
138-142 CRONULLA ST

CRONULLA

ECONOMIC IMPACT ASSESSMENT

MUNRO OPERATIONS TRUST
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EXECUTIVE SUMMARY

BACKGROUND AND OVERVIEW

Munro Operations Trust own a consolidated site at 138-142 Cronulla Street in Cronulla. Cronulla is located approximately 30km southwest of the Sydney CBD and is situated in the Sutherland Shire Council local government area. 138-142 Cronulla Street is occupied by single level strip retail/ commercial buildings which are tenanted to a variety of retailers and food and beverage occupiers.

Munro Operations Trust are preparing a planning proposal to amend the planning controls pertaining to 138-142 Cronulla Street, Cronulla (referred to as “the Site”). It is proposed to retain the Site’s B3 Commercial Core zoning, however, amend the Site’s building height and floorspace ratio (FSR) controls to accommodate a development scheme that envisages the Site being developed to accommodate a range of commercial uses including short-term accommodation, events/ conference facilities and commercial office floorspace.

AEC Group (AEC) are engaged to prepare an Economic Impact Assessment (EIA) to analyse the economic impacts likely to result from proposed planning control amendments and subsequent redevelopment of the Site.

The Proposal

The Proposal seeks to redevelop the Site into a commercial building comprising 5,238sqm GFA for:

- A boutique hotel (35 rooms) with events and conference facilities.
- Commercial office floorspace (approximately 2,300sqm) that will include co-working floorspace.

The Site is currently zoned B3 Commercial Core and is subject to a maximum building height control of 25m and a floor space ratio control of 2:1. To facilitate the envisaged built form and development yields outlined in the Proposal, a building height control of up to 50m and FSR 3.75:1 is proposed.

STRATEGIC PLANNING CONTEXT

The Site forms part of the broader Cronulla local centre which is identified as a Local Centre in the Greater Sydney Region Plan and South District Plan. Shopping-centre based local centres such as Cronulla are specifically identified in the South District Plan as strong candidates for additional employment and business opportunities.

The Proposal responds to several objectives of the District Plan:

- Provision of fine grain activated spaces to encourage pedestrian activity (Planning Priority S4);
- Protecting/ expanding retail/ commercial floorspace to support focal points of neighbourhoods (Planning Priority S6);
- Provision of new commercial floorspace to facilitate a broader range of employment (Planning Priority S9).
- Provision of more facilities and short-stay accommodation for overnight visitors, business-related visitors and recreational/ health visitors (Planning Priority S7).

Sutherland Shire Council (Council) has developed and articulated key outcomes in its Community Strategic Plan and Economic Strategy. More specifically, the Economic Strategy seeks to build a prosperous community through supporting a diverse, resilient and self-sustaining business community with a focus on tourism.

ECONOMIC AND MARKET CONTEXT

Growth in the employment base over 2011-2016 in Cronulla outstripped that of the Sutherland LGA, growing at an average annual rate of 2.8% compared to 1.1% in the LGA. Employment growth in Cronulla has been driven by knowledge-intensive sectors, in particular professional, scientific and technical services (+100 workers).

For this strong growth in knowledge-intensive employment to be sustainable, there needs to be sufficient, suitable commercial floorspace to accommodate the growth.

Visitation Profile

A review of the tourist visitation profile for the LGA reveals the following:

- Visitors to the LGA in the 12 months to March 2019 were mainly for holidays (44%) and visiting friends and relatives (40%).
- More than 80% of visitors are daytrippers, with 15% domestic overnight and only 2.5% international visitors.
- The majority of overnight visitors stay in private accommodation, with 83% of domestic overnight visitors and 75% of international overnight visitors staying in private accommodation.
- International visitors stay for longer (average 16 days) compared to domestic visitors (2 nights), however the average number of nights stayed by international and domestic visitors has fallen at an average of 4% per annum between 2016 and 2019.

