



Economic Analysis of Redevelopment of 2 Bachell Avenue, Lidcombe

FINAL – Prepared for Pacific Planning by PPM Consulting

Date: 23 October 2018

COMMERCIAL – IN – CONFIDENCE

PPM Holdings Pty Ltd trading as PPM Consulting
PO Box 1398 NORTH SYDNEY NSW 2159
www.ppm-consulting.com.au martin@ppm-consulting.com.au

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Executive Summary

The site at 2 Bachell Avenue is identified as part of the Lidcombe East precinct in the 2015 Auburn *Employment Lands Strategy* (ELS) and the 2017 Cumberland Draft *Employment And Innovation Lands Strategy & Land Use Planning Framework*. The strategies seek to encourage the establishment and expansion of creative and commercial enterprises, and suggest that “a flexible approach to considering a range of employment / industrial uses that may have different access and floor space requirements” be adopted. The Lidcombe East precinct has no vacant land, so the increase in employment floor space envisaged by the employment strategies can only come through redevelopment of underperforming sites.

The site, at 8,738m² in area, is suitable for redevelopment, consistent with the strategies. The site is currently zoned IN1 General Industrial in the Auburn Local Environmental Plan (LEP) 2010 with a floor space ratio (FSR) of 1:1. It contains a pre-existing 2,250m² industrial building currently occupied by a dry cleaner. The building was constructed over a stormwater drainage channel that runs in a south to north-west direction through the site. The remaining part of the drainage channel is exposed. The site is within the flood planning area and contains land below the foreshore building line.

Consistent with the employment strategies, this report finds that the proposed concept for redevelopment of the site would be viable and could facilitate 550 new jobs if it is rezoned to enable “office premises” and other business and commercial uses at an FSR of 2.85:1.

The current site characteristics are shown in Table E1.

Table E1: Site Characteristics

Site size	8,738m ²
FSR	1:1
Current Industrial Floorspace	2,250m ²
Current Zoning	IN1 General Industrial

The site will require:

- demolition of the factory and remediate the land, at a cost of \$1.5 million
- significant storm water and flood mitigation works at a cost of \$1.5 million
- the construction of a two-storey basement

The proposed concept for the site is a mix of commercial and industrial uses over up to seven storeys. Table E2 shows the Net Developable Area (NDA) for each of the intended uses, as well as the total Gross Floor Space (GFA) for the site.

Table E2: Proposed Uses

Proposed Use	Area (m ²)
Food and drinks, shops, recreation, etc	5,278
Light industries, industrial retail, hardware, etc	5,709
High technology industry, office premises, etc	4,258
Warehouse, storage, wholesale suppliers, etc	7,973
Public open space	500
Total Net Floorspace	23,718
Gross Floorspace	24,890
Floor Space Ratio	2.85:1

Source: Michael Raad Architects, Proposed Development Concept Design, 2 Bachell Avenue, Lidcombe, 14 August 2018

Figure E1 shows the concept plan for the site.

Figure E1: Concept Site Plan



Source: Michael Raad Architects, Proposed Development Concept Design, 2 Bachell Avenue, Lidcombe, 14 August 2018

As can be seen, the concept is for 23,718m² of commercial and industrial floorspace. The gross floor area would be 24,890m² (that is, five per cent of the space would be common property and not therefore not for individual sale). Overall, the floor space ratio (FSR) for the proposed concept would be 2.85:1.

Table E3 shows the gross floor area (GFA), net developable area (NDA) and other specifications for the proposed concept, as well as the overall floor space ratio (FSR).

Table E3: Concept Specifications

	GFA Industrial*	GFA Commercial*	NDA Industrial	NDA Commercial
Total	13,682	9,536	13,038	9,087
Developable Site Area: 8,738m²				
FSR (Total): 2.85:1				

* Derived

Table E4 shows the estimated return on the investment, as shown by the developer margin.

Table E4: Estimated Developer Margin

Total Cost (\$)	Total Revenue (\$)	Developer Return (\$)	Developer Margin (%)
46,454,380	56,595,874	10,141,494	21.8

Based on cost and revenue assumptions, the total developer return for the proposed concept is estimated at just over \$10.1 million, with a developer margin of 21.8 per cent.

Note that this does not include any financing costs, which could be significant.

The development has the potential to create an estimated 720 jobs in the NSW economy (including 395 directly and 325 indirectly) as a result of construction. During construction, the proposed redevelopment would also create an estimated \$34.8 million in wages and salaries in the NSW economy, with \$15.2 million generated directly in the construction industry and \$19.6 million created indirectly.

Table E5 shows the estimated number of ongoing jobs that could potentially be facilitated in industrial and commercial developments. There are fewer jobs created per square metre of industrial floor area than there are for commercial/retail, and fewer again for warehousing.

**Table E5: Estimated Ongoing Employment Potential
m² per Job**

Industrial	100
Commercial	20
Warehousing	500

Source: ABS

Table E6 shows the potential ongoing employment impact of the proposed concept against the status quo. This table breaks down the industrial floorspace into “industrial” and “warehousing” based on the concept design plan by Michael Raad Architects.

Table E6: Potential Ongoing Jobs Under Redevelopment Scenarios

	Ind Jobs/m ²	Com/Retail Jobs/m ²	Whse Jobs/m ²	NDA Ind (m ²)	NDA Com/ Retail (m ²)	NDA Whse (m ²)	Ind Jobs (no.)	Com/ Retail Jobs (no.)	Whse Jobs	Total Jobs (no.)
Current	0.01	0.05	0.002	2,250	0		23	0		23
Proposed	0.01	0.05	0.002	5,709	9,536	7,973	57	477	16	550

Note that the development does not “create” employment per se, rather, it facilitates this estimated level of employment. It is not until the site is fully tenanted that it could be said that the development has “created” the level of employment shown in the table.

