

North Sydney Centre Economic Study

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EXECUTIVE SUMMARY

CHAPTER 1 – INTRODUCTION

After a challenging decade, positive signs of improvement have emerged in the North Sydney Centre commercial market. Office vacancy rates have decreased from highs of around 12% in 2009 to 7.4% in July 2012¹, despite a modest addition of new supply during that time. Tenant demand has strengthened, investor activity is growing and market sentiment is increasingly positive.

North Sydney's turnaround can in part be attributed to the policies and programs implemented by Council over the last nine years. The *North Sydney Local Environmental Plan 2013* encourages the development of higher density residential uses in appropriate locations within North Sydney's Centre. The policy has been an attractive option for developers as the inclusion of residential uses has enhanced the viability of redeveloping sites within the centre and maximised the use of existing infrastructure. The policy has attracted a range of residents and investors attracted to the convenient location and lifestyle appeal of the Centre. Streetscape improvements, marketing campaigns, amendments to planning controls, streamlining assessment processes and improved relationships with business have also increased the Centre's appeal and provided incentives for the market to invest.

After adoption of the North Sydney Local Environmental Plan 2001, more than 187,000sqm of commercial floorspace and 700 new dwellings were approved for construction in the North Sydney Centre. Most of this development is anticipated to be completed between 2013 and 2020 and will generate substantial economic benefits for local businesses, particularly outside peak business times when North Sydney Centre suffers from a relative to protect the employment character of the Centre lack of activity.

Notwithstanding the State Government and Council's policy, there is mounting pressure from the private development market and local businesses to introduce residential land uses within North Sydney's commercial core. Owing to market conditions and demand, high density residential development has been considered the higher and better use from a development perspective. This position has been exacerbated by changing office market conditions, business requirements and business confidence since the Global Financial Crisis (GFC). Local businesses consider allowing more people to live in North Sydney as a means to improve the vitality and viability of the Centre's local economy.

It is our experience that the inclusion of residential uses within a city centre can also be a positive as it increases the level of activity and vitality across the day, evening and weekend periods. For businesses in the centre the implications are however more mixed. On the positive side, more residents and activity enhances the appeal of the city centre to visit, increases the number of potential customers / clients and extends the hours of demand for goods and services. On the negative side however, the incursion of residential land uses in commercial core can undermine the competitiveness of a centre. Furthermore, the need to protect the amenity of residents within centres has the potential to hinder the extent and hours of operation of some businesses.

¹ Property Council of Australia, Colliers International Sydney Metropolitan Office Market Report (2nd half 2012)

The Study seeks to address this question from an economic perspective and advise Council as to whether existing policies to protect and enhance North Sydney Centre's commercial core should be reinforced or readdressed. Notwithstanding the matter of residential uses, the Study also identifies other mechanisms to improve the amenity of the Centre, activate its streetscape and rejuvenate its night time and weekend economy.

Project Objectives and Approach

Council has requested advice concerning the nature of the existing office market in North Sydney and its future role in light of competing land uses, particularly residential. More specifically Council has requested Hill PDA to:

- Consider the Centre's current economic performance, the external forces that will influence its economic outlook and the land use requirements generated by those trends;
- Test alternate planning scenarios to establish the economic impacts of allowing residential uses in the Centre's commercial core; and
- Identify initiatives that can support the Centre's small businesses and make a fundamental improvement to the local economy.

Each of these objectives will help to inform the preparation of Council's land use policies and support Council's decision making process for the Centre's future.

This Study was undertaken in five phases:

- Phase 1:** Development of a baseline scenario built around the existing land use, population and employment characteristics of the Centre;
- Phase 2:** Assessment of the broader trends occurring at a national and global level and analysing how these will affect land use in the Centre overtime;
- Phase 3:** Development of four alternate planning scenarios testing major and minor economic impacts on the Centre using a series of assumptions;
- Phase 4:** Consultation with key stakeholders including local businesses, Council, State Government and peak bodies; and
- Phase 5:** Identification of the ingredients and initiatives required to revitalise the Centre's local economy.

CHAPTER 2 – CURRENT AND FUTURE SHAPE OF THE CENTRE’S ECONOMY

Chapter 2 of the Study focuses on North Sydney Centre’s economy today and its evolution over the coming decades. It describes the current and projected size and composition of the Centre’s economy, workforce and resident population. Key findings of the Chapter are:

- According to the ABS Census, North Sydney’s resident population was 6,258 in 2011 and is anticipated to grow by nearly 2,000 people between 2011 and 2031;
- Compared to Greater Sydney, those living in North Sydney tend to be younger, wealthier, better educated, less likely to own a car or have children and more likely to be employed as professionals and managers and work in financial and insurance services;
- In 2011 approximately 39,086 people were employed in the North Sydney Centre. Professional, financial and insurance services make up the largest share of the Centre’s economy, employing 17,086 people or 46% of its workforce;
- The number of people working in the Centre is forecast to increase between 2011 and 2031 by 10,810 people to 51,599. By 2031 it is anticipated 69% of all jobs in the North Sydney Centre will be in the professional, financial and insurance services and information media and telecommunications sectors (up from 55% in 2011);
- Cafes, restaurants, take away food stores and taverns currently account for 36% of all street level/shop front floorspace in the North Sydney Centre. Clothing stores, specialty non-food premises and personal services make a further 25%. Commercial service shop front premises represent 24% of floorspace in the Centre;
- By 2031 North Sydney’s workers have the potential to spend \$4.4 million on retail goods and services *each week* at the Centre’s local businesses, an estimated increase of \$1.6 million a *week* when compared to 2013; and
- Population forecasts and consumption trends suggest that retail expenditure generated *each week* by North Sydney’s residents will increase from approximately \$1.9 million in 2011 to \$2.9 million by 2031.

CHAPTER 3 – TRENDS INFLUENCING THE CENTRE

Chapter 3 of the Study looks ahead to the next 20 years and discusses the factors that are expected to influence and shape commercial centres like North Sydney Centre. Key findings of the Chapter are:

- The increasing affluence of NSW’s population and the growth of the **New Economy** is expected to strengthen demand for commercial office floorspace especially in key locations, close to tertiary education and transport links. The key implication for North Sydney will be greater demand for high quality office space driven by growth in the banking, insurance, finance and business services;
- The **economic growth of Asia** has had a major impact on Australia’s economy; with Australia’s proximity to Asian markets being a competitive advantage. The expansion of Asia’s middle class will

generate greater demand for services provided by North Sydney in such as professional, technical, financial, insurance and education services. The key implication for North Sydney will be greater demand for tertiary education, accommodation and high quality office space in the Centre;

- Over the coming decades Sydney will be impacted by two **demographic events** – firstly, substantial population growth driven largely by immigration and secondly, the aging of Australia’s population as the baby boomers reach retirement age. The key implication for North Sydney will be increased demand for dwellings, office and retail floorspace, public transport and social infrastructure;
- **Environmental sustainability and performance** is an increasingly important consideration for building owners and tenants. Many building owners find themselves looking to retro-fit and reposition their assets to meet the markets growing awareness and expectations of sustainable floorspace. The key implication for North Sydney will be greater demand for existing and new higher grade office buildings. This will necessitate refurbishment or replacement of the Centre’s lower grade building stock; and
- An increase in the number of working hours per household has resulted in time pressures for the workforce. Linked to this is the impact of a greater proportion of dual earning households that means less time for family responsibilities. As a result, places that enable workers to conveniently access public transport and combine paid work, leisure and family responsibilities are becoming increasingly attractive. As a consequence for North Sydney to remain competitive it must build on its **lifestyle and convenience offering**, including its evening and weekend economy.

CHAPTER 4 – IMPLICATIONS FOR LAND USE REQUIREMENTS

Chapter 4 of the Study outlines the implications of the economic trends outlined in preceding Chapters on demand for office, retail and residential floorspace in the North Sydney Centre. Key findings of the Chapter are:

- The draft *Metropolitan Strategy for Sydney* (2013) has set a target for North Sydney to accommodate an additional 12,000 jobs by 2031. This number of new office workers will require the Centre to accommodate in the order 240,000sqm of additional **office floorspace**²;
- The growth of people living and working in the Centre between 2011 and 2031 will generate further demand for goods and services which, in turn, will require additional floorspace to meet that demand. By 2031 it is estimated there will be sufficient demand to accommodate approximately 16,000sqm of additional **retail and commercial street level/shopfront floorspace** in the Centre; and
- Based on recent and anticipated approvals, over 1,200 additional **dwellings** are expected to be added to the Centre’s mixed use area over the next decade which translates into nearly 2,500 additional residents.

² Based on an employment yield of 1 job per 20sqm.

CHAPTER 5 – TESTING FUTURE PLANNING SCENARIOS

In light of the forecast growth in demand for various land uses in the Centre, Chapter 5 of the Study considers four scenarios, relating to alternate policy and market outcomes, and assessed their potential impacts on the North Sydney Centre. The scenarios assessed are:

Scenario 1 – North Sydney’s office market stagnates

- *What if* the commercial core of North Sydney Centre remains protected **BUT** no additional commercial floorspace is developed in the core owing to market trends?

Scenario 2 – North Sydney’s office market grows and becomes more competitive

- *What if* the commercial core remains protected **AND** additional commercial floorspace is developed in the core in line with job growth forecasts and market trends?

Scenario 3 – Residential development replaces some commercial floorspace in North Sydney’s core

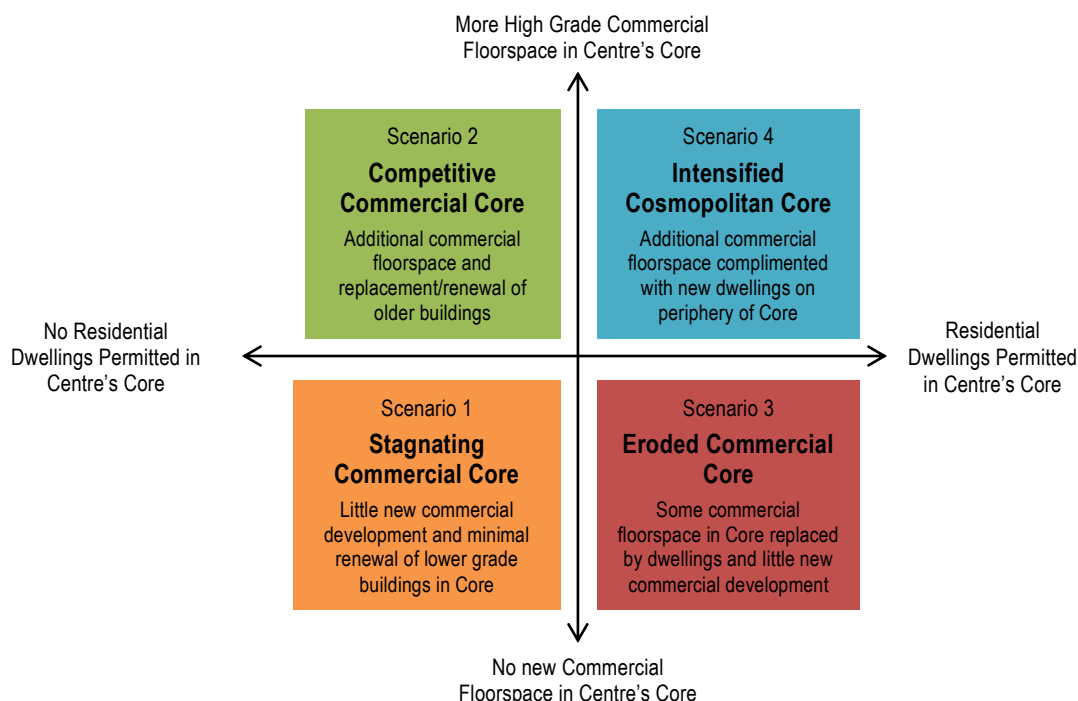
- *What if* some residential is permitted in commercial core **BUT** no additional commercial floorspace is developed in the core owing to market trends?

Scenario 4 – North Sydney’s office and residential market grow together in an intensified Core

- *What if* some residential is permitted in commercial core **AND** additional residential and commercial floorspace is developed in the core?

The four scenarios have been designed to reflect realistic scenarios for the Centre that could be influenced by Council policies and market outcomes.

Figure 1 - North Sydney Centre Future Planning Scenarios



Each of the four scenarios have been tested against the following criteria:

- Impact on the prestige and performance of the North Sydney Centre office market;
- Impact on the supply of commercial floorspace in the North Sydney Centre and its employment targets;
- Impact on housing supply in North Sydney LGA;
- Impact on the economic activity and vitality of the North Sydney Centre;
- Impact on social infrastructure capacity and availability; and
- Impact on Council's rate revenue.

The Chapter also ranks the significance of the impacts in accordance with the methodology set out in the table below as positive, negative, neutral or uncertain.

Key findings from the scenario analysis are provided below.

	Prestige and Performance	Commercial Floorspace and Employment Targets	Housing Supply	Economic Activity	Social Infrastructure	Council Rate Revenue
Scenario 1	Moderate Negative	Moderate Negative	Neutral	Slight Negative	Neutral	Neutral
Scenario 2	Significant Positive	Significant Positive	Neutral	Moderate Positive	Slight Negative	Moderate Positive
Scenario 3	Significant Negative	Significant Negative	Moderate Positive	Uncertain	Moderate Negative	Moderate Negative
Scenario 4	Uncertain	Uncertain	Moderate Positive	Significant Positive	Moderate Negative	Significant Positive

Scenario 1 could have a number of negative impacts on the competitiveness and vitality of North Sydney Centre by way of reduced prestige, limited capacity to meet employment targets and less economic activity for local small businesses. The Scenario would have little benefit to Council's rate revenue, its ability to meet its dwelling targets and demand for additional social infrastructure;

Scenario 2 could have a number of positive impacts on the competitiveness and vitality of North Sydney Centre by way of improved prestige, more capacity to meet employment targets, greater economic activity for local small businesses and higher rate revenue for Council. Whilst the Scenario would increase demand for social infrastructure it would have little impact on Council's ability to meet its dwelling targets;

Scenario 3 could have a number of negative impacts on the competitiveness and vitality of North Sydney Centre by way of reduced prestige, limited capacity to meet employment targets, increased demand for social infrastructure and lower rate revenue for Council. The Scenario would improve Council's ability to meet its dwelling targets. However, it is uncertain what the impact would be on the level of economic activity on the Centre; and

Scenario 4 could have a number of positive impacts on the competitiveness and vitality of North Sydney Centre by way of greater economic activity for local small businesses, higher levels of rate revenue for Council and more

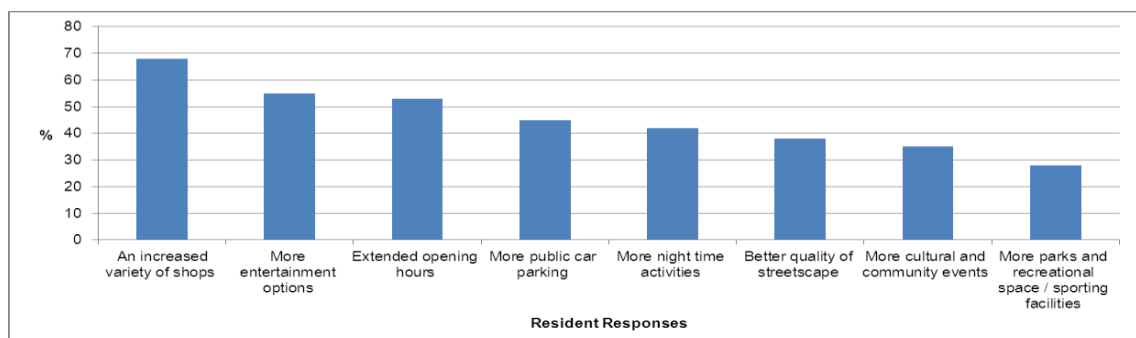
capacity to meet dwelling targets, However, the Scenario would increase demand for social infrastructure and it is uncertain what the impact would be on the Centre’s prestige and on Council’s ability to meet its employment targets. It should be noted that under scenario 4, new mixed use development would only be permitted on carefully selected underutilised sites on the periphery of the core that play a direct transitional role between residential uses and the commercial core and are unviable to redevelop as higher grade office stock (i.e. due to age and quality of building, lot or ownership fragmentation). **Even so, there is a substantial risk that residential development in the core – even if located on the periphery of the commercial core – could crowd out and undermine the attractiveness and viability of new commercial development and limit the Centre’s capacity achieve its prescribed job target (+12,000 jobs by 2031).**

CHAPTER 6 – FINDINGS FROM CONSULTATION

Chapter 6 of the Study summarises the key findings from the stakeholder consultation undertaken to inform the Study. Consultation comprised of a survey of local residents and business and a workshop with members of the North Sydney Chamber of Commerce.

The key findings of the resident survey included:

- 23% of residents surveyed shopped in North Sydney every day; 46% shop there every few days and 15% shop there once a week. When asked where else they shop in the local area and why most respondents said Crows Nest, Neutral Bay and Chatswood because these Centres offer access to supermarkets and a greater variety of shops and restaurants that are open over the weekend and at night.
- When asked what types of stores, services or facilities are missing or lacking in North Sydney, the most common responses were a larger supermarket (i.e. Coles or Woolworths) and a greater selection of restaurants, cafes and bars particularly after hours and on weekends. A smaller proportion of respondents said North Sydney was missing a cinema and clothes/fashion stores.
- When asked what improvements they would like to see to North Sydney’s Centre, the top responses from surveyed residents were as follows.



- When asked what they liked about living in the North Sydney Centre the most common responses were:
 - Proximity/closeness to work, shops, services, schools, hospitals, parks, Sydney CBD, Sydney Harbour and transport (42 specific comments)
 - Availability of good public transport (32 specific comments)
 - Convenience (15 specific comments)












The key findings from consultation with local businesses included:

- All respondents said they opened Monday to Friday during business hours but only 25% open on weekends. When asked whether they thought their average annual turnover for 2012/2013 will be greater than 2011/2012, half of the respondents anticipated 'yes' and the other half said 'no';
- Respondents considered the most important improvements to North Sydney Centre were a better quality streetscape, more public car parking, greater cooperation between businesses and Council and holding more events;
- 71% of businesses surveyed said Council should have a dedicated person on staff to enhance the economic development of the North Sydney Centre; and
- Most businesses surveyed rated the following aspects of the North Sydney Centre as poor: events/activities in Centre (63% of respondents); quantity of parking spaces (88% of respondents) and marketing and promotion (63% of respondents)

CHAPTER 7 – PRIORITIES AND IDEAS

Chapter 7 of the Study draws on the findings to present a set of preconditions and initiatives that could drive the revitalisation of the North Sydney Centre and support Council's role in economic development. The following table lists these preconditions, assesses their current status and identifies which Hill PDA's recommendations will help to achieve them.

Table 1 - Ingredients to North Sydney Centre's Revitalisation

Ingredient	Current Status	Comment	Ideas
High level of leadership, cooperation and coordination between Council, businesses and residents		Strong foundation but improvements required	Idea 1
Critical mass of commercial floorspace retained and enhanced		Policies already in place to retain and enhance critical mass	Ideas 7 and 10
Renewal and replacement of lower grade commercial building stock		Renewal is occurring but must continue	Ideas 7, 8 and 10
High level of amenity, connectivity and pedestrianisation		In need of attention	Idea 2
Access to good public transport		This is one of the Centre's biggest competitive advantages	-
Market position and point of difference against competition understood and promoted		In need of attention	Idea 10
More residents living around the commercial core in mixed use areas		Over 800 new dwellings have been approved in the Centre in recent years	Idea 7
Diverse economy and convenient retail offer		Strong foundation but improvements required	Ideas 4, 5, 6 and 8
Active and safe night time and weekend economy		In need of attention	Ideas 5 and 9
Access to social infrastructure, open space and recreation facilities		Strong foundation but improvements required	Idea 2
Strong arts and cultural life		In need of attention	Idea 3

The Chapter goes on to identify and discuss a set of ten initiatives that, if implemented, would assist to revitalise the North Sydney Centre and enhance its competitiveness. Most of these initiatives could be implemented for all four scenarios discussed above. The ten transformational initiatives presented by the Study are:

- Idea 1 – Greater leadership, cooperation and coordination
- Idea 2 – Reinvent the public domain
- Idea 3 – Elevate the role of culture
- Idea 4 – Attract an additional anchor supermarket
- Idea 5 – Improve the convenience of public parking
- Idea 6 – Embrace the education economy
- Idea 7 – Change the centres planning controls
- Idea 8 – Reduce barriers to business entry and adaptability
- Idea 9 – Enhance the night time economy
- Idea 10 – Create and market a compelling identity

To further inform the development of policies and initiatives for the North Sydney Centre, Hill PDA recommends the following analysis be undertaken:

- Comprehensive feasibility and urban design analysis of the planning controls required to stimulate and accommodate 12,000 additional jobs in the Centre (refer Section 4.1);
- Investigate the impacts of Council's current policy requiring a minimum non-residential floorspace ratio of 3:1 in designated areas within the commercial core (refer Section 7.3.7); and
- Identify buildings in the commercial core that could potentially be zoned for mixed uses (refer Section 7.3.7).

1. INTRODUCTION

North Sydney Council (Council) has commissioned Hill PDA to provide independent economic advice concerning the North Sydney Centre (the Centre). Council has requested advice concerning the nature of the existing office market in North Sydney and its future role in light of competing land uses, particularly residential. More specifically Council has requested Hill PDA to:

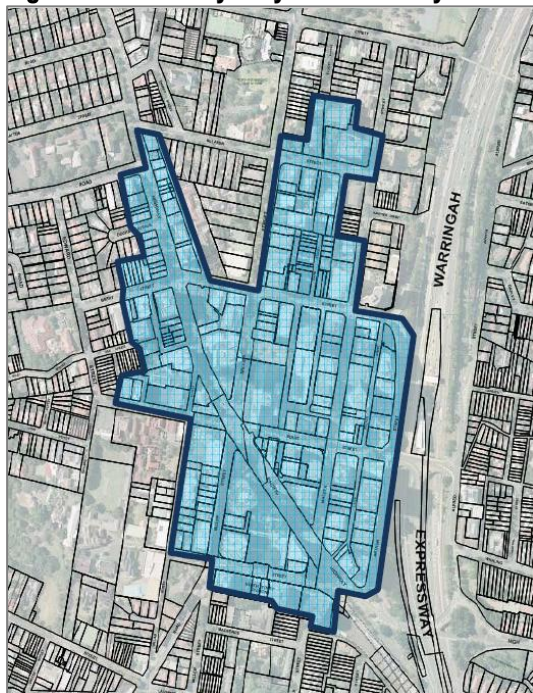
- Consider the Centre’s current economic performance, the external forces that will influence its economic outlook and the land use requirements generated by those trends;
- Test alternate planning scenarios to establish the economic impacts of allowing residential uses in the Centre’s commercial core; and
- Identify initiatives that can support the Centre’s small businesses and make a fundamental improvement to the local economy.

The Study will inform the *North Sydney Centre Review 2013* currently being undertaken by Council.

1.1 STUDY AREA

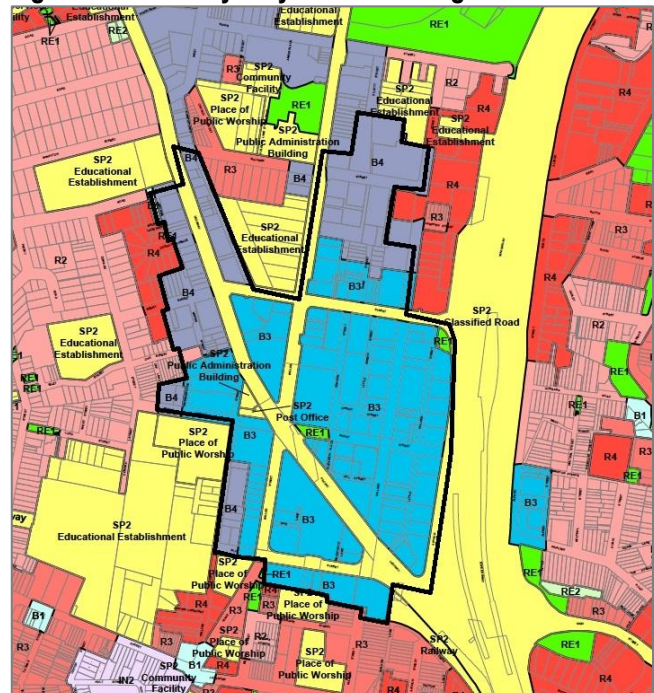
For the purpose of this Study, the extent of the North Sydney Centre is geographically defined in Figure 2. It is bound by North Sydney Station to the south, the Warringah Freeway to the east and extends northwards along Miller Street and the Pacific Highway to McLaren Street.

Figure 2 - North Sydney Centre Study Area



Source: North Sydney Council (2013)

Figure 3 - North Sydney Centre Zoning



Source: North Sydney LEP 2013

Under the North Sydney LEP 2013 the Centre’s core is zoned for commercial uses (dark blue in Figure 3) with peripheral areas predominantly zoned Mixed Use, which permits residential (light blue in Figure 3).

1.2 BACKGROUND

After a challenging decade, positive signs of improvement have emerged in the North Sydney Centre commercial market. Office vacancy rates have decreased from highs of around 12% in 2009 to 7.4% in July 2012³, despite a modest addition of new supply during that time. Tenant demand has strengthened, investor activity is growing and market sentiment is increasingly positive.

North Sydney's turnaround can in part be attributed to the policies and programs implemented by Council over the last nine years. Streetscape improvements, marketing campaigns, amendments to planning controls, streamlining assessment processes and improved relationships with business have increased the Centre's appeal and provided incentives for the market to invest. After adoption of the North Sydney Local Environmental Plan 2001, more than 187,000sqm of commercial floorspace and 700 new dwellings were approved for construction in the North Sydney Centre. Most of this development is anticipated to be completed between 2013 and 2020 and will generate substantial economic benefits for local businesses, particularly outside peak business times when North Sydney Centre suffers from a relative to protect the employment character of the Centre lack of activity.

