

**DECISION OF 3639th COUNCIL MEETING
HELD ON 18 NOVEMBER 2013**

734. G07: Legal and Planning Committee Minutes - 11 November 2013

32. LP02: North Sydney Economic Study 2013

Report of Brad Stafford, Senior Strategic Planner

To inform the on-going North Sydney Centre Review, Council has commissioned two key economic studies. The first was the North Sydney Commercial Centre Study of February 2013 prepared by Urbis. This report was presented to Council at its meeting of 13 May 2013, with a workshop for Councillors undertaken on 20 May 2013.

The second study commissioned is the North Sydney Centre Economic Study of October 2013, prepared by planning and economic consultants Hill PDA. This report provides an overview of the North Sydney Economic Study, including its methodology, key findings and recommendations.

A Councillor Workshop is scheduled for Tuesday 19 November 2013.

Funding for these projects was included in the adopted 2013/14 budget.

Recommending:

1. **THAT** the report be received.
2. **THAT** a Councillor Workshop for be held on the matter on 19 November 2013.
3. **THAT** a report be prepared on the North Sydney Centre Economic Study for the CBD Working Group's meeting on 10 December 2013.

Resolved to recommend:

1. **THAT** the report be received.
2. **THAT** a Councillor Workshop for be held on the matter on 19 November 2013.
3. **THAT** a report be prepared on the North Sydney Centre Economic Study for the CBD Working Group's meeting on 10 December 2013.

The Motion was moved by Councillor Baker and seconded by Councillor Barbour.

Voting was as follows:

For/Against 7/0

Councillor	Yes	No	Councillor	Yes	No
Gibson	Y		Morris	Absent	
Reymond	Y		Clare	Absent	
Carr	Absent		Baker	Y	
Bevan	Y		Robertson	Absent	
Butcher	Y		Marchandean	Y	
Burke	Absent		Beregi	Absent	
Barbour	Y				



Report to General Manager

Attachments:

1. North Sydney Centre Economic Study, November 2013

SUBJECT: North Sydney Economic Study 2013

AUTHOR: Brad Stafford, Senior Strategic Planner

EXECUTIVE SUMMARY:

To inform the on-going North Sydney Centre Review, Council has commissioned two key economic studies. The first was the North Sydney Commercial Centre Study of February 2013 prepared by Urbis. This report was presented to Council at its meeting of 13 May 2013, with a workshop for Councillors undertaken on 20 May 2013.

The second study commissioned is the North Sydney Centre Economic Study of October 2013, prepared by planning and economic consultants Hill PDA. This report provides an overview of the North Sydney Economic Study, including its methodology, key findings and recommendations.

A Councillor Workshop is scheduled for Tuesday 19 November 2013.

FINANCIAL IMPLICATIONS:

Funding for these projects was included in the adopted 2013/14 budget.

RECOMMENDATION:

1. **THAT** the report be received.
2. **THAT** a Councillor Workshop for be held on the matter on 19 November 2013.
3. **THAT** a report be prepared on the North Sydney Centre Economic Study for the CBD Working Group's meeting on 10 December 2013.

Signed: _____

Endorsed by: _____
Manager Strategic Planning

LINK TO DELIVERY PROGRAM

The relationship with the Delivery Program is as follows:

Direction: 2. Our Built Environment

Outcome: 2.2 Improved mix of land use and quality development through design excellence
2.5 Sustainable transport is encouraged
2.6 Improved traffic management

Direction: 3. Our Economic Vitality

Outcome: 3.1 Diverse, strong, sustainable and vibrant local economy
3.2 North Sydney CBD is one of Australia's largest commercial centres
3.3 North Sydney is a place that attracts events

BACKGROUND

The North Sydney Centre Review aims to identify and implement policies and strategies to ensure that the North Sydney retains and strengthens its role as a key component of Sydney's global economic arc, remains the principal economic engine of Sydney's North Shore, and becomes a more attractive, sustainable and vibrant place for residents, workers and businesses.

To establish a sound platform of data and identify key issues for the North Sydney Centre, Council commissioned a number of significant studies. The first was the North Sydney Commercial Centre of February 2013, undertaken by Urbis, which was reported to Council's Legal and Planning Committee of 6 May 2013 and discussed in detail at a Councillor Workshop on 20 May 2013.