As shown in Table E6, the potential jobs impact rises from 23 for the status quo to 550 for the concept plan. Note that the employment impact in the Options Report for an FSR of 3:1 was 1,068, however the industrial NDA was held at 3,500m². The proposed concept retains

much more industrial floorspace, as well as warehousing space, which are both lower employment generators.

Even though the site at 2 Bachell Avenue is zoned IN1 – General Industrial, it has a floorspace ratio of 1:1 and prohibits “office premises” and “retail premises” (although neighbourhood shops, restaurants and cafes are permissible with consent). It would therefore require rezoning to enable it to be viably redeveloped. The ELS has eight assessment criteria for rezoning industrial lands. While the proposal is inconsistent with the ELS’s FSR and permissibilities, it is not inconsistent with its overall intent, which is to increase employment floorspace through adopting a flexible approach to industrial and employment uses.

The assessment against the criteria finds that the proposal is near arterial roads, forms part of an established industry cluster, has few conflicts, would likely enhance nearby employment lands, increases the amount of employment floorspace on the site, increases the number of jobs on the site, but would not be able to viably do this without increased permissibilities or higher FSR. Using the assessment criteria contained in the ELS, it is clear that the site meets the conditions for rezoning to a zone that would facilitate more uses, with a higher FSR.

Introduction

PPM Consulting was commissioned by Pacific Planning to undertake this economic study of the proposed redevelopment of the site at 2 Bachell Avenue, Lidcombe. This analysis looks at the viability of the final concept, within the context of the 2015 Auburn *Employment Lands Strategy* (ELS) and the Cumberland Draft *Employment And Innovation Lands Strategy & Land Use Planning Framework 2017* (“the strategies”), as well as the potential economic and employment impacts of the proposal.

In June 2018, PPM Consulting undertook an options analysis for the site (the Options Report). This study builds on that analysis.

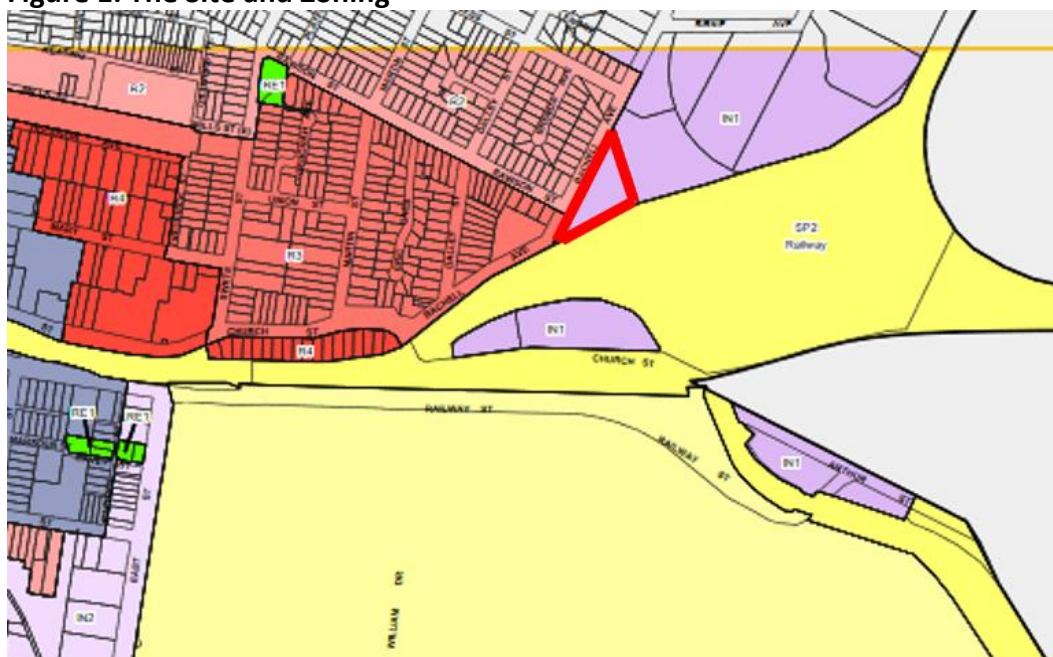
The site is 8,738m², and sits in the Lidcombe East industrial precinct. Immediately to the west are houses, predominantly single dwelling houses, but also including some flats/townhouses. The site is currently zoned IN1 General Industrial in the Auburn Local Environmental Plan (LEP) 2010 and contains a pre-existing 2,250m² underutilised industrial building.

The freestanding warehouse currently located on the site was constructed in 1972 and has been home to an industrial printing company until recently. The warehouse is now occupied by a dry cleaning company. The building was constructed over a stormwater drainage channel that runs in a south to north-west direction through the site. The remaining part of the drainage channel is exposed. The site is within the flood planning area and contains land below the foreshore building line.

The site is a wedge in the southern-most part of the Lidcombe East precinct. It has a high level of connectivity, with direct access to the Parramatta Road and almost-direct access to the Western Motorway. The subject site also has high connectivity to adjacent industrial precincts and employment centres such as Sydney Olympic Park via Parramatta Road.