Notwithstanding the State Government and Council's policy, there is mounting pressure from the private development market and local businesses to introduce residential land uses within North Sydney's commercial core. Owing to market conditions and demand, high density residential development has been considered the higher and better use from a development perspective. This position has been exacerbated by changing office market conditions, business requirements and business confidence since the Global Financial Crisis (GFC). Local businesses consider allowing more people to live in North Sydney as a means to improve the vitality and viability of the Centre's local economy.

The Study seeks to address this question from an economic perspective and advise Council as to whether existing policies to protect and enhance North Sydney Centre's commercial core should be reinforced or readdressed. Notwithstanding the matter of residential uses, the Study also identifies other mechanisms to improve the amenity of the Centre, activate its streetscape and rejuvenate its night time and weekend economy.

1.3 APPROACH

Phase 1: Development of a baseline scenario built around the existing land use, population and employment characteristics of the Centre;

Phase 2: Assessment of the broader trends occurring at a national and global level and analysing how these will affect land use in the Centre overtime;

Phase 3: Development of four alternate planning scenarios testing major and minor economic impacts on the Centre using a series of assumptions;

Phase 4: Consultation with key stakeholders including local businesses, Council, State Government and peak bodies; and

³ Property Council of Australia, Colliers International Sydney Metropolitan Office Market Report (2nd half 2012)

Phase 5: Identification of the ingredients and initiatives required to revitalise the Centre's local economy.

1.4 STUDY STRUCTURE

For ease of reading, the Study has been structured into four distinct sections as follows:

- Part 1 explores the current and future shape of the Centre's economy. Key longer term drivers of structural change and their impact on land use requirements are also investigated, including how the Centre is likely to be shaped by demographic change, the growing strength of Asian economies and environmental awareness.
- Part 2 tests four scenarios to consider how the Centre's economy is likely to change in response to different levels of residential development being permitted in its commercial core;
- Part 3 summarises the key findings of the stakeholder consultation programme undertaken to inform the Study; and
- Part 4 concludes the Study and discusses the possible strategic initiatives to overcome some of the challenges identified in it.

PART 1: NORTH SYDNEY CENTRE'S ECONOMY



This part of the Study describes the out current and future shape of the Centre's economy and how it may evolve over the coming decades on account of anticipated domestic and



2. CURRENT AND FUTURE SHAPE OF THE CENTRE'S ECONOMY

This chapter focuses on North Sydney Centre's economy today and its likely evolution over the coming decades. It describes the current and projected size and composition of the Centre's economy, workforce and resident population to provide context to the Study's analysis.

2.1 THE CENTRE'S ECONOMY TODAY

According to the NSW Bureau of Transport Statistics, the suburb of North Sydney was home to 5,897 people in 2011 which is 361 fewer people than estimated by in the 2011 Census by the Australian Bureau of Statistics. This difference can be largely attributed to slightly different statistical boundaries used by the two organisations and estimated assumptions. A comparison of key socioeconomic indicators between the suburb of North Sydney and Greater Sydney⁴ shows that those living in North Sydney tend to be:

- Younger and significantly more likely to be living alone or in a smaller household;
- Less likely to have children or own a car;
- Significantly more likely to be attending university and have a higher level of education; and
- Significantly more likely to be employed as a professional and/or a manager, work in finance and/or insurance services and earn higher incomes.

Table 2 - Socioeconomic Indicators of North Sydney Residents (2011)

Indicator		North Sydney Suburb	Greater Sydney
Resident Population	Median age	35	36
	Average children per family	1.5	1.9
	% couple families without children	60%	34%
	% of population attending university	7%	5%
	% residents with bachelor degree	30%	14%
	Median household income per week	\$1,926	\$1,447
Resident Workforce	% residents participating in workforce	69%	62%
	% of residents unemployed	4%	6%
	% residents working in professional, financial and insurance services	36%	16%
	% residents employed as managers or professionals	64%	39%
Dwellings	Average people per household	1.9	2.7
	% lone person households	41%	23%
	Average motor vehicles per dwelling	1.0	1.6
	% of flat, unit or apartment dwellings	75%	26%

Source: ABS Census 2011

⁴ Area of Greater Sydney includes Sydney – Baulkham Hills, Central Coast, Sydney (North Sydney and Hornsby), Sydney-Ryde, Sydney – Northern Beaches, Sydney- Eastern Suburbs, Sydney- Inner West, Sydney – City and Inner South, Sydney – Sutherland, Sydney – Outer West, Sydney – South West, Sydney – Inner South West, Sydney – Parramatta, Sydney – Blacktown and Sydney – Outer West and Blue Mountains.

In 2011 approximately 39,086 people were employment in the North Sydney Centre (this excludes Milson Point)⁵. Professional, financial and insurance services made up the largest share of the Centre's economy, employing 17,086 people or 46% of its workforce (Table 3)⁶. The next largest employment sectors were information media, telecommunications, administrative and support services which employed 5,199 people or 13% of the Centre's workforce⁷.

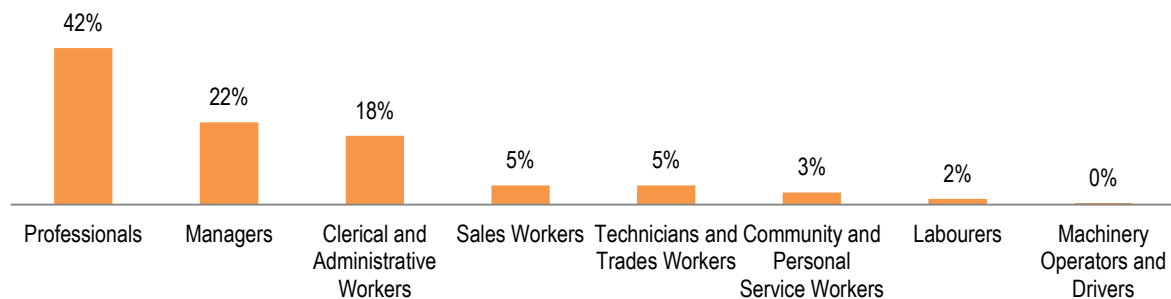
Table 3 - Employment Share of North Sydney Centre Economy (2011)

Industry of Employment	Number of Workers	% of Total Workers
Professional, Scientific and Technical Services	11,843	30.3%
Financial and Insurance Services	5,963	15.3%
Information Media and Telecommunications	2,845	7.3%
Administrative and Support Services	2,354	6.0%
Education and Training	2,031	5.2%
Construction	1,822	4.7%
Public Administration and Safety	1,651	4.2%
Wholesale Trade	1,517	3.9%
Health Care and Social Assistance	1,460	3.7%
Manufacturing	1,236	3.2%
Retail Trade	1,155	3.0%
Other Services	974	2.5%
Accommodation and Food Services	926	2.4%
Transport, Postal and Warehousing	794	2.0%
Rental, Hiring and Real Estate Services	684	1.7%
Electricity, Gas, Water and Waste Services	360	0.9%
Mining	214	0.5%
Arts and Recreation Services	188	0.5%
Agriculture, Forestry and Fishing	34	0.1%
Inadequately described / Not stated	1,035	2.6%
	39,086	100%

Source: BTS / ABS JTW Data 2013

Due to the dominance of professional, financial and insurance services in North Sydney its workforce has a greater proportion of higher skilled and higher paid workers. In 2011 around 64% of North Sydney's employees were in either management or professional occupations, compared to 39% across Greater Sydney⁸.

Figure 4 - Occupations of North Sydney Workforce (2011)



Source: BTS / ABS JTW Data 2013, ABS 2011 Census

⁵ NSW BTS / JTW Data 2011 – Travel Zones: 1943 and 1950-1956

⁶ NSW BTS / ABS JTW Data 2011

⁷ Ibid

⁸ BTS / ABS JTW Data 2013 & ABS Census 2011

To better understand the Centre's local economy, a floorspace survey of North Sydney's street level/shop front businesses was undertaken (i.e. those businesses that typically provide goods and services demanded by the Centre's workers and residents). Office floorspace above street level premises was not included in the survey.

Table 4 - Survey of Street Level or Shop Front Businesses in North Sydney Centre (2013)

Category	Land Use	Floorspace (sqm)	Proportion of Floorspace
Retail	Cafes & Restaurants	7,993	18%
	Specialty Non Food	4,894	11%
	Take Away Food	4,868	11%
	Clothing	3,202	7%
	Personal Services	3,163	7%
	Bulky Goods	1,143	3%
	Convenience Store	738	2%
	Specialty Food	458	1%
	Supermarket	354	1%
	Sub total		26,812
Commercial Service	Commercial - General	4,200	9%
	Commercial - Medical	1,988	4%
	Commercial - Financial	1,791	4%
	Commercial - Government	886	2%
	Commercial - Real Estate	831	2%
	Commercial - Travel	649	1%
	Commercial - Legal	349	1%
	Sub total		10,694
Miscellaneous	Hotel	2,839	6%
	Recreation/Fitness	1,718	4%
	Entertainment	210	0%
	Other Type	139	0%
	Vacant	2,314	5%
Sub total		7,219	16%
Total Floorspace in Study Area		44,725	100%

Source: Hill PDA (May 2013)

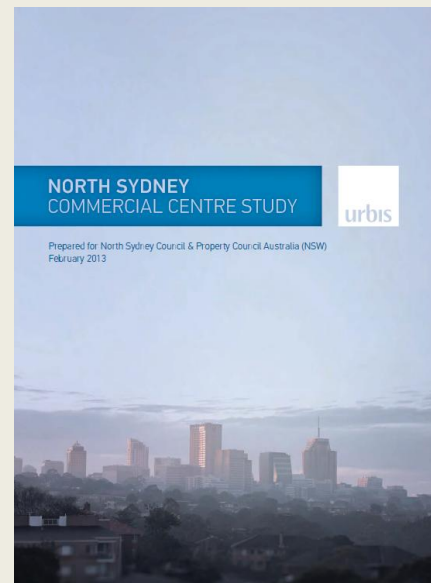
The survey found that the North Sydney Centre provides approximately 44,725sqm of 'shop front' floorspace comprising 26,812sqm of retail floorspace, 10,694sqm of commercial service floorspace, 4,905sqm of miscellaneous floorspace and 2,314sqm of vacant floorspace.

Cafes, restaurants, take away food stores and taverns account for 36% of all floorspace identified in the survey. Clothing stores, specialty non-food premises (e.g. newsagents, florists and jewellers) and personal services (e.g. dry cleaners, massage and hair dressers) made up a further 25% of floorspace. Commercial service shop front premises were dominated by banks, medical services and printers and combined to represent 24% of shop front floorspace in the Centre.

Retail Provision and the North Sydney Centre Commercial Study (2013)

A survey of workers within North Sydney was undertaken to inform the *North Sydney Centre Commercial Study (2013)*. It found that 45% of respondents thought the Centre's current retail offer was average and 10% said it was poor. In summarising the survey findings the Study the report's author (Urbis) found:

"Comments around Retail varied, some believe that there is a real disconnect between the quality of Greenwood Plaza vs. other arcades and street based retail areas and that improvements to the street scape and public domain may assist in attracting new quality retail business to balance the overall offer. It is noted however that most thought that the overall retail provision in North Sydney was adequate for the current user demand with the majority of improvement required focused on quality and diversity of retail operators. Lack of quality restaurants and an anchor tenant e.g. supermarket, provide limited incentive to those not living in North Sydney to visit outside of core business hours."



2.2 THE CENTRE'S ECONOMY IN THE FUTURE

The NSW Bureau of Transport Statistics conservatively forecasts North Sydney's resident population will grow from 5,897 to 7,106 between 2011 and 2031, an increase of 1,209 people⁹. However, population growth is likely to be somewhat higher on account of the number of new dwellings being constructed in the Centre's mixed use area as described below.

Table 5 - Recent Residential/Mixed Use Developments in North Sydney Centre

Year Occupied	Address	Stage	No. of Dwellings	Estimated No. of Residents
2012	225 Miller Street	Completed	79	150
2015	156-158 Pacific Highway	Under construction	40	76
2015	144-150 Walker Street	Under construction	28	53
2015	239-247 Pacific Highway	Approved	104	198
2015	136-142 Walker Street	Under construction	197	374
2016	12-16 Berry Street	Approved	48	91
2017	211-223 Pacific Highway	Approved	220	418
			716	1,360
2017	221 Miller Street	Under assessment	173	329
2017	144-154 Pacific Hwy	Under assessment	204	388
2017	225-235 Pacific Highway	Under assessment	190	361
		Total	1,283	2,438

The table above lists the mixed use developments in the North Sydney Centre that have approval or are currently being assessed under LEP 2013. In total 716 dwellings have been approved with a further 567 dwellings under assessment, which if approved, would lead to 1,283 new dwellings in the Centre by 2017.

⁹ BTS Population Forecasts 2006-2046, August 2012 Release – Travel zones 2347, 2353, 2354, 2358, 2359, 2360 & 2361 (this excludes Milsons Point)

For the purposes of this Study we have assumed that 1,283 dwellings would accommodate 2,438 residents once fully developed and occupied. This is based on applying the average household size of 1.9 persons per dwelling which is the current occupancy rate for the suburb of North Sydney¹⁰.

The number of people working in the North Sydney Centre is also forecast to increase between 2011 and 2031 by 10,810 people to 51,599 people¹¹. The industries forecast to experience the greatest growth during that period are:

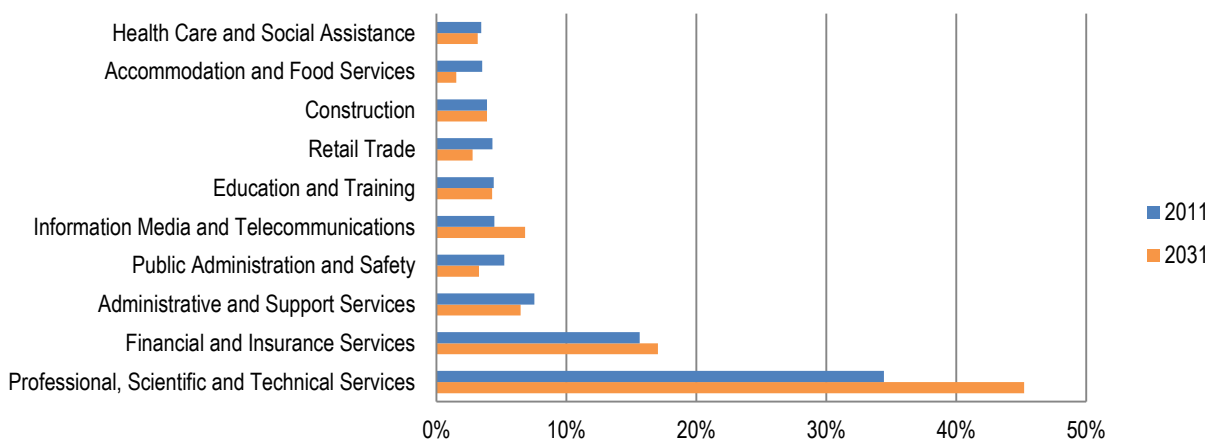
- Professional, scientific and technical services: +8,740 jobs or 65% increase;
- Financial and insurance services: +2,247 jobs or 37% increase;
- Information media and telecommunications: +1,596 jobs or 92% increase;
- Construction: +386 jobs or 26% increase; and
- Education and training: +385 jobs or 22% increase.

A number of industries are however expected to decline over this time, according to the NSW Bureau of Transport Statistics, including:

- Accommodation and food services: -633 jobs or a 46% decline;
- Manufacturing: -501 jobs or 69% decline;
- Rental, hiring and real estate services: -466 jobs or 94% decline;
- Public administration and safety: -431 jobs or 21% decline; and
- Retail trade: -316 jobs or 19% decline.

Figure 5 shows that over the next 20 years North Sydney’s workforce is increasingly likely to be employed in professional, financial and insurance services, information media and telecommunications.

Figure 5 - Employment Share of North Sydney Centre’s Economy (2011 and 2031)



Source: BTS Employment Forecasts 2006-2046, August 2012 Release

¹⁰ 2011 ABS Census - State Suburb SSC11764

¹¹ BTS Employment Forecasts 2006-2046, August 2012 Release – Travel zones 2347, 2353, 2354, 2358, 2359, 2360 & 2361 (this excludes Milsons Point)

By 2031 it is anticipated 69% of all jobs in the North Sydney Centre will be in the professional, financial and insurance services, information media and telecommunications sectors (up from 55% in 2011)¹². A greater number of residents and workers within North Sydney is also likely to generate substantial demand for additional retail goods and services in the locality.

Worker Expenditure on Goods and Services

It is estimated North Sydney workers on average spend around \$13 per working day or \$3,000 per annum close to their place of work¹³. This means that by 2031 North Sydney's workers could be potentially spending over \$4 million on retail goods and services *each week* in close proximity to where they work, an estimated increase of \$1.5 million a week when compared to 2013. Most of this expenditure would be spent at local businesses within the North Sydney Centre, predominately on convenience-related goods and services such as lunches, coffees, snacks, gifts, personal accessories and personal and medical services.

Resident Expenditure on Goods and Services

We also estimate that residents of North Sydney typically spend on average \$17,000 per year on retail goods and services¹⁴. Population forecasts and consumption trends suggest that retail expenditure generated *each week* by North Sydney's residents will increase from approximately \$1.9 million in 2011 to over \$3 million by 2031. It should be noted that only a proportion of expenditure by residents would be captured by local businesses within North Sydney' Centre as expenditure is drawn to higher order centres with greater supermarket and anchor retailers.

Based on the North Sydney's current retail offer, the types of businesses most likely to attract this additional retail expenditure are local restaurants, cafes, bars, speciality food stores, fast food outlets, personal services and convenience stores/mini markets. Greenwood Plaza is also likely to benefit due to its broad range of convenient speciality shops and the presence of a small supermarket. Greenwood Plaza is currently performing 16% better than the median for similar sized shopping centres. This over trading may indicate an undersupply of certain types (and quality) of retail floorspace in the North Sydney Centre¹⁵.

In summary these retail expenditure forecasts illustrate the potential benefit to North Sydney's local businesses if they can provide the goods and services demanded by the growing number of residents and workers in the Centre.

2.3 THE BOTTOM LINE

- According to the ABS Census, North Sydney's resident population was 6,258 in 2011 and is anticipated to grow by nearly 2,000 people between 2011 and 2031;

¹² BTS Employment Forecasts 2006-2046, August 2012 Release – Travel zones 2347, 2353, 2354, 2358, 2359, 2360 & 2361 (this excludes Milsons Point)

¹³ Based on Hill PDA's experience which indicates that around 15- 20% of household income is spent close to workers place of work. This is variable and highly dependent on the range of retail facilities provided locally.

¹⁴ Based Hill PDA retail expenditure model which draws on Marketinfo 2009 data and the ABS Household Expenditure Survey 2003-04 (the latest available survey)

¹⁵ Shopping Centre News – 2012 Mini Guns. Vol 30, No 4, 2012

- Compared to Greater Sydney, those living in North Sydney tend to be younger, wealthier, better educated, less likely to own a car or have children and more likely to be employed as professionals and managers and work in financial and insurance services;
- In 2011 approximately 39,086 people were employed in the North Sydney Centre. Professional, financial and insurance services make up the largest share of the Centre's economy, employing 17,086 people or 46% of its workforce;
- The number of people working in the Centre is forecast to increase between 2011 and 2031 by 10,810 people to 51,599. By 2031 it is anticipated 69% of all jobs in the North Sydney Centre will be in the professional, financial and insurance services and information media and telecommunications sectors (up from 55% in 2011);
- Cafes, restaurants, take away food stores and taverns currently account for 36% of all street level/shop front floorspace in the North Sydney Centre. Clothing stores, specialty non-food premises and personal services make a further 25%. Commercial service shop front premises represent 24% of floorspace in the Centre;
- By 2031 North Sydney's workers have the potential to spend over \$4 million on retail goods and services *each week* at the Centre's local businesses, an estimated increase of \$1.5 million a *week* when compared to 2013; and
- Population forecasts and consumption trends suggest that retail expenditure generated *each week* by North Sydney's residents will increase from approximately \$1.9 million in 2011 to \$2.9 million by 2031.

3. TRENDS INFLUENCING THE CENTRE

Looking ahead to the next 20 years it is anticipated that the following trends and factors will increasingly influence and shape commercial centres like North Sydney Centre.

3.1 THE NEW ECONOMY

The New Economy is a term used to describe a knowledge and idea-based economy. In the New Economy the key to higher standards of living and job creation is the incorporation of innovative ideas and technologies in services, products and manufacturing processes. It is characterised by technological innovation, e-commerce, digital transformation, higher education, skills and open trade. It differs from past economies where there was less of a reliance on skills and education and the key driver of economic growth was the mechanisation of the production process.

The goal for economies that are adjusting to the global decline in traditional industries will be to continue to foster innovation and adaptation, to secure a range of employment options and industry diversity. In many industries, education and training, creativity and adaptation have become the principle sources of competitive advantage. Efforts made by communities to foster the New Economy need to be proactive so as to ensure that they have access to tertiary education and lifelong learning opportunities.

In the 1970's there were predictions that with technological advances, a much larger proportion of people within the service and knowledge sectors would work from home, reducing overheads and demand for office floorspace. This phenomenon has not been realised, with more than 80%¹⁶ of the persons employed across Australia still working in business premises.

Rather than a move away from business premises, technological advances have contributed towards a greater choice of locations and higher density of employment within offices with wireless networks and the like facilitating initiatives such as 'activity based workplaces'.

The increasing affluence of NSW's population and the growth of the New Economy is expected to strengthen demand for commercial office floorspace especially in key locations, close to tertiary education and transport links. The key long term trend in office development has therefore been the growth in the service and knowledge sectors. These sectors relate to civil service and public sector administration; banking, insurance and finance; private sector administration (corporate headquarters etc.); business services (law, accountancy and consultancy) and consumer services (health, education, media etc.). These trends are reflected in the forecasts for North Sydney provided in Section 2.2.

Potential implications: Increased demand for office space in North Sydney.

¹⁶ ABS Locations of Work Survey 2008

3.2 DEVELOPMENT OF ASIAN ECONOMIES

The industrialisation of Asian economies has been occurring in a piecemeal fashion for more than 50 years. Japan's rapid modernisation after 1950 was later shared by other economies such as South Korea, Hong Kong, Taiwan, Singapore and most recently, China. According to the International Monetary Fund (IMF) the growth rates of these newly industrialised Asian economies over the last 25 years have been consistently higher than advanced economies like Australia¹⁷. Deloitte Access Economics anticipates trade with Asian economies will continue to grow over the coming decades¹⁸.

The rise of Asia has had a major impact on Australia's economy, with Australia's proximity to Asian markets begin a competitive advantage. Demand for Australia's resources and services from Asia's emerging economies has increased dramatically since 1990, whilst trade with Australia's traditional trading partners such as the United States, United Kingdom, Japan and New Zealand has declined over the same period¹⁹.

The growth of Asian economies is also likely to present North Sydney with significant opportunities in the future. The expansion of Asia's middle class will generate greater demand for tertiary education which will in turn increase demand for accommodation, food and other consumer items. The modernisation of Asian economies will also increase demand for other services in which North Sydney enjoys a competitive advantage in such as professional, technical, financial and insurance services.

Potential implications: Greater demand for tertiary education, accommodation and high quality office space in North Sydney.

3.3 DEMOGRAPHIC SHIFTS

Over the coming decades Sydney will be impacted by two demographic events – firstly, substantial population growth driven largely by immigration and secondly, the aging of Australia's population as the baby boomers reach retirement age. The State Government's draft *Metropolitan Strategy for Sydney* (2013) states that by 2031 Sydney's population will grow from 4.3 million to 5.6 million and there will be 900,000 people over the age of 65, which is almost twice as many people in that age cohort.

The biggest implication of population growth for North Sydney will be the commensurate increase in demand for both households and businesses to locate in and around the Centre, although this will be influenced to a certain extent by the cost, convenience and desirability of living and working there.

As outlined in Section 2.2, between 2011 and 2031 the NSW Bureau of Transport Statistics forecasts North Sydney's resident population to increase by 1,209 people²⁰. During the same period the number of people working in the Centre is also forecast to increase by 10,810 people²¹. North Sydney is currently well positioned to

¹⁷ IMF World Economic Outlook, 2011

¹⁸ Deloitte Access Economics, Prospects and challenges for the Hunter region A strategic economic study (2013)

¹⁹ United Nations Commodity Trade Statistics Database

²⁰ BTS Population Forecasts 2006-2046, August 2012 Release – Travel zones 2347, 2353, 2354, 2358, 2359, 2360 & 2361 (this excludes Milsons Point)

²¹ BTS Employment Forecasts 2006-2046, August 2012 Release – Travel zones 2347, 2353, 2354, 2358, 2359, 2360 & 2361 (this excludes Milsons Point)

accommodate anticipated growth with fifteen major developments in the Centre either approved under LEP 2001 or currently being assessed under LEP 2013. Together these developments have the capacity to accommodate around 2,400 new residents (Table 5) and 8,700 additional office workers (Table 6).

Table 6 - Recent Commercial Developments in North Sydney Centre

Year Occupied	Address	Commercial Floorspace (sqm)	Estimated No. of Office Workers (assumes 1 worker per 20sqm & 7% vacancy)
2007	100 Arthur Street	17,085	794
2006	100 Pacific Highway	18,128	843
2010	16-40 Mount Street	28,381	1,320
2018	86-96 & 100 Mount Street	31,869	1,482
2020	88 Walker & 79-81 Berry Streets	53,169	2,472
2020	177-199 Pacific Highway	39,045	1,816
		187,677	8,727

Greater numbers of people living and working in the North Sydney Centre will increase demand for groceries, cafes, restaurants, specialty foods and personal services and in turn benefit local businesses who can meet those demands.

Some sectors of North Sydney's economy are also likely to benefit from opportunities that arise on account of the area's aging population. Consistent with broader trends between 2011 and 2031 the number of people living in the North Sydney LGA aged over 65 years is forecast to rise by 55%²². Retirees living in the area, downsizing from larger dwellings are likely to increase demand for apartments in and around the North Sydney Centre where they can age in place and be in close proximity to health services and amenities such as public transport, retail and community facilities.

Potential implications: Increased demand for dwellings, office and retail floorspace, public transport and social infrastructure.