The second background study commissioned was the North Sydney Centre Economic Study of October 2013 (the Study), undertaken by Hill PDA, which is the topic of discussion in this report.

The Study was undertaken in two stages. Stage 1 was an economic appraisal of recent and expected commercial and mixed use development within the North Sydney Centre, examining the benefits to the local economy generated by these developments. This analysis was completed in March 2013, updated in October 2013, and forms Appendix 1 to the attached Study.

Stage 2 of the Study required Hill PDA to:

- Consider the Centre's current economic performance and identify influences affecting its future outlook;
- Analyse the potential impacts of a major policy change under which residential development was permitted in the commercial core; and
- Identify initiatives to improve the economic performance of the Centre which contribute to its revitalisation.

This analysis forms the main body of the attached Study, completed in October 2013.

CONSULTATION REQUIREMENTS

Community engagement is not required for this particular piece of work but is being conducted as part of the wider North Sydney Centre Review process.

A Councillor Workshop on the Study will be held on 19 November 2013.

A report on the Study will be prepared for the CBD Working Group's 10 December 2013 meeting.

SUSTAINABILITY STATEMENT

The sustainability implications were considered and reported on during the initiation phase of this project.

DETAIL

In order to determine the efficacy of existing policies in enhancing North Sydney Centre's commercial core, the Study examines the existing office market, tests alternate planning scenarios, and identifies initiatives to complement the Centre's commercial growth. The study provides information under the following chapters:

1. Introduction
2. Current and Future Shape of the Centre's Economy
3. Trends Influencing the Centre
4. Implications for Land Use Requirements
5. Testing Future Planning Scenarios
6. Findings from Consultation
7. Priorities and ideas
8. Economic Benefits of Recent Development in North Sydney Centre

The following is an overview of each chapter's key points.

1. Introduction

The introduction to the study indicates that there has been an overall improvement in North Sydney Centre's commercial market thanks in part to North Sydney Council's policies and programs. This has allowed for the development of higher density residential uses in close proximity to the North Sydney Centre and created certainty through establishing developable building envelopes. This section highlights the competing pressures of an increased demand in residential development contrasted with the need to maintain the competitiveness of the Centre's local economy.

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.

2. Current and Future Shape of the Centre's Economy

This chapter provides an overview of the current and future shape of the Centre in terms of its economy, workforce and resident population. Growth of both working and resident populations in the Centre over the next 20 years is identified as a key trend shaping it.

3. Trends Influencing the Centre

An analysis of external trends and factors influencing the Centre states that Sydney's forecast population growth, coupled with the growth of the banking, insurance, and finance sectors over the next 20 years is expected to increase the demand for both commercial office and residential floor space in key/strategic locations (close to employment centres and public transport).

The economic growth of Asia and its middle class is also identified as having an impact on the demand for tertiary education, accommodation, and high quality office space. North Sydney is well positioned to take advantage of these trends.

4. Implications for Land Use Requirements

Based on the economic and demographic trends identified in chapters 2 and 3, the key findings of this chapter are that:

- The draft *Metropolitan Strategy for Sydney* (2013) has set a target for North Sydney to accommodate an additional 12,000 jobs by 2031 requiring the Centre to accommodate in the order 240,000sqm of additional office floor space;
- By 2031 it is estimated there will be sufficient demand to accommodate approximately 16,000sqm of additional retail and commercial street level/shopfront floor space in the Centre; and
- Based on recent and anticipated approvals, over 1,200 additional **dwelling**s are expected to be added to the Centre's mixed use area over the next decade which translates into nearly 2,500 additional residents.

5. Testing Future Planning Scenarios

The Study then moves to the testing of possible development/growth outcomes, based on alternate policy and market outcomes which were assessed for their potential impacts on the North Sydney Centre. The table below is a summary extract of the Study's scenario testing:

Scenario 1 - North Sydney's office market stagnates

This scenario would have a negative impact on both the vitality of North Sydney Centre as well as on Council's rating revenues, dwelling targets, and social infrastructure.

Scenario 2 - North Sydney's office market grows and becomes more competitive

This scenario would increase the vitality and competitiveness of North Sydney Centre in terms of greater economic activity but may detract from Council's ability to meet dwelling targets.