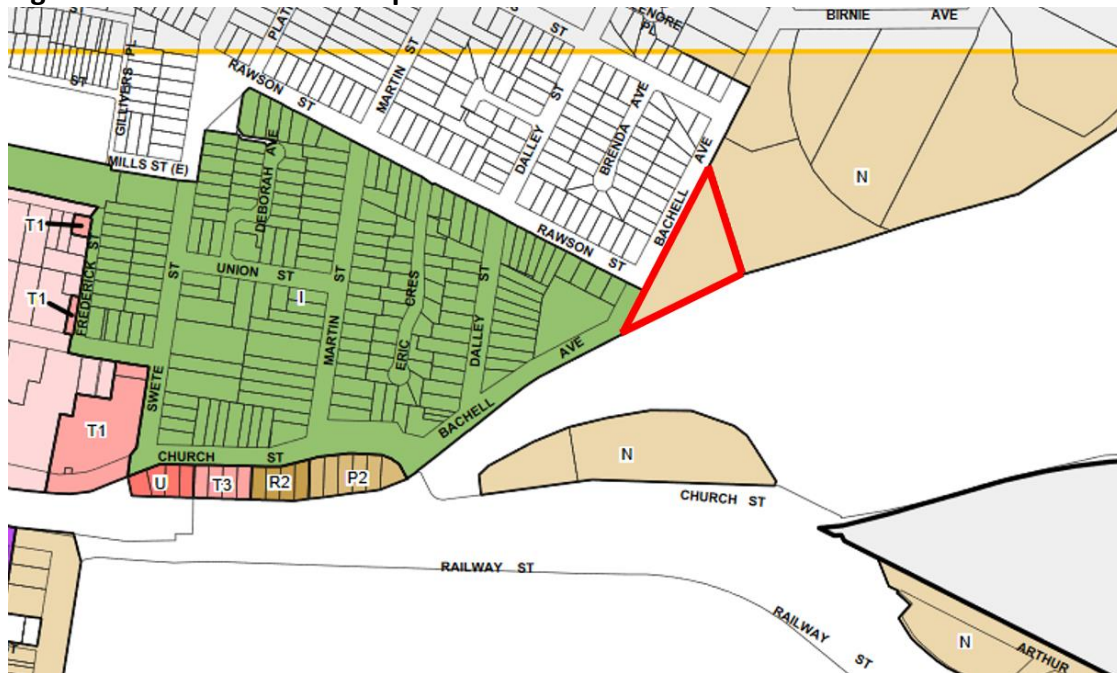
Figure 1 shows the site along with the zoning.

Figure 1: The Site and Zoning



The site has a floor space ratio control of 1:1, as shown in Figure 2.

Figure 2: The Site and Floor Space Ratio Controls



Source: Auburn LEP 2010

The ELS is Council’s current guiding document for employment lands within the former Auburn local government area (LGA). This is complemented by the draft 2017 *Employment And Innovation Lands Strategy & Land Use Planning Framework*. The strategies draw together economic and property market research and employment growth projections to ascertain the likely nature and quantum of demand for employment lands (including centres) within the former Auburn LGA and Cumberland Council. The 2017 draft strategy seeks to turn the Lidcombe East precinct into a “creative and commercial corridor”.

Residential development is considered to be not an option for the site. The employment strategies recommend retaining the site as IN1, but with a more flexible approach to permissibility. The proposed concept is predicated on the site being rezoned to allow office uses (by rezoning the land as B6 Enterprise Corridor), which would be consistent with both the ELS and the 2017 Cumberland draft strategy, and found to be viable by the Options Report.

The current site characteristics are shown in Table 1.

Table 1: Site Characteristics

Site size	8,738m ²
FSR	1:1
Current Industrial Floorspace	2,250m ²
Current Zoning	IN1 General Industrial

The site will require:

- demolition of the factory and remediate the land, at a cost of \$1.5 million

- significant storm water and flood mitigation works at a cost of \$1.5 million
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The proposed concept for the site is a mix of commercial and industrial uses over up to seven storeys. Table 2 shows the Net Developable Area (NDA) for each of the intended uses, as well as the total Gross Floor Space (GFA) for the site.

Table 2: Proposed Uses

Proposed Use	Area (m ²)
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Source: Michael Raad Architects, Proposed Development Concept Design, 2 Bachell Avenue, Lidcombe, 14 August 2018

Figure 3 shows the concept plan for the site.

Figure 3: Concept Site Plan



Source: Michael Raad Architects, Proposed Development Concept Design, 2 Bachell Avenue, Lidcombe, 14 August 2018

As can be seen, the concept is for 23,718m² of commercial and industrial floorspace. The gross floor area would be 24,890m² (that is, five per cent of the space would be common property and not therefore not for individual sale). Overall, the floor space ratio (FSR) for the proposed concept would be 2.85:1.

Pacific Planning has commissioned PPM Consulting to undertake the following:

- an assessment of the viability of the proposed concept
- an assessment of the potential economic and employment impacts of the proposed redevelopment of the site.

Strategic Context

A Metropolis of Three Cities – The Greater Sydney Region Plan

In March 2018, the NSW Government published *A Metropolis of Three Cities – The Greater Sydney Region Plan* (The Plan). The Plan is built on a vision of three cities where most residents live within 30 minutes of their jobs, education, health facilities, services and great places. The subject site is within the Central River City. The population of the Central River City is projected to increase from 1.3 million people to 1.7 million people over the next 20 years.