3.4 BUILDING SUSTAINABILITY AND PERFORMANCE

Building sustainability and performance is an increasingly important consideration for building owners and tenants. A Jones Lang LaSalle survey (2009) found that whilst only 37% of corporate occupiers were willing to pay rental premiums of between 1-10% for sustainable floorspace, almost 90% considered green building certification when selecting premises²³. This trend is largely a consequence of recent legislative changes by the Federal Government, shifting tenant preferences and owners recognition that greener buildings can deliver higher returns. In response many building owners seek to retro-fit and reposition their assets to meet the markets growing awareness and expectations of sustainable floorspace.

²² BTS Population Forecasts 2006-2046, August 2012 Release – North Sydney LGA

²³ The Jones Lang LaSalle 2009 global survey on Corporate Real Estate and sustainability indicates that an increasing number of corporate executives consider sustainability to be a critical business issue.

Recognising the importance of supporting the commercial office industry through sustainability efforts, the NSW Office of Environment and Heritage has sponsored legislative change in the form of Environmental Upgrade Agreements (EUAs). EUAs facilitate innovative funding by allowing building owners to repay a loan for building upgrades via a local council charge on the site. This mechanism is already available to buildings in Sydney City and Parramatta City and North Sydney Council is working toward introducing its own.

Potential implications: Greater demand for existing and new higher grade office buildings. This will necessitate refurbishment or replacement of the Centre's lower grade building stock.

3.5 LIFESTYLE PREFERENCES

An increase in the number of working hours per household has resulted in time pressures for the workforce. Linked to this is the impact of a greater proportion of dual income earning households that means less time for family responsibilities. A major contributing factor to this has been the steady increase in the employment rate for women in Australia from 29% in 1954 to 47% in 1980 to 56% in 2011²⁴ with almost half of these women having dependent children.

As a result, places that enable workers to conveniently access public transport and combine paid work, leisure and family responsibilities have become increasingly attractive. Sydney's office market is highly competitive and locations like Norwest, Macquarie Park and Barangaroo realise their success depends on providing a vibrant mix of uses including shops, child care, parks and retail that are attractive to office workers who are increasingly time poor.

North Sydney's commercial core is conveniently situated in close proximity to a limited range shops and services, a major transport interchange and some of the best schools in Sydney. It already has many of the key elements to be more attractive to workers than some competing office locations and the business parks. This is supported by the findings of the North Sydney's office tenant's survey undertaken to inform the *North Sydney Centre Commercial Study* (2013). When asked what the most prominent features were influencing their choice of location, tenants responded:

- Availability of public transport (76% of respondents);
- Being close to the Sydney CBD (62%);
- Being close to clients and customers (47%);
- Desirable location for attracting staff (45%); and
- Fitting in with your corporate image (44%).

However, the same survey identified improvements tenants thought necessary in the North Sydney Centre including:

- Better retail provision / variety;

²⁴ ABS Census 2011

- Cheaper / more parking for staff;
- More bars / cafes;
- Better public transport; and
- Better outdoor landscaping / spaces for pedestrians and people having lunch.

Potential implications: To remain competitive within Sydney's commercial marketplace, North Sydney Centre must build on its lifestyle and convenience offering.

3.6 THE BOTTOM LINE

- The increasing affluence of NSW's population and the growth of the **New Economy** is expected to strengthen demand for commercial office floorspace especially in key locations, close to tertiary education and transport links. The key implication for North Sydney will be greater demand for high quality office space driven by growth in the banking, insurance, finance and business services;
- The **economic growth of Asia** has had a major impact on Australia's economy; with Australia's proximity to Asian markets being a competitive advantage. The expansion of Asia's middle class will generate greater demand for services provided by North Sydney in such as professional, technical, financial, insurance and education services. The key implication for North Sydney will be greater demand for tertiary education, accommodation and high quality office space in the Centre;
- Over the coming decades Sydney will be impacted by two **demographic events** – firstly, substantial population growth driven largely by immigration and secondly, the aging of Australia's population as the baby boomers reach retirement age. The key implication for North Sydney will be increased demand for dwellings, office and retail floorspace, public transport and social infrastructure;
- **Environmental sustainability and performance** is an increasingly important consideration for building owners and tenants. Many building owners find themselves looking to retro-fit and reposition their assets to meet the markets growing awareness and expectations of sustainable floorspace. The key implication for North Sydney will be greater demand for existing and new higher grade office buildings. This will necessitate refurbishment or replacement of the Centre's lower grade building stock; and
- An increase in the number of working hours per household has resulted in time pressures for the workforce. Linked to this is the impact of a greater proportion of dual earning households that means less time for family responsibilities. As a result, places that enable workers to conveniently access public transport and combine paid work, leisure and family responsibilities are becoming increasingly attractive. As a consequence for North Sydney to remain competitive it must build on its **lifestyle and convenience offering**, including its evening and weekend economy.

4. IMPLICATIONS FOR LAND USE REQUIREMENTS

This Chapter outlines the implications of the economic trends outlined in preceding Chapters on demand for office, retail and residential floorspace in the North Sydney Centre.

4.1 OFFICE SPACE

2011 – Current Situation	2031 – Long Term Forecast
40,789 workers in Centre ²⁵	51,599 workers in Centre
26,734 core office based workers in Centre ²⁶	38,655 core office based workers in Centre
Professional services: 30% of workforce	Professional services: 45% of workforce
Financial & Insurance Services: 15% of workforce	Financial & Insurance Services: 17% of workforce
Information Media & Telecommunications: 7% of workforce	Information Media & Telecommunications: 7% of workforce
<p>According to the NSW Bureau of Transport Statistics the number of people working in North Sydney's office based industries will increase by 11,921 between the years of 2011 and 2031²⁷. This number of new office workers will require the Centre to accommodate up to 240,000sqm of additional office floorspace²⁸.</p> <p>In line with these forecasts, the State Government's draft <i>Metropolitan Strategy for Sydney</i> (2013) has set a target for North Sydney to accommodate an additional 12,000 jobs by 2031.</p>	<p>Figure 6 - Office floorspace in North Sydney Centre</p> <p>The bar chart displays two vertical bars. The first bar, colored blue, represents 'Office Floorspace in 2011 (sqm)' with a value of 860,000. The second bar, colored orange, represents 'Office Floorspace required by 2031 (sqm)' with a value of 1,100,000. The x-axis labels are 'Office Floorspace in 2011 (sqm)' and 'Office Floorspace required by 2031 (sqm)'. The y-axis represents the amount of office floorspace in square meters.</p> <p>Source: Hill PDA, PCA</p>

4.2 RETAIL SPACE

2011 – Current Situation	2031 – Long Term Forecast
44,725sqm total street level/shopfront floorspace in Centre	61,000sqm total street level/shopfront floorspace in Centre
26,812sqm retail floorspace in Centre	37,900sqm retail floorspace in Centre
10,694sqm commercial service floorspace in Centre	15,000sqm commercial service floorspace in Centre
<p>The growth of people living and working in the Centre between 2011 and 2031 will generate further demand for goods and services which, in turn, will require additional floorspace to meet that demand. By 2031 it is estimated there will be sufficient demand to accommodate around 16,000sqm of additional retail and commercial street level/shopfront floorspace in the Centre.</p>	

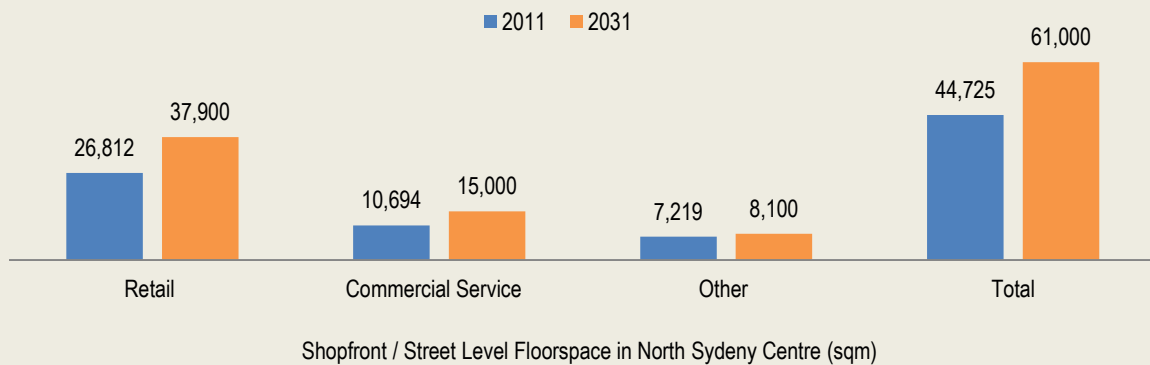
²⁵ Note the number of workers in the North Sydney Centre varies between NSW BTS Datasets. BTS/JTW 2013 identifies 39,086 workers in Centre while BTS Employment Forecasts 2006-2046, August 2012 Release identifies 40,789 workers.

²⁶ Core office based workers are defined as people in the following industries Professional, Scientific and Technical Services; Financial and Insurance Services; Administrative and Support Services; Public Administration and Safety; Information Media and Telecommunications; and, Rental, Hiring and Real Estate Services.

²⁷ BTS Employment Forecasts 2006-2046, August 2012 Release

²⁸ NLA based on 20 sqm per office worker

Figure 7 - Shopfront /Street Level Floorspace in North Sydney Centre (sqm)



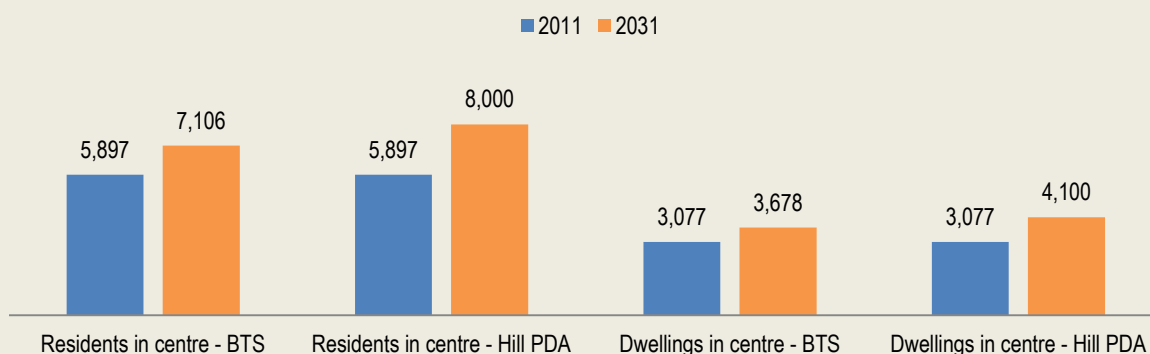
Source: Hill PDA

4.3 RESIDENTIAL SPACE

2011 – Current Situation	2031 – Long Term Forecast
5,897 residents in Centre	7,106 residents in Centre
3,077 households in Centre	3,678 households in Centre
8% of resident population aged under 15 years	9% of resident population aged under 15 years
15% of resident population aged over 65 years	18% of resident population aged over 65 years

According to the NSW Bureau of Transport Statistics (BTS) the number of people living in the suburb of North Sydney will increase by 1,209 between the years of 2011 and 2031²⁹. During this time the number of dwellings in North Sydney is forecast to increase by 601 to 3,678 dwellings³⁰. As discussed in Chapter 2 the BTS forecast is considered conservative with population and dwelling growth anticipated to be somewhat higher. Over 1,200 additional dwellings are expected to be added to the Centre’s mixed use area over the next decade which translates to almost 2,500 additional residents.

Figure 8 - Residents and Dwellings in North Sydney Centre



Source: BTS, Hill PDA

²⁹ BTS Population Forecasts 2006-2046, August 2012 Release – Travel zones 2347, 2353, 2354, 2358, 2359, 2360 & 2361 (this excludes Milsons Point)

³⁰ BTS Dwelling Forecasts 2006-2046, August 2012 Release – Travel zones 2347, 2353, 2354, 2358, 2359, 2360 & 2361 (this excludes Milsons Point)

4.4 THE BOTTOM LINE

- The draft *Metropolitan Strategy for Sydney* (2013) has set a target for the North Sydney Centre to accommodate an additional 12,000 jobs by 2031. This number of new office workers will require the Centre to accommodate up to 240,000sqm of additional **office floorspace**.
- Over 1,200 additional **dwellings** are expected to be added to the Centre's mixed use area over the next decade which translates into nearly 2,500 additional residents.
- The growth of people living and working in the Centre between 2011 and 2031 would generate further demand for goods and services which, in turn, would require additional floorspace to meet that demand. By 2031 it is estimated there would be sufficient demand to accommodate approximately 16,000sqm of additional **retail and commercial street level/shopfront floorspace** in the Centre.

PART 2: SCENARIO TESTING NORTH SYDNEY'S FUTURE



In addition to baseline forecast, Hill PDA considered four 'what if' scenarios and assessed the potential impacts of each scenario to the vitality and viability of North Sydney Centre. The scenarios assessed are:

1. North Sydney's commercial core is protected but its office market stagnates;
2. North Sydney's commercial core is protected and its office market grows;
3. Residential development replaces commercial floorspace in North Sydney's core; and
4. Office and residential uses both expand in the commercial core.



5. TESTING FUTURE PLANNING SCENARIOS

To inform our recommendations we have considered four scenarios relating to alternate policy and market outcomes and assessed their potential impacts on the North Sydney Centre. The scenarios assessed are:

Scenario 1 – North Sydney’s office market stagnates

- *What if* the commercial core of North Sydney Centre remains protected **BUT** no additional commercial floorspace is developed in the core owing to market trends?

Scenario 2 – North Sydney’s office market grows and becomes more competitive

- *What if* the commercial core remains protected **AND** additional commercial floorspace is developed in the core in line with job growth forecasts and market trends?

Scenario 3 – Residential development replaces some commercial floorspace in North Sydney’s core

- *What if* some residential is permitted in commercial core **BUT** no additional commercial floorspace is developed in the core owing to market trends?

Scenario 4 – North Sydney’s office and residential market grow together in an intensified Core

- *What if* some residential is permitted in commercial core **AND** additional residential and commercial floorspace is developed in the core?

This Chapter explains and analyses each of these scenarios and their pros and cons.

5.1 SCENARIO ASSUMPTIONS AND ASSESSMENT CRITERIA

5.1.1 SCENARIO ASSUMPTIONS

Scenario 1 Assumptions

Scenario 1 maintains the current policy of protecting the commercial core and only permitting residential development on North Sydney Centre’s fringe. It also assumes no new office floorspace will be constructed in the North Sydney Centre over the next 20 years and the supply of office floorspace will remain unchanged at 860,000sqm. Whilst this scenario is unlikely it remains a useful exercise to see what the potential consequences might be if the Centre fails to improve its competitiveness by increasing the quality and quantity of its building stock.

Scenario 2 Assumptions

Scenario 2 also protects the commercial core, however, it considers the impacts of the Centre’s commercial floorspace increasing from 860,000sqm to 1,100,000sqm by 2031 to accommodate State Government job forecasts and targets outlined in Section 4.1 of this Study. This scenario is considered the ‘base case’ as it reflects the State Government’s current strategy for the Centre.

Scenario 3 Assumptions

Scenario 3 considers the impact of permitting some residential development in the commercial core. It assumes there would be no increase in commercial floorspace in the Centre and new residential development would replace existing commercial floorspace. For analytical purposes we have assumed this scenario could result in the construction of approximately 1,500 dwellings in the Centre's core and the loss of 130,000sqm office floorspace³¹ (which is the equivalent of around 15% of the Centre's existing 860,000sqm commercial floorspace).

Scenario 4 Assumptions

Scenario 4 also considers the impact of permitting some residential development in North Sydney Centre's commercial core. The Scenario however assumes that a substantial amount of new commercial and residential development would occur concurrently and increase the total amount of floorspace in the Centre's core, requiring substantially higher densities than permitted under current planning controls. For analytical purposes we have assumed:

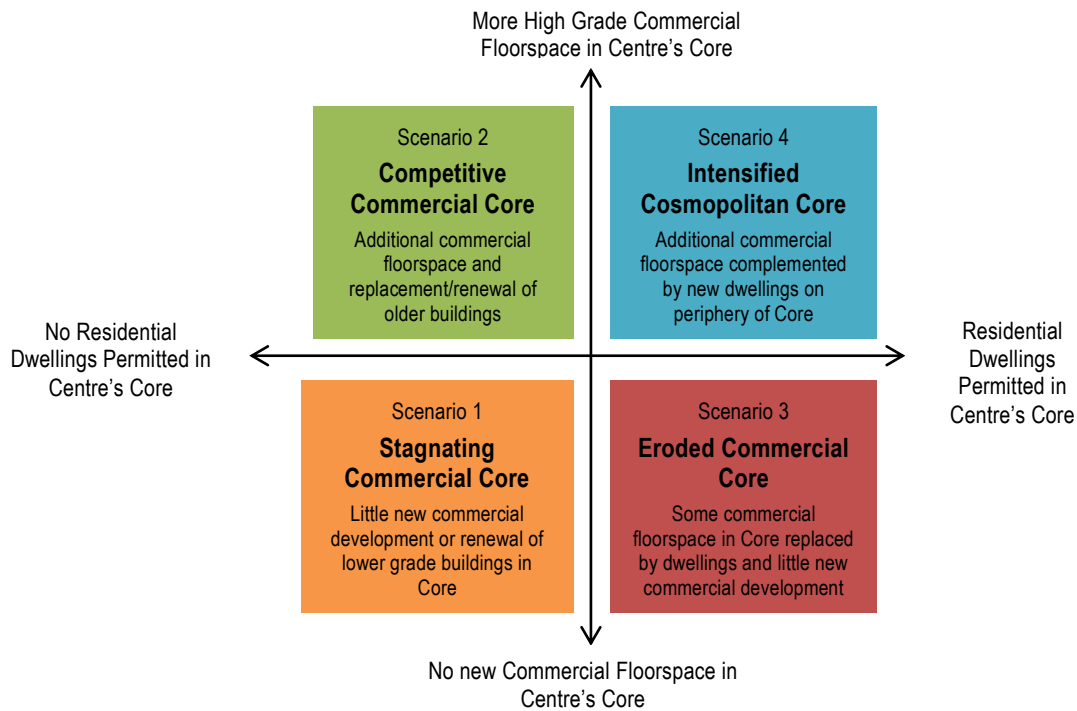
- Commercial floorspace increasing from 860,000sqm to 1,100,000sqm by 2031 to accommodate State Government job forecasts and targets outlined in Section 4.1 of this Study; and
- Around 130,000sqm of residential floorspace being added to the Centre's core which could equate to around 1,500 dwellings³².

The four scenarios being tested are described and illustrated in the following figure.

³¹ 1,500dwellings is based on 130,000sqm of gross residential floorspace at average gross floorspace of 87sqm per dwelling/apartment.

³² Ibid.

Figure 9 - North Sydney Centre Future Planning Scenarios



Source: Hill PDA, 2013

5.1.2 ASSESSMENT CRITERIA

Each of the four scenarios are tested against the following criteria:

- Impact on the prestige and performance of the North Sydney Centre office market;
- Impact on the supply of commercial floorspace in the North Sydney Centre and its employment targets;
- Impact on housing supply in the North Sydney LGA;
- Impact on economic activity and vitality of the North Sydney Centre & its housing targets;
- Impact on social infrastructure; and
- Impact on Council's rate revenue.

5.1.3 IMPACT RATINGS

The Chapter also ranks the significance of the impacts in accordance with methodology set out in the table below as either:

- Positive, negative or uncertain; and
- Significant, moderate, slight or neutral.

Table 7 - Assessment Rating Levels

Rating Level	Description
Significant Negative	Impacts with serious, long term and possibly irreversible effects leading to serious damage, degradation or deterioration of North Sydney Centre's economic competitiveness and vitality.
Moderate Negative	Impacts on North Sydney Centre's economic competitiveness and vitality may be short, medium or long term in duration and may be offset/reversible through mitigation polices.
Slight Negative	Impacts have minor negative effect on North Sydney Centre's economic competitiveness and vitality. Could be short term and mitigated through appropriate actions/policies.
Neutral	No discernible or predictable positive or negative impact on North Sydney Centre's economic competitiveness and vitality.
Slight Positive	Impacts have small positive effect on North Sydney Centre's economic competitiveness and vitality. Could possibly be short term or limited to small number of stakeholders.
Moderate Positive	Impacts may be short, medium or long term in duration. Positive outcome may be in terms of new opportunities and outcomes of enhancement or improvement.
Significant Positive	Impacts resulting in substantial and long term improvements or enhancements to North Sydney Centre's economic competitiveness and vitality.
Uncertain	Impacts on North Sydney Centre's economic competitiveness and vitality unclear over the medium to long term due to uncertainties around market dynamics.

Source: Adapted from the Strategic Merit Test, National Guidelines for Transport System Management in Australia (2nd Edition) by Hill PDA

5.2 SCENARIO TESTING

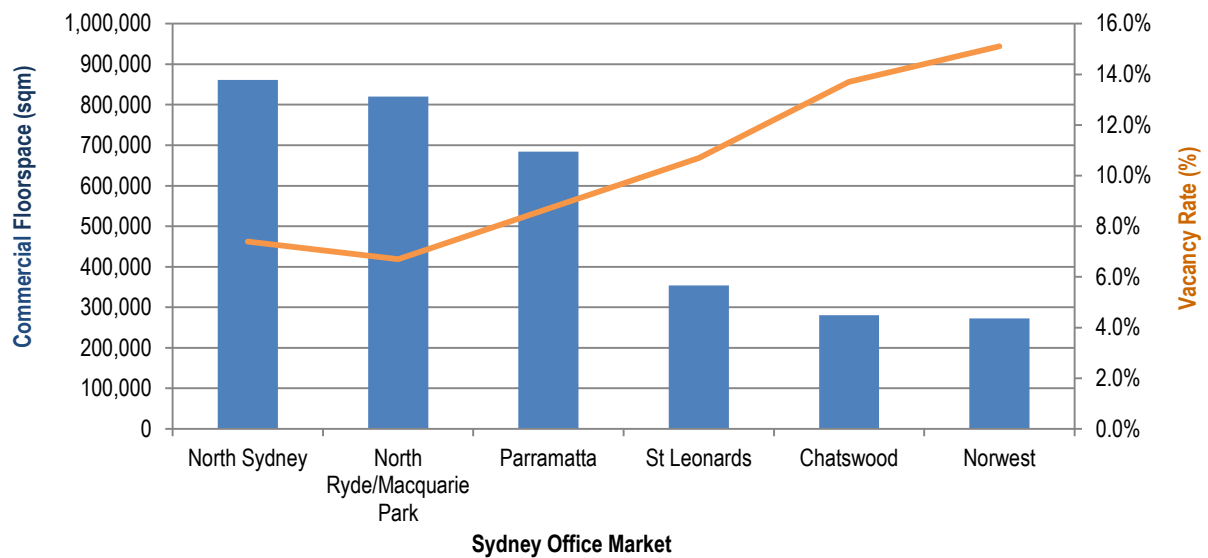
This section tests each of the four scenarios in light of the aforementioned criteria.

5.2.1 IMPACT TO THE PRESTIGE AND PERFORMANCE OF OFFICE MARKET

The competitiveness of North Sydney's is reliant on its position as one of Australia's largest office markets. The prestige attached to office markets are influenced by many factors, not least the type of tenants, land and rental values, location, attractiveness, convenience, access to transport and proximity to customers, competitors and complementary businesses. However, the most important factor influencing the prestige of office markets is their size. With more than 860,000sqm of commercial floorspace North Sydney remains the State's second largest office market.

Whist size alone does not guarantee success, North Sydney's competitiveness will hinge largely on its ability to retain a 'critical mass'. Figure 9 shows vacancy rates for Sydney's three largest office markets outside Sydney CBD (which are North Sydney, North Ryde/Macquarie Park and Parramatta) range between 6.7% and 7.4%. In contrast, vacancy rates for the smaller markets of St Leonards, Chatswood and Norwest are 10.7%, 13.7% and 15.1% respectively.

Figure 10 - Sydney Office Market Size and Vacancy Rates 2012



Source: Colliers International Sydney Metropolitan Office Market Report 2012

Current indications are that the North Sydney Centre derives a competitive advantage from its critical mass. It also has limited scope to expand outwards. As such, any reduction or dilution in existing office floorspace could jeopardise this critical mass and the benefits associated with it. Therefore the introduction of residential uses within the North Sydney Centre has the potential to erode one of North Sydney Centre's primary competitive advantages as occurred in nearby Chatswood.

The mix and presence of residential uses in the Chatswood office precinct resulted in a focus that is not purely commercial, detracting from its key attributes as a major office location with excellent transport infrastructure. Despite offering excellent staff amenity, there is anecdotal evidence suggesting this is a significant factor in the lack of tenant demand in Chatswood, as occupiers deem the introduction of residential uses as lowering the prestige associated with the location as a business hub as well as potential conflicting interests.

The impact of allowing residential development in the North Sydney Centre was discussed with investors during the preparation of the *North Sydney Centre Commercial Centre Study* (2013). The Study found:

There are mixed attitudes in relation to the exclusion of residential development in the North Sydney CBD. The major concerns amongst respondents that are opposed or unsure about the inclusion of residential development within the North Sydney CBD was the "Chatswood" syndrome where too much residential development had been constructed adjacent to office accommodation. It was felt by these groups that poor integration of residential development within the commercial core could have the potential knock on effect of tenants leaving and North Sydney becoming predominately residential. Others see the development of residential within the CBD as essential for reigniting the atmosphere of the area by activating the area outside of core business hours and an opportunity for better utilisation of the older office market stock. All respondents agreed that residential development was appropriate at least on the periphery of the core commercial area and felt that an increased local population within walking distance of the commercial core could assist to invigorate North Sydney outside of core business hours.

The potential impact of the four scenarios on the prestige and performance of North Sydney Centre office market is discussed in the table below.