The existing stock of short-term accommodation is minor, with the total number of rooms just under 350. More than 200 rooms are contained in motor inns, motels and guesthouses/ backpacker inns. Just over 140 rooms are within competitive hotels to the Proposal, i.e. the Rydges and Quest at Cronulla Beach.

Given the short supply of contemporary and quality hotel accommodation, it is unsurprising that Cronulla is not a business visitation destination with low proportions of visitation for business-related reasons. The minor provision of quality hotel room accommodation limits the ability of Cronulla, and indeed the broader Sutherland Shire LGA in capturing tourism visitation and tourism spend in the local economy.

Commercial Market

A shortage of good quality space has led to competitive market conditions in Cronulla, resulting in rising rents and sale prices. Gross office rents in new commercial suites is observed to be circa \$400/sqm to \$500/sqm however a number of recent deals are understood to have been struck upwards of \$600/sqm amidst strong demand. The strong growth of rental rates is a reflection of strong demand amidst limited supply.

Feedback from local leasing agents indicates Cronulla, Sutherland and Miranda all suffer from a lack of contemporary office stock, resulting in a poor market profile. There are few investment grade office buildings with floorplates above 500sqm hence many large prospective tenants do not generally consider centres in the Sutherland LGA as a potential office location.

This shortfall in contemporary office stock is also reflected in the prices observed to be paid for new office suites at Woollooware Bay and the Caringbah Business Hub, ranging from \$11,500/sqm to \$13,500/sqm and \$8,800/sqm of floorspace respectively.

The elevated sales and rental levels indicate and confirm an undersupplied commercial office market.

NEED FOR THE PROPOSAL

Cronulla has an important employment role to play despite its designation as a local, and not a strategic centre. In 2016, Cronulla employed just over 3,100 workers while Sutherland employed just over 3,200 workers.

Cronulla's employment base grew by an average annual rate of 2.8% over the 2011-2016 period, far stronger than the broader LGA which grew by an average annual rate of 1.1%.

Cronulla's increasing importance as an activity centre is not surprising given its beachside location, lifestyle appeal, accessibility by public transport and local population base.

While employment in the Cronulla centre is dominated by accommodation, food services and retail trade sectors, knowledge-intensive sectors drove a large proportion of the employment growth over the 2011-2016 period. Professional, technical and scientific services grew strongly to add 100 new jobs. These and other knowledge-intensive jobs typically require commercial office floorspace.

The development pipeline for hotel accommodation and commercial office floorspace is limited in Cronulla, and indeed the broader LGA. A continued shortfall of contemporary stock will limit the ability of businesses to locate in the area as well as result in foregone opportunity for visitors to visit, linger and spend in the area.

The Proposal will contribute to strengthening Cronulla's productivity as a local centre as well as the broader LGA's competitiveness in the following manner:

- Incorporate a 35-room boutique hotel with event/ conference facilities to accommodate visitors to the area as well as business and other functions.
- Make available 2,300sqm of contemporary office floorspace, contributing to the supply shortfall of office stock.
- Accommodate a co-working facility on two levels (1,280sqm), creating opportunity for flexible office configurations for a range of occupiers (from businesses starting-up to businesses expanding and those who have temporary project requirements).
- Facilitate redevelopment of commercial buildings that are not optimised to their full development potential.
- Contribute to alleviating price pressure on commercial floorspace, ensuring Cronulla (and the broader LGA) provides affordable floorspace to occupiers who seek a suburban office market that is well-connected and amenity-rich.

The Proposal will conceivably be a game-changer for Cronulla, able to accommodate more than 130 employees on-site when completed.

ASSESSMENT OF ECONOMIC IMPACTS

To estimate the economic impacts arising from the Proposal, a Base Case and Proposal Case are defined:

- **Base Case:** The Base Case assumes a Do-Nothing scenario, with the Site continuing their existing use (approximately 1,120sqm retail and food and beverage tenancies) with no redevelopment envisaged.

The Site has an FSR 2:1 with existing improvements below the permissible FSR. Whilst there is latent capacity on the Site, realisation of that latent capacity would require demolition of existing buildings and redevelopment. The current planning controls do not facilitate feasible redevelopment. Therefore, the Site remaining 'as is' is considered a reasonable Base Case scenario.