The subject site is within the Lidcombe East Industrial Precinct and is located in the Greater Parramatta and the Olympic Peninsula (GPOP). Lidcombe East is located on the boundary between the “essential urban services, advanced technology and knowledge sectors” quarter and the Olympic Park Lifestyle Super Precinct quarter within the Corridor. The GPOP is integral to the vision of A Metropolis of Three Cities and the Central River City.

Greater Sydney’s three cities identified in the Greater Sydney Region reach across five districts. The subject site is within the Central City District, which is forecast to grow substantially, capitalising on its location close to the geographic centre of Greater Sydney.

The Planning Proposal aligns with the objectives and directions of the NSW Government’s strategic planning framework. The Planning Proposal will provide the potential to create new jobs in an established urban services area, creating the conditions for a stronger economy (Productive Direction). The Planning Proposal, through the broadening of employment uses and intensification of employment floorspace realises the vision to “grow a stronger and more competitive Greater Parramatta” and “maximise opportunities to attract advanced manufacturing and innovation in industrial and urban services”.

Auburn Employment Lands Strategy 2015

The site is currently zoned IN1 General Industrial and forms the most southerly portion of the Lidcombe East Industrial Precinct. The site is 8,738m² and currently has a maximum floor space ratio (FSR) of 1:1.

The site is within “Precinct 10” (Lidcombe East) in the former Auburn ELS. The precinct is generally well occupied with direct access off Parramatta Road without having to traverse residential land.

The ELS forecasts a reduction in industrial floor space demand in Auburn LGA of approximately 204,400m² over the period to 2031. Despite this, the ELS projects that Lidcombe East will experience an additional demand for employment floor space by 2031.

More than half of this additional floor space is based on more intensive commercial and retail employment uses being located within the precincts. However, this is difficult to fulfil as “office premises” and “retail premises” are currently prohibited in the current zoning (although neighbourhood shops, restaurants and cafes are permissible with consent).

The ELS recommends the following for the precinct:

Retain as IN1 General Industrial and promote the precinct as one of Auburn's important industrial areas.

Adopt a flexible approach to considering a range of employment/industrial uses that may have different access and floor space requirements, e.g. office-type floor space, loading and circulation requirements.

As there is no vacant land in the precinct, the increase in floor space envisaged by the ELS can only be fulfilled through redevelopment of sites or changes to planning controls that permit additional uses. Relevant to the proposed development, the ELS states that Lidcombe East has, "Large lots, enabling potential subdivision or densification in the future."

Cumberland Council Draft Employment And Innovation Lands Strategy & Land Use Planning Framework 2017

Although still a draft, the 2017 *Cumberland Council Draft Employment And Innovation Lands Strategy & Land Use Planning Framework* ("the strategy") lists Lidcombe East as a "creative and commercial corridor".

The strategy states that the "Lidcombe (East and West) and Corridor West Auburn (along Parramatta Road Corridor) benefit from having the greatest proximity to Sydney and the 'Greater Parramatta to the Olympic Peninsula' (GPOP)." Furthermore, it states that the locations are desirable already and will become more desirable as infrastructure improvements improve connectivity to the Sydney CBD.

The vision is for uses along and off Parramatta Road to be renewed for productive and intensive employment uses, including but not limited to sectors such as digital technologies/media, advanced knowledge services and creative industries. It also seeks to protect and enhance industrial uses.

The strategy also includes "innovation" criteria for planning proposals in employment and innovation lands. This is shown below.

Table 8.1: 'Innovation' Criteria for Planning Proposals in Employment and Innovation lands

Criteria	Rationale
Does the Planning Proposal contribute to the locality's vision?	Council should ensure that any planning proposal in the employment and innovation lands is consistent with the vision for that particular locality.
Is the Planning Proposal consistent with the West Central District Plan?	Consideration should be given as to consistency with the Productive City priorities in the West Central District Plan. Does the proposal: <ul style="list-style-type: none"> • Develop a better understanding of the value and operation of employment and urban services land to increase total jobs. • Contribute to achieving a '30 minute city'.
Does the planning Proposal adversely impact on employment land stocks in Cumberland?	Consideration should be given as to whether the planning proposal would reduce the available stock of employment and innovation lands in the LGA, or whether it could potentially impact on the availability of employment uses identified in the strategy vision.
Would the Planning Proposal support the key targeted sectors?	Would the proposal accommodate employment in the target sectors, specifically food and beverage manufacturing, advanced manufacturing, digital media, allied health and creative industries.
Does the site a part of, or contribute to a significant employment cluster?	Loss of a major element of a significant business cluster can weaken the viability of the remaining parts of the cluster, resulting in a decline in employment opportunities and the overall health of the local economy.
Does the Planning Proposal consider the Key Freight Transport Accessibility map?	It is important that Council maintain the integrity of the key freight transport routes through Cumberland to ensure businesses have an efficient transport network. Employment and innovation lands located near these key freight routes should be buffered from sensitive uses, nurtured and allowed to prosper. Council should be satisfied that any planning proposals in the areas surrounding the employment and innovation lands along key freight routes should not preclude the continued use of those routes for freight. Council should develop a key freight transport route to ensure planning proposals within the vicinity of those routes are assessed against these criteria.

Source: Mecone

The proposed concept would be consistent with the criteria in the above table.

Options Report

PPM Consulting undertook the Options Report for the site. The goal of the options analysis was to provide advice regarding redevelopment of the site, within the context of the 2015 Auburn *Employment Lands Strategy* (ELS) and the Cumberland Draft *Employment And Innovation Lands Strategy & Land Use Planning Framework 2017* (“the strategies”).