Table 8 - Scenario Testing: Impacts on the Prestige and Performance of North Sydney Centre

Scenario Description	Impact of Scenario on prestige and performance of North Sydney Centre office market	
<p>Scenario 1 <i>What if the commercial core of North Sydney Centre remains protected BUT no additional commercial floorspace is developed in the core?</i></p>	<p>Moderate Negative</p>	<p>North Sydney Centre would retain its position as a major office market but without renewal and replacement of lower grade stock it would become less competitive against the likes of Sydney CBD's western corridor and to a lesser extent Macquarie Park and Barangaroo.</p>
<p>Scenario 2 <i>What if the commercial core remains protected AND additional commercial floorspace is developed in the core in line with job growth forecasts?</i></p>	<p>Significant Positive</p>	<p>North Sydney could enhance its position and prestige as one of Australia's most desirable office markets by expanding the quantity of high grade office floorspace in the Centre. This would require substantial replacement and renewal of existing lower grade stock.</p>
<p>Scenario 3 <i>What if some residential is permitted in commercial core BUT no additional commercial floorspace is developed in the core?</i></p>	<p>Significant Negative</p>	<p>This scenario would result in significant erosion of North Sydney Centre's prestige and performance. Outcome likely to be similar to Chatswood which saw office vacancy rates increase and increased pressure for residential development grow (i.e. slippery slope).</p>
<p>Scenario 4 <i>What if some residential is permitted in commercial core AND additional residential and commercial floorspace is developed in the core?</i></p>	<p>Uncertain</p>	<p>Impact on prestige could be negative or positive with the outcome depending on a number of factors. Impact could be positive provided the following occurred together: the amount of commercial floorspace increased; lower grade stock was replaced by higher grade stock; and new residential development only permitted on underutilised sites on the periphery of the core that are unviable to redevelop as higher grade office stock (viability would have to be proven through open book viability assessment). Without all three of these factors the impact of the scenario on the prestige of the Centre is likely to be negative.</p>

5.2.2 IMPACT ON SUPPLY OF COMMERCIAL FLOORSPACE AND JOB TARGETS

The role and significance of the North Sydney Centre as a one of Australia's major commercial centres is well established and continues to be supported by the State Government and North Sydney Council. Under the State Government's current *Metropolitan Plan for Sydney to 2036* (2010), the Sydney CBD and North Sydney Centre share the highest place in Sydney's centres hierarchy by being designated 'Global Sydney'. This classification recognises their role as the financial, economic and cultural heart of Sydney³³. Key objectives identified in the

³³ Metropolitan Plan for Sydney to 2036, NSW Department of Planning and Infrastructure (2010)

Plan include boosting North Sydney's economic role in Global Sydney and the Global Economic Corridor and ensuring adequate capacity for new office and visitor accommodation³⁴. Under the Plan the North Sydney CBD was expected to accommodate 14,000 additional jobs between 2006 and 2036 (i.e. 14,000 over 30 years).

The draft *Metropolitan Strategy for Sydney* (2013) articulates the State Government's latest vision for Greater Sydney and will replace the 2010 Plan and its targets. It reinforces North Sydney's role as one half of Sydney's Global City and includes an action to "Ensure sufficient capacity within planning controls for appropriate growth in office space in Central Sydney, North Sydney, Parramatta, Penrith and Liverpool"³⁵. The draft Strategy has set a revised target for the North Sydney Centre to accommodate an additional 12,000 jobs between 2011 and 2031 (i.e. 12,000 jobs over 20 years). This target whilst lower in quantum is more ambitious than the 2010 Plan because its to occur in less time. Council has reinforced North Sydney's role as one of Australia's major office markets through the *North Sydney Local Environmental Plan 2013* which provides sufficient capacity to accommodate over 200,000sqm of additional commercial floorspace in the Centre.

With regard to the quality of office space in the North Sydney Centre, interviews with investors, real estate agents and other groups undertaken as part of the *North Sydney Centre Commercial Centre Study* (2013) found that:

There is a general consensus that North Sydney is a second tier office market and that premium stock is in short supply. There is a need for more A grade stock with larger floor plates (>1,500 sqm) if North Sydney is going to remain competitive in the market.

This suggests that if North Sydney is to enhance its competitiveness, accommodate employment growth and realise job targets it will need to increase both the quantity *and* quality of commercial floorspace within the commercial core. The potential impacts of the four scenarios on the supply of commercial floorspace in North Sydney Centre and employment targets are discussed in the table below.

Table 9 - Scenario Testing: Impacts on Supply of Commercial Floorspace and Employment Targets

Scenario Description	Impact of scenario on supply of commercial floorspace in North Sydney Centre and employment targets	
<p>Scenario 1 <i>What if the commercial core of North Sydney Centre remains protected BUT no additional commercial floorspace is developed in the core?</i></p>	<p>Moderate Negative</p>	<p>Under this scenario the State Government's vision and job targets for North Sydney, as outlined in the draft <i>Metropolitan Strategy for Sydney</i> (2013) could not be achieved. Rather, the scenario would see the level of commercial floorspace and number of jobs in the Centre stagnate and possibly decline. Without expanding the quality of high grade floorspace North Sydney Centre's competitive position as a major office market would be diluted and further pressure would mount to allow residential in the commercial core, which if allowed, would only erode the competitiveness of North Sydney's office market further (i.e. slippery slope)</p>

³⁴ Ibid

³⁵ Draft Metropolitan Strategy for Sydney, NSW Department of Planning and Infrastructure (2013)

Scenario Description	Impact of scenario on supply of commercial floorspace in North Sydney Centre and employment targets	
Scenario 2 <i>What if the commercial core remains protected AND additional commercial floorspace is developed in the core in line with job growth forecasts?</i>	Significant Positive	This scenario would see the North Sydney Centre accommodate in the order of 240,00sqm of additional commercial floorspace and 12,000 further workers. This scenario would realise the State Government's current vision for the Centre as outlined in the draft <i>Metropolitan Strategy for Sydney (2013)</i> and enhance its competitiveness as one of Australia's major office markets.
Scenario 3 <i>What if some residential is permitted in commercial core BUT no additional commercial floorspace is developed in the core?</i>	Significant Negative	This scenario would see around new 1,500 dwellings and 2,850 residents replace 130,000sqm of commercial floorspace and more than 6,000 workers ³⁶ . The State Government's vision and job targets for North Sydney, as outlined in the draft <i>Metropolitan Strategy for Sydney (2013)</i> would not be achieved. North Sydney Centre's competitive position as a major office market would be eroded and further pressure would mount to allow residential in the commercial core, which if allowed, would only erode the competitiveness of North Sydney's office market further (i.e. slippery slope).
Scenario 4 <i>What if some residential is permitted in commercial core AND additional residential and commercial floorspace is developed in the core?</i>	Uncertain	This scenario would see the North Sydney Centre accommodate up to 240,00sqm of additional commercial floorspace and 12,000 further workers. This scenario would realise the State Government's current vision for the Centre as outlined in the draft <i>Metropolitan Strategy for Sydney (2013)</i> . However, there is a substantial risk that new residential development in the core – if excessive and poorly located – could crowd out and undermine the attractiveness and viability of new commercial development.

5.2.3 IMPACT ON HOUSING SUPPLY

Demand for housing in Sydney remains strong as a result of population growth and high levels of employment. Supply has been restricted however in recent years as a result of high land prices and difficulty for securing finance post the GFC. A combination of strong demand and restricted supply indicates that the outlook for the residential property market remains good. The key drivers to Sydney's residential property market are:

- Interest rates underpinning affordability;
- A long term trend towards smaller household sizes;
- High cost of ownership forcing more people to rent maintaining a strong demand for rental properties;

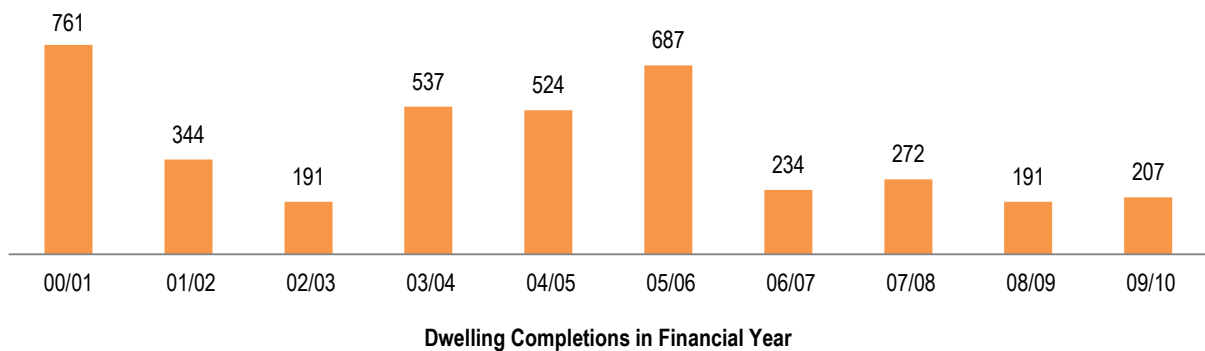
³⁶ Assumes 20sqm/worker and 7% average vacancy rate

- Downsizing of empty nesters, and home owners under pressure of large mortgage repayments; and
- Strong population growth from international migration and natural increase.

Industry sources report that Sydney is experiencing its lowest rate of housing growth in 50 years³⁷ with the gap between housing demand and supply worsening. According to Access Economics, NSW has slumped from contributing more than one third of new housing in Australia to less than a fifth in a single decade, with little indication that this trend will change in the short term. To exemplify this point, between 2007 and 2008 only 15,000 additional dwellings were built in the Sydney Statistical Division in comparison to 32,000 between 1999 and 2000³⁸.

With particular reference to the North Sydney LGA, the table below indicates the number of dwelling completions over the 2000 to 2010 period.

Figure 11 - Dwelling Completions in North Sydney LGA (2000 to 2010)



Source: Metropolitan Development Program 2010/11 Report South, NSW Department of Planning and Infrastructure

Although housing completions since 2006/07 continue to remain well below the 10 year average of 395 per annum, there are early indications that housing completions will improve over the coming years, with investment incentivised as a result of continued low levels of vacancy and rising rents. A large proportion of the LGA’s dwelling completions are expected to be in the mixed use areas of the North Sydney Centre.

As discussed in Section 2.2 above, 716 dwellings have been approved in the North Sydney Centre under the North Sydney LEP 2001 with a further 567 dwellings under assessment. In total 1,283 additional dwellings will be completed in the Centre in coming years accommodating around 2,438 residents once fully developed and occupied. This is based on applying the average household size of 1.9 persons per dwelling which is the current occupancy rate for the suburb of North Sydney³⁹.

The potential impacts of the four scenarios on the housing supply in the North Sydney LGA are discussed in the table below.

Table 10 - Scenario Testing: Impact on Housing Supply

Scenario Description	Impact of scenario on housing supply in the North Sydney LGA
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³⁷ Source: Rents to soar as housing crisis worsens, Daily Telegraph March 25, 2009

³⁸ Source: Metropolitan Strategy Review, Sydney Towards 2036, NSW Government

³⁹ 2011 ABS Census - State Suburb SSC11764

Scenario Description	Impact of scenario on housing supply in the North Sydney LGA	
Scenario 1 <i>What if the commercial core of North Sydney Centre remains protected BUT no additional commercial floorspace is developed in the core?</i>	Neutral	Neither of these scenarios would permit residential in the commercial core and as such would have nil effect on the supply of housing in the LGA.
Scenario 2 <i>What if the commercial core remains protected AND additional commercial floorspace is developed in the core in line with job growth forecasts?</i>	Neutral	
Scenario 3 <i>What if some residential is permitted in commercial core BUT no additional commercial floorspace is developed in the core?</i>	Moderate Positive	Each of these scenarios would add 1,500 dwellings to the North Sydney Centre's current commercial core. Whilst it is unlikely the dwellings would be within the affordable range for low or very low income households, they would none the less contribute towards the supply of housing in the LGA. Additional dwellings in the Centre could increase job containment rates (that being the number of people who both live and work in the Centre). Supply of new dwellings may also serve to attract investment from Asia in the form of student, professionals and firms who wish to purchase dwellings in close proximity to North Sydney, Sydney CBD and universities.
Scenario 4 <i>What if some residential is permitted in commercial core AND additional residential and commercial floorspace is developed in the core?</i>	Moderate Positive	

5.2.4 IMPACT ON THE CENTRE'S ECONOMIC VITALITY

During peak hours North Sydney's local economy benefits substantially from the economic activity and street level vitality generated by over 40,000 people who work there. Combined, it is estimated that these workers spend in the order of \$2.7 million a week in North Sydney's local restaurants, cafes, bars, speciality food stores, fast food outlets, personal services and other local businesses. During the evening and on weekends economic activity drops substantially on account of fewer workers in the Centre and local residents doing the bulk of their spending at other locations.

As outlined in Section 2.2 above the 5,897 people living in and around the North Sydney Centre generated around \$1.9 million in retail expenditure each week (\$99m a year). It is also estimated that the 1,360 future residents living in the 719 dwellings recently approved in North Sydney Centre's mixed use areas will generate a further \$445,000 of retail expenditure each week (\$23m a year). The additional 1,077 residents living in the 567 dwellings under assessment would also generate \$352,000 of retail expenditure each week (\$18m a year).

However, it should be noted that due to North Sydney's limited retail offer and poor amenity, a minor proportion of this expenditure generated by local residents is likely to be captured by businesses within the Centre. Expenditure in department stores, hardware and bulky goods stores, for example, would largely be directed to higher order centres or homemaker centres. Such destinations serve larger trade areas which residents visit less frequently.

It is expected the bulk of spending by North Sydney’s current and future residents on groceries would leak to the surrounding suburbs of Neutral Bay and Crows Nest which contain at least one full-line supermarket. It is also likely that expenditure on other retail types (i.e. restaurants, speciality food, fast food, personal services) would also occur whilst shopping at these locations further eroding the potential expenditure that North Sydney’s businesses can capture.

The potential impacts of the four scenarios on economic activity within the North Sydney Centre are discussed in the table below.

Table 11 - Scenario Testing: Impacts on Economic Activity within the North Sydney Centre

Scenario Description	Impact of scenario on economic activity in the North Sydney Centre	
<p>Scenario 1 <i>What if the commercial core of North Sydney Centre remains protected BUT no additional commercial floorspace is developed in the core?</i></p>	<p>Slight Negative</p>	<p>Under this scenario economic activity during peak hours would continue to be strong and driven by large numbers of workers. Expenditure levels of workers in the Centre’s economy would largely be determined by vacancy levels and the quality of retail offer in the Centre and broader economic conditions. There is also a risk that unless North Sydney expands the quantity of high grade floorspace available, its competitive position as a major office market will be eroded and vacancy levels will rise, in turn leading to reduced economic activity. Furthermore, without a program of initiatives to activate the Centre, economic activity after peak hours would remain subdued under this scenario and most resident expenditure would continue escape to other centres.</p>
<p>Scenario 2 <i>What if the commercial core remains protected AND additional commercial floorspace is developed in the core in line with job growth forecasts?</i></p>	<p>Moderate Positive</p>	<p>This scenario would see economic activity in the Centre increase during peak hours. It is estimated that 12,000 further workers would inject an additional \$800,000 into the local economy each week (\$42m a year). Without a program of initiatives to activate the Centre, economic activity after peak hours would remain subdued and most resident expenditure would continue escape to other centres.</p>
<p>Scenario 3 <i>What if some residential is permitted in commercial core BUT no additional commercial floorspace is developed in the core?</i></p>	<p>Uncertain</p>	<p>Under this scenario 2,850 new residents in North Sydney’s core would generate retail expenditure in the order of \$900,000 a week (\$48m a year). However, due to North Sydney’s limited retail offer and poor amenity, only a modest proportion of expenditure by local residents would be captured by businesses within the Centre. The benefits of this resident expenditure would be further eroded by the loss of 6,000 workers and the \$390,000 a week (\$20m a year) they spend in the Centre on local restaurants, cafes, bars, speciality food stores, fast food outlets, personal services and other local businesses.</p>

Scenario Description	Impact of scenario on economic activity in the North Sydney Centre	
		Due the escape of resident expenditure to other locations it is possible this scenario would result in less economic activity in the North Sydney Centre.
Scenario 4 <i>What if some residential is permitted in commercial core AND additional residential and commercial floorspace is developed in the core?</i>	Significant Positive	If the number of people living and working in the North Sydney Centre increases so too will economic activity during peak hours, after work and during weekends. It is estimated that 12,000 further workers would inject an additional \$800,000 into the local economy each week (\$42m a year). The 2,850 new residents in North Sydney's core would also generate retail expenditure in the order of \$900,000 a week (\$48m a year). However, retaining a greater proportion of this resident spend in the local North Sydney economy would require diversification of the Centre's retail offer and implementing a program of initiatives to activate the Centre.

5.2.5 IMPACT ON SOCIAL INFRASTRUCTURE

The economic vitality of a centre is inextricably linked to the level of social infrastructure available to its workers and residents. People are attracted to live and work in places where they can conveniently access recreational facilities, open space and community facilities such as schools, hospitals, libraries, community centres and child care centres. Failure to provide sufficient social infrastructure to meet the needs of residents and workers can detrimentally impact a centre by eroding its attractiveness as a place to live and work. In short, the wellbeing of residents, workers and local economy is dependent on supplying adequate social infrastructure to meet demand.

The North Sydney LGA is well endowed with social infrastructure. Within close proximity to the North Sydney's Centre existing 26 educational establishments, three hospitals, three community centres, the Stanton Library and numerous child care centres. Whilst the LGA contains a large number of parks, playing fields and recreational facilities, the quality and quantity of public spaces in the North Sydney Centre is very limited. At peak times, Mount Street Plaza and St Leonards Park can become crowded and local child care centres are at capacity⁴⁰.

With the recent approval of 716 additional dwellings in the North Sydney Centre – which equates to 1,360 new residents – demand for social infrastructure is likely to increase substantially in coming years. Based on the NSW Department of Planning and Infrastructure's benchmarks for social infrastructure, 1,360 new residents would generate additional demand for:

- *Recreational facilities*, including: nearly two new playgrounds, 76% of a basketball court; 76% of a tennis court; 54% of a cricket field; 45% of a netball court; 45% of a rugby field; 27% of a hockey field and 27% of a soccer pitch; and

⁴⁰ Consultation with North Sydney Council Community and Library Services Division and Open Space and Environmental Services Division (2013)

- Community facilities, including: 23% of a small community centre, 23% of a pre-school, 21% of a long day child care centre, 9% of an occasional child care centre and 5% of an outside of school hours care centre.

The potential impact of the four scenarios on the demand for social infrastructure is discussed in the table below.

Table 12 - Scenario Testing: Impacts on Social Infrastructure

Scenario Description		Impact of scenario on social infrastructure	
Scenario 1	<i>What if the commercial core of North Sydney Centre remains protected BUT no additional commercial floorspace is developed in the core?</i>	Neutral	If no additional office space were developed in the North Sydney Centre the demand on social infrastructure from workers would remain around current levels and may even decrease if office vacancies in the Centre were to increase.
Scenario 2	<i>What if the commercial core remains protected AND additional commercial floorspace is developed in the core in line with job growth forecasts?</i>	Slight Negative	The addition of up to 240,000sqm of commercial floorspace and 12,000 new office workers would generate demand for social infrastructure, particularly: child care, open space and recreation facilities. Generally speaking, the level of demand for social infrastructure from workers is lower than residents.
Scenario 3	<i>What if some residential is permitted in commercial core BUT no additional commercial floorspace is developed in the core?</i>	Moderate Negative	Based on the aforementioned State Government benchmarks, the addition 1,500 dwellings and 2,850 residents in North Sydney's core would generate demand for: <i>Recreational facilities</i> , including 3 playgrounds, 1.5 basketball courts; 1.5 tennis courts; a cricket field; netball court and a rugby field; and <i>Community facilities</i> , including 48% of a small community centre, 48% of a pre-school, 45% of a long day child care centre, 19% of an occasional child care centre, 10% of an outside of school hours care centre and 8% of a library. This demand would be in addition to that generated by residents of the 716 dwellings recently approved in North Sydney Centre's mixed use areas. Demand for social infrastructure forecast under this Scenario would be offset to some degree by the 6,000 office workers that would leave the centre on account of office buildings being replaced by dwellings. However, demand for social infrastructure from workers tends to be less than residents.
Scenario 4	<i>What if some residential is permitted in commercial core AND additional residential and commercial floorspace is</i>	Moderate Negative	Scenario 4 would see 12,000 additional workers and 2,850 additional residents in the Centre generate significant demand for social infrastructure. The addition of up to 240,000sqm of commercial

Scenario Description	Impact of scenario on social infrastructure	
<i>developed in the core?</i>		<p>floorpace and 12,000 new office workers would generate demand for a range of social infrastructure, particularly: child care, open space and recreation facilities. The addition 1,500 dwellings and 2,850 residents in North Sydney's core would also generate demand for:</p> <p><i>Recreational facilities</i>, including 3 playgrounds, 1.5 basketball courts; 1.5 tennis courts; a cricket field; netball court and a rugby field; and</p> <p><i>Community facilities</i>, including 48% of a small community centre, 48% of a pre-school, 45% of a long day child care centre, 19% of an occasional child care centre, 10% of an outside of school hours care centre and 8% of a library.</p> <p>Furthermore, this demand would be in addition to that generated by residents of the 716 dwellings recently approved in North Sydney Centre's mixed use areas.</p>

5.2.6 IMPACT ON COUNCIL RATE REVENUE

Local Government is a major component of the NSW economy. Combined NSW Councils spend around \$8 billion annually, manage \$120 billion of non-financial assets (i.e. infrastructure and land) and employ 50,000 people⁴¹. Councils require sufficient revenues to construct, maintain and renew the infrastructure that facilitates the production and distribution of goods and services in the broader economy (e.g. roads, bridges, stormwater systems etc). Councils are however under increasing financial stress. The peak body *Local Government NSW* has identified that under current policy settings around 25% of NSW Councils are not financially sustainable, 50% are potentially vulnerable and only 25% are in a relatively strong financial position⁴². The reasons given for this financial situation included:

- Rate pegging and other legislative constraints on councils fees and charges;
- The decline in Commonwealth and State financial support for Local Government relative to economic growth (GDP, GSP) and the growth in national taxation revenues;
- The expanding roles and responsibilities of Local Government; and
- Cost and responsibility shifting onto Local Government by the State and Commonwealth Government.⁴³

For North Sydney Council, rates are the main source of income to fund the essential infrastructure and services outlined in the following table.

⁴¹ Local Government NSW, Submission on the NSW Budget for 2013/14 April 2013

⁴² Local Government NSW, Submission To the Issues Paper of the Independent Pricing and Regulatory Tribunal of NSW's Review of the Revenue Framework for Local Government September 2008

⁴³ Ibid

Table 13 - North Sydney Council Infrastructure and Service Provision 2011/2012

Council Infrastructure	Council Services
Parks, gardens and playgrounds	Family, children and youth services
Sportsfields and sporting and recreation facilities	Library, community education and information services
Roads, footpaths, stormwater drains and street furniture	Cultural and heritage programs
Traffic, bicycle and pedestrian facilities	Public and community events and recreation programs,
North Sydney Centre	Planning and development assessments
Neighbourhood shopping precincts	Community engagement
Community centres	Customer services

Source: North Sydney Council Submission to IPART special variations and minimum rate increases 2011/2012

In 2009/10 rates made up 39.5% of North Sydney Council's annual income which is considered a relatively low proportion in comparison with many other councils, especially rural councils⁴⁴. Council applies a differential rating system, meaning all rateable land in the LGA is categorised as either residential or business. Under the current system businesses pay a substantially higher rate per dollar of land value than land categorised as residential⁴⁵. For example, in 2011/12 Council sourced 40% of its total ordinary rate revenue from 3,270 business assessments and the remaining 60% came from 32,979 residential assessments. The following table shows that, *on average*, businesses paid \$2,903 each in ordinary rates whilst residences paid \$493 each⁴⁶.

Table 14 - Notional General Income (Ordinary Rates) – 2011/12

Rating Category	Number of Assessments	Notional Ordinary Rate Income Yield	% of Total Ordinary Rate Income Yield	Average Rates Paid per Assessment
Residential	32,979	\$16,250,232	60%	\$493
Business	3,720	\$10,800,992	40%	\$2,903
	36,699	\$27,051,224	100%	

Source: North Sydney Council Submission to IPART special variations and minimum rate increases 2012/2013

Council recognises its rates have historically been low in comparison to similar councils. In a submission to the Productivity Commission, Council explained that:

*"The choice of land valuation method and rate-pegging in North Sydney has led to the vast majority of residential rate-payers paying very low rates. Approximately 80% of households in North Sydney pay the minimum rate, which is currently \$371 per annum. This goes nowhere near covering the costs of services provided to these households. Most ratepayers in medium and high density housing pay the minimum rate which means that, for example, a multimillion dollar penthouse apartment with views of Sydney Harbour will attract the minimum rate."*⁴⁷

⁴⁴ North Sydney Council Submission to Productivity Commission research report - Assessing Local Government Revenue Raising Capacity 2007/08

⁴⁵ North Sydney Council, http://www.northsydney.nsw.gov.au/Council_Meetings/Financial/Rates

⁴⁶ North Sydney Council Submission to IPART special variations and minimum rate increases 2012/2013

⁴⁷ North Sydney Council Submission to Productivity Commission research report - Assessing Local Government Revenue Raising Capacity 2007/08

In a submission to the *Independent Pricing and Regulatory Tribunal of NSW (IPART)* requesting an increase to rates, Council stated that:

“Council needs adequate income to maintain existing services and infrastructure at an acceptable standard, replace ageing infrastructure and to provide additional infrastructure in order to meet the community’s objectives of the 2020 Vision, North Sydney Community Strategic Plan.”

and

“Council requires a consistent level of income to fund these essential services and infrastructure in future.”⁴⁸

In 2013/14 Council received approval from IPART to increase its rates on residential rate payers which will result in rate income increasing by 14.6%⁴⁹.

Due to the significant difference in rates paid by businesses and residents any change to land use in the North Sydney Centre will impact Council revenues. Analysis undertaken as part of this Study has found that replacing established commercial floorspace with residential dwellings is likely to result in lower rate revenues. For example, if an existing commercial building of around 20,000sqm of floorspace (GFA) was converted to a mixed use building comprising predominantly of residential dwellings (with the ground floor remaining non-residential) then Council rate revenues from the building would drop by around 10%. However, it is important to note the degree of change in rate revenues is site specific and dependent on factors such as land values, the configuration of existing floorspace and the size of replacement dwellings. The change in rate revenue may also be offset where building conversions add further floors of residential, as occurred in the Sharp building at Milsons Point.