- **Proposal Case:** The Proposal Case assumes the demolition of the Site to facilitate the proposed 4,953 sqm hospitality/commercial space and 35 room hotel development.

The assessment distinguishes economic impacts during construction and those that are more permanent in nature following construction completion and operations commencement.

Construction Phase

Economic activity generated by businesses and workers in the Sutherland LGA is expected to be supported direct and flow-on impacts arising during construction:

- \$53.7 million in output (including \$21.6 million in direct activity).
- \$24.3 million contribution to GRP (including \$8.0 million in direct activity).
- \$13.2 million in incomes and salaries paid to households (including \$5.0 million in direct activity).
- 163 FTE jobs (including 56 directly employed in construction activity).

Operational Phase

The Proposal Case is expected to result in a net increase in annual economic activity through the direct and flow-on impacts (per annum):

- \$55.0 million *additional* in output (including \$24.1 million in direct activity).
- \$29.9 million *additional* in contribution to GRP (including \$12.8 million in direct activity).
- \$15.0 million *additional* in incomes and salaries paid to households (including \$6.8 million directly).
- 201 *additional* FTE jobs (including 96 additional jobs directly related to activity and induced visitation).

Table ES.1: Estimated Net Operational Impacts in Sutherland LGA

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$24.1	\$12.8	\$6.8	96
Production Induced	\$12.4	\$6.0	\$3.4	40
Household Consumption	\$18.6	\$10.9	\$4.8	66
Total	\$55.0	\$29.9	\$15.0	201

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

The economic impacts estimated demonstrate the Proposal has economic merit, having the ability to contribute to the Sutherland Shire local economy, as well as supporting growth in the local centre of Cronulla.

Impacts on the Greater Sydney and NSW economies are beyond the scope of this EIA. When included, the Proposal will undoubtedly demonstrate an even more compelling proposition for consideration.

CONCLUSION

New Investment and Business Activity in Centres

The Proposal seeks to provide just over 5,200sqm of commercial floorspace on the Site, accommodating short-term accommodation and 2,300sqm commercial office space in a renewed development.

The Cronulla centre is poorly catered to in terms of contemporary office floorspace. Most opportunities are within older style commercial buildings on the first floor. A lack of supply opportunities will constrain the centre's ability to grow, which over the 2011-2016 period showed notable growth driven by knowledge-intensive sectors.

A lack of contemporary commercial floorspace is not only observed in Cronulla. It is generally an LGA-wide issue, the high price levels of newly developed space testament to an undersupplied market.

Council's strategic plan places importance on vibrant and productive local centres, initiating strategies to support the growing business community by reducing barriers to growth. The incorporation of commercial office floorspace (and co-working space) will cater to a wider range of business needs, aligning with Council and the community's aspirations of supporting the growing business community.

Growing the Tourism Economy

Investment in quality hotel and short-term accommodation would support Sutherland's ability to grow the visitor economy. This aligns with strategic planning priorities at the state level but also strongly aligns with Council's community strategic plan and economic strategy.

The Sutherland Shire LGA has traditionally not provided a diversity of short-term accommodation options, with limited representation by national and international hotel chains. This is limiting to its profile as a visitor destination.

As is evident from tourism and visitation statistics, the majority of visitors are daytrippers and an overwhelming majority of overnight visitors (international and domestic) stay in private accommodation. The average number of nights stayed has additionally been declining at an average rate of 4% per annum since 2016.

Council's strategies seek to increase the size and value of tourism contribution to the local economy. An audit of short-term accommodation and pipeline activity indicates a severe lack of quality short-term accommodation.

Role of The Proposal

The District Plan specifies job targets for the strategic centres of Sutherland and Miranda.