Scenario 3 - Residential development replaces some commercial floor space in North Sydney's Core

This scenario could impact negatively on the vitality and competitiveness of North Sydney Centre by restricting commercial activity but would improve Council's ability to meet dwelling targets.

Scenario 4 - North Sydney's office and residential market grow together in an intensified core

This scenario would have positive impacts on the vitality and competitiveness of North Sydney Centre by increasing economic activity especially for local small businesses. It would also assist Council in meeting its dwelling targets.

This scenario may also increase the demand for other infrastructure but is uncertain as to how it would affect the Centre's commercial development status.

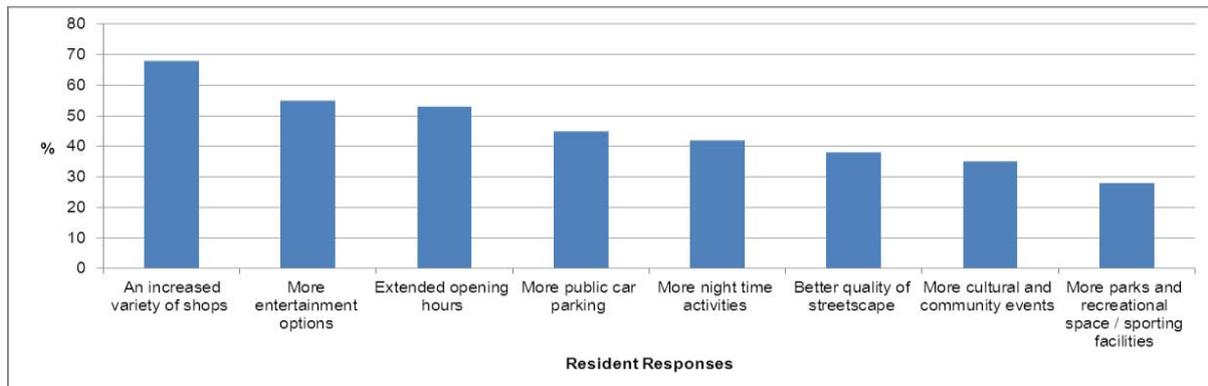
Key findings from the scenario analysis are detailed in the table below:

	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

6. Findings from Consultation

The Consultation consisted of a survey of local residents and businesses, and a workshop with members of the North Sydney Chamber of Commerce.

Key findings from the survey of local residents indicate satisfaction with proximity to work, public transport and shops but also some dissatisfaction with the variety of shops, trading hours, and other areas as indicated in the figure below.



Key findings from the survey of local businesses indicated that the most important improvements they would like to see accomplished are better quality streetscape, more public car parking, greater cooperation between businesses and Council, and holding more events.

Additionally, 71% of businesses surveyed indicated their desire for a dedicated person or staff member tasked with enhancing the economic development of the North Sydney Centre.

7. Priorities and Ideas

Based on the findings of the Study, this chapter identifies ten transformational initiatives that would assist in the revitalisation of the North Sydney Centre and support Council's role in economic development. These initiatives are:

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

The chapter also recommends that the following analyses be undertaken to inform the development of Council policies and initiatives:

- Comprehensive feasibility and urban design analysis of the planning controls required to stimulate and accommodate 12,000 additional jobs in the Centre;
- 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; and
- Identify buildings in the commercial core that could potentially be zoned for mixed uses.

These matters will be discussed in detail at the Councillor Workshop on 19 November 2013.

8. Economic Benefits of Recent Development in North Sydney Centre (Appendix 1)

The Appendix 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 study identified 16 commercial and mixed use developments that have been approved or are under assessment. Of these, 10 are mixed use developments that will contribute 1,283 new dwellings towards the LGA's housing supply.

Together, the Centre's new commercial and mixed use developments are projected to generate \$335.1m of retail expenditure (generated by new residents, office workers, and construction workers) between 2013 and 2020, a proportion of which can potentially be captured by local businesses.

This would greatly depend on the current retail on offer - based on the survey undertaken in Chapter 6 of the North Sydney Centre Commercial Study, 45% of those surveyed indicated that the Centre's current retail offer was average, and 10% said it was poor. The chapter therefore recommends improving North Sydney's retail offer.