The potential impact of the four scenarios on Council rate revenue is discussed in the table below.

Table 15 - Scenario Testing: Impacts on Council Rate Revenue

Scenario Description	Impact of scenario on Council rate revenue	
Scenario 1 <i>What if the commercial core of North Sydney Centre remains protected BUT no additional commercial floorspace is developed in the core?</i>	Neutral	Council rate revenues from the Centre remain largely unchanged and will continue to rise in accordance with periodic rate increases/adjustments. However, there is a risk that rate revenues may fall if the Centre stagnates, vacancies rise and land values fall.
Scenario 2 <i>What if the commercial core remains protected AND additional commercial floorspace is developed in the core in line with job growth forecasts?</i>	Moderate Positive	Under this Scenario the North Sydney Centre accommodate up to 240,00sqm of additional commercial floorspace which would in turn generate new rate revenues for Council.
Scenario 3 <i>What if some residential is permitted in commercial core BUT no additional commercial</i>	Moderate Negative	Under this Scenario 1,500 dwellings would replace 130,000sqm office floorspace in the Centre’s core. It is estimated this would result in a relatively minor

⁴⁸ Ibid

⁴⁹ North Sydney Council, http://www.northsydney.nsw.gov.au/Council_Meetings/Financial/Rates

Scenario Description	Impact of scenario on Council rate revenue	
<i>floorspace is developed in the core?</i>		reduction of rate revenue to Council. However, the knock on effects from eroding the Centre's commercial competitiveness as a major commercial market (due to the incursion of residential uses) could have a much larger negative impact on the amount of rate revenue generated by businesses. In short, there is a risk that rate revenues may fall substantially if the Centre loses its prestige, vacancies rise and land values fall. These revenue losses would then be compounded by additional social infrastructure costs faced by Council to meet additional demand generated by a large number of new residents (residents tend to demand more social infrastructure than businesses/workers).
Scenario 4 <i>What if some residential is permitted in commercial core AND additional residential and commercial floorspace is developed in the core?</i>	Significant Positive	Under this Scenario Council rate revenues would increase dramatically on account of 240,00sqm of additional commercial floorspace and new 1,500 dwellings in the Centre. As noted above, demands on social infrastructure would also increase, offsetting the financial benefits to Council to some degree.

5.3 SUMMARY OF FINDINGS FROM SCENARIO TESTING

This section collates the finding from the analysis to present the combined impacts of each scenario.

5.3.1 SUMMARY OF SCENARIO 1 IMPACTS

Scenario: *What if the commercial core of North Sydney Centre remains protected BUT no additional commercial floorspace is developed in the core?*

Assumptions: Scenario 1 maintains the current policy of protecting the commercial core and only permitting residential development on North Sydney Centre's fringe. It also assumes no new office floorspace will be constructed in the North Sydney Centre over the next 20 years and the supply of office floorspace will remain unchanged at 860,000sqm. Whilst this scenario is unlikely it remains a useful exercise to see what the potential consequences might be if the Centre fails to improve its competitiveness by increasing the quality and quantity of its building stock.

Assessment Criteria	Impact	Description
<i>Impact on the Prestige and Performance of North Sydney Centre?</i>	Moderate Negative	Under Scenario 1 North Sydney Centre would retain its position as a major office market but without renewal and replacement of lower grade stock it would become less competitive against the likes of Sydney western corridor and to a lesser extent Macquarie Park and Barangaroo.
<i>Impact on Supply of Commercial Floorspace and Employment Targets?</i>	Moderate Negative	Under this scenario the State Government's vision and job targets for North Sydney, as outlined in the draft <i>Metropolitan Strategy for Sydney</i> (2013) could not be achieved. Rather, the Scenario would see the level of commercial floorspace and number of jobs in the Centre stagnate and possibly decline. Without expanding the quality of high grade floorspace North Sydney Centre's competitive position as a major office market would be eroded and further pressure would mount to allow residential in the commercial core, which if allowed, would only erode the competitiveness of North Sydney's office market further (i.e. slippery slope).
<i>Impact on Housing Supply?</i>	Neutral	Scenario 1 would not permit residential in the commercial core and as such would neither increase nor decrease the supply of housing in the LGA.
<i>Impact on Economic Activity within the North Sydney Centre?</i>	Slight Negative	Under this Scenario economic activity during peak hours would continue to be strong and driven by large numbers of workers. Expenditure levels of workers in the Centre's economy would largely be determined by vacancy levels and the quality of retail offer in the Centre and broader economic conditions. There is also a risk that unless North Sydney expands the quantity of high grade floorspace available, its competitive position as a major office market will be eroded and vacancy levels will rise, in turn leading to reduced economic activity. Furthermore, without a program of initiatives to activate the Centre, economic activity after peak hours would remain subdued under this Scenario and most resident expenditure would continue escape to other centres.
<i>Impact on Social Infrastructure?</i>	Neutral	If no additional office space were developed in the North Sydney Centre the demand on social infrastructure from workers would remain around current

Assessment Criteria	Impact	Description
		levels and may even decrease if office vacancies in the Centre were to increase.
<i>Impact on Council Rate Revenue?</i>	Neutral	Council rate revenues from the Centre remain largely unchanged and will continue to rise in accordance with periodic rate increases/adjustments. However, there is a risk that rate revenues may fall if the Centre stagnates, vacancies rise and land values fall.

Key findings

In summary, Scenario 1 could have a number of negative impacts on the competitiveness and vitality of North Sydney Centre by way of reduced prestige, limited capacity to meet employment targets and less economic activity for local small businesses. The Scenario would have little impact on Council’s rate revenue, its ability to meet its dwelling targets and demand for additional social infrastructure.

5.3.2 SUMMARY OF SCENARIO 2 IMPACTS

Scenario: *What if the commercial core remains protected AND additional commercial floorspace is developed in the core in line with job growth forecasts?*

Assumptions: Scenario 2 also protects the commercial core, however, it considers the impacts of the Centre's commercial floorspace increasing from 860,000sqm to 1,100,000sqm by 2031 to accommodate State Government job forecasts and targets outlined in Section 4.1 of this Study. This scenario is considered the 'base case' as it reflects the State Government's current strategy for the Centre.

Assessment Criteria	Impact	Description
<i>Impact on the Prestige and Performance of North Sydney Centre?</i>	Significant Positive	Under Scenario 2 the Centre could enhance its position and prestige as one of Australia's most desirable office markets by expanding the quantity of high grade office floorspace in the Centre. This would require substantial replacement and renewal of existing lower grade stock.
<i>Impact on Supply of Commercial Floorspace and Employment Targets?</i>	Significant Positive	This Scenario would see the North Sydney Centre accommodate 240,00sqm of additional commercial floorspace and 12,000 further workers. This Scenario would realise the State Government's current vision for the Centre as outlined in the draft <i>Metropolitan Strategy for Sydney</i> (2013) and enhance its competitiveness as one of Australia's major office markets.
<i>Impact on Housing Supply?</i>	Neutral	Scenario 2 would not permit residential in the commercial core and as such would neither increase nor decrease the supply of housing in the LGA.
<i>Impact on Economic Activity within the North Sydney Centre?</i>	Moderate Positive	This scenario would see economic activity in the Centre increase during peak hours. It is estimated that 12,000 further workers would inject an additional \$800,000 into the local economy each week (\$42m a year). Without a program of initiatives to activate the Centre, economic activity after peak hours would remain subdued and most resident expenditure would continue escape to other centres.
<i>Impact on Social Infrastructure?</i>	Slight Negative	The addition of 240,000sqm of commercial floorspace and 12,000 new office workers would generate demand for a range of social infrastructure, particularly: child care, open space and recreation facilities. Generally speaking, demand for social infrastructure from workers is less than residents.
<i>Impact on Council Rate Revenue?</i>	Moderate Positive	Under this Scenario the North Sydney Centre accommodate up to 240,00sqm of additional commercial floorspace which would in turn generate additional rate revenue for Council.

Key findings

In summary, Scenario 2 could have a number of positive impacts on the competitiveness and vitality of North Sydney Centre by way of improved prestige, more capacity to meet employment targets, greater economic activity for local small businesses and higher rate revenue for Council. Whilst the Scenario would increase demand for social infrastructure it would have little impact on Council's ability to meet its dwelling targets.

5.3.3 SUMMARY OF SCENARIO 3 IMPACTS

Scenario: *What if some residential is permitted in the commercial core BUT no additional commercial floorspace is developed in the core?*

Assumptions: Scenario 3 considers the impact of permitting some residential development in the commercial core. It assumes there would be no increase in commercial floorspace in the Centre and new residential development would replace existing commercial floorspace. For analytical purposes we have assumed this scenario could result in the construction of around 1,500 dwellings in the Centre's core and the loss of 130,000sqm office floorspace⁵⁰ (which is the equivalent of around 15% of the Centre's existing 860,000sqm commercial floorspace).

Assessment Criteria	Impact	Description
<i>Impact on the Prestige and Performance of North Sydney Centre?</i>	Significant Negative	Under Scenario 3 there would be significant erosion of North Sydney Centre's prestige and performance. The outcome is likely to be similar to the Chatswood predicament which saw office vacancy rates increase and pressure for further residential development grow (i.e. slippery slope).
<i>Impact on Supply of Commercial Floorspace and Employment Target?</i>	Significant Negative	This Scenario would see around new 1,500 dwellings and 2,850 residents replace 130,000sqm of commercial floorspace and more than 6,000 workers ⁵¹ . The State Government's vision and job targets for North Sydney, as outlined in the draft <i>Metropolitan Strategy for Sydney</i> (2013) would not be achieved. North Sydney Centre's competitive position as a major office market would be eroded and further pressure would mount to allow residential in the commercial core, which if allowed, would only erode the competitiveness of North Sydney's office market further (i.e. slippery slope).
<i>Impact on Housing Supply?</i>	Moderate Positive	This scenario would add 1,500 dwellings to the North Sydney Centre's current commercial core. Whilst it is unlikely the dwellings would be within the affordable range for low or very low income households, they would none the less contribute towards the supply of housing in the LGA. Greater numbers of dwellings in the Centre may increase job containment rates (that being the number of people who both live and work in the Centre). Supply of new dwellings may also serve to attract investment from Asia in the form of student, professional and firm who wish to purchase dwellings in close proximity to North Sydney, Sydney CBD and universities.
<i>Impact on Economic Activity within the North Sydney Centre?</i>	Uncertain	Under this Scenario 2,850 new residents in North Sydney's core would generate retail expenditure in the order of \$900,000 a week (\$48m a year). However, due to North Sydney's limited retail offer and poor amenity, only a modest proportion of this expenditure would be captured by businesses within the Centre. The benefits of this resident expenditure would be further eroded by the loss of 6,000 workers and the \$390,000 a week (\$20m a year) they spend in the Centre on local restaurants, cafes, bars, speciality food

⁵⁰ 1,500dwellings is based on 130,000sqm of gross residential floorspace at average gross floorspace of 87sqm per dwelling/apartment.

⁵¹ Assumes 20sqm/worker and 7% average vacancy rate

Assessment Criteria	Impact	Description
		stores, fast food outlets, personal services and other local businesses. Due to the escape of resident expenditure to other locations it is possible this Scenario would result in less economic activity in the North Sydney Centre.
<i>Impact on Social Infrastructure?</i>	Moderate Negative	<p>Based on the aforementioned State Government benchmarks, the addition of 1,500 dwellings and 2,850 residents in North Sydney's core would generate demand for:</p> <p><i>Recreational facilities</i>, including 3 playgrounds, 1.5 basketball courts; 1.5 tennis courts; a cricket field; netball court and a rugby field; and</p> <p><i>Community facilities</i>, including 48% of a small community centre, 48% of a pre-school, 45% of a long day child care centre, 19% of an occasional child care centre, 10% of an outside of school hours care centre and 8% of a library.</p> <p>This demand would be in addition to that generated by residents of the 716 dwellings recently approved in North Sydney Centre's mixed use areas. Demand for social infrastructure forecast under this Scenario would be offset to some degree by the 6,000 office workers that would leave the centre on account of office buildings being replaced by dwellings. However, demand for social infrastructure from workers tends to be less than residents.</p>
<i>Impact on Council Rate Revenue?</i>	Moderate Negative	Under this Scenario 1,500 dwellings would replace 130,000sqm office floorspace in the Centre's core. It is estimated this would result in a relatively minor reduction of rate revenues to Council. However, the knock on effects from eroding the Centre's competitiveness as a major commercial market (due to the incursion of residential uses) could have a much larger negative impact on rate revenue generated by the Centre's businesses. In short, there is a risk that rate revenues may fall substantially if the Centre loses its prestige, vacancies rise and land values fall. These revenue losses would then be compounded by additional social infrastructure costs faced by Council to meet additional demand generated by a large number of new residents (residents tend to demand more social infrastructure than businesses/workers).

Key findings

In summary, Scenario 3 could have a number of negative impacts on the competitiveness and vitality of the North Sydney Centre by way of reduced prestige, limited capacity to meet employment targets, increased demand for social infrastructure and lower rate revenue for Council. The Scenario would improve Council's ability to meet its dwelling targets. However, it is uncertain what the impact would be on the level of economic activity on the Centre.

5.3.4 SUMMARY OF SCENARIO 4 IMPACTS

Scenario: *What if some residential is permitted in the commercial core AND additional residential and commercial floorspace is developed in the core?*

Assumptions: Scenario 4 also considers the impact of permitting some residential development in the commercial core. The Scenario however assumes that a substantial amount of new commercial and residential development would occur concurrently and increase the total amount of floorspace in the Centre's core, requiring substantially higher densities than permitted under current planning controls. For analytical purposes we have assumed:

- Commercial floorspace increasing from 860,000sqm to 1,100,000sqm by 2031 to accommodate State Government job forecasts and targets outlined in Section 4.1 of this Study; and
- Around 130,000sqm of residential floorspace being added to the Centre's core which could equate to around 1,500 dwellings⁵².

Assessment Criteria	Impact	Description
<i>Impact on the Prestige and Performance of North Sydney Centre?</i>	Uncertain	Under Scenario 4 the impact on the Centre's prestige could be negative or positive with the outcome depending on a number of factors. Impact could be positive provided the following occurred together: the amount of commercial floorspace increased; lower grade stock was replaced by higher grade stock; and new residential development only permitted on underutilised sites on the periphery of the core that are unviable to redevelop as higher grade office stock. Without all three of these factors the impact of the Scenario on the prestige of the Centre is likely to be negative.
<i>Impact on Supply of Commercial Floorspace and Employment Target?</i>	Uncertain	This Scenario would see the North Sydney Centre accommodate 240,000sqm of additional commercial floorspace and 12,000 further workers. This Scenario would realise the State Government's current vision for the Centre as outlined in the draft <i>Metropolitan Strategy for Sydney</i> (2013). However, there is a substantial risk that new residential development in the core – if excessive and poorly located – could crowd out and undermine the attractiveness and viability of new commercial development.
<i>Impact on Housing Supply?</i>	Moderate Positive	This Scenario would add 1,500 dwellings to the North Sydney Centre's current commercial core. Whilst it is unlikely the dwellings would be within the affordable range for low or very low income households, they would none the less contribute towards the supply of housing in the LGA. Greater numbers of dwellings in the Centre may increase job containment rates (that being the number of people who both live and work in the Centre). Supply of new dwellings may also serve to attract investment from Asia in the form of student, professionals and firms who wish to purchase dwellings in close proximity to North Sydney, the CBD and universities.

⁵² Ibid.

Assessment Criteria	Impact	Description
<i>Impact on Economic Activity within the North Sydney Centre?</i>	Significant Positive	If the number of people living and working in the North Sydney Centre increases so too will economic activity during peak hours, after work and during weekends. It is estimated that 12,000 further workers would inject an additional \$800,000 into the local economy each week (\$42m a year). The 2,850 new residents in North Sydney's core would also generate retail expenditure in the order of \$900,000 a week (\$48m a year). However, retaining a greater proportion of this resident spend in the local North Sydney economy would require diversification of the Centre's retail offer and implementing a program of initiatives to activate the Centre.
<i>Impact on Social Infrastructure?</i>	Moderate Negative	<p>Scenario 4 would see 12,000 additional workers and 2,850 additional residents in the Centre generate significant demand for social infrastructure.</p> <p>The addition of 240,000sqm of commercial floorspace and 12,000 new office workers would generate demand for a range of social infrastructure, particularly: child care, open space and recreation facilities. The addition 1,500 dwellings and 2,850 residents in North Sydney's core would also generate demand for:</p> <p><i>Recreational facilities</i>, including 3 playgrounds, 1.5 basketball courts; 1.5 tennis courts; a cricket field; netball court and a rugby field; and</p> <p><i>Community facilities</i>, including 48% of a small community centre, 48% of a pre-school, 45% of a long day child care centre, 19% of an occasional child care centre, 10% of an outside of school hours care centre and 8% of a library.</p> <p>Furthermore, this demand would be in addition to that generated by residents of the 716 dwellings recently approved in North Sydney Centre's mixed use areas.</p>
<i>Impact on Council Rate Revenue?</i>	Significant Positive	Under this Scenario Council rate revenues would increase dramatically on account of 240,00sqm of additional commercial floorspace and new 1,500 dwellings in the Centre. As noted above, demands on social infrastructure would also increase, offsetting the financial benefits to Council to some degree.

Key findings

In summary, Scenario 4 could have a number of positive impacts on the competitiveness and vitality of North Sydney Centre by way of greater economic activity for local small businesses, higher levels of rate revenue for Council and more capacity to meet dwelling targets, However, the Scenario would increase demand for social infrastructure and it is uncertain what the impact would be on the Centre's prestige and on Council's ability to meet its employment targets.

PART 3: STAKEHOLDER CONSULTATION

This Part summarises the key findings from the stakeholder consultation undertaken to inform the Study



6. FINDINGS FROM CONSULTATION

The following stakeholder consultation exercises were undertaken to inform the Study:

- A survey of local residents;
- A survey of local businesses; and
- A workshop with members of the North Sydney Chamber of Commerce.

The Chapter subsequently explains the consultation methods, who was consulted and the key issues and comments raised by Stakeholders.

6.1 LOCAL RESIDENTS

On 30 May 2013 blank surveys and pre-addressed and stamped envelopes were placed in the letterboxes of 1,200 dwellings within the North Sydney Centre. The survey contained 11 questions and could also be undertaken online. By 14 June 2013 107 completed surveys were received providing valuable insight into the perceptions and habits of how residents live and shop in the North Sydney Centre.

The key findings of the resident survey were:

- 19% of residents surveyed also worked in North Sydney;
- 23% of residents surveyed shopped in the North Sydney Centre every day; 46% shopped there every few days and 15% shopped there once a week;
- 94% of residents surveyed said they shopped in the North Sydney Centre's retail outlets (e.g. clothing, gifts, newsagents, supermarkets, convenience stores) and 84% frequented the Centre's cafes, restaurants, take away food shops and bars;
- 42% of residents surveyed rated the Centre's retail shops as good and 49% rated them as average. Just 9% of respondents rated them as poor;
- 48% of residents surveyed rated the Centre's cafes, restaurants and pubs as good and 43% rated them as average. A further 9% of respondents rated them as poor;
- 56% of residents surveyed spent more than \$50 a week in North Sydney's *retail shops*, 22% spend between \$21 and \$50 and 21% spend \$20 or less;
- 29% of residents surveyed spent more than \$50 a week in North Sydney's *cafes, restaurants and bars*, 35% spent between \$21 and \$50 and 36% spend \$20 or less;
- When asked where else they shop in the local area and why, most respondents said Crows Nest, Neutral Bay and Chatswood because they offer access to supermarkets and a greater variety of shops and restaurants that are open over the weekend and at night;
- When asked what types of stores, services or facilities are missing in North Sydney, the most common responses were:

- A larger supermarket (i.e. Coles or Woolworths) and a greater selection of restaurants, cafes and bars particularly after hours and on weekends. A smaller proportion of respondents said North Sydney was missing a cinema and clothes/fashion stores.
- When asked what they liked about living in the North Sydney Centre the most common responses were:
 - Proximity/closeness to work, shops, services, schools, hospitals, parks, Sydney CBD, Sydney Harbour and transport (42 specific comments)
 - Availability of good public transport (32 specific comments)
 - Convenience (15 specific comments)
 - Quietness on weekends (11 specific comments)
- When asked what improvements they would like to see to the North Sydney Centre, the top responses were:
 - An increase in the variety of shops (68% of respondents)
 - More entertainment options (55%)
 - Extended opening hours (53%)
 - More public car parking (45%)
 - More night time activities (42%)
 - Better quality of streetscape (38%)
 - More cultural and community events (35%)
 - More parks and recreational space / sporting facilities (28%)
- When asked what they thought Council could do to improve the North Sydney Centre, the top responses from surveyed residents were:
 - *Improve the public domain*: Including the amenity and quality of the public domain and making it more pedestrian friendly (31 specific comments)
 - *Facilitate more activity of a night time and on weekends*: Including the level of activity and variety of stores open of an evening and on weekends (23 specific comments)
 - *Cheaper parking*: reduce or remove street parking metre fees of an evening and on weekends (15 specific comments)
 - *Host more events*: increase the number of community and cultural events (7 specific comments)
- Residents provided a range of responses when asked if they had any other comments or ideas regarding the North Sydney Centre. A representative sample is provided below.

Positive

“I love North Sydney on weekdays its alive and buzzing but as soon as its the weekend its dead.”

“I would not want to live anywhere else.”

“I like North Sydney but it has two populations ‘the corporate grinders’ and ‘the residents’. An interesting challenge would be to find a balance to services not groups.”

“We love living here. Smaller bars plus Coles will make it even better.”

“I love North Sydney, just the way it is. Please don't change it! It is unique.”

"I don't want it to be super busy at weekends, I enjoy the peace."

"Don't try to 'liven it up". The best thing about North Sydney is that it's quiet and yet still so close to all of the inner city amenities. We residents like it this way. Don't stuff it up by trying to be 'hip' and 'trendy'."

"Love it generally, great place to live but too quiet on the weekends. I support any efforts to improve this."

Critical

"North Sydney centre is a concrete jungle spoilt by endless building projects, roadworks and lack of community facilities. I spend my time mostly in more attractive and enticing areas outside or the North Sydney centre."

"Better pedestrian focus is needed."

"There's too little available shopping and entertainment and shopping after hours and on Sundays. Pedestrians are regularly being hit by cars in speed limited zones - especially Miller Street and Berry Street."

Ideas

"Look at more ways to bring people to North Sydney on the weekends and evenings."

"Noise! Traffic sucks. Pedestrians are third Class citizens. Bus strip on Miller Street is narrow and congested. Turn this section of Miller Street into a pedestrian strip like Queens Street Mall in Brisbane and people will come."

"Help create little pram parking stations while mother and child go inside a shop."

"More lively entertainment during the evening and on weekends. As a resident I don't mind it being quiet on weekends."

"Some sort of regular festival in North Sydney would be good."

"An outdoor fitness/workout station would be ideal and encourage workers to get outside of their lunchtime. Also think about erecting more 'greenspace' in the mall (maybe around the fountain/water feature). Also another crosswalk is needed at intersection of Mount Street and William Street."

"Some sculpture would be nice. A bit more colour in the area...the area is a bit grey."

"North Sydney Centre is very quiet (dead) on weekends. It would be great to see it a bit more lively. With so much residential development occurring we are hopeful that more people living in the area will lead to more shops & restaurants and particularly more open on weekends. With expansion of the ACU (and to a lesser extend the expansion of Shore School) and the various other schools in the area, North Sydney is becoming somewhat of an Education Precinct. Perhaps this could be developed as a theme also. (In this vein, the rejection of the opening of the ACU library on Sundays was counterproductive."

We would support more activity from ACU on weekends as a way of encouraging more people to come into North Sydney on weekends, though we acknowledge that this is not a universal view among North Sydney residents).”

Comprehensive feedback from the survey is provided in Appendix 1.

6.2 LOCAL BUSINESSES

Consultation with local businesses was also an important component of the Study and comprised of an online survey and workshop.

Business Survey

The 22 question survey was developed in consultation with Council and the North Sydney Chambers of Commerce and asked a range of questions including: the length of operation of the business in question, key issues that affected its success and what improvements could be made to the North Sydney Centre in order to increase trade and turnover.

A link to the online survey was emailed to all members of the North Sydney Chambers of Commerce and 8 surveys were completed in response. Whilst this response size cannot be considered statistically representative of all businesses, the returned surveys still contain valuable information for the purposes of this Study.

The key findings of the business survey were:

- All respondents said they opened Monday to Friday during business hours but only 25% open on weekends;
- When asked whether they thought their average annual turnover for 2012/2013 will be greater than 2011/2012, half of the respondents said ‘yes’ and the other half said ‘no’;
- 50% or more of respondents said the following matters have a **negative impact** on the performance of their business:
 - Affordability of car parking (75% of respondents)
 - Availability of car parking (63% of respondents)
 - State Government regulations, fees and charges (63% of respondents)
 - The strength of the Australian economy (50% of respondents)
 - Competition from new traders in the North Sydney Centre (50% of respondents)
 - Competition from other centres (50% of respondents)
- 50% of respondents said the attractiveness of North Sydney's public domain has a **positive impact** on the performance of their business;
- 50% or more of respondents said the following matters have **no impact** on the performance of their business:
 - Changing shopping habits of consumers such as online shopping (75% of respondents)
 - Council regulations, fees and charges (63% of respondents)
 - Quantity of passing trade (50% of respondents)

- Competition from new traders in the North Sydney Centre (50% of respondents)
- Competition from other centres (50% of respondents)
- Most respondents rated the following aspects of the North Sydney Centre as **poor**:
 - Events/activities in centre (63% of respondents)
 - Quantity of parking spaces (88% of respondents)
 - Marketing and promotion (63% of respondents)
- Most respondents rated the following aspects of the North Sydney Centre as **average**:
 - Range of shops and services (63% of respondents)
 - Cleanliness/maintenance of public spaces (50% of respondents)
 - Signposting around the Centre (63% of respondents)
 - Traffic congestion (50% of respondents)
- Most respondents rated the following aspects of the North Sydney Centre as **good**:
 - Access by public transport (88% of respondents)
- Respondents considered the **most important improvements** to North Sydney Centre were a better quality streetscape, more public car parking, greater cooperation between businesses and Council and holding more events;
- 71% of businesses surveyed said Council should have a dedicated person on staff to enhance the economic development of North Sydney;
- When asked what they thought Council could do to improve the North Sydney Centre, responses from surveyed businesses included:

“More networking events.”