The site at 2 Bachell Avenue is identified as part of the Lidcombe East precinct in the 2015 Auburn *Employment Lands Strategy* (ELS) and the 2017 Cumberland Draft *Employment And Innovation Lands Strategy & Land Use Planning Framework*. The strategies seek to encourage the establishment and expansion of creative and commercial enterprises, and suggest that “a flexible approach to considering a range of employment / industrial uses that may have different access and floor space requirements” be adopted. The Lidcombe East precinct has no vacant land, so the increase in employment floor space envisaged by the employment strategies can only come through redevelopment of underperforming sites.

Consistent with the employment strategies, the Options Report recommended the future redevelopment of this site, which would include enabling “office premises” and other business and commercial uses, either under the existing IN1 General Industrial zoning or an alternative method. A higher FSR would also be required to viably redevelop the site.

Five redevelopment scenarios were modelled:

- the status quo, with the current building footprint and permissibilities
- four FSR scenarios: 1.5:1, 2.0:1, 2.5:1 and 3.0:1 with expanded permissibilities to include “office premises” and other business uses.

All redevelopment scenarios above the status quo included an increase of industrial floorspace of 1,250m².

As costs, revenues and usage splits were unknown, the five scenarios were given a viability score, as shown in Table 3.

Table 3: Options Report Viability Scores

	Unviable
	Somewhat viable
	Viable

The Options Report showed that given flexibility around commercial floorspace, redevelopment of the site can be viable. However, redevelopment using the current planning controls would be unviable. Even with greater permissibilities, redevelopment is expected to be unviable at an FSR of 1.5:1. At an FSR of 2.0:1, redevelopment would be expected to be somewhat viable. At an FSR of 2.5:1 and 3.0:1, redevelopment of the site would be expected to be viable, with returns great enough to encourage a developer to redevelop the sites. This is shown in Table 4.

The current footprint was modelled as a base case scenario. The footprint is an industrial building with 2,250m² of gross floor area (GFA). Theoretically, it would be possible to get a GFA of 8,950m² under the current controls on the site. However, because of the site’s

attributes (including the storm water channel and shape of the block), full site coverage would not only be impossible but also not viable. As a result, a scenario of full site coverage at an FSR of 1:1, using the current controls was not modelled in the Options Report.

Table 4: Viability of Options at Alternative FSR Scenarios

FSR (x:1)	Site Area	GFA	Industrial GFA	Commercial GFA	NDA Industrial	NDA Commercial	Viability
Current Footprint	8,950	2,500	2,500	0	2,250	0	
1.5	8,950	13,425	3,889	9,536	3,500	8,583	
2.0	8,950	17,900	3,889	14,011	3,500	12,610	
2.5	8,950	22,375	3,889	18,486	3,500	16,638	
3.0	8,950	26,850	3,889	22,961	3,500	20,665	

NOTE: a site area of 8,950m² was used in the Options Report. The site area has since been revised to 8,738m²

The Options Report points out that it is very unlikely that the site could be redeveloped as industrial only, with demand for industrial-only space very low. It would be very risky for a developer to redevelop the site with only industrial uses, and with a small GFA, as they would be unlikely to attract buyers/tenants at a price that would get a return. Without the prospect of buyers/tenants, no developer will redevelop the site.

The Options Report found that the key to viably redeveloping the site was flexibility – in both uses and allowable floor space. A higher floor space and more uses would enable greater amenity for buyers/tenants, and would attract greater returns.

The Options Report also showed that it is possible to increase the amount of industrial floor space whilst maintaining viability. However, it is likely that the more floor space devoted to industrial uses, the lower the returns on both industrial and commercial space, due to aural and visual amenity.

The greater the density, the higher the potential employment facilitated by redevelopment of the site. Table 5 shows the potential jobs facilitated by redevelopment of the site, including under current controls and the current building footprint.

Table 5: Potential Jobs Under Redevelopment Scenarios

FSR (x:1)	Industrial Jobs (no.)	Commercial Jobs (no.)	Total Jobs (no.)
1.0	23	0	23
1.5	35	429	464
2.0	35	631	666
2.5	35	832	867
3.0	35	1,033	1,068

The best option, as demonstrated in the Options Report, would be for a new zone that allows “office premises” and other business and commercial uses, with a floor space ratio (FSR) of 3.0:1. This is estimated to have the best employment impact and be the most viable from a developer’s perspective. The second best option would be for the same permissible uses, with an FSR of 2.5:1. Viability and employment generation fall away dramatically at an FSR of 2.0:1, which is therefore not recommended.

Proposed Concept Viability

The proposal is for the transformation of the factory at 2 Bachell Avenue, Lidcombe, into a mixed commercial and industrial precinct.

The developable site area is 8,738m², upon which it is proposed to build 24,890m² of industrial, commercial, associated small and neighbourhood retail and car parking over two basements. There will be 500m² of public open space.

The proposed uses are shown in Table 2. From this, Table 6 shows the gross floor area (GFA), net developable area (NDA) and other specifications for the proposed concept, as well as the overall floor space ratio (FSR).

Table 6: Concept Specifications

	GFA Industrial*	GFA Commercial*	NDA Industrial	NDA Commercial
Total	13,682	9,536	13,038	9,087
Developable Site Area: 8,738m²				
FSR (Total): 2.85:1				

* Derived

As the proposal is still currently at the planning proposal stage, all specifications, are preliminary. Further detailed work can be undertaken at the development application stage. Only general estimates can be used for all calculations, as the apartment mix is unknown, as is the likely tenancy mix for the retail component. Only after these detailed design elements are completed can more accurate estimates be made.

Estimated Cost

As the specifics of the building are currently unknown, a number of assumptions have been made, including:

- industrial cost: \$1,310 per square metre of industrial GFA¹
- commercial cost: \$2,505 per square metre of commercial/retail GFA
- demolition cost: \$1,500,000
- stormwater works: \$1,500,000
- basement construction: \$1,393,280
- open space cost: \$20,000 per square metre

Table 11 shows the estimated cost of the proposed concept, not including the land value, value of demolition of the current building on the site, open space, or finance costs.

¹ <https://www.bmtqs.com.au/construction-cost-table>; \$735/m² has been added to the average as the apartments and buildings will be premium and high-performing.

Table 7: Estimated Cost of Buildings

	Cost – Ind	Cost – Com	Demolition and Stormwater	Basement	Open Space	Total Cost of Buildings
Cost (\$)	17,923,420	23,887,680	3,000,000	1,393,280	250,000	46,454,380

As shown in Table 7, it is estimated that the buildings will cost approximately \$46 million to construct.

Estimated Revenue

As the specifics of the building are currently unknown, a number of assumptions have been made, including:

- industrial: \$2,250 per square metre
- commercial/retail: \$3,000 per square metre

The revenue estimates are shown in Table 8.

Table 8: Estimated Revenue

GFA	NDA Ind	NDA Com	Revenue/m ² – Ind	Revenue/m ² – Com	Revenue - Res	Revenue - Com	Total Revenue
24,890	13,038	9,087	2,250	3,000	29,334,945	27,260,930	56,595,874

The revenue projections are preliminary and caution should be taken when relying on them. It is estimated that revenue from the project could be a little under \$56.6 million.

Estimated Developer Return

Table 9 shows the estimated return on the investment, as shown by the developer margin.

Table 9: Estimated Developer Margin

Total Cost (\$)	Total Revenue (\$)	Developer Return (\$)	Developer Margin (%)
46,454,380	56,595,874	10,141,494	21.8

Based on cost and revenue assumptions, the total developer return for the proposed concept is estimated at just over \$10.1 million, with a developer margin of 21.8 per cent.

Note that this does not include any financing costs, which could be significant.

Employment Impact

Construction Employment

The proposed redevelopment of the site will create jobs during the construction phase. The UDIA estimates that the direct impact of \$1 million invested in property development results in 8.5 full-time equivalent (FTE) jobs in the property development industry in NSW and 15.5 FTE jobs directly and indirectly in NSW. In addition, each \$1 million increases wages and salaries in the NSW property development industry by \$327,220 and by \$748,806 directly and indirectly. Table 10 shows the potential impact for the proposed redevelopment, however caution should be taken – the potential impact on Lidcombe itself is likely to be significantly lower as not all inputs and outputs will be purchased and sold within the local area, nor indeed the local government area.

Table 10: Potential Impact of Construction on NSW Employment, and Wages and Salaries

	Initial Investment	Direct Impact	Indirect Impact	Total Impact
Employment (no).	46,454,380	395	325	720
Wages and Salaries (\$)	46,454,380	15,200,802	19,584,516	34,785,318

Source: Urban Development Institute of Australia, PPM Consulting

As shown in Table 10, the development has the potential to create an estimated 720 jobs in the NSW economy (including 395 directly and 325 indirectly) as a result of construction. During construction, the proposed redevelopment would also create an estimated \$34.8 million in wages and salaries in the NSW economy, with \$15.2 million generated directly in the construction industry and \$19.6 million created indirectly.

Ongoing Employment

The current building has the potential, if repurposed for industrial use only, for as few as 23 ongoing jobs. The proposed concept would increase the potential number of industrial jobs currently on the site, while creating a greater number of commercial/retail jobs.

In order to fulfil the increase in employment floor space and uses projected in the employment strategies, sites must be redeveloped and/or planning controls need a more flexible range of permissible uses. Indeed, *A Metropolis of Three Cities – The Greater Sydney Region Plan* acknowledges this by stating there is a need to broaden employment uses and intensify employment floorspace to “grow a stronger and more competitive Greater Parramatta” and “maximise opportunities to attract advanced manufacturing and innovation in industrial and urban services”. Additional FSR and the additional permissibility of office premises and other commercial and business uses would allow for the occupation of innovative industrial and urban services within the precinct.

It should be acknowledged that the site in its current form is a waste of potential employment land. However, redevelopment is unlikely with the current planning controls, as it is too costly to undertake the storm water mitigation and site remediation works (as well as building a basement for car parking). Therefore, the only way for the site to redevelop is to relax the planning controls by increasing the maximum FSR and adding permissible uses, such as office premises.

Manufacturing is changing in Australia. Gone are the days when physical separation was required between polluting industries and offices (and residential areas). There are many examples where small-scale clean manufacturers operate adjacent to other business uses (such as office premises) and residential areas, such as coffee roasters, craft brewers and distillers. In addition, small scale technology, distribution and warehousing, and communications businesses require modern facilities including offices. Allowing more flexibility in permissible uses for the site would also allow businesses servicing those industries to locate close by. Indeed, as pointed out above, *A Plan for Growing Sydney* encourages councils to amend their planning controls to enable and encourage this kind of redevelopment.

The proposed concept could result in a net increase in industrial floor space. The subject site is unlikely to be redeveloped for traditional industrial uses as a result of its irregular triangular shape, surrounding residential uses and other planning considerations such as flooding and compliance with the foreshore building line. However, it is likely that small and start-up manufacturers (such as coffee roasters, craft brewers and distillers), trades offices, businesses that require a small office and other light industrial and commercial uses would be attracted if more uses were permitted in line with the employment strategies.

Table 11 shows the estimated number of ongoing jobs that could potentially be facilitated in industrial and commercial developments. There are fewer jobs created per square metre of industrial floor area than there are for commercial/retail, and fewer again for warehousing.

**Table 11: Estimated Ongoing Employment Potential
m² per Job**

Industrial	100
Commercial	20
Warehousing	500

Source: ABS

Table 12 shows the potential ongoing employment impact of the proposed concept against the status quo. This table breaks down the industrial floorspace into “industrial” and “warehousing” based on the concept design plan by Michael Raad Architects.

Table 12: Potential Ongoing Jobs Under Redevelopment Scenarios

	Ind Jobs/m ²	Com/Retail Jobs/m ²	Whse Jobs/m ²	NDA Ind (m ²)	NDA Com/ Retail (m ²)	NDA Whse (m ²)	Ind Jobs (no.)	Com/ Retail Jobs (no.)	Whse Jobs	Total Jobs (no.)
Current	0.01	0.05	0.002	2,250	0		23	0		23
Proposed	0.01	0.05	0.002	5,709	9,536	7,973	57	477	16	550

Note that the development does not “create” employment per se, rather, it facilitates this estimated level of employment. It is not until the site is fully tenanted that it could be said that the development has “created” the level of employment shown in the table.

As shown in Table 12, the potential ongoing jobs impact rises from 23 for the status quo to 550 for the concept plan. Note that the employment impact in the Options Report for an FSR of 3:1 was 1,068, however the industrial NDA was held at 3,500m². The proposed concept retains much more industrial floorspace, as well as warehousing space, which are both lower employment generators.

As noted in the section on Council Employment Land Strategies, the ELS forecasts a reduction in industrial floor space demand in Auburn LGA of approximately 204,400m² over the period to 2031. Despite this, the ELS projects that Lidcombe East (where this site is located) will experience an additional demand for employment floor space by 2031. It is understood that more than half of this additional floor space is based on more intensive commercial and retail employment uses being located within the precincts. However, as the zoning of IN1 – General Industrial prohibits “office premises” and “retail premises” (although neighbourhood shops, restaurants and cafes are permissible with consent), this is nearly impossible to fulfil.

If the site at 2 Bachell Avenue was rezoned in line with the ELS to enable commercial and retail employment, is estimated to provide:

- 23,218m² of total net employment floorspace
- 550 jobs, an increase of 527 jobs above the current number of jobs on the site

Other intangible economic benefits of the proposal include:

- investment of this magnitude would be seen as a show of faith not only for the site but for the ELS and Cumberland Council Draft Employment Strategy, as well as all other sites within the Lidcombe East precinct
- it would create business opportunities in the area; without new and more diversified floorspace, the ELS cannot be fulfilled
- it would replace an existing run-down building with a modern mix of industrial, commercial, retail and warehousing floorspace, attracting new businesses, workers and shoppers
- it would raise awareness of Lidcombe among potential investors, which could lead to further investment in the Lidcombe East precinct, which in turn would promote the additional floorspace required to fulfil the ELS
- some of the workers’ wages and the profits of the businesses would be spent in the local area, stimulating the local economy
- it is likely that some visitors would also spend money in the Lidcombe town centre.

Assessment of Proposal Against Council Criteria

Even though the site at 2 Bachell Avenue is zoned IN1 – General Industrial, it has a floorspace ratio of 1:1 and prohibits “office premises” and “retail premises” (although neighbourhood shops, restaurants and cafes are permissible with consent).

The Options Report by PPM Consulting showed that, in order to be viable, the FSR would need to be higher than 2.5:1, and the site permissibilities would need to be expanded to allow office premises and retail premises. Without both of these, redevelopment of the site was shown to be unviable.

The ELS has an assessment framework to guide Council’s evaluation and determination of planning proposals that are inconsistent with it. However, it should be emphasised that the proposal is inconsistent with the ELS’s FSR and permissibilities, not its overall intent, which states that Council will need to “Adopt a flexible approach to considering a range of employment/industrial uses that may have different access and floor space requirements, e.g. office-type floor space, loading and circulation requirements.”

Table 13 shows each of the eight assessment criteria and rationale, and a response to each.

Table 13: Assessment Criteria For Rezoning Industrial Lands

Criteria	Rational	Response
Is the site near or within direct access to key economic infrastructure such as a major arterial road	Direct access is key to viability and future sustainability of employment lands	Yes, the site is near key major arterial roads
Does the site form part of a significant industry cluster	If the site is part of a ‘significant’ employment cluster (i.e. serviced by good and direct access, no land use conflicts), the ‘integrity’ of a large cluster should be protected.	Yes, the site is the southern-most site of the Lidcombe East precinct. The land on the eastern side of Bachell Avenue comprises substantial employment uses
Are there access issues and land use conflicts	Ability of the employment cluster to operate sustainably is related to quality of access and ability to operate in a conflict-free environment	The land is currently being used as a dry cleaning establishment. The site is part of a contiguous employment lands precinct. While the western side of Bachell Avenue is residential, it is unlikely that there would be an change in the any current conflicts, considering the other adjacent employment lands
Would the proposal impact the continuation of activities on adjacent or nearby industrially zoned lands to the detriment of those activities	Impact on other viable industry/businesses should be examined	No, the proposal would likely enhance the activities on adjacent and nearby industrially zoned lands

Criteria	Rational	Response
Does the proposed rezoning impact the industrial land stocks in the subregion and thus the ability to meet future demand for industrial land activity at subregional level?	The maintenance of sufficient industrial land stocks within the Subregion is important for the future economic prosperity of the wider metropolitan region.	The proposed rezoning increases the amount of net useable industrial land on the site by 3,459m ² and the amount of other employment land by 17,509m ² , significantly increasing the ability for the subregion to meet future demand for industrial land
Would the proposal inhibit the achievement of Auburn’s capacity targets and employment objectives	Is employment proposed to be accommodated and if so, what is the nature of that employment	No, the proposal would increase the number of jobs in the area by over 525 and the amount of employment land by 20,968m ²
Can the lands be used for another industrial purpose now or in the foreseeable future	This is related to the lands’ ability to attract alternate occupiers should current occupiers vacate the site	No, the current building on the site is run down and past its economic life. It is unlikely that any new users would be attracted to the site without significant redevelopment
Are there opportunities to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries	There could be opportunities for employment intensification within the site	Yes, however the site needs to have an FSR of greater than 1:1 and broader permissible uses to allow this

Source: Auburn Employment Lands Strategy 2015, PPM Consulting

Using the assessment criteria contained in the ELS, it is clear that the site meets the conditions for rezoning to a zone that would facilitate more uses, with a higher FSR.

Conclusion

The current controls for the 2 Bachell Avenue, Lidcombe, are very unlikely to facilitate redevelopment of the site. It is possible that the factory currently on the site will continue to be underutilised.

The employment strategies encourage Council to be flexible with the zoning and density of industrial land in the Lidcombe East precinct. Allowing a greater range of uses, such as “office premises” and other business and commercial uses would allow the industrial employment to be maintained while increasing total employment on the site.

The concept that has been developed for the site, with an FSR of 2.85:1, increases the industrial floor space on the site, adds commercial and neighbourhood retail space and warehousing space. It increases jobs by over 525 on the site.

The planning proposal would also:

- create jobs and generate wages and salaries during the construction phase
- be seen as a show of faith not only for the site but for the ELS and Cumberland Council Draft Employment Strategy, but also stimulate investment in other sites within the Lidcombe East precinct
- create business opportunities in the area, helping the ELS to be fulfilled
- create an attractive new place to grow a business, work, shop and play
- raise awareness of Lidcombe among potential investors, which could lead to further investment in the Lidcombe East precinct, which in turn would promote the additional floorspace required to fulfil the ELS
- lead to an economic stimulus through some of the new workers’ wages and the profits of the businesses being spent in the local area, stimulating the local economy
- encourage some visitors to spend money in the Lidcombe town centre.

At 2.85:1, the proposed concept is viable, although the modelling outlined in this report is preliminary. Higher or lower costs and revenues, as well as finance costs, will affect the viability of the proposed concept. Until costs and revenues are final, the forgoing analysis should be treated with caution.

While the site is not zoned for commercial and retail uses, and has a current FSR of 1:1, using the rezoning assessment criteria contained in the ELS, it is clear that the site meets the conditions for rezoning to a zone that would facilitate more uses, with a higher FSR. The assessment against the criteria finds that the proposal is near arterial roads, forms part of an established industry cluster, has few conflicts, would likely enhance nearby employment lands, increases the amount of employment floorspace on the site, increases the number of jobs on the site, but would not be able to viably do this without increased permissibilities or higher FSR. As such, the proposal appears to be consistent with Council’s employment strategies.

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PPM Consulting is a highly experienced and skilled economics and government relations consultancy.

PPM Consulting brings strong analytical abilities, and is able to help clients by putting analysis into broader contexts, assessing risk and building a case for change. We have a keen understanding of the policy environment and the consequences of change and have shown an advanced level of ability in delivering results.

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PPM Consulting brings a wealth of experience, including staff with experience in:

- designing, implementing and analysing economic impact assessments and cost-benefit analysis
- providing economic advice
- leading industry campaigns
- advocating on behalf of clients to state and Commonwealth government on various issues
- developing policy for the benefit of industries, companies and consortia
- writing and contributing to media releases and campaigns
- designing, implementing, analysing and reporting the results of surveys
- providing strategic advice for conferences and events.

PPM Consulting can manage complex major projects, ensuring delivery within budget and timeframes. PPM Consulting prides itself on its ability to work with clients to get the best results possible.

The Director and Principal, Martin Musgrave, holds an honours degree in economics with 20 years of experience in government across a wide range of sectors in a number of jurisdictions. Martin is a highly experienced public policy professional, specialising in economic analysis, policy development and leadership, advocacy, and government relations. He is considered a highly skilled economist and policy professional who always acts with integrity.

Martin Musgrave has been a valued senior contributor in the following organisations:

- the Department of Planning and Environment
- the Urban Development Institute of Australia (National and Victorian Division)
- the Property Council of Australia (Residential Development Council)
- the Large Format Retail Association
- the Department of Premier and Cabinet (Victoria)
- the Department of the Prime Minister and Cabinet
- the Roads and Traffic Authority (NSW) (now known as RMS)
- the Hunter Valley Research Foundation (now known as the Hunter Research Foundation)

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