Sutherland centre is designated a target of 2,300 additional jobs (baseline) to 3,300 additional jobs (high growth) over the 20 years to 2036. These targets equate to an average annual growth rate of 1.7% to 2.3%. This will require significant growth compared to the recent past, where the Sutherland centre only grew at an average annual rate of 0.1% over the 2011-2016 period. Additionally, from the minor development pipeline observed in these centres, it is likely to be challenging for the job targets to be met in both the strategic centres.

The Proposal's contribution to employment and economic activity will assist with competitiveness of the LGA.

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1. INTRODUCTION

1.1 BACKGROUND

Munro Operations Trust own a consolidated site at 138-142 Cronulla Street in Cronulla. Cronulla is located approximately 30km southwest of the Sydney CBD and is situated in the Sutherland Shire Council local government area. 138-142 Cronulla Street is occupied by single level strip retail/ commercial buildings which are tenanted to a variety of retailers and food and beverage occupiers.

Munro Operations Trust are preparing a planning proposal to amend the planning controls pertaining to 138-142 Cronulla Street, Cronulla (referred to as “the Site”). It is proposed to retain the Site’s B3 Commercial Core zoning, however, amend the Site’s building height and floorspace ratio (FSR) controls to accommodate a development scheme that envisages the Site being developed to accommodate a range of commercial uses including short-term accommodation, events/ conference facilities and commercial office floorspace.

Specifically, this will include amendments to:

- Building height from 25m to up to 50m.
- FSR from 2:1 to FSR 3.75:1.

AEC Group (AEC) are engaged by Munro Operations Trust to prepare an Economic Impact Assessment (EIA) to analyse the economic impacts likely to result from the proposed planning control amendments and subsequent redevelopment of the Site.

1.2 SCOPE AND APPROACH

The EIA develops a Base Case and a Proposal Case to assess the economic impacts of the Planning Proposal.

- **Base Case:** The Site under current planning controls (Sutherland Shire Local Environmental Plan 2015) with existing improvements and use.
- **Proposal Case:** If the Site were redeveloped under the Planning Proposal’s amended planning controls to incorporate a mix of uses including 35-room boutique hotel with events and conference facilities, commercial office and co-working facilities.

The purpose of the EIA is two-fold:

- 1 To carry out economic and property market research to consider the appropriateness of the Planning Proposal, as well as the competitive position of Cronulla and the LGA in the context of the South District.
- 2 To carry out economic modelling to assess the economic impacts of the Planning Proposal.

The EIA assesses if the Proposal is justified from an economic perspective.

1.3 STRUCTURE OF THE STUDY

The EIA is structured in the following manner:

- **Chapter 1: Introduction**
This Chapter provides an overview and background to the Study, its scope and purpose and overall structure of the report.
- **Chapter 2: The Site and Proposal**
This Chapter reviews the Site, its current context within Cronulla and the Sutherland Shire LGA and describes the Planning Proposal as envisaged for future development of the Site.
- **Chapter 3: Economic and Market Context**
This Chapter examines historical growth in the Cronulla local centre, considering how economic and market trends and activity influence the role and competitive standing of the Site. The Chapter also reviews the visitation profile of the Sutherland Shire LGA.

- **Chapter 6: Land Use Assessment**

This Chapter reviews the market for various land uses in Cronulla and the broader Sutherland Shire LGA and investigates the need for the Proposal.

- **Chapter 5: Impact Assessment**

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

- Base Case: the economic impacts of the Site in its existing use.
- Proposal Case: the economic impacts of the Site if it were redeveloped under the amended planning controls to incorporate a new commercial building accommodating a boutique hotel, function/ events facilities, commercial office uses and co-working space.

- **Chapter 6: Policy Assessment**

This Chapter reviews and translates the key findings from Chapters 2 to 0 and assesses them against policy considerations.

2. THE SITE AND PROPOSAL

2.1 SITE CONTEXT

The Site is situated at 138-142 Cronulla Street at its intersection with Beach Park Avenue. The Cronulla train station is directly opposite the Site while Cronulla Beach is within 150m to the east. The Site is within the southern portion of the Cronulla centre.

The Cronulla centre is focused along Cronulