	41
Total	\$30.3	\$17.8	\$8.9	142

Source: ABS (2017d), AEC

Proposal Case

Household expenditure associated with the 235 new residential dwellings is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- \$22.6 million in output (including \$10.9 million in direct activity).

- \$13.1 million contribution to Gross Regional Product (GRP, including \$6.7 million in direct activity).
- \$6.7 million in incomes and salaries paid to households.
- 106 full-time equivalent (FTE) jobs (including 62 direct employees).

Table 4.10. Household Expenditure Impacts, Residential Dwellings in Proposal Case

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$10.9	\$6.7	\$3.5	62
Type I Flow-On	\$3.9	\$1.9	\$1.1	13
Type II Flow-On	\$7.9	\$4.7	\$2.0	30
Total	\$22.6	\$13.3	\$6.7	106

Source: ABS (2017d), AEC

Net Household Expenditure Impact on Economic Activity

Due to the lower number of dwellings and residents in the Proposal Case compared to the Base Case, the Proposal Case is not anticipated to result in a net increase in economy activity.

The Base Case is expected to contribute to higher levels of economic activity (compared to the Proposal Case) through the direct and flow-on impacts associated (per annum):

- \$7.7 million in output (including \$3.7 million in direct activity).
- \$4.5 million in contribution to GRP (including \$2.3 million in direct activity).
- \$2.3 million in incomes and salaries paid to households.
- 36 FTE jobs (including 21 jobs directly related to activity on the Site).

Table 4.11 depicts the level of economic activity by which the Base Case exceeds the Proposal:

Table 4.11: Estimated Net Household Impacts in Inner West LGA, Base Case Compared to Proposal Case

Impact	Output (\$M)	Gross Regional Product (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$3.7	\$2.3	\$1.2	21
Type I Flow-On	\$1.3	\$0.6	\$0.4	4
Type II Flow-On	\$2.7	\$1.6	\$0.7	10
Total	\$7.7	\$4.5	\$2.3	36

Source: ABS (2017d), AEC

4.4.2 Contribution to Housing

The Proposal envisages in the order of 235 dwellings, compared to 315 dwellings in the Base Case.

The Sydney metropolitan area is experiencing significant demand for housing amid housing affordability issues, largely as a result of population growth. As a response, State government is focused on ensuring that the planning system facilitates increased opportunities for housing.

The Greater Sydney Region Plan and Eastern City District Plan emphasise the importance of ensuring housing supply and choice, and housing affordability which is facilitated close to jobs, services and public transport.

Housing Supply

More specific to Inner West LGA, the overall rate of population growth over the 2006-2016 period averaged 1.4% per annum. In contrast, the overall rate of dwellings growth over the same period averaged 0.8% per annum. This suggests a dwellings deficit, consistent with Inner West's number of persons per household increasing from 2.3 to 2.5 persons over the 2006-2016 period.

The provision of circa 235 new dwellings on the Site constitutes a strong positive economic impact.

Affordable Housing

Delivery of affordable housing (35 units) on the Site would enable a community housing provider (CHP) such as Bridge Housing to make available housing for very low, low and moderate income households.

The Proposal envisages contribution in-kind, for 35 residential units to be 'gifted' to Bridge Housing. At an assumed market value of \$700,000 each, the proposed affordable housing contribution amounts to \$24.5 million.

Housing Choice and Homes Close to Jobs and Infrastructure

The Greater Sydney Region Plan and Eastern City District Plan identify the need to accelerate housing supply and local housing choice, acknowledging the importance of ensuring there is housing choice.

Growing market appetite for multi-dwelling living and a desire to live closer to retail and transport amenity has resulted in strong market response to new developments in the Inner West. As a local centre that benefits from light rail access, Leichhardt Marketplace is an optimal location to focus new housing development that is moderate in scale. Amendments to the planning controls and subsequent development of 235 new units co-located with local services and employment opportunities on the Site constitutes a strong positive economic impact.

4.4.3 Other Impacts

By enabling a more economically efficient use of the Site to be achieved and by delivering much needed residential development in close proximity to important transport nodes, the Proposal would maximise the development potential of this infill site.

PRCUTS investigated the need for housing and employment opportunities, making recommendations for planning interventions to accommodate more intensive uses, both for housing and employment. Even though redevelopment of the Site would result in displacement of existing businesses and employment, consideration of these and the overall impacts of PRCUTS recommendations were satisfied as part of the statutory process, resulting in s9.1 Direction of the Environmental Planning and Assessment Act 1979.

The Proposal would assist to achieve planning policy principles by concentrating new development away from locations less suitable for such uses, such as outer suburbs or greenfield sites not well connected to public transport infrastructure, services, jobs and retail amenity. The Proposal would ensure efficient and effective use of land.

4.5 CONCLUSION

The Proposal envisages approximately 80 fewer dwellings than the Base Case. The fewer number of dwellings results in fewer residents working from home (or 'dispersed jobs') and less household expenditure that might be available for capture by businesses in the Inner West LGA.

In contrast though, the Proposal makes provision for 3,000sqm of floorspace for various commercial and community activities. Opportunities for local services (e.g. café and takeaway food services, sporting and recreational activities) and local employment in a shared/collegial environment are proposed on the Site, allowing for a range of business types to be accommodated. These could include creative industrial occupiers, sports and physical recreation and population-serving businesses. Use of community facilities by the APIA Leichhardt Football Club for team training purposes is also envisaged under the Proposal.

Despite fewer dwellings in the Proposal Case, the inclusion of non-residential floorspace in the Scenario 1 Proposal is estimated to result in the 242 additional employees (with 116 on-site), \$60.4 million more in output per annum and \$31.3m additional in contribution to GRP per annum. The Proposal is also anticipated to result in \$17.5 million in additional incomes and salaries paid to households per annum. The Scenario 2 Proposal is estimated to result in an additional 203 employees (96 on-site), \$60.4 million more in output per annum as well as \$31.3 million in additional GRP per annum. There is estimated to be an additional \$14.7 million in additional incomes and salaries paid to households per annum.

The economic impacts estimated in this chapter demonstrate the Proposal has economic merit, having the ability to contribute significantly to the Inner West local economy.

5. POLICY ASSESSMENT

5.1 EASTERN CITY DISTRICT PLAN

The Site is located within walking distance of the Leichhardt Marketplace local centre and Marion light rail stop. The Proposal aligns with the Eastern District's objective of concentrating new development within centres to maximise use of existing infrastructure, create walkable local centres and facilitate mixed-use neighbourhoods and communities that are healthy and resilient.

Objectives, Directions and Planning Priorities

The Proposal responds to the Greater Sydney Region Plan and Eastern City District Plan in a number of key areas:

- **Services and Infrastructure to meet Communities' Changing Needs**
Analysis of the socio-demographic characteristics in section 3.2 demonstrates an increasing proportion of family households, particularly families with children. The Proposal seeks to provide opportunity for services and community facilities onsite, which will be co-located with local services (already existing in the Marketplace Leichhardt local centre).
- **Communities are Healthy, Resilient and Socially Connected**
The Proposal will provide for social opportunities in a walkable, mixed-use neighbourhood close to centres (Leichhardt Marketplace) and public transport (light rail and bus services). This will generate opportunities for residents and the community to engage in recreation, arts and community activities, including use of community floorspace by the APIA Leichhardt Football Club adjacent to their training ground at Lambert Park.
- **Greater Housing Supply**
Improving housing choice by creating housing capacity. It is an undisputed fact that supply of new dwellings across the Inner West has not kept pace with demand over the past decade. This has, *inter alia*, resulted in sharp increases in residential property values across the region. The Proposal will deliver further housing supply and choice in a location within walking distance of rail infrastructure and a local centre.
- **Investment and Business Activity in Centres**
Growing economic activity in Leichhardt Marketplace local centre by increasing the pool of expenditure available for spend at local businesses. This affirms the objective of growing investment and business activity in centres. Being a supermarket-based centre, increase in residential capacity within walking distance not only results in a good liveability outcome, it assists with the sustainability of the centre.

Providing for flexibly configured commercial facilities to accommodate local businesses who require proximity to their market catchments. Businesses that are responsive to population growth (e.g. health and education-related, food and beverage manufacturers and distributors, etc.) but who do not require frequent and heavy vehicle access would be well accommodated by the Proposal.

Modelling in Chapter 4 estimates that the Proposal, by including 3,000sqm of commercial and community floorspace facilitates a net increase in economic activity in the Inner West LGA as indicated by additional output generation and contribution to GRP, additional incomes and salaries paid to households and total employment (both direct and indirect).

New residents on the Site are estimated to support economic activity (not just on-site but in the Marketplace Leichhardt and in the Inner West LGA), indicated by additional output generation and contribution to GRP, additional incomes and salaries to households and total employment supported.

Industrial and Urban Services Land

The Region Plan states that the retention, growth and enhancement of industrial and urban services land across Greater Sydney should be reflective of the differing needs of the three Cities. The approaches to managing industrial and urban services land in the Eastern City is to 'retain and manage'.

The Site is understood to presently accommodate 107 FTE workers who are employed by various tenants in a diverse range of business activity.

Notwithstanding the current employment activity on the Site, the Region Plan notes that the lands within PRCUTS are not subject to the industrial land strategies and actions of the Region Plan. Instead, development of industrial lands within the Corridor is to be guided by the Parramatta Road Corridor Implementation Tool Kit as PRCUTS and the Implementation Tool Kit have been subject to an extensive planning process.

PRCUTS undertook an array of technical studies and investigated the most appropriate locations within individual precincts to focus and intensify employment opportunities. In the Taverners Hill precinct, PRCUTS recommends for increased densities to be focused on Parramatta Road to facilitate growth of employment while concurrently recommending that the role of the Site is

Provisions for development in PRCUTS and the Implementation Tool Kit were made under a s9.1 direction of the *Environmental Planning and Assessment Act 1979*, which notably addressed the issue of ensuring there was no net loss of employment opportunities.

The requirements of development facilitated by PRCUTS are discussed next.

5.2 PRCUTS - TAVERNERS HILL PRECINCT

PRCUTS is a long-term plan with a development timeline of over 30 years. It recognises the complexities involved with timing of redevelopment along the Corridor and accordingly incorporates a staged 'Precinct Release Process' to guide planning and delivery of future development.

To ensure development along the Corridor is well-supported by existing and planned infrastructure, the PRCUTS Implementation Plan 2016-2023 (UG, 2016b) designates the quantum and mix of land uses that could be delivered by 2023 in smaller geographical areas *within* each precinct. These smaller areas are referred to as 2016-2023 Release Areas.

Whilst the Site is located within the Taverners Hill Precinct, it does not fall within the 2016-2023 Release Area. Under the PRCUTS Implementation Plan (2016-2023), development of land which is not located within the 2016-2023 Release Area needs to be considered against an Out-of-sequence Checklist to ensure proposed development does not undermine delivery of the Infrastructure Schedule outlined in the Implementation Plan. The Out-of-sequence Checklist is a mandatory requirement for development outside the 2016-2023 Release Area.

To assess the alignment of the Proposal with the objectives of PRCUTS and the Out-of-sequence Checklist, the Taverners Hill Precinct 2016-2023 Release Area is examined first.

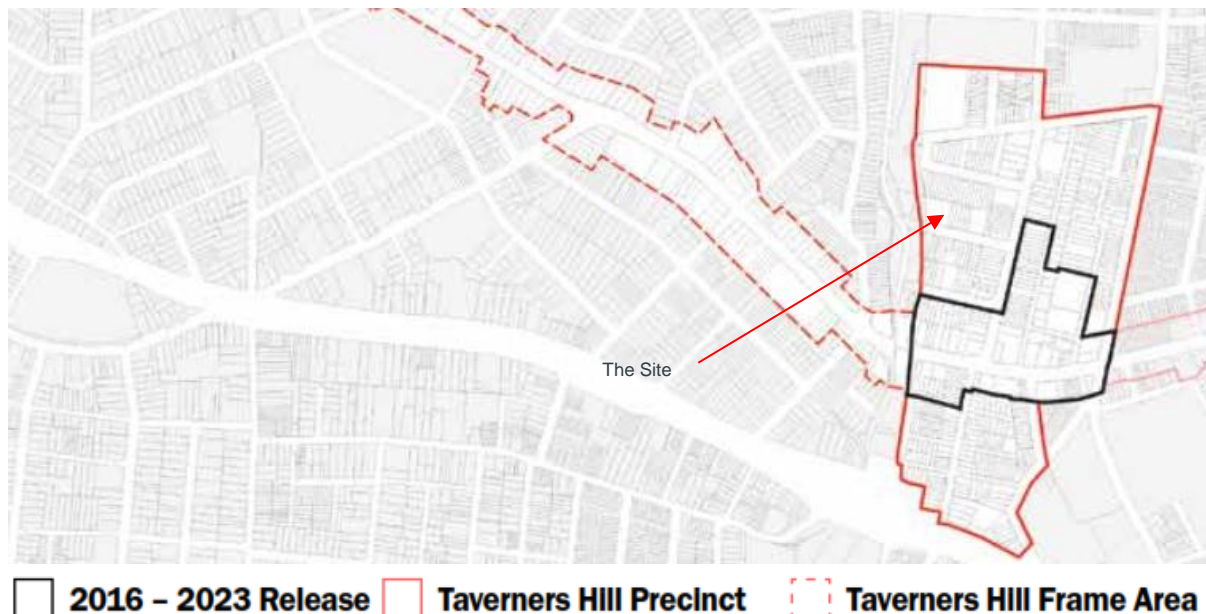
5.2.1 Taverners Hill 2016-2023 Release Area

The Taverners Hill 2016-2023 Release Area is focused around Parramatta Road. The 2016-2023 Release Area also partially extends north along Tebbutt Street and also includes small pockets of residential land immediately behind Parramatta Road along Hathern Street, Cook Street and Old Canterbury Road.

PRCUTS envisages the following planning controls in the 2016-2013 Release Area:

- North of Parramatta Road:
 - B4 Mixed Use (FSR 1.4:1, 2.3:1);
 - R3 Medium Density Residential (FSR 1.4:1).
- South of Parramatta Road:
 - B4 Mixed Use (FSR 2.2:1, 2.4:1);
 - R3 Medium Density Residential (FSR 1.4:1).

Figure 5.1 illustrates the boundaries of the Taverners Hill 2016-2023 Release Area.

Figure 5.1: Taverners Hill 2016-2023 Release Area

Source: UrbanGrowth (2016b)

The next sections examine the factors that influence development activity and underpin the likelihood of development occurring in the Taverners Hill 2016-2023 Release Area in the timeframe envisaged.

Requirements of Feasible Development

There are considerable factors affecting the feasibility of sites for redevelopment and rarely is a single factor the only cause of poor development feasibility. Urban land is subject to market factors which directly affect their land values and feasibility of redevelopment. The following are a selection of common factors that affect the feasibility of development, particularly in an established urban area such as the Taverners Hill Precinct.

- **Land Value and Site Assembly**

In order to economically acquire and develop land, the proposed use must translate into a higher value than the existing use including any improvements on it (or 'as is' use). Development will only occur if the proposed use is valuable enough to displace existing uses. While existing improvements may be dated and due for replacement, in many instances they may still be providing a good level of functional utility and thereby be relatively valuable.

As a consequence, the acquisition of land can be a high-risk and high-resource activity for developers, particularly where numerous parcels of land have to be amalgamated prior to development. Where numerous sites are required for a development block, the payment of incentives over market value is often required.

When sites are upzoned to higher densities landowner expectations often increase in tandem - unrealistic landowner expectations can thwart site assembly efforts.

- **Land Use and Effective Demand**

The type of land use proposed on a site underpins the value of a site, i.e. the price a developer would be willing to pay in exchange for the opportunity to develop the site.

At present in many suburban markets, residential is the dominant use - outpricing other uses (on a rate per square metre). As a consequence, in land use zones where a diverse range of uses is permissible, often residential uses represent the most financially attractive use, therefore making it difficult for other uses to compete for development sites. Even where demand for space may be strong in a certain sector (e.g. hotel), large scale development is often not financially feasible unless part of a mixed use development.

- **Planning/Development Controls**

Planning and development controls have the ability to affect feasibility through changes in land use zoning and densities but also through the costs associated with design requirements and securing planning approvals.

Codes for parking, open space, sustainability, etc. all have the ability to influence the cost of development. As an example of the influence of development controls, an increase in density will increase height and cost of construction but may also impact on code-based requirements such as car parking areas.

The cost of code compliance could have a disproportionate impact on cost, e.g. where additional basement parking is required, and could severely undermine the economics/ feasibility of development.

In established urban areas in close proximity to transport networks and major centres, site amalgamation is arguably the largest challenge for development and renewal. In some instances redevelopment into higher densities is sufficient to displace existing uses and facilitate site assembly for development, however landowner objectives are not always financial in nature and do not always align to enable development.

Analysis of Market Activity

There has been a dearth of site sales observed in the Taverners Hill 2016-2023 Release Area over the past 24-36 months. The market is observed to be tightly held with anecdotal information suggesting that landowners are continuing to operate 'as is' pending rezoning of land as per PRCUTS or following receipt offers from developers.

A review of sales activity indicates a total of four properties within the 2016-2023 Release Area are recorded to have transacted since 2015. These sales are analysed in further detailed below in Table 5.1.

Table 5.1: Sales Evidence, 2016-2023 Release Area

Address	Site Area (sqm)	Sale Price (Sale Date)	Analysis (\$/sqm)	Commentary
645 Parramatta Rd	132	\$1,221,000 (June 2017)	\$9,250	3 level attached commercial building (IN2) fronting Parramatta Road comprising basement level workshop and storage space, ground floor retail and residential unit above. Even though recommended for B4 with FSR 2.3:1 in PRCUTS, property was marketed for existing use and made available for lease.
709-711 Parramatta Rd	683	\$4,683,000 (Oct 2016)	\$6,850	Freestanding warehouse (IN2) fronting Parramatta Road. Recommended B4 with FSR 2.3:1 in PRCUTS. Sale analyses to \$2,980/sqm of potential GFA. Purchased by a local developer seeking to consolidate neighbouring properties.
4 Hathern St	284	\$900,000 (May 2016)	\$3,170	Semi-detached house (R1) recommended R3 with FSR 1.4:1 in PRCUTS. Sale analyses to \$2,265/sqm of potential GFA. Would require amalgamation for development.
15 Tebbutt St	281	\$1,280,000 (Sep 2015)	\$4,550	Detached 2 storey house (R1) with 3 bedrooms, 2 bathrooms and 1 car garage. Recommended B4 with FSR 2.3:1 in PRCUTS. Sale analyses to \$1,980/sqm of potential GFA. Would require amalgamation for development.

Source: CoreLogic RP Data

Outside the 2016-2023 Release Area, a number of residential and commercial properties have sold in 2017/18. These sales are considered useful in assessing the likely 'as is' value of properties given the limited activity observed in the 2016-2023 Release Area. The following sales are illustrative for this purpose.

- **617-619 Parramatta Road, Leichhardt** sold for \$2,160,100 in July 2017 to a private investor. The site is zoned IN2 Light Industrial (FSR 1:1) and comprises an aged factory building tenanted by an automotive business. The site is located just outside Taverners Hill Precinct and falls within the Leichhardt Frame Area. No change to planning controls are recommended for the site under PRCUTS.
- **446-448 Parramatta Road, Petersham** sold for \$5,600,000 in September 2017 to a local developer. The site is located within the Leichhardt 2016-2023 Release Area and is recommended for B2 Local Centre with FSR 3:1 under PRCUTS. It is understood a development application for a 6 storey mixed-use development (1,756sqm GFA) is currently being progressed comprising ground floor commercial space with 27 apartments. This equates to a price paid for the site of \$3,200/sqm of GFA and just over \$207,000 per unit/site.

- **586 Parramatta Road, Petersham** sold for \$4,510,000 in March 2018 to a local investor. The site is located within the Leichhardt 2016-2023 Release Area and is recommended for B2 Local Centre with FSR 3:1 under PRCUTS. The site is improved with a large two storey commercial building currently tenanted by national gym operator. The sale analyses to a price paid for the site of \$2,700/sqm of potential GFA.
- **Houses along Tebbutt Street and Kegworth Street** within the Taverners Hill Precinct (just outside the 2016-2023 Release Area) have transacted in recent months. These houses have sold for between \$1,250,000 to \$1,530,000. All these properties are designated as R3 Medium Density (FSR 1.4:1) under PRCUTS.

These houses appear to have been purchased for continued use as detached dwellings, the prices of \$1.25m to \$1.53m representing the value of detached dwellings in the locality. If analysed on a rate per potential GFA developable under the recommended PRCUTS planning controls, the prices paid would equate to \$3,100/sqm to \$4,600/sqm of potential GFA. This is higher than the price per GFA paid for development sites, indicating that densities greater than FSR 1.4:1 are required for development to be feasible.

Analysis of prices paid for sites in the general locality is important as they indicate the likelihood of development in the 2016-2023 Release Area, specifically whether the recommended densities are feasible for redevelopment.

Analysis of Development Activity

Similar to sales activity, there has been a dearth of development activity within the 2016-2023 Release Area (or broader Taverners Hill Precinct) observed. 22 George Street and 30-40 George Street were both delivered prior to PRCUTS.

Beyond the Taverners Hill Precinct and as demonstrated in the previous section a limited number of development sites have transacted in recent times.

Prices paid for development sites in the locality range from \$2,700/sqm to \$3,200/sqm of potential GFA. Accordingly, sites that can be secured within this price range would be feasible to develop. In established urban areas (such as Leichhardt and Taverners Hill Precinct), valuable existing uses and buildings can make it challenging for developers to acquire sites at prices that make redevelopment a commercially feasible proposition.

As an example, houses along Tebbutt Street and Kegworth Street within the precinct generally sell for between \$1.2m and \$1.6m. Under PRCUTS a density of FSR 1.4:1 is envisaged. At these existing values (without allowing for a premium over market value), the equivalent price in terms of GFA would be \$3,100/sqm to \$4,600/sqm of potential GFA. This is more than the value of development sites in the locality (\$2,700/sqm to \$3,200/sqm of potential GFA, indicating that the highest and best use of these properties is in their existing use. Higher densities (greater than FSR 1.4:1) would be required to displace the existing uses for redevelopment.

709-711 Parramatta Road (circa 700sqm) was sold in October 2016 for nearly \$4.7m. Within the Taverners Hill Precinct and comprised of a freestanding warehouse building in an IN2 zone, it is understood the purchaser had planned to consolidate a development site with further purchases of adjoining sites.

709-711 Parramatta Road has since been re-offered to the market. Anecdotal evidence suggests this is due to an inability over the preceding two years to consolidate neighbouring properties to form a larger development block. The site has been on the market for approximately 4-6 months with a number of offers received at circa \$4.2m to \$4.25m (lower than the initial price of \$4.7m).

The lack of new development observed and/or proposed within the Taverners Hill Precinct is a product of a number of factors - high existing use values and fragmented lot and ownership patterns. The experience of 709-711 Parramatta Road is an example of the challenge of site assembly and feasible development in existing urban areas. In many instances, owing to valuable existing uses and fine grain ownership patterns, the densities in Taverners Hill proposed under PRCUTS are insufficient to enable feasible development.

Prospects for Development in 2016-2023 Timeframe

The ability for development within the 2016-2023 Release Area to occur in the short-term is largely underpinned by existing use values and proposed density controls. Where existing use values are high and/or where site consolidation is costly, higher densities are required for development to be a commercially viable proposition.

A high-level review indicates there are around 66 properties in the 2016-2023 Release Area.

- The majority of properties are commercial properties zoned IN2 Light Industrial (31 properties) and B6 Enterprise Corridor (16 properties). A total of 19 houses are observed (zoned R1 and R2).
- The overwhelming majority of properties within the Release Area are smaller than 300sqm in site area (32 properties, 48.5%), followed by properties between 300sqm and 600sqm (14 properties, 21%). There are limited examples of properties in excess of 1,000sqm (7 properties, circa 11%).
- The most common proposed density (FSR) controls are FSR 1.4:1 and FSR 2.3:1, each applying to 25 properties. A total of 13 properties are subject to FSR 2.2:1 with three properties subject to FSR 2.4:1.
- Of the 31 properties fronting Parramatta Road, only 5 are observed to be in excess of 1,000sqm in site area with 15 properties less than 600sqm. Of the 19 houses observed, majority are sub-300sqm in site area.

The characteristics of these properties are summarised in Table 5.2.

Table 5.2: Properties within Taverners Hill 2016-2023 Release Area

Location (est. properties)	Existing Controls		PRCUTS Controls		Existing Improvements	'As Is' Value (\$/sqm GFA*)	Comparison to Benchmark Value^	Prospects for Development in 2016-2023
	Zone	FSR	Zone	FSR				
North of Parramatta Road								
Parramatta Rd (15)	IN2	1:1	B4	1.4:1	Older style warehouses, factory buildings	\$3,000-\$4,800	Mostly higher	Mostly not feasible, unlikely
				2.3:1	Low rise commercial buildings, car yards, older style warehouse buildings	\$2,700-\$3,000	Within range	Feasible, likely development
Tebbutt St (19)	R1	0.5:1	R3	1.4:1	Detached and semi-detached houses	\$3,000-\$5,000	Mostly higher	Mostly not feasible, unlikely
	IN2	1:1	B4	1.4:1	Low rise commercial buildings, detached cottages, low-rise unit blocks	\$3,500-\$5,000	Higher than range	Not feasible, unlikely
				2.3:1	Warehouse buildings, detached cottages	\$3,000-\$4,500	Mostly higher	Mostly not feasible, unlikely
Hathern St (8)	R1	0.5:1	R3	1.4:1	Detached and semi-detached houses	\$3,000-\$5,000	Mostly higher	Mostly not feasible, unlikely
South of Parramatta Road								
Parramatta Rd (16)	B6	0.95:1	B4	2.2:1	Commercial buildings, showrooms, service station, aged mixed-use buildings	\$2,700-\$4,000	Some higher than range	Moderate development
				2.4:1	Commercial buildings, showrooms, car yards	\$2,700-\$3,000	Within range	Feasible, likely development
Cook St/Old Canterbury Rd (8)	R2	0.6:1	R3	1.4:1	Detached houses	\$3,000-\$5,000	Mostly higher	Mostly not feasible, unlikely

*potential GA under PRCUTS recommended planning controls

^estimated 'as is' values at \$2,700/sqm to \$3,200/sqm of potential GFA

Source: AEC/UrbanGrowth (2016a)

Estimated 'as is' values (on a rate per potential GFA) are compared against benchmark sites values (earlier analysed at \$2,700/sqm to \$3,200/sqm of potential GFA) to assess their prospects for development in the immediate future (2016-2023). The following observations can be made from the analysis in Table 5.2:

- Sites proposed for development to FSR 1.4:1 are unlikely to be redeveloped due to valuable existing uses. Greater density is required for redevelopment to occur.
- Sites along Parramatta Road (proposed for FSR 2.3:1 and FSR 2.4:1) are generally feasible to develop, these properties representing less than half of total properties in the Release Area. Sites proposed for FSR 2.2:1 are partially feasible to develop - a moderate level of redevelopment expected.
- Sites on Tebbutt Street (proposed for FSR 2.3:1) are mostly too valuable (particularly those in residential use) for development to be feasible at FSR 2.3:1.

The estimates of 'as is' values do not allow for premiums often required to incentivise landowners to sell. The need to consolidate a site from numerous landowners is the largest challenge for redevelopment in existing urban areas, as the experience of 709-711 Parramatta Road (detailed above) demonstrates.

Given that the majority of properties in the 2016-2023 Release Area is envisaged for FSR 1.4:1 (38% of properties), it is unlikely that these properties will be developed in the anticipated timeframe to 2023. Even areas designated with higher densities (FSR 2.2:1 along Parramatta Road and FSR 2.3:1 along Tebbutt Street) are expected to be challenging to develop due to higher 'as is' values and fragmented lot patterns. The Site is an exception to the foregoing observations elsewhere in the Taverners Hill precinct.

5.2.2 Out-of-Sequence Checklist

Whilst the Site is located within the Taverners Hill Precinct, it does not fall within the 2016-2023 Release Area. The PRCUTS 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'.

The Out of Sequence Checklist comprises six key criteria for assessment, namely:

- Criteria 1: Strategic Objectives, Land Use and Development.
- Criteria 2: Integrated infrastructure Delivery Plan.
- Criteria 3: Stakeholder Engagement.
- Criteria 4: Sustainability.
- Criteria 5: Feasibility.
- Criteria 6: Market Viability.

For the purposes of this Study, Criteria 5 and 6 are addressed.

Criteria 5: Feasibility

Criteria 5 requires future development to be able to accommodate any additional costs and funding charges associated with delivery of infrastructure warranted by the development.

Section 5.2.1 demonstrates that large portions of the 2016-2023 Release Area are unlikely to be developed in the timeframe envisaged. This is due to a combination of factors including:

- That required densities for feasible development are higher than those proposed under PRCUTS.
- Difficulty of site consolidation with the majority of properties sized under 600sqm and indeed under 300sqm.

Consequently, large scale development in the Release Area is unlikely to occur in the expected timeframe. This is affirmed by the development pipeline - there is little to no development progressed in the Release Area.

Accordingly, infrastructure items provided for in the 2016-2023 Infrastructure Schedule will conceivably be able to accommodate development outside the Release Area, not requiring additional infrastructure over and above that already proposed in the Infrastructure Schedule.

Notwithstanding the foregoing, allowing for consideration of the planning proposal and development application and thereafter lead-in time to mobilisation, the Proposal is not expected to be delivered/completed prior to 2023. The Proposal envisages contribution of a various infrastructure items to assist with realisation of PRCUTS vision.

The Proposal is considered to comply with Criteria 5.

Criteria 6: Market Viability

Criteria 6 requires the planning proposal to demonstrate a land use and development scenario that aligns with and responds to market conditions for the delivery of housing and employment for 2016 to 2023 whilst ensuring high quality planning and built form outcomes are maintained.

Despite recent softening in metropolitan Sydney's housing market (driven by stricter lending conditions), the long-term outlook for the Sydney residential market remains positive, underpinned by a number of key fundamentals:

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

Despite recent softening of pricing across metropolitan Sydney, there is observed to be sustained interest and demand for housing close to employment opportunities and local services.

Population growth (average 1.4% per annum) has historically outstripped dwellings growth¹ (average 0.8% per annum) in the Inner West LGA over the 2006-2016 period. It is no surprise that prices have experienced sustained and significant growth, indicative of an undersupplied market. Family households and particularly families with children are the dominant household type observed in the immediate catchment of the Site. The Proposal responds to this need by providing capacity for housing in proximity to local transport, services and infrastructure. As evidenced by the modest dwellings growth, there has been limited addition to housing supply in the LGA.

Business activity and employment has evolved in the area immediately surrounding the Site but also in the Inner West LGA, with industries/sectors of growth being those that respond to population need. Health and education uses, retail and local services, artisan and craft trades that cater to a local catchment are examples of businesses observed to be actively seeking space in the Leichhardt area. Research in section 3.3 identifies strong demand for health and fitness uses, small scale artisan food and beverage manufacturing and distribution, education and recreation uses. This Proposal seeks to deliver commercial floorspace to accommodate a range of service-based and destination businesses who seek a central location from which to service their markets. These businesses will be those that do not require heavy or frequent truck access.

Importantly, the Proposal will provide opportunities for businesses to share facilities that allow for interaction, collaboration and knowledge sharing in a collegial environment. Flexible configuration of the buildings will enable shared desk space, workshop or studio space to be adjusted to meet market demand as required.

The Proposal additionally seeks to provide commercial floorspace that will facilitate social interaction for local community groups and residents. Training facilities for the APIA Leichhardt Football Club at premises adjacent their training ground at Lambert Park is a valuable opportunity for the Site.

The Proposal will likely be well-met by the market given its centrality of location within walking distance of Leichhardt Marketplace, Marion light rail stop and proximity to Parramatta Road.

The Proposal is considered to comply with Criteria 6.

5.3 SUMMARY

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

- Greater Sydney Region Plan.
- Eastern City District Plan.
- Parramatta Road Corridor Urban Transformation Strategy (PRCUTS).

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 Proposal, state government policy has earmarked the Site for delivery of additional housing in response to growing demand within the Eastern City District. In order to respond to both housing and employment need, the Proposal seeks to also provide non-residential floorspace to provide opportunity for local employment, services and amenity and to further assist the Taverners Hill Precinct in evolving into a mixed-use urban village.

The analysis in section 5.2.1 demonstrates that the majority of sites in the Taverners Hill Precinct are fine grained in nature and therefore pose a challenge for site consolidation. The cost to acquire and consolidate small and fragmented sites is prohibitive. The sales evidence and development activity suggest development in the 2016-2023 Release Area is unlikely occur as envisaged. The Site therefore represents a valuable opportunity to achieve the objectives of the PRCUTS vision for the precinct. A review of the development pipeline and analysis of the feasibility of densities proposed in the precinct indicate the PRCUTS vision will otherwise struggle to be realised.

¹ Occupied private dwellings

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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.
- **Gross Product:** Refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
- **Income:** Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the project.
- **Employment:** Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow-on activity, and is expressed in terms of full-time equivalent (FTE) positions.

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

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

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 2014-15 Australian transaction table (ABS, 2017b).

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, 2017a), and applied to Australian gross output identified in the 2014-15 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 2014-15 (as used in the Australian national IO transaction tables) to current values using the Consumer Price Index (ABS, 2017c).

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: DRIVERS OF ECONOMIC ACTIVITY

This Appendix details the drivers developed to examine and compares economic impacts arising from the Base Case and Proposal Case.

DRIVERS OF ECONOMIC IMPACT

The following sections examine the estimated economic activity supported through the operations of business locating to the Site if it was redeveloped under the Proposal Case compared to if it was redeveloped as envisaged in the Base Case.

- **Base Case:** The Base Case assumes existing improvements are demolished and redeveloped as envisaged under the Parramatta Road Corridor Urban Renewal Transformation Strategy (PRCUTS). Under PRCUTS recommended planning controls, the Site will be redeveloped for residential uses to an FSR 2.4:1 to comprise approximately 25,182sqm GFA (or 283 new dwellings).
- **Proposal Case:** The Proposal Case assumes existing improvements are demolished and redeveloped as per the Proposal to accommodate a mixed use development on the Site. The Proposal Case envisages approximately 25,182sqm GFA that is comprised of 21,656sqm residential GFA (or 224 new dwellings) and 3,958sqm of non-residential GFA (3,018sqm commercial floorspace and 940sqm community floorspace).

The economic impacts have been assessed at the Inner West Local Government Area (LGA) level. An Input-Output model, including the development of specific regional Input-Output transaction tables, was developed to reflect the economic structure of the 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 B.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.

Drivers of Economic Activity

In order to understand the economic impacts likely to result from the Proposal, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent in nature following construction completion and operations commencement.

- **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in the Inner West LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.
- **Operational Phase:** On completion of development, the site is expected to generate ongoing economic/operational activity through the following:
 - Economic activity that would not otherwise occur in the Inner West LGA as a result of employment activity from 'dispersed jobs', i.e. residents who work from home.
 - Direct turnover generated by the retail, food and beverage, recreational and commercial operational activities.
 - Economic activity that would not otherwise occur in the Inner West LGA as a result of direct expenditure of new households.

Construction Phase

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

Table B.2: Construction Costs Allocations, Base Case and Proposal Case

Component	Base Case (\$M)	Proposal (\$M)	ANZSIC
Demolition	\$2.90	\$2.90	Construction Services
Remediation	\$1.40	\$1.40	Waste Collection, Treatment and Disposal Services
Basement Car Park	\$15.54	\$15.54	Non Residential Building Construction
Residential Construction	\$94.28	\$83.18	Residential Building Construction
Non Residential Construction	\$0.00	\$9.30	Non Residential Building Construction
Site Works and Landscaping	\$7.70	\$7.70	Construction Services
VPA and off site Works (estimated)	\$1.18	\$1.18	Construction Services
Professional Fees	\$12.30	\$12.12	Professional, Scientific and Technical Services
Total	\$135.30	\$133.32	

Source: Platino Properties

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

- Approximately 50% of the direct expenditure on construction-related (i.e. Non-Residential Building Construction and Construction Services) activity would be sourced from local businesses and labour. Of this:
 - Approximately 25% of purchases on goods and services (supply chain related activity) made by construction-related businesses sourced from outside the Inner West LGA would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in Inner West LGA).
 - Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e., 5% of the Type II flow on activity associated with non-local workers is assumed to represent additional local activity in Inner West LGA).
- Approximately 15% of the direct expenditure on professional, scientific and technical services activity would be sourced from local businesses and labour.

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

Operational Phase

Base Case

The Base Case generates no operational employment activity from retail/ commercial floorspace, as it is envisaged to comprise only residential dwellings. However, it is assumed that a proportion of these residents will work remotely from home or conduct businesses from home, thereby generating economic impacts.

To develop estimates for the economic impacts of people working from home, AEC used data from the ABS 2016 Census (ABS, 2017a) and the ABS Transaction Tables (ABS, 2017b). Using data provided, there could be approximately **566 new residents** in the Inner West LGA as a result of the redevelopment as per the Base Case.

Assuming that approximately 2.1% of the new residents in Inner West LGA would be working from home, based on the proportion of persons (working and non-working) in Greater Sydney who indicated that they worked from home in 2016, approximately **12 persons** would be working from home under the Base Case. These persons were split out into their relevant IO industries, based on the proportional breakdown of employment by industry for those working from home in Greater Sydney overall. Employment by industry estimates were then converted to an output value using a multiplier based on the national transaction table.

Table B.3 shows the output estimates generated by the 12 residents working from home (dispersed jobs).

Table B.3: Operational Output Drivers, Base Case

ANZSIC Sector	Output (\$M) Dispersed Jobs
Agriculture, Forestry and Fishing	\$0.1
Mining	\$0.0
Manufacturing	\$0.2
Electricity, Gas, Water and Waste services	\$0.0
Construction	\$0.4
Wholesale Trade	\$0.1
Retail Trade	\$0.1
Accommodation and Food Services	\$0.0
Transport, Postal and Warehousing	\$0.1
Information Media and Telecommunications	\$0.3
Financial and Insurance Services	\$0.5
Rental, Hiring and Real Estate Services	\$0.2
Ownership of Dwellings	\$0.0
Professional, Scientific and Technical Services	\$0.8
Administrative and Support Services	\$0.2
Public Administration and Safety	\$0.0
Education and Training	\$0.1
Health Care and Social Assistance	\$0.1
Arts and Recreation Services	\$0.1
Other Services	\$0.1
Total	\$3.3

Source: ABS (2017b, 2017c) AEC

Proposal Case

Economic activity generated from the Proposal Case would consist of:

- 1 Economic impacts of people working from home
- 2 Operational employment from retail and commercial activities.

Using the same assumptions and methodologies as outlined above for the Base Case, estimates for the impacts of people working from home were developed. Data provided indicates that approximately the Proposal would accommodate approximately **422 new residents** in its redevelopment. Of these, **9 persons** would be working from home, which would then be split into their relevant IO industries and then converted into an output multiplier.

For modelling purposes for the non-residential floorspace, estimated operational employment levels for the Proposal Case were broken down into their respective ANZSIC industries. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

Table B.4 shows the allocation of FTE and industries accommodated in the non-residential floorspace in the Proposal (Scenario 1).

Table B.4: Operational FTE Allocation, Proposal Case, Scenario 1

Activity	ANZSIC Allocation	GFA (sqm)	GFA (sqm)/FTE	FTE
Commercial	Manufacturing	500	20	25
	Wholesale Trade	500	20	25
	Professional, Scientific and Technical Services	500	20	25
	Education and Training	500	20	25
	Arts and Recreation Services	950	59	16
Retail	Accommodation and Food Services	50	15	3
Total*	-	3,000	-	119

*Note: Totals may not sum due to rounding
Source: AEC

Employment by industry estimates were converted to an output value using a multiplier based on the national transaction table (ABS, 2017b; ABS, 2017c). The resultant estimates of output were modelled as the direct activity associated with the Proposal Case.

Operational output drivers generated by the retail/ commercial activities and residents working from home (dispersed jobs) are illustrated below in Table B.5.

Table B.5: Operational Output Drivers, Proposal Case, Scenario 1

ANZSIC Sector	Output (\$M) Retail/ Commercial	Output (\$M) Dispersed Jobs	Output (\$M) Total
Agriculture, Forestry and Fishing	\$0.0	\$0.0	\$0.0
Mining	\$0.0	\$0.0	\$0.0
Manufacturing	\$6.2	\$0.1	\$6.3
Electricity, Gas, Water and Waste services	\$0.0	\$0.0	\$0.0
Construction	\$0.0	\$0.3	\$0.3
Wholesale Trade	\$7.5	\$0.1	\$7.6
Retail Trade	\$0.0	\$0.1	\$0.1
Accommodation and Food Services	\$0.4	\$0.0	\$0.4
Transport, Postal and Warehousing	\$0.0	\$0.1	\$0.1
Information Media and Telecommunications	\$0.0	\$0.2	\$0.2
Financial and Insurance Services	\$0.0	\$0.4	\$0.4
Rental, Hiring and Real Estate Services	\$0.0	\$0.1	\$0.1
Ownership of Dwellings	\$0.0	\$0.0	\$0.0
Professional, Scientific and Technical Services	\$6.3	\$0.6	\$6.9
Administrative and Support Services	\$0.0	\$0.2	\$0.2
Public Administration and Safety	\$0.0	\$0.0	\$0.0
Education and Training	\$3.6	\$0.1	\$3.7
Health Care and Social Assistance	\$0.0	\$0.1	\$0.1
Arts and Recreation Services	\$3.3	\$0.0	\$3.4
Other Services	\$0.0	\$0.1	\$0.1
Total	\$27.3	\$2.5	\$29.8

Source: ABS (2017b, 2017c), AEC

Table B.6. shows the allocation of FTE and industries accommodated in the non-residential floorspace in the Proposal for scenario 2.

Table B.6. Operational FTE Allocation, Proposal Case, Scenario 2

Activity	ANZSIC Allocation	GFA (sqm)	GFA (sqm)/FTE	FTE
Commercial	Manufacturing	500	29	17
	Wholesale Trade	500	29	17
	Professional, Scientific and Technical Services	500	29	17
	Education and Training	500	29	17
	Arts and Recreation Services	950	59	16
Retail	Accommodation and Food Services	50	15	3
Total*	-	3,000	-	87

*Note: Totals may not sum due to rounding
Source: AEC,

Employment by industry estimates were converted to an output value using a multiplier based on the national transaction table (ABS, 2017b; ABS, 2017c). The resultant estimates of output were modelled as the direct activity associated with the Proposal Case.

Operational output drivers generated by the retail/ commercial activities and residents working from home (dispersed jobs) are illustrated below in **Table B.7.**

Table B.7: Operational Output Drivers, Proposal Case, Scenario 2

ANZSIC Sector	Output (\$M) Retail/Commercial	Output (\$M) Dispersed Jobs	Output (\$M) Total
Agriculture, Forestry and Fishing	\$0.0	\$0.0	\$0.0
Mining	\$0.0	\$0.0	\$0.0
Manufacturing	\$4.2	\$0.1	\$4.3
Electricity, Gas, Water and Waste services	\$0.0	\$0.0	\$0.0
Construction	\$0.0	\$0.3	\$0.3
Wholesale Trade	\$5.1	\$0.1	\$5.2
Retail Trade	\$0.0	\$0.1	\$0.1
Accommodation and Food Services	\$0.4	\$0.0	\$0.4
Transport, Postal and Warehousing	\$0.0	\$0.1	\$0.1
Information Media and Telecommunications	\$0.0	\$0.2	\$0.2
Financial and Insurance Services	\$0.0	\$0.4	\$0.4
Rental, Hiring and Real Estate Services	\$0.0	\$0.1	\$0.1
Ownership of Dwellings	\$0.0	\$0.0	\$0.0
Professional, Scientific and Technical Services	\$4.3	\$0.6	\$4.9
Administrative and Support Services	\$0.0	\$0.2	\$0.2
Public Administration and Safety	\$0.0	\$0.0	\$0.0
Education and Training	\$2.5	\$0.1	\$2.5
Health Care and Social Assistance	\$0.0	\$0.1	\$0.1
Arts and Recreation Services	\$3.3	\$0.0	\$3.4
Other Services	\$0.0	\$0.1	\$0.1
Total	\$19.8	\$2.5	\$22.3

Source: ABS (2017b, 2017c), AEC

HOUSEHOLD EXPENDITURE SUPPORTED

This section outlines the household expenditure that would be associated with the dwellings proposed as part of the Base Case and Proposal Case, and potential economic activity supported. The household expenditure activity supported **should not be combined** with the impacts in the section above, as some of these impacts are likely to have already been captured in the assessment (e.g. some expenditure on retail and food and beverages by households is likely to spent at the retail and food and beverage outlets locating to the development). This section is to understand specific economic activity supported in Inner West LGA through household expenditure as its own separate analysis.

Household Expenditure

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

Table B.8 shows the household expenditure estimates for the Inner West should the Site be redeveloped to accommodate 315 new dwellings.

Table B.8: Household Expenditure by Industry, Inner West LGA Base Case Estimate

Industry	Expenditure Estimate	Proportion Spent in Inner West	Inner West Estimate
Retail trade	\$9.44	75%	\$7.08
Ownership of Dwellings	\$2.28	100%	\$2.28
Food and Beverage Services	\$1.91	50%	\$0.95
Finance	\$2.10	25%	\$0.53
Primary and Secondary Education Services (incl Pre-Schools and Special Schools)	\$0.62	80%	\$0.50
Health Care Services	\$0.89	50%	\$0.44
Public Administration	\$0.81	50%	\$0.40
Construction Services	\$1.55	25%	\$0.39
Insurance and Superannuation Funds	\$0.61	60%	\$0.37
Rental and Hiring Services (excl. Real Estate)	\$0.34	75%	\$0.25
Personal Services	\$0.33	75%	\$0.25
Residential Care and Social Assistance	\$0.42	60%	\$0.25
Automotive Repair and Maintenance	\$0.31	50%	\$0.15
Sports and Recreation	\$0.26	50%	\$0.13
Road Transport	\$0.23	50%	\$0.12
Non-residential Property Operators and Real Estate Services	\$0.14	75%	\$0.10
Professional, Scientific and Technical Services	\$0.18	35%	\$0.06
Technical, Vocational and Tertiary Education Services (incl undergraduate and postgraduate)	\$0.29	20%	\$0.06
Heritage, Creative and Performing Arts	\$0.12	50%	\$0.06
Other Services	\$0.08	50%	\$0.04
Building Cleaning, Pest Control and Other Support Services	\$0.08	50%	\$0.04
Gambling	\$0.07	50%	\$0.04
Motion Picture and Sound Recording	\$0.04	75%	\$0.03
Other Repair and Maintenance	\$0.05	50%	\$0.03
Arts, Sports, Adult and Other Education Services (incl community education)	\$0.07	25%	\$0.02
Rail Transport	\$0.03	50%	\$0.01
Postal and Courier Pick-Up and Delivery Services	\$0.01	50%	\$0.01
Auxiliary Insurance Services	\$0.01	25%	\$0.00
Accommodation	\$0.01	10%	\$0.00
Electricity Transmission, Distribution, On Selling and Electricity Market Operation	\$0.48	0%	\$0.00
Gas Supply	\$0.1	0%	\$0.0
Water Supply, Sewerage and Drainage Services	\$0.0	0%	\$0.0
Telecommunications Services	\$0.6	0%	\$0.0

Industry	Expenditure Estimate	Proportion Spent in Inner West	Inner West Estimate
Internet Service Providers, Internet Publishing and Broadcasting, Websearch Portals and Data Processing	\$0.1	0%	\$0.0
Broadcasting (except Internet)	\$0.1	0%	\$0.0
Water, Pipeline and Other Transport	\$0.0	0%	\$0.0
Air and Space Transport	\$0.1	0%	\$0.0
Total	\$24.83		\$14.59

Source: ABS (2017d) AEC

Table B.9 shows the household expenditure estimates for the Inner West should the Site be redeveloped to accommodate 235 new dwellings.

Table B.9: Household Expenditure by Industry, Inner West LGA Proposal Case Estimate

Industry	Expenditure Estimate	Proportion Spent in Inner West	Inner West Estimate
Retail trade	\$7.04	75%	\$5.28
Ownership of Dwellings	\$1.70	100%	\$1.70
Food and Beverage Services	\$1.42	50%	\$0.71
Finance	\$1.57	25%	\$0.39
Primary and Secondary Education Services (incl Pre-Schools and Special Schools)	\$0.47	80%	\$0.37
Health Care Services	\$0.66	50%	\$0.33
Public Administration	\$0.60	50%	\$0.30
Construction Services	\$1.15	25%	\$0.29
Insurance and Superannuation Funds	\$0.46	60%	\$0.27
Rental and Hiring Services (excl. Real Estate)	\$0.25	75%	\$0.19
Personal Services	\$0.25	75%	\$0.19
Residential Care and Social Assistance	\$0.31	60%	\$0.19
Automotive Repair and Maintenance	\$0.23	50%	\$0.12
Sports and Recreation	\$0.20	50%	\$0.10
Road Transport	\$0.17	50%	\$0.09
Non-residential Property Operators and Real Estate Services	\$0.10	75%	\$0.08
Professional, Scientific and Technical Services	\$0.13	35%	\$0.05
Technical, Vocational and Tertiary Education Services (incl undergraduate and postgraduate)	\$0.22	20%	\$0.04
Heritage, Creative and Performing Arts	\$0.09	50%	\$0.04
Other Services	\$0.06	50%	\$0.03
Building Cleaning, Pest Control and Other Support Services	\$0.06	50%	\$0.03
Gambling	\$0.05	50%	\$0.03
Motion Picture and Sound Recording	\$0.03	75%	\$0.02
Other Repair and Maintenance	\$0.04	50%	\$0.02
Arts, Sports, Adult and Other Education Services (incl community education)	\$0.05	25%	\$0.01
Rail Transport	\$0.02	50%	\$0.01
Postal and Courier Pick-Up and Delivery Services	\$0.01	50%	\$0.00
Auxiliary Insurance Services	\$0.01	25%	\$0.00
Accommodation	\$0.01	10%	\$0.00
Electricity Transmission, Distribution, On Selling and Electricity Market Operation	\$0.36	0%	\$0.00
Gas Supply	\$0.1	0%	\$0.0
Water Supply, Sewerage and Drainage Services	\$0.0	0%	\$0.0

Industry	Expenditure Estimate	Proportion Spent in Inner West	Inner West Estimate
Telecommunications Services	\$0.4	0%	\$0.0
Internet Service Providers, Internet Publishing and Broadcasting, Websearch Portals and Data Processing	\$0.1	0%	\$0.0
Broadcasting (except Internet)	\$0.1	0%	\$0.0
Water, Pipeline and Other Transport	\$0.0	0%	\$0.0
Air and Space Transport	\$0.1	0%	\$0.0
Total	\$18.53		\$10.88

Source: ABS (2017d) AEC

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OUTCOME DRIVEN