“Upgrade area.”

“North Sydney has the potential to be a major shopping destination and centre for events and activities. I can't believe that it is SO dead at night and on the weekends!”

“Actually encourage more people to live in the heart of the CBD. Unfortunately, the residential prohibition has stifled the Centre, led to far too many old and ugly buildings and it means there is no retail trade outside of core business hours.”

- Businesses provided the following responses when asked if they had any other comments or ideas regarding the North Sydney Centre.

“Needs to have activity outside business hours.”

“I just don't understand how a credible survey can be put together that ignores the most obvious way to revitalise the CBD, which is to lift or significantly reduce the residential prohibition in the CBD, which has inadvertently led to the long-term decay of this once great City Centre.”

“Residential development is good but does not bring the same economic benefits as corporate tenants. a resident only spends on residential needs. A company spending national income locally has a far greater benefit.”

Comprehensive feedback from the survey is provided in Appendix 2.

Business Workshop

A workshop was held with the North Sydney Chamber of Commerce and local businesses on 6 June 2013 at the Stanton Library. The Chamber of Commerce invited all of its members to attend and have a say about the future of North Sydney Centre. Whilst only three people from local businesses attended the discussion still uncovered information that help shape this Study. The key findings from the workshop were:

- It is challenging for businesses to keep up with new ways of doing business to remain competitive;
- On street parking in the North Sydney Centre's should be free of an evening and on weekends;
- The Centre's strengths include its proximity to Sydney CBD, plentiful public transport and its attractiveness as a location to live and work;
- Underutilised private car parks under high rise commercial buildings could be opened for public parking of an evening and on weekends;
- It is essential for North Sydney's core to retain a 'critical mass' of commercial floorspace to avoid a similar outcome to Chatswood;
- The Centre's streetscape is a turn off;
- The Centre lacks cultural events. Council should run a year round schedule of cultural events in the core to change its image and attract more people of an evening and on weekends;
- The Centre needs to have a point of difference but it is important North Sydney not only tries to be something it isn't (i.e. it should play to, and promote, its strengths/competitive advantages);
- Opportunities exist for Council to work with big corporates that are headquartered in the Centre to sponsor events and create more vitality; and
- Apathy amongst small businesses is a problem when it comes to addressing the Centre's weaknesses.

PART 4: RECOMMENDATIONS FOR REVITALISATION



This part of the Study translates the key findings of Parts 1 to 3 into a set of recommendations for the renewal and revitalisation of the Centre



7. PRIORITIES AND IDEAS

This Chapter draws on the findings of the Study to present a set of preconditions and initiatives that could drive the revitalisation of the North Sydney Centre. The Chapter also explains Council's role in economic development and identifies further matters to be investigated following this Study.

7.1 COUNCIL'S ROLE IN ECONOMIC DEVELOPMENT

North Sydney Council manages substantial economic assets and provides numerous services to the community, all of which have an impact on local economic development. Council will play an important role in promoting economic growth in the Centre and has at its disposal a range of mechanisms to assist in its revitalisation as described below.

<i>Leadership and advocacy</i>	Council is an institutional leader within its community and as such can create as well as build support for economic development initiatives amongst a wide range of stakeholders
<i>Corporate planning</i>	Council can ensure ongoing support for economic development initiatives through its budgeting process
<i>Community Development</i>	Council can support social enterprise and community cultural programs and events to achieve economic development outcomes
<i>Infrastructure</i>	Council can stimulate local economic development – both directly and indirectly – through the provision of infrastructure
<i>Land Use Planning</i>	Council's planning policies can influence development opportunities and the cost of operating businesses
<i>Regulation</i>	Council can regulate certain business activities
<i>Networks</i>	Council can lobby on behalf of its community and create networks amongst stakeholders that promote innovation, efficiency and opportunity
<i>Promotion and Marketing</i>	Council can draw upon its resources to promote what the LGA has to offer
<i>Information</i>	Council can use its existing capabilities to promote the flow of information between businesses, the community and relevant government organisations
<i>Investment Capability</i>	Council has the financial capability to undertake investment activities that directly contribute to local economic development
<i>Incentives</i>	Council can provide businesses and community with a range of incentives to promote economic development
<i>Place Making</i>	Council can initiate place making processes to improve the vitality and viability of the LGA's public places
<i>Urban Design</i>	Council can facilitate the creation of functional, attractive and people friendly places through good urban design controls

7.2 CORE INGREDIENTS REQUIRED FOR REVITALISATION

There are a number of ingredients or preconditions to the revitalisation and enhanced competitiveness of the North Sydney Centre. The following table lists these preconditions, assesses their current status and identifies which of our recommendations will help achieve them.

Table 16 - Ingredients to North Sydney Centre's Revitalisation

Ingredient	Current Status	Comment	Ideas
High level of leadership, cooperation and coordination between Council, businesses and residents		Strong foundation but improvements required	Idea 1
Critical mass of commercial floorspace retained and enhanced		Policies already in place to retain and enhance critical mass	Ideas 7 and 10
Renewal and replacement of lower grade commercial building stock		Renewal is occurring but must continue	Ideas 7, 8 and 10
High level of amenity, connectivity and pedestrianisation		In need of attention	Idea 2
Access to good public transport		This is one of the Centre's biggest competitive advantages	-
Market position and point of difference against competition understood and promoted		In need of attention	Idea 10
More residents living around the commercial core		Over 800 new dwellings have been approved in the Centre in recent years	Idea 7
Diverse economy and convenient retail offer		Strong foundation but improvements required	Ideas 4, 5, 6 and 8
Active and safe night time and weekend economy		In need of attention	Ideas 5 and 9
Access to social infrastructure, open space and recreation facilities		Strong foundation but improvements required	Idea 2
Strong arts and cultural life		In need of attention	Idea 3
 = prerequisite achieved  = prerequisite partly achieved  = prerequisite yet to be achieved			

7.3 TEN BIG IDEAS FOR THE NORTH SYDNEY CENTRE

This section identifies and discusses a set of ten initiatives that, if implemented, would assist to revitalise the North Sydney Centre and enhance its competitiveness. Most of these initiatives could be implemented for all four scenarios discussed above. The ten transformational initiatives presented by the Study are:

- Idea 1 – Greater leadership, cooperation and coordination
- Idea 2 – Reinvent the public domain
- Idea 3 – Elevate the role of culture
- Idea 4 – Attract an additional full line supermarket
- Idea 5 – Improve the convenience of public parking
- Idea 6 – Embrace the education economy
- Idea 7 – Change the Centre’s planning controls
- Idea 8 – Reduce barriers to business entry and adaptability
- Idea 9 – Enhance the night time economy
- Idea 10 – Create and market a compelling identity

7.3.1 IDEA 1 – GREATER LEADERSHIP, COOPERATION AND COORDINATION

Leadership and Cooperation

Local leaders who share a long term vision and a commitment to cooperation and coordination have the greatest potential to affect change in their local economy. As such North Sydney Council must lead from the front by driving a culture of cooperation, accountability and respect amongst participants in the local economy. In practice this means:

- Supporting and strengthening Council’s economic development capability;
- Providing administrative and financial support for the North Sydney Chamber of Commerce to develop membership and a strategic program of business events and initiatives;
- Continuing to support the North Sydney CBD Working Group;
- Communicating regularly with local businesses and land owners to better understand their needs;
- Facilitating relationships and partnerships between education, arts and cultural sectors, business and government sectors.

The North Sydney Chamber of Commerce also plays a vital leadership role in communicating the needs and interests of its members. Furthermore, the opportunity exists for Council and the Chamber to work together and build business capacity by:

- Providing up to date information on the local economy and broader retail trends;

- Providing best practice examples of retail offerings from other comparative centres;
- Providing funding tailored to training programs for local businesses; and
- Creating an online business resource centre/website. The resource would link business and property owners (current and prospective) to events, information, networks and tools to help growing businesses.

In short, revitalising North Sydney's local economy will require all of its participants – businesses, land owners, residents, Council and State Government agencies – to work together, share information, learn from each other and take responsibility for their own role in the economic development process.

Coordination

One of the clear comparative advantages that indoor shopping centres have is their ability to co-ordinate their tenants and shared domain. Owing to their management structures, these centres are able to coordinate operating hours, parking offers, physical improvements and marketing. Each tenant is also required to provide an annual levy to contribute to the latter two factors creating a sizeable budget that can have a significant effect on attracting additional customers over other retail areas.

A number of initiatives have been implemented in cities and town centres around the world to replicate or compete with the co-ordination advantage indoor shopping centres have over retail strips. The names of these initiatives vary dependant on the country they originate from but they include: Town Centre Management (UK), Main Street Programme (Canada) and Business Improvement Districts (US).

An Urban Land Institute (ULI) study found that *“long-term success will only come when public / private partnerships are created that marry the public’s planning, coordination, infrastructure and public financing tools with the private sector’s entrepreneurial savvy, development expertise, retailing know-how and private capital.”*⁵³ Consequently, fundamental to the economic success of the North Sydney Centre, will be a united, coordinated, and agreed approach to its operation. The ULI study also identified the need for a ‘Champion’ of the cause as the top priority and first step. It is therefore recommended that Council appoint a suitably qualified and experienced:

- *Place Manager*, who would be dedicated to the North Sydney Centre; or
- *Economic Development Officer*, who would focus on economic development initiatives across the LGA.

The key requirement for either position is a person committed to the cause to ensure that strategies are not only planned and initiated, but also realised, modified and improved upon. Either position would play a key role in realising strategies for economic growth in the Centre. Particular responsibilities for the Place Manager or Economic Development Officer would be to:

- Work with businesses, residents, land owners, Chambers, Council staff and Councillors to agree a vision for the Centre along with short, medium and long term initiatives to achieve it;
- Pull together a core group of stakeholders including representatives from the Council, businesses, schools, universities and State Government agencies to form a well-resourced steering group for the Centre that represents a range of interests;

⁵³ Ten Principles for Rebuilding Neighbourhood Retail – Urban Land Institute

- Coordinate the Centre’s marketing and frequent cultural events;
- Become a point of communication between Stakeholders and Council and work with stakeholders to implement the agreed initiatives; and
- Identify funding sources and opportunities to secure contributions from local businesses, landowners, Council and State and Federal Governments.

7.3.2 IDEA 2 – REINVENT THE PUBLIC DOMAIN

Council has made substantial improvements to the public domain within the Centre in recent years including widening and repaving footpaths, introducing smart poles and banners, initiating a public art program and upgrading public spaces. Despite these efforts many businesses and residents surveyed for the Study said the Centre’s amenity was poor and its public domain in need of attention. The *North Sydney Centre Commercial Study* (2013) included a number of recommendations for improving the Centre’s public domain:

- *It is recommended that North Sydney Council review the current CBD Public Domain Strategy and the level of maintenance that is undertaken to maintain the public domain. This will require a more detailed Urban Design audit / study to identify key movement patterns and opportunities to create an improved open space provision and development of a functioning street level centre heart.*
- *Consider additional funding mechanisms for the Public Domain Strategy and address the perceptions that Council strips funding from CBD based rates sources and directs spending elsewhere on a disproportionate basis.*
- *Consider mechanisms that may help improve the access to sport and recreation facilities around North Sydney to help promote an active workforce (e.g. lunch time team sport competitions, etc.).*
- *Review the current traffic design within the North Sydney CBD and consider opportunities to improve the experience for pedestrians, particularly around the intersection of Pacific Highway, Miller Street and Mount Street.*
- *Work with RMS to determine if the operation of the Pacific Highway and reviewed to improve pedestrian amenity and accessibility (e.g. reduce speed limits, additional crossing points, taxi set down bays during core office hours, etc.).*

This Study supports each of these short to medium term recommendations, however we caution that, none are likely to result in the level of amenity required to transform the Centre’s vitality and competitiveness in the long term. The *revitalisation* of North Sydney’s Centre depends on making it inviting, interesting and safe – a place where workers, shoppers, residents and visitors choose to spend more of their time and money during the day, of an evening and on weekends. Improving the Centre’s *competitiveness* will require positioning itself as a place where workers, entrepreneurs and businesses want to locate, invest and expand⁵⁴.

⁵⁴ <http://miplace.org/placemaking>

Figure 12 - Case Study: The High Line, New York City

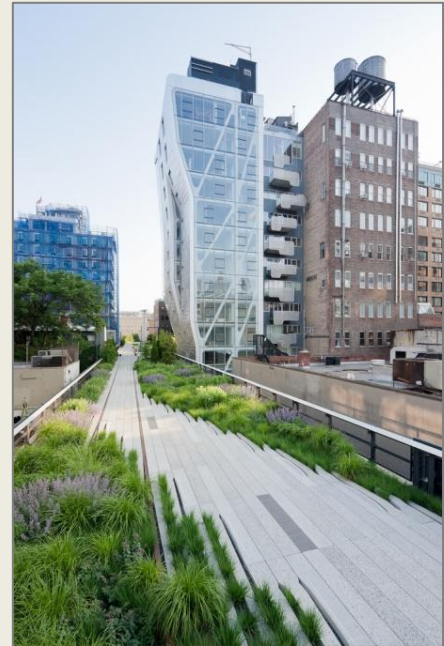
The High Line, New York City

The High Line is a public park built on an historic freight rail line elevated above the streets on Manhattan's West Side.

It is owned by the City of New York⁵⁵. Completed in 2009 the High Line features a mixture of landscaping elements, including plantings, viewing decks, innovative "peel-up" benches, water fountains, and recreational pathways.

The project uses inventive design to encourage stair climbing, walking, and relaxation.⁵⁶

Photos sourced from www.thehighline.org/galleries, Robert Wright for The New York Times www.nytimes.com, blog.localnomad.com



⁵⁵ <http://www.thehighline.org/about/park-information>

⁵⁶ <http://centerforactivedesign.org/high-line/>

Improving North Sydney's public spaces is a vital ingredient to achieving these two outcomes. Attractive, functional and vibrant public spaces help build a sense of community, civic identity and culture. They facilitate social capital, economic development and community revitalisation⁵⁷. Creating public spaces of this nature in North Sydney will not occur through periodic and incremental upgrades to the existing public domain. Rather, it will require transformational projects that alter the very way the Centre operates and removes roads and traffic that are largely responsible for the Centre's poor amenity.

An example of such a project would be turning Miller Street, between Berry Street and the Pacific Highway, into a wide, pedestrian-friendly, car free boulevard that accommodates substantial landscaping, cycling and walking paths, alfresco dining and a variety of public spaces. The next step would be to divert the Pacific Highway under North Sydney. This would then enable Victoria Cross – North Sydney's heart – to be transformed into a park that extends along Mount and Miller Streets and the Pacific Highway. This is a game changer initiative that would require unprecedented leadership, resources, cooperation and commitment.

7.3.3 IDEA 3 – ELEVATE THE ROLE OF CULTURE

The world's great cities concentrate and integrate commercial and cultural activities in one place⁵⁸. The message here for the North Sydney Centre is that both elements are essential to creating a city that is vibrant and prosperous not only during the working day but also of an evening and during weekends. Our analysis suggests North Sydney's commercial activities are currently performing relatively well with low vacancy rates and numerous new developments in the pipeline. However, its cultural life is in need of attention.

This view is supported by residents surveyed during the Study. When asked what improvements residents would like to see to North Sydney's Centre, 35% said more cultural and community events with 30 people specifically saying Council should host more events and facilitate more activity of an evening and on weekends.

To rectify this imbalance we recommend preparing a cultural strategy and events program for the North Sydney Centre. The purpose of the cultural strategy would be to transform the Centre's cultural life by:

- Fostering cultural participation and engagement;
- Recognising the Centre's strengths and distinctiveness through cultural and creative expression;
- Identifying initiatives, activities and events that are actionable, in demand and fully available to everyone in the community;
- Identifying the location and infrastructure needs for cultural activities; and
- Creating partnerships with State and local government, artists, cultural and educational institutions, businesses and residents.

A further outcome from the cultural strategy would be the creation of a year round cultural events program for the Centre. *These events should be frequent, varied and held in the Centre.* Opportunities to partner with, and leverage off, events held by the City of Sydney should be pursued.

⁵⁷ Project for Public Spaces, Inc., 2012, Placemaking and the Future of Cities.

⁵⁸ Creative City Cultural Policy Discussion Paper, City of Sydney 2013

7.3.4 IDEA 4 – ATTRACT AN ADDITIONAL ANCHOR SUPERMARKET

The survey of North Sydney residents conducted as part of the Study made two key findings in relation to supermarkets. Firstly, many residents indicated they frequently visit nearby centres like Crows Nest and Neutral Bay to shop at larger full-line supermarkets (i.e. Coles or Woolworths). Secondly, when asked what types of stores, services or facilities were most needed in the North Sydney Centre, the most common response from residents was a full-line supermarket.

The potential benefits of adding a full-line anchor supermarket in the Centre include:

- Increased competition which may improve product pricing, quality and variety;
- Shoppers are less likely to visit competing centres to shop at supermarkets and therefore increasing the amount of money being spent in North Sydney; and
- Shoppers attracted to the supermarket are also likely to visit surrounding shops, cafes and restaurants thus creating a multiplier effect.

However there can be significant social and economic impacts associated with the opening a new supermarket in an established centre. Supermarkets can for example generate additional vehicle traffic and lead to congestion in surrounding streets. Supermarkets can also draw business away from local and independent convenience retailers who are unable to compete with low cost products and free parking which in turn can reduce the diversity of a centre's retail offer and undermine its vitality. As such the potential economic and social impacts of a proposed supermarket should be thoroughly assessed. If an appropriate site was available and the net economic and social impacts are found to be positive an additional supermarket or alternative anchor store could be considered beneficial to the North Sydney Centre.

7.3.5 IDEA 5 – IMPROVE THE CONVENIENCE OF PUBLIC PARKING

Car parking in the Centre has consistently been raised as a concern by residents and businesses. Many felt that the lack of activity in the Centre of an evening and weekends was in large part due to the cost of on-street parking and limited availability of off-street public parking. Accordingly the need to improve the convenience and affordability of car parking in the Centre was consistently cited as a means by which to improve the vitality of the Centre, particularly during off peak times.

Parking is a notoriously difficult issue to manage in any centre. It is a particular issue in denser inner city environments like North Sydney where opportunities to increase provision are limited and can be prohibitively expensive. The provision of underground car parking in new developments can be a costly factor that often hinders development viability and constrains the process of renewal. Excessive parking can also generate traffic congestion and reduce the amenity and appeal of a shopping destination.

The conundrum between congestion and convenience must be recognised and understood by local stakeholders. At the same time Council should seek to strike a balance between the level and cost of parking provided in the Centre and the need to provide convenient and affordable parking for shoppers accessing the centre by private vehicle, particularly of an evening and weekend.

The following initiatives are recommended to improve the convenience of parking in the North Sydney Centre:

- Remove or significantly reduce on-street parking metre fees within the Centre during the evening and on weekends. Once implemented this measure should be promoted through multiple mediums including advertisements in local papers and flyers provided to local businesses, workers and residents;
- Improve provision of parking ‘availability’ signs at key locations within the Centre (i.e. active signage that informs the driver of the number of spaces available within a car park before a driver enters); and
- Negotiate public access to private parking areas under some of North Sydney’s larger commercial buildings that are conveniently located and currently underutilised on weekends. Running a pilot project and seeking assistance from a private car parking enterprise could help Council to understand and overcome the legal, logistic and financial challenges of such an initiative.

7.3.6 IDEA 6 – EMBRACE THE EDUCATION ECONOMY

According to the Federal Government’s recent whitepaper “Australia in the Asian Century” the number of students from China, India and other Asian countries studying in Australia has increased from around 170,000 in 2002 to over 320,000 in 2011⁵⁹. This trend is predicted to continue presenting significant economic opportunities for North Sydney. Analysis undertaken by Universities Australia found:

- International education has risen to be a \$15 billion per annum industry for Australia, the largest export earner after resources;
- International education supports 127,000 jobs, of which 88,000 are outside of the education sector; and
- Each international student (including their friends and family visitors) contributes an average of \$28,921 in value add to the Australian economy and generates 0.29 full-time equivalent workers⁶⁰.

To capture its share of these benefits it is recommended Council support the expansion of the Centre’s tertiary sector and implement the strategies and actions of the *North Sydney Education Precinct Planning Study* (2013).

7.3.7 IDEA 7 – CHANGE THE CENTRE’S PLANNING CONTROLS

Chapter 5 of this Study analysed the potential impacts of four future planning scenarios on the North Sydney Centre. One of these scenarios (Scenario 4) considered the impacts generated by a substantial amount of new commercial and residential development occurring concurrently in the Centre’s core. The analysis found that:

- The scenario could have a number of positive impacts on the competitiveness and vitality of North Sydney Centre by way of greater economic activity for local small businesses, higher levels of rate revenue for Council and more capacity to meet dwelling targets;
- The scenario would increase demand for social infrastructure;
- The impact on the Centre’s prestige and on Council’s ability to meet its employment targets was uncertain; and

⁵⁹ Australia in the Asian Century White Paper, Commonwealth of Australia 2012

⁶⁰ Universities Australia - <http://www.smartestinvestment.com.au/campaign/key-facts/>

- The scenario would require substantially higher densities than permitted under the NSLEP 2013 and NSLEP 2013 planning controls.

These findings suggest there may be merit in investigating planning control amendments to allow greater development potential and some residential development in the Centre's core.

Increasing Commercial Office Space in the Centre's Commercial Core

From a land economics perspective and for the reasons provided in Section 5.2 of this Study, Hill PDA considers it appropriate to not only protect North Sydney's commercial core but to also encourage additional commercial development in it. Changes to the core's development potential should however be informed by comprehensive development feasibility analysis to avoid creating the opposite effect whereby land value expectations escalate to such a degree that commercial developments becomes even less viable.

Permitting Some Mixed Use Development in the Centre's Commercial Core

Another contentious recommendation to come out of the scenario planning exercise is to allow a limited amount of mixed use/residential development in the commercial core. It should be reiterated that we support Council's current policy of applying a commercial core (zone B3) encircled by mixed use (zone B4). The combination of these zones creates street level activity and a larger local market for the centre whilst protecting the function of its businesses. The B4 Mixed use zone also has the benefit of creating a further buffer for the centre or a transition zone back to the residential only zones. However, a policy option for Council could be to permit a small amount of new mixed use development on carefully selected underutilised sites on the periphery of the core that play a direct transitional role between residential uses and the commercial core and are unviable to redevelop as higher grade office stock (i.e. due to age and quality of building, lot or ownership fragmentation).

The impact of this policy on the vitality and competitiveness of the North Sydney Centre could be positive provided the following occurred together:

- The amount of commercial floorspace in the Centre's core increases concurrently;
- Lower grade office stock is replaced by higher grade office stock;
- New residential development only permitted on a smaller amount of underutilised sites on the periphery of the core that are unviable to redevelop as higher grade office stock (viability would have to be proven through open book viability assessment); and
- The design and scale of any residential component permitted within the peripheral of the commercial core is considerate of and complementary to the commercial character and identity that North Sydney is seeking to strengthen.

We stress that even if these four criteria were met, there would remain a substantial risk that residential development in the core – even if located on the periphery of the commercial core – could crowd out and undermine the attractiveness and viability of new commercial development.

Reducing Minimum Non-Residential FSR Requirement in Centre's Mixed Use Areas

Council may also wish to investigate the impacts of its current policy requiring a minimum non-residential floorspace ratio of 3:1 in designated areas within the CBD. Potential negative outcomes of the policy may include:

- Hindering feasibility of new mixed use development and in turn slowing the Centre's renewal;
- Creating office space that fails to meet the needs of the market; or
- Creating office space on the centre's fringe that draws tenants away from the commercial core, undermining its prestige, vitality and viability.

An alternate policy would be to apply a blanket minimum non-residential floorspace ratio of 0.5:1 across all areas zoned for mixed use in the Centre. The benefit of this approach is that it would most likely result in a modest increase in the number of dwellings and residents in the Centre, without eroding the commercial core or tangibly impacting commercial floorspace and job targets. Analysis of the policy should consider its impacts on development feasibility and identify current vacancy rates within the office component of mixed use buildings in North Sydney.

7.3.8 IDEA 8 – REDUCE BARRIERS TO BUSINESS ENTRY AND ADAPTABILITY

The economy is always changing and so too are successful businesses who realise they must also evolve to meet the needs of their customers. This may entail anything from extending trading hours to refurbishing older low grade office buildings. New and existing businesses are more likely to modernise and upgrade a premises if they can receive a fast approval and commence trading sooner. Similarly land owners are more likely to redevelop or upgrade their property when the planning controls make it economically feasible to do so.

Council can help create an environment in which business can adapt quickly and cost effectively by:

- Providing local businesses with the certainty and confidence they need through high quality, evidence based, consistent and transparent decisions;
- Continuously streamlining development approval process to minimise the time and cost to businesses and residents;
- Preparing a brochure that explains to tenants and landlords what improvements can be made to the physical nature of their building with and without the need for planning consent. This pack would be supplemented with general information about the development control process and who to contact at the Council to discuss their proposal; and
- Ensuring its LEP and DCP planning controls are updated to create an investment ready planning framework.

7.3.9 IDEA 9 – ENHANCE THE NIGHT TIME ECONOMY

A common criticism voiced in the resident survey was the lack of a night time economy in the Centre. When asked what improvements residents would like to see in the Centre 42% said more night time activity and 53% said

extended opening hours. Improving the Centre's night time economy therefore represents a substantial opportunity for local businesses.

Evidence suggests successful night time economies should provide a diverse range of public and private attractions that are safe and appeal to all ages⁶¹. The Centre's night time economy could accommodate an array of commercial, cultural and community activities including: dining, bars, shopping, street buskers, take away food shops, live music, night markets, public talks, live theatre, gyms, pharmacies, supermarkets, convenience stores and more. In order to encourage a vibrant night time economy the following initiatives are recommended:

- Facilitate businesses extending their trading hours by permitting amendments to existing development consents;
- Permit extended retail hours (when appropriate) for new businesses;
- Encourage retailers to trade progressively later to test demand and build awareness amongst shoppers;
- Create spaces for evening buskers and performers that minimise disruptions to residents living in the Centre;
- Utilise public and private assets in the Centre to host cultural events (i.e. plays, art exhibitions and talks) during the evening;
- Reduce or remove on-street parking fees in the Centre during the evening;
- Support the creation of small bars in suitable locations (i.e. locations that would not conflict with surrounding residential);
- Review and improve street lighting in the Centre's key areas, streets, lane ways and car parks; and
- Work with property owners to install attractive and functional lighting in shopfronts.

It is important to note that conflict between residential and commercial uses can arise from night time trading (patrons leaving a venue and creating street noise), the smell of cooking (from restaurants and cafes) and the delivery of goods early in the morning (vehicles reversing or parking in the street). These conflicts can lead to complaints and the need to restrict business operations thereby having potential cost implications. There are a number of potential solutions to the challenge including:

- The restriction of hours of operation (i.e. no late night openings in order to eliminate the potential for noise as people leave the premises);
- Staggered closing hours for bars and nightclubs to reduce the severity of noise at any given time;
- The restriction of deliveries and servicing to morning / day time periods; and
- The designation of an area suitable for non-residential uses only.

⁶¹ Open Sydney Discussion Paper – Future Direction for Sydney at night, City of Sydney 2011

Whilst the first three options above are frequently used to minimise impacts to amenity, they can also hinder the success of businesses, add to their costs or reduce the attraction for the customer. The first three options above also minimise rather than completely eliminate potential conflicts.

7.3.10 IDEA 10 – CREATE AND MARKET A COMPELLING IDENTITY

Cities that can offer an appealing identity are more likely to succeed in an increasingly global and competitive world. A recent study into the traits of globally fluent metro areas by the Brookings Institute found that:

“Establishing and managing a compelling brand image in global markets not only helps sell the city, it also shapes and builds the city. It provides city leaders with the glue that can join people and institutions in a common spirit and purpose. Cities must manage change, adjust to dynamic trends, and shape their futures; however, without an enduring city identity, this is much harder to do, and the outcome is less effective.”⁶²

The need to identify and promote North Sydney’s strengths was raised by local businesses during the consultation phase of this Study. Some of those strengths are:

- Proximity to shops, services, schools, hospitals, parks, Sydney CBD, Sydney Harbour and airport;
- Competitive rent levels;
- Access to excellent public transport;
- Highly skilled white collar workforce; and
- Strategic location within the Global Economic Ark.

In Hill PDA’s experience successful events, communication and marketing can improve the image of the Centre and attract more shoppers, visitors and businesses. However, creating a compelling identity that successfully positions North Sydney in the national and global market place requires more than just creating a smart sales strategy with a snappy slogan and logo. It demands identifying, integrating and then effectively communicating North Sydney’s aspirations, values, opportunities, assets and ideas⁶³. As such it is recommended Council initiate a suitably resourced marketing and promotional campaign to:

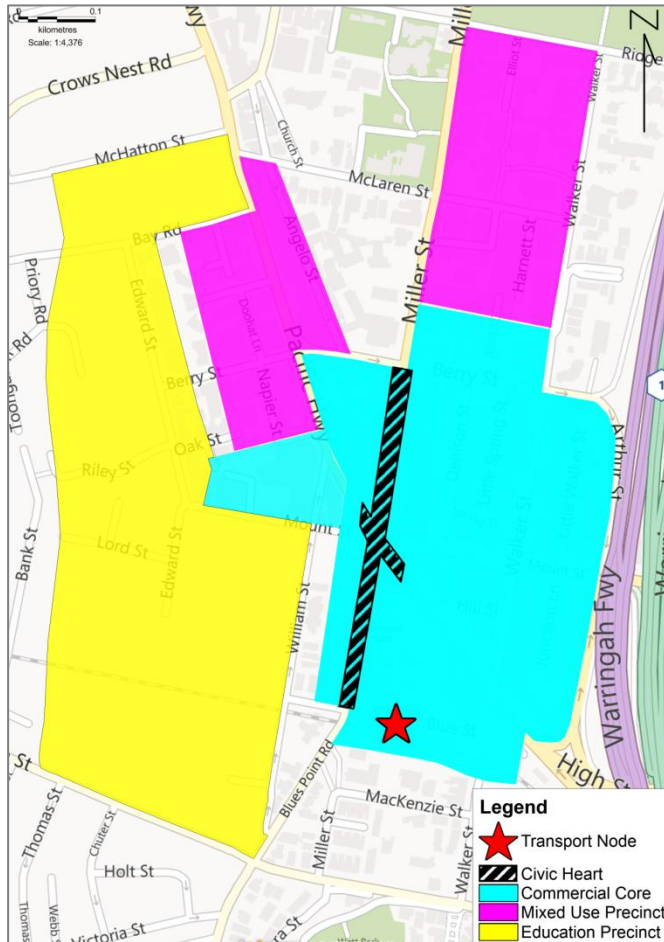
- Create a compelling identity for the Centre;
- Identify the Centre’s point of difference;
- Raise the profile of particular enterprises within the Centre; and
- Bring together a range of local industries and businesses under a single banner.

Another important step in creating a compelling identity for North Sydney will be identifying and enhancing the unique and desired character of various precincts within the Centre. Whilst this process should be driven by the Centre’s stakeholders, the following diagram illustrates the concept.

⁶² The 10 Traits of Globally Fluent Metro Areas, Brad McDearman, Greg Clark and Joseph Parilla, Brookings 2013

⁶³ Ibid

Figure 13 - Precincts within the North Sydney Centre



Source: Hill PDA

It shows North Sydney divided into five distinct precincts:

- *Commercial Precinct* – This precinct is situated between Miller and Arthur Streets and represents the commercial core of the Centre. The precinct contains the bulk of North Sydney’s office and retail floorspace and includes an array of banks, shops, professional services and cafes.
- *Education Precinct* – This precinct occupies a large portion of land to the west of the Pacific Highway and contains the Australian Catholic University, Sydney Church of England Grammar School (Shore) and North Sydney Demonstration School. In 2011 nearly 5,500 students attended these schools⁶⁴.
- *Civic Heart* – This (aspirational) precinct would represent the Centre’s ‘civic heart’ and be created by transforming Miller Street and Victoria Cross from car dominated wind tunnel into a pedestrian-friendly boulevard and park. The precinct would feature a mixture of landscaping elements as well as walking and cycling paths, alfresco dining and public art. It would serve as a focal point providing a high amenity environment for residents, workers and visitors to meet and congregate.
- *Mixed Use Precincts* – These two precincts dominate the Centre’s northern portion and are split by Monte Sant’ Angelo Mercy College. They are home to an increasing number of residents who are attracted to the convenience and lifestyle offered by the Centre.

⁶⁴ North Sydney Council Education Precinct Planning Study 2013

- *Public Transport Hub* – This precinct is situated in the southern portion of the Centre and provides it with a significant competitive advantage over most other CBDs and office locations in Greater Sydney.

Notwithstanding the unique character of each precinct as outlined above, all precincts should work together to create the Centre's overall character. This complementary role should be supported and enhanced to not only maintain variety in the Centre but to continue to cater to a range of business, resident and consumer needs. By maintaining a mix of uses in each precinct, there is greater opportunity to attract visitors, meet the needs of local residents, students and employees and in turn to ensure business viability.

To achieve the objectives outlined above, it is recommended that a vision and desired niche is identified for each of the four precincts and promoted through the character of their respective environments, tenancy mix and visitors. This vision and niche should be identified and addressed in all strategies and plans relating to the Centre.

Furthermore each precinct should promote public art and landscaping that is reflective of their desired character and vision. Entry and exit points to the precincts should be enhanced through effective urban design and streetscapes to attract visitors and promote a feeling of safety and security. Lastly local events and activities should be focused within these precincts that promote their character as part of wider events and festivals within the Centre and LGA.

7.4 FURTHER INVESTIGATIONS

To further inform the development of policies and initiatives for the North Sydney Centre, Hill PDA recommends the following analysis be undertaken:

- Undertake comprehensive feasibility and urban design analysis into the planning controls required to accommodate 12,000 additional jobs in the Centre (refer Section 4.1);
- Investigate the impacts of Council's current policy requiring a minimum non-residential floorspace ratio of 3:1 in designated areas within the CBD (refer Section 7.3.7); and
- Identify buildings in commercial core that could potentially be zoned for mixed uses (refer Section 7.3.7).

APPENDIX 1 – ECONOMIC BENEFITS OF RECENT DEVELOPMENT IN NORTH SYDNEY CENTRE

EXECUTIVE SUMMARY

This Study examines the economic benefits to the local economy generated by actual and anticipated development approvals in the North Sydney Centre under LEP 2001 and LEP 2013. The analysis will be used to help inform future stages of the wider North Sydney Centre Review 2013.

The Study found 16 commercial and mixed use developments have been approved or are under assessment. Combined, these developments are expected to generate retail expenditure of around \$12.0m in 2013 and \$75.8m by 2020. The bulk of this expenditure will come from new office workers and residents and will continue to increase beyond 2020 in line with broader retail spending trends.

There are ten mixed used development approved or under assessment that will contribute 1,283 new dwellings towards the LGA's housing supply.

The Study shows that as the mixed use buildings are completed the additional retail expenditure generated by new residents is expected to increase from \$2.7m in 2013 to \$47.0m by 2020. When retail expenditure generated by construction workers and residents is combined, North Sydney Centre's new mixed use developments will generate \$226m of retail expenditure between 2013 and 2020, a substantial proportion of which can potentially be captured by local businesses in North Sydney.

Together, the Centre's new commercial and mixed use developments will support an estimated \$3,175m in direct and indirect capital investment and create 18,210 job years directly and indirectly during the construction process. This level of development will also support existing retail jobs in the Centre and create significant direct and indirect capital investment in the North Sydney LGA and the Sydney Metropolitan Area.

Greater detail on the amount of retail expenditure generated by new commercial and mixed use development in the North Sydney Centre between 2013 and 2020 is provided in Table 1 below.

POTENTIAL ECONOMIC BENEFITS OF ANTICIPATED DEVELOPMENT IN NORTH SYDNEY CENTRE	
ADDITIONAL DWELLINGS	+1,283
ADDITIONAL COMMERCIAL FLOORSPACE	187,677_{sqm}
DIRECT CAPITAL INVESTMENT	\$1,211m
ADDITIONAL RETAIL EXPENDITURE FROM NEW RESIDENTS BY 2020	+\$47m p.a.
ADDITIONAL RETAIL EXPENDITURE FROM NEW OFFICE WORKERS BY 2020	+\$29m p.a.
ADDITIONAL RETAIL EXPENDITURE FROM CONSTRUCTION WORKERS 2013-2020	+\$8.6m
TOTAL ECONOMIC MULTIPLIER (DIRECT AND INDIRECT)	\$3,175m
JOB YEARS SUPPORTED DURING CONSTRUCTION DIRECT AND INDIRECT	18,210

Table 1 - Summary of Retail Expenditure Generated by North Sydney Centre Developments 2013-2020

Year Occupied	New Residents (\$m)	Construction Workers - Mixed Use (\$m)	Construction Workers – Commercial (\$m)	New Office Workers (\$m)	Total Expenditure (\$m)
2013	\$2.7	\$0.4	\$0.0	\$6.0	\$9.0
2014	\$2.7	\$1.1	\$0.0	\$6.1	\$9.8
2015	\$15.5	\$0.7	\$0.3	\$6.1	\$22.6
2016	\$17.3	\$0.7	\$0.3	\$6.2	\$24.5
2017	\$45.3	\$0.0	\$1.9	\$6.3	\$53.5
2018	\$45.9	\$0.0	\$1.6	\$9.5	\$57.0
2019	\$46.4	\$0.0	\$1.6	\$9.7	\$57.7
2020	\$47.0	\$0.0	\$0.0	\$19.2	\$66.2
	\$222.8	\$2.9	\$5.7	\$69.0	\$300.5

We should note that only a proportion of the additional expenditure shown in Table 1 would be captured by businesses within North Sydney. Expenditure in department stores, hardware and bulky goods stores, for example, would largely be directed to higher order centres or homemaker centres. Such destinations serve larger trade areas which residents visit less frequently.

Based on the Study's findings and North Sydney's current retail offer, the types of businesses most likely to attract this additional expenditure are local restaurants, cafes, bars, speciality food stores, fast food outlets, personal services and convenience stores/mini markets. Greenwood Plaza is also likely to benefit due to its broad range of convenient specialty shops and the presence of a small 730sqm IGA. Greenwood Plaza is performing 16% better than the median for similar sized shopping centres which may indicate an undersupply of certain types (and quality) of retail floorspace in the North Sydney Centre⁶⁵.

In summary the expenditure forecasts in Table 1 illustrate the potential benefit to local businesses if they can provide the goods and services demanded by the residents and workers occupying North Sydney's new developments. For example, if 70% of this additional expenditure could be retained within North Sydney the *annual* benefit to local businesses would be in the order of \$46.3m by 2020. It is noted however, a survey undertaken to inform the *North Sydney Centre Commercial Study* (2013) found that 45% of respondents thought the Centre's current retail offer was average and 10% said it was poor. As such further work is recommended to investigate means to improve North Sydney's retail offer so as to maximise the opportunities afforded by an influx of residents and office workers.

⁶⁵ Shopping Centre News – 2012 Mini Guns. Vol 30, No 4, 2012

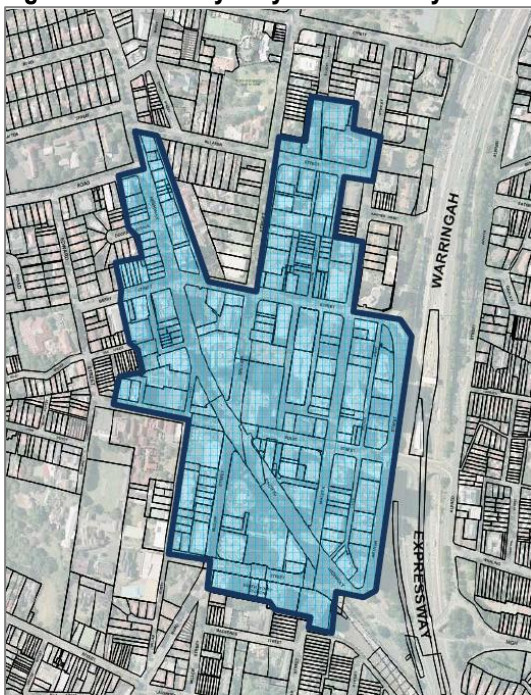
1. INTRODUCTION

Hill PDA has been commissioned by North Sydney Council to examine the economic benefits to the local economy generated by actual and anticipated development approvals in the North Sydney Centre under LEP 2001 and LEP 2013. The analysis will be used to help inform future stages of the wider North Sydney Centre Review 2013.

1.1 STUDY AREA

The location of the Study Area is depicted in Figure 1.

Figure 1 - North Sydney Centre Study Area



Source: North Sydney Council (2013)

1.2 STUDY STRUCTURE

To assess the potential economic benefits associated with recent and anticipated development approvals in the North Sydney Centre, the Study is set out in the following manner:

- Chapter 2 quantifies the retail expenditure generated by the Centre's residential and commercial approvals;
- Chapter 3 considers the economic multipliers and construction related economic impacts; and
- Chapter 4 concludes the Study by considering the overall economic impact of development that has or is likely to occur within the North Sydney Centre.

2. ECONOMIC IMPACT OF NEW DEVELOPMENT

The Chapter quantifies the actual or anticipated retail expenditure generated by:

- *Residents* of new mixed use developments within the North Sydney Centre approved or potentially approved;
- *Office workers* occupying commercial developments approved within the Centre; and
- *Construction workers* associated with building the residential and commercial developments approved within the Centre.

2.1 RETAIL EXPENDITURE FROM NEW RESIDENTS

The following table shows the mixed use developments in the North Sydney Centre that have approval or are currently under assessment. In total 716 dwellings have been approved with a further 567 dwellings under assessment, which if approved, would lead to 1,283 new dwellings in the Centre by 2017. For the purposes of this Study we have assumed that 1,283 dwellings would accommodate 2,438 residents once fully developed and occupied. This is based on applying the average household size of 1.9 persons per dwelling which is the current occupancy rate for the suburb of North Sydney⁶⁶.

Table 2 - Recent Residential/Mixed Use Developments in North Sydney Centre

Year Occupied	Address	Stage	No. of Dwellings	Estimated No. of Residents
2012	225 Miller Street	Completed	79	150
2015	156-158 Pacific Highway	Under construction	40	76
2015	144-150 Walker Street	Under construction	28	53
2015	239-247 Pacific Highway	Approved	104	198
2015	136-142 Walker Street	Under construction	197	374
2016	12-16 Berry Street	Approved	48	91
2017	211-223 Pacific Highway	Approved	220	418
			716	1,360
2017	221 Miller Street	Under assessment	173	329
2017	144-154 Pacific Hwy	Under assessment	204	388
2017	225-235 Pacific Highway	Under assessment	190	361
		Total	1,283	2,438

Using the Hill PDA retail expenditure model⁶⁷ we estimate that residents of the North Sydney Centre generate retail expenditure of \$17,095 per capita in 2013⁶⁸. The following table calculates total retail expenditure resulting from the additional residential population between 2013 and 2020. It includes an allowance for per capita retail expenditure to increase by 1.2% per annum from 2013 reflecting historic growth trends and current market conditions. Household expenditure by commodity type derived from Marketinfo 2009 has been equated to

⁶⁶ 2011 ABS Census - State Suburb SSC11764

⁶⁷ Note: Based on Marketinfo 2009 data and the ABS Household Expenditure Survey 2003-04 (the latest available survey)

⁶⁸ Note: Includes an allowance of 1.2% per annum growth in retail expenditure per capita

expenditure by retail store types using the results of the ABS Retail Survey (1998-99 Cat No. 8624.0 - the latest available data).

Table 3 - Household Expenditure by Retail Store Type of New Residents 2013-2020

	2013	2014	2015	2016	2017	2018	2019	2020
Expenditure Per Capita by Retail Store Type	\$17,733	\$17,946	\$18,161	\$18,379	\$18,600	\$18,823	\$19,049	\$19,277
Estimated Additional Resident Population	150	150	851	942	2,438	2,438	2,438	2,438
Retail Store Type (\$m)								
Supermarkets & Grocery Stores	\$0.7	\$0.7	\$3.8	\$4.3	\$11.2	\$11.3	\$11.4	\$11.6
Specialty Food Stores	\$0.2	\$0.2	\$1.3	\$1.5	\$3.9	\$4.0	\$4.0	\$4.1
Fast-Food Stores	\$0.2	\$0.2	\$1.3	\$1.5	\$3.9	\$4.0	\$4.0	\$4.1
Restaurants, Hotels and Clubs*	\$0.4	\$0.4	\$2.0	\$2.3	\$6.0	\$6.0	\$6.1	\$6.2
Department Stores	\$0.2	\$0.2	\$1.3	\$1.5	\$3.9	\$3.9	\$4.0	\$4.0
Clothing Stores	\$0.2	\$0.2	\$0.9	\$1.0	\$2.6	\$2.7	\$2.7	\$2.7
Bulky Goods Stores	\$0.3	\$0.3	\$2.0	\$2.2	\$5.9	\$5.9	\$6.0	\$6.1
Other Personal & Household Goods Retailing	\$0.4	\$0.4	\$2.1	\$2.4	\$6.2	\$6.3	\$6.4	\$6.5
Selected Personal Services**	\$0.1	\$0.1	\$0.6	\$0.7	\$1.7	\$1.7	\$1.8	\$1.8
TOTAL	\$2.7	\$2.7	\$15.5	\$17.3	\$45.3	\$45.9	\$46.4	\$47.0

* Turnover relating only to consumption of food and liquor (excludes all other types of revenue such as accommodation, gaming and gambling). ** Selected Personal Services includes hair and beauty, laundry, clothing hire and alterations, shoe repair, optical dispensing, photo processing and hire of videos. Note: distribution of expenditure between different store types is assumed to be consistent with that for existing residents in the Warringah LGA, sourced from Marketinfo 2009 and the ABS Household Expenditure Survey 2003-04

Table 3 shows that the 150 residents within the 225 Miller Street development generate in the order of \$2.7m in retail expenditure in both 2013 and 2014. With the completion of four further developments and addition of 549 dwellings and 701 residents by 2015 the household expenditure of new residents within the North Sydney Centre is forecast to increase to \$15.5m. By 2017 residents are expected to be occupying each of the mixed use developments identified in Table 2 and generate around \$45.3m in retail expenditure.

Figure 2 uses the data included in Table 2 to illustrate the increase in household expenditure of new residents by store type between 2013 and 2020.

Figure 2 - Household Expenditure by Retail Store Type of New Residents 2013-2020

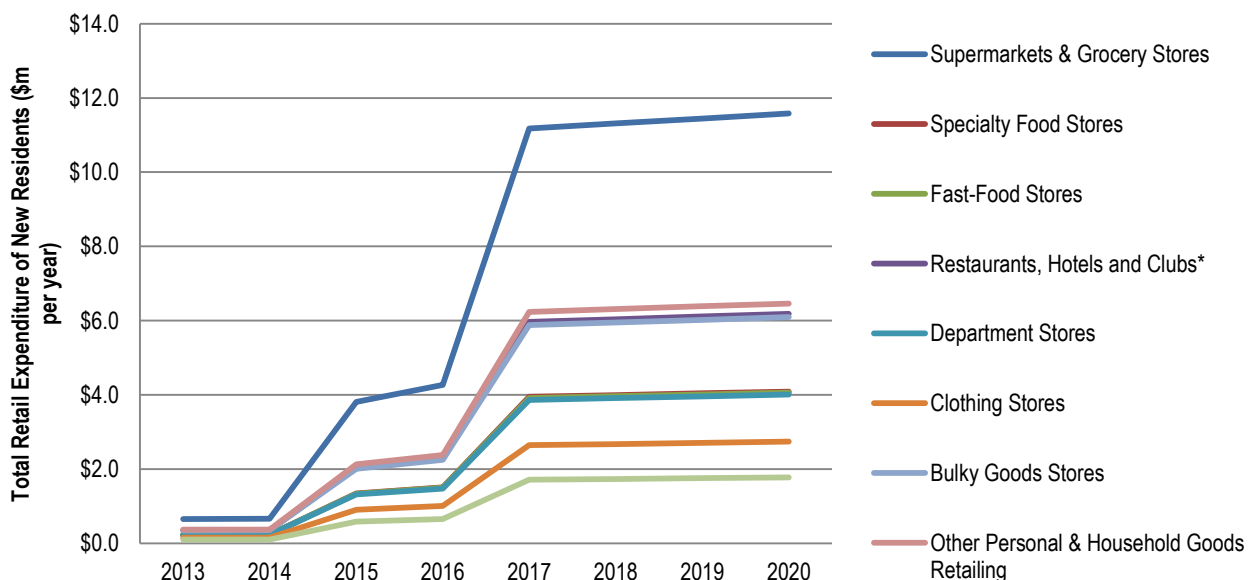


Figure 2 shows the completion and occupation of the Centre's new mixed use developments will dramatically increase the amount of expenditure on all store types. The addition of 2,438 new residents in North Sydney's Centre by 2020 will see spending on *supermarket and grocery stores* increase from \$0.7m in 2013 to \$11.6m by 2020 (+\$10.9m). Expenditure in this category is expected to represent nearly 25% of all household expenditure. Other categories anticipated to experience a significant increase in expenditure include:

- *Personal and household goods* – from \$0.4m in 2013 to \$6.5m by 2020 (+\$6.1m);
- *Restaurants, hotels and clubs* – from \$0.4m in 2013 to \$6.2m by 2020 (+\$5.8m);
- *Bulky goods* – from \$0.3m in 2013 to \$6.1m by 2020 (+\$5.7m);
- *Specialty food stores* – from \$0.2m in 2013 to \$4.1m by 2020 (+\$3.9m); and
- *Fast-food outlets* – from \$0.2m in 2013 to \$4.1m by 2020 (+\$3.8m).

We should note that only a proportion of this expenditure would be captured by businesses within North Sydney. Expenditure in department stores, hardware and bulky goods stores, for example, would largely be directed to higher order centres or homemaker centres. Such destinations serve larger trade areas which residents visit less frequently. However these forecasts do indicate the potential benefits to local businesses if they can provide the goods and services demanded by North Sydney's new residents. For example, if 80% of spending by 2,438 new residents on groceries, restaurants, hotels, specialty foods and personal services could be retained within North Sydney the benefit to local businesses would be in the order of \$7.0m by 2016 and \$18.9m by 2020.

Based on this analysis and North Sydney's current retail offer, the businesses most likely to benefit from this additional expenditure are local restaurants, cafes, bars, speciality food stores, fast food outlets, personal services and convenience stores/mini markets. Greenwood Plaza is also likely to benefit due to its broad range of convenient specialty shops and the presence of a small 730sqm IGA. Greenwood Plaza is performing 16% better than the median for similar sized shopping centres. This over trading may indicate an undersupply of certain types (and quality) of retail floorspace in the North Sydney Centre⁶⁹.

It is expected the bulk of additional expenditure on groceries would leak to the surrounding suburbs of Neutral Bay and Crows Nest that contain at least one full-line supermarket. It is also likely that expenditure on other retail types (i.e. restaurants, speciality food, fast food, personal services) will also occur whilst shopping at these locations further eroding the potential expenditure that North Sydney businesses can capture. It is recommended further research be undertaken into the potential benefits and feasibility of attracting an anchor supermarket to the North Sydney Centre.

2.2 RETAIL EXPENDITURE FROM NEW OFFICE WORKERS

Table 4 shows the commercial developments which have been constructed or approved in the North Sydney Centre. Combined, these six developments comprise 187,677sqm of commercial floorspace which is sufficient to potentially accommodate around 8,700 office workers (based on a conservative industry standard of 20sqm per office worker and 7% vacancy rate).

⁶⁹ Shopping Centre News – 2012 Mini Guns. Vol 30, No 4, 2012

Just under 64,000sqm of this floorspace has already been constructed by way of 100 Arthur Street, 100 Pacific Highway and 16-40 Mount Street. The remaining 124,000sqm would be delivered following the construction of 86-96 and 100 Mount Street; 88 Walker and 79-81 Berry Streets; and 177-199 Pacific Highway.

Table 4 - Recent Commercial Developments in North Sydney Centre

Year Occupied	Address	Commercial Floorspace (sqm)	Estimated No. of Office Workers (assumes 1 worker per 20sqm & 7% vacancy)
2007	100 Arthur Street	17,085	794
2006	100 Pacific Highway	18,128	843
2010	16-40 Mount Street	28,381	1,320
2018	86-96 & 100 Mount Street	31,869	1,482
2020	88 Walker & 79-81 Berry Streets	53,169	2,472
2020	177-199 Pacific Highway	39,045	1,816
		187,677	8,727

It is assumed office workers would spend on average between \$2,000 to \$3,000 per annum⁷⁰ on retail goods and services close to their place of work⁷¹. This will be spent predominately on convenience-related expenditure such as lunches, coffees, snacks etc. We have also conservatively assumed that:

- Given the type of higher paying businesses in North Sydney, workers on average spend \$3,000 per annum close to their place of work (\$2012); and
- Worker spending will increase in line with real retail growth at 1.2% per annum.

Based on this approach we estimate that office workers in the three completed commercial development are generating in the orders of \$9.0m in retail expenditure in 2013. Table 5 shows that by 2020 all six of the aforementioned developments would be online and potentially generating up to \$28.8m in retail expenditure.

Table 5 - Retail Expenditure of New Office Workers 2013-2020

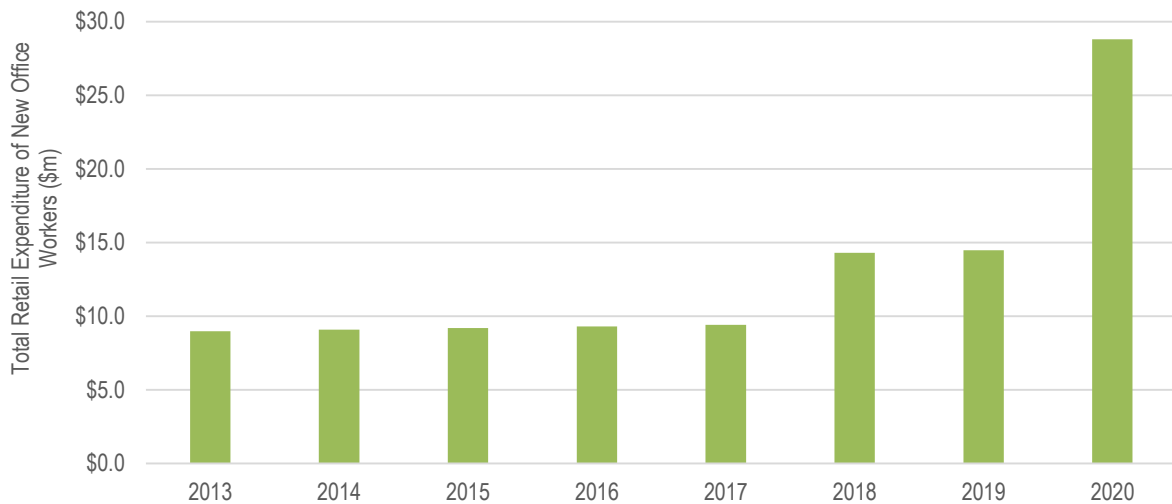
	2013	2014	2015	2016	2017	2018	2019	2020
Expenditure Per Capita (\$/p.a.)	\$3,036	\$3,072	\$3,109	\$3,147	\$3,184	\$3,223	\$3,261	\$3,300
100 Arthur Street	794	794	794	794	794	794	794	794
100 Pacific Highway	843	843	843	843	843	843	843	843
16-40 Mount Street	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320
86-96 & 100 Mount Street						1,482	1,482	1,482
88 Walker & 79-81 Berry Streets								2,472
177-199 Pacific Highway								1,816
Est Additional Office Workers	2,957	2,957	2,957	2,957	2,957	4,439	4,439	8,727
Total Spend (\$m/p.a.)	\$9.0	\$9.1	\$9.2	\$9.3	\$9.4	\$14.3	\$14.5	\$28.8

⁷⁰ It is noted the *North Sydney Centre Commercial Study* (2013) found the average weekly spend of surveyed workers was \$130 per week which would equate to an approximate annual spend of nearly \$6,000.

⁷¹ Based on Hill PDA's experience which indicates that around 15- 20% of household income is spent close to workers place of work. This is variable and highly dependent on the range of retail facilities provided locally.

A substantial proportion of this additional spend could potentially be captured by businesses within the North Sydney Centre. However, it is noted a survey undertaken to inform the *North Sydney Centre Commercial Study* (2013) found that 45% of respondents thought the Centre’s current retail offer was average and 10% said it was poor. Figure 3 illustrates the additional retail expenditure generated by office new workers within the commercial developments approved under LEP 2001.

Figure 3 - Retail Expenditure of New Office Workers 2013-2020



The next figure illustrates the retail expenditure generated by existing workers in the North Sydney Centre and new workers within the six commercial developments approved under LEP 2001. According to the *North Sydney Centre Commercial Study* (2013) there are approximately 47,000 people currently working in the Centre. We are assuming this includes those people working in 100 Arthur Street, 100 Pacific Highway and 16-40 Mount Street.

Figure 4 - Retail Expenditure of Existing and New Workers in North Sydney Centre 2013-2020

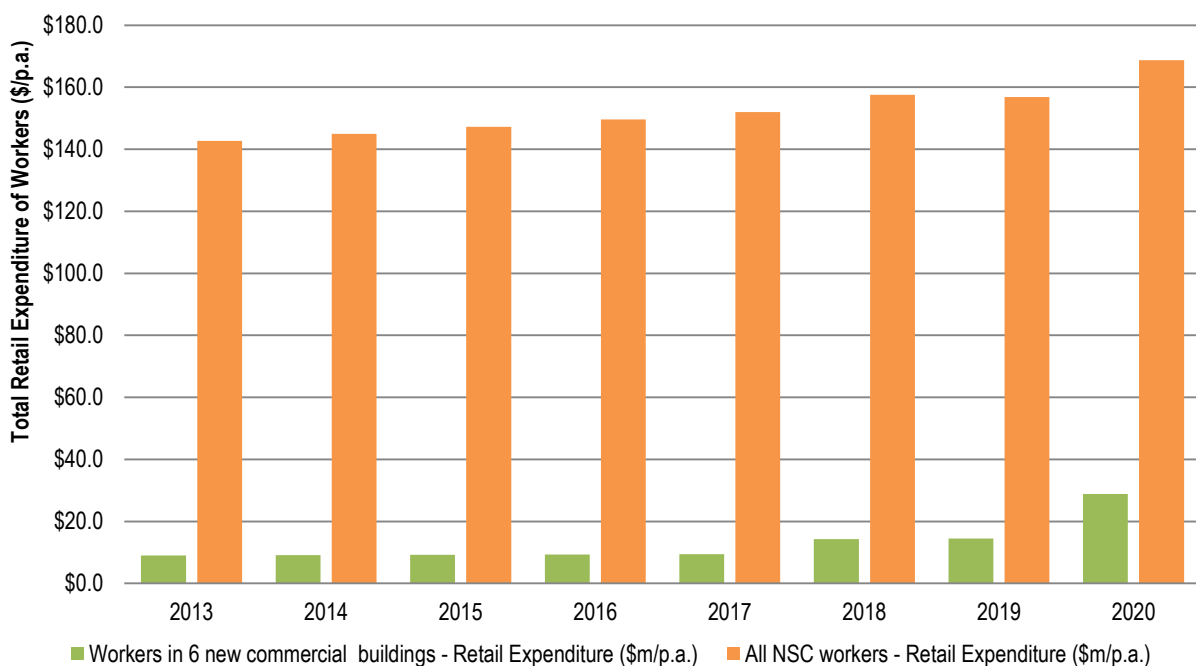


Figure 4 shows the retail expenditure generated by 47,000 existing workers in the North Sydney Centre in 2013 is estimated to be around \$143m. Of this, \$9m or 6% can be apportioned to those working in 100 Arthur Street, 100 Pacific Highway and 16-40 Mount Street. The figure also shows that by 2020 it is estimated the number of people working in the North Sydney Centre will increase by around 4,000 to 51,000. Based on this forecast the retail expenditure generated by workers in the North Sydney Centre will increase by 18% to \$169m of which \$29m could be apportioned to those working in the six commercial buildings approved under LEP 2001.

It is recognised this employment forecast is higher than that indicated in the *North Sydney Centre Commercial Study* (2013). However the Study acknowledges the NSW Bureau of Transport Statistics (BTS) data used for its own forecasts “may be considered conservative for North Sydney as white collar employment only grows by 0.38% per annum between 2001 and 2036, with overall Sydney white collar employment growth from 2011 to 2036 expected to be just over 1% per annum”. Furthermore the BTS forecasts are not considered sufficiently fine grained to factor in the potential employment growth driven by the construction of 86-96 and 100 Mount Street; 88 Walker and 79-81 Berry Streets; and 177-199 Pacific Highway. Although it should also be noted there is no guarantee these three large commercial developments will be constructed.

In light of these findings further investigations are recommended into improving North Sydney’s retail offer so as to maximise the opportunities afforded by an influx of office workers.

2.3 RETAIL EXPENDITURE FROM CONSTRUCTION WORKERS

Table 6 shows the combined residential and commercial developments that have been constructed, approved or are under assessment in the North Sydney Centre. It is assumed that construction workers on site would spend on average between \$2,000 to \$3,000 per annum on retail goods and services⁷² mainly on convenience-related expenditure such as lunches, coffees, snacks etc.

To estimate the amount of retail expenditure generated by construction workers in the North Sydney centre we have conservatively assumed that:

- Construction workers on average spend \$2,500 per annum close to their place of work (\$2012);
- Worker spending will increase in line with real retail growth at 1.2% per annum; and
- The average construction period is three years and jobs would be distributed evenly across each year.

Based on this approach we estimate that workers associated with the construction of the Centre’s 16 major projects will generate in the order of \$11.6m in retail expenditure that has or could be captured at North Sydney businesses. Of this, \$3.6m is from 10 mixed use development approved or under assessment and \$8.0m is related to the Centre’s 6 commercial development approvals.

⁷² Based on Hill PDA’s experience which indicates that around 15- 20% of household income is spent close to workers place of work. This is variable and highly dependent on the range of retail facilities provided locally.

Table 6 - Total retail Expenditure of Construction Workers

Construction Period	Address	Stage	Average No. of Construction Workers each year	Total Retail Expenditure over construction period (\$m)
Mixed Use				
Completed	225 Miller Street	N/A	37	\$0.3
2012-2014	156-158 Pacific Highway	Under construction	15	\$0.1
2012-2014	144-150 Walker Street	Under construction	18	\$0.1
2012-2014	239-247 Pacific Highway	Approved	33	\$0.3
2012-2014	136-142 Walker Street	Under construction	69	\$0.5
2013-2015	12-16 Berry Street	Approved	15	\$0.1
2014-2016	211-223 Pacific Highway	Approved	77	\$0.6
2014-2016	221 Miller Street	Under assessment	60	\$0.5
2014-2016	144-150 Pacific Hwy	Under assessment	71	\$0.6
2014-2016	225-235 Pacific Highway	Under assessment	66	\$0.5
			461	\$3.6
Commercial				
Completed	100 Arthur Street	N/A	90	\$0.7
Completed	100 Pacific Highway	N/A	79	\$0.6
Completed	16-40 Mount Street	N/A	135	\$1.0
2015-2017	86-96 & 100 Mount Street	Approved	115	\$0.9
2017-2019	88 Walker & 79-81 Berry Streets	Approved	388	\$3.1
2017-2019	177-199 Pacific Highway	Approved	210	\$1.7
			1,017	\$8.0
Total			1,478	\$11.6

Around \$2.6m in retail expenditure has already been realised during the construction of the Centre’s four completed projects (225 Miller Street, 100 Arthur Street, 100 Pacific Highway and 16-40 Mount Street).

Table 7 - Retail Expenditure of Construction Workers 2013-2019

	2013	2014	2015	2016	2017	2018	2019
Expenditure Per Capita (p.a.)	\$2,530	\$2,560	\$2,591	\$2,622	\$2,654	\$2,685	\$2,718
Mixed Use							
156-158 Pacific Highway	15	15					
211-223 Pacific Highway		77	77	77			
144-150 Walker Street	18	18					
239-247 Pacific Highway	33	33					
136-142 Walker Street	69	69					
225 Miller Street							
221 Miller Street		60	60	60			
144-150 Pacific Hwy		71	71	71			
225-235 Pacific Highway		66	66	66			
12-16 Berry Street	15	15	15				
<i>Estimated Construction Workforce (FT p.a.)</i>	150	424	289	274	0	0	0
<i>Spend (\$m/p.a.)</i>	\$0.4	\$1.1	\$0.7	\$0.7	\$0.0	\$0.0	\$0.0
Commercial							
100 Arthur Street							
100 Pacific Highway							
16-40 Mount Street							
86-96 & 100 Mount Street			115	115	115		
88 Walker & 79-81 Berry Streets					388	388	388
177-199 Pacific Highway					210	210	210
<i>Estimated Construction Workforce (FT p.a.)</i>	0	0	115	115	713	598	598
<i>Spend (\$m/p.a.)</i>	\$0.0	\$0.0	\$0.3	\$0.3	\$1.9	\$1.6	\$1.6
Total Estimated Construction Workforce	150	424	404	389	713	598	598
Total Spend (\$m/p.a.)	\$0.4	\$1.1	\$1.0	\$1.0	\$1.9	\$1.6	\$1.6

Table 7 shows a further \$8.6m in retail expenditure would be generated by those working on the projects currently under construction or yet to commence with \$2.9m and \$5.7m related to mixed use and commercial developments respectively.

2.4 COMBINED RETAIL EXPENDITURE FROM NEW DEVELOPMENT

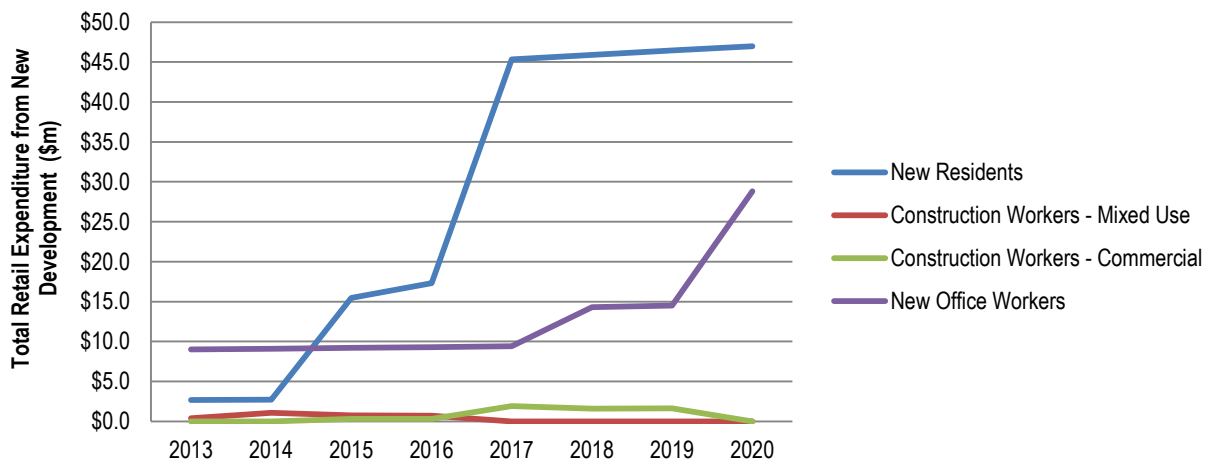
The findings of this Chapter have been collated to present the combined retail expenditure potentially generated between 2013 and 2020 by new residents, construction workers and new office workers associated with 16 significant commercial and mixed use developments in the North Sydney Centre. Table 8 shows the additional retail expenditure generated by the developments will increase from \$12.0m in 2013 to \$75.8m in 2020. The bulk of this expenditure will come from new office workers and residents and will continue to increase beyond 2020 in line with broader retail spending trends.

Table 8 - Summary of Retail Expenditure Generated by North Sydney Centre Developments 2013-2020

Year Occupied	New Residents (\$m)	Construction Workers - Mixed Use (\$m)	Construction Workers – Commercial (\$m)	New Office Workers (\$m)	Total Expenditure (\$m)
2013	\$2.7	\$0.4	\$0.0	\$9.0	\$12.0
2014	\$2.7	\$1.1	\$0.0	\$9.1	\$12.9
2015	\$15.5	\$0.7	\$0.3	\$9.2	\$25.7
2016	\$17.3	\$0.7	\$0.3	\$9.3	\$27.6
2017	\$45.3	\$0.0	\$1.9	\$9.4	\$56.6
2018	\$45.9	\$0.0	\$1.6	\$14.3	\$61.8
2019	\$46.4	\$0.0	\$1.6	\$14.5	\$62.6
2020	\$47.0	\$0.0	\$0.0	\$28.8	\$75.8
	\$222.8	\$2.9	\$5.7	\$103.6	\$335.1

Figure 5 shows that with the completion of each of the mixed use buildings, the additional retail expenditure generated by new residents is expected to increase from \$2.7m in 2013 to \$47.0m by 2020. When retail expenditure generated by construction workers and residents is combined, North Sydney Centre’s new mixed use developments will generate \$226m of retail expenditure between 2013 and 2020, a substantial proportion of which can potentially be captured by local businesses in North Sydney.

Figure 5 - Summary of Retail Expenditure Generated by North Sydney Developments 2013-2020



North Sydney's local businesses therefore stand to benefit significantly from the influx of workers and residents in the Centre so long as they can adapt to meet customer needs. An added benefit for local businesses is that these two types of consumers are complimentary. Workers tend to do their shopping during the working day whilst residents are more likely to make their purchases of an evening and the weekend. Further investigations into how best local businesses can capitalise on North Sydney's growth are recommended.

3. DEVELOPMENT IMPACTS

This Chapter examines the economic impact of the development itself in terms of multiplier effects and construction related employment.

3.1 CAPITAL INVESTMENT VALUE

The total capital investment value of the 16 significant developments approved (or under assessment) equates to \$1,211m of which a quarter (\$346m) relates to mixed use developments.

Table 9 - Capital Investment Value of North Sydney Centre Projects

Type	Project	Capital Investment Value (\$m)
Mixed Use	156-158 Pacific Highway	\$11
	211-223 Pacific Highway	\$58
	144-150 Walker Street	\$14
	239-247 Pacific Highway	\$25
	136-142 Walker Street	\$52
	225 Miller Street	\$28
	221 Miller Street	\$45
	144-150 Pacific Hwy	\$53
	225-235 Pacific Highway	\$49
	12-16 Berry Street	\$11
	\$346	
Commercial	100 Arthur Street	\$67
	100 Pacific Highway	\$60
	16-40 Mount Street	\$101
	86-96 & 100 Mount Street	\$189
	88 Walker & 79-81 Berry Streets	\$291
	177-199 Pacific Highway	\$158
	\$865	
Combined Total		\$1,211

Source: Cordells and North Sydney Council

3.2 CONSTRUCTION MULTIPLIER EFFECTS

The construction industry is a significant component of the economy accounting for 7.3% of Gross Domestic Product (GDP) and employing almost one million workers across Australia⁷³. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

⁷³ Source: IBIS World Construction Industry Report 2011

There are two types of multipliers:

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

The source of the multipliers adopted in this report is ABS and Australian National Accounts: Input-Output Tables 1996-97 (ABS Catalogue 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.466, \$0.438 and \$0.962 respectively to every dollar of construction.

The table below calculates economic multipliers associated with the CIV of the 16 significant projects identified in Table 10.

Table 10 - Economic Multipliers of North Sydney Centre Projects

	Direct Effects (\$m)	Production Induced Effects (\$m)		Consumption Induced Effects (\$m)	Total (\$m)
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.466	0.438	0.962	2.866
Output (\$million)					
Mixed Use Developments					
156-158 Pacific Highway	\$11	\$5	\$5	\$11	\$32
211-223 Pacific Highway	\$58	\$27	\$25	\$55	\$165
144-150 Walker Street	\$14	\$6	\$6	\$13	\$39
239-247 Pacific Highway	\$25	\$12	\$11	\$24	\$72
136-142 Walker Street	\$52	\$24	\$23	\$50	\$149
225 Miller Street	\$28	\$13	\$12	\$27	\$80
221 Miller Street	\$45	\$21	\$20	\$43	\$129
144-150 Pacific Hwy	\$53	\$25	\$23	\$51	\$152
225-235 Pacific Highway	\$49	\$23	\$21	\$47	\$140
12-16 Berry Street	\$11	\$5	\$5	\$11	\$32
	\$346	\$161	\$151	\$332	\$990
Commercial Developments					
100 Arthur Street	\$67	\$31	\$29	\$65	\$193
100 Pacific Highway	\$60	\$28	\$26	\$57	\$171
16-40 Mount Street	\$101	\$47	\$44	\$97	\$289
86-96 & 100 Mount Street	\$189	\$40	\$38	\$83	\$246
88 Walker & 79-81 Berry Streets	\$291	\$136	\$127	\$280	\$834
177-199 Pacific Highway	\$158	\$73	\$69	\$152	\$451
	\$865	\$355	\$334	\$733	\$2,185
Combined Total	\$1,211	\$516	\$485	\$1,065	\$3,175

* Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0).

The estimated \$1,211m direct construction cost will support a further \$1,001m of activity in production induced effects and \$1,065m in consumption induced effects. Total economic activity supported by the construction of the 16 aforementioned developments is estimated to be approximately \$3,175m.

When separated out the Centre's \$346m of mixed use developments will generate a \$312m of activity in production induced effects and \$332m in consumption induced effects. Total economic activity supported by the construction of the Centre's mixed use development is therefore around \$990m.

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

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

In particular the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeding. In reality many of these resources would have been employed elsewhere. It should also be noted, as stated in the NSW Treasury guidelines, that:

“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”⁷⁴.

Nevertheless, economic multiplier impacts represent additional value add to the Australian economy resulting from this proposed development.

3.3 CONSTRUCTION EMPLOYMENT

It is estimated that four full time construction positions over 12 months are created for every one million dollars of construction work undertaken⁷⁵ (Table 11). Based on the estimated combined construction cost of \$1,211m for the 16 significant developments approved (or under assessment), approximately 4,430 job years⁷⁶ will be directly generated (one job year = one full time job for one full year).

The 1996-97 ANA Input-Output Tables identified employment multipliers for first round, industrial support and consumption induced effects of 0.33, 0.45 and 2.33 respectively for every job year in direct construction. Including the multiplier impacts the 16 combined commercial and mixed use developments have potential to generate 18,210 job years directly and indirectly.

With regard to the specific impacts of mixed use developments, it is estimated over 1,380 job years would be directly generated by the 10 significant projects within the North Sydney Centre and a further 4,297 created indirectly.

⁷⁴ Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government (TPP 09-7) NSW Treasury

⁷⁵ IBIS World Construction Industry Report 2011

⁷⁶ Note – One job year = one full time job for one full year

Table 11 - Employment Generation from North Sydney Centre Projects

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.33	0.45	2.33	4.11
Employment No. per \$million	4	1.32	1.8	9.32	16.44
Total job years created					
Mixed Use Developments					
156-158 Pacific Highway	44	15	20	103	181
211-223 Pacific Highway	230	76	104	537	947
144-150 Walker Street	54	18	24	127	224
239-247 Pacific Highway	100	33	45	233	411
136-142 Walker Street	208	69	94	485	855
225 Miller Street	112	37	50	261	460
221 Miller Street	180	59	81	419	740
144-150 Pacific Hwy	212	70	95	494	871
225-235 Pacific Highway	196	65	88	457	806
12-16 Berry Street	44	15	20	103	181
	1,380	457	621	3219	5,676
Commercial Developments					
100 Arthur Street	269	89	121	627	1,106
100 Pacific Highway	238	79	107	555	980
16-40 Mount Street	404	133	182	941	1,660
86-96 & 100 Mount Street	344	114	155	802	1,414
88 Walker & 79-81 Berry Streets	1,164	384	524	2,712	4,784
177-199 Pacific Highway	630	208	284	1,468	2,589
	3,050	1,006	1,372	7,106	12,534
Combined Total	4,430	1,463	1,993	10,325	18,210

Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0).

4. CONCLUSION

Based on the findings of this Study, the potential positive economic benefits of actual and anticipated development approvals within the North Sydney Centre include:

- Contributing 1,283 new dwellings towards the LGA's housing supply;
- Creating an additional \$76m a year in retail expenditure by 2020 that can potentially be captured by existing businesses within North Sydney, of which \$47.0 will be generated by residents of new mixed use developments;
- Supporting existing retail jobs in the North Sydney Centre;
- Supporting an estimated \$3,175m in direct and indirect capital investment and supporting 18,210 job years directly and indirectly during the construction process; and
- Creating significant direct and indirect capital investment in the North Sydney LGA and the Sydney Metropolitan Area.

This Study illustrates the potential benefit to North Sydney's local businesses if they can provide the goods and services demanded by residents and workers occupying new developments. However based on the Centre's current retail offer and consumer behaviour it is expected the bulk of this additional expenditure will leak to locations that have a full-line supermarket and wider variety of stores.

As such further work is recommended to investigate strategies to capture a greater proportion of available retail expenditure and initiatives to improve North Sydney's vitality and viability, especially of an evening and weekends. Areas of investigation may include: campaigns to promote the Centre, improving North Sydney's retail offer; assessing the feasibility of attracting a full-line supermarket; expanding the night time economy, developing a family friendly environment and measures to support small businesses and increase cooperation with Council.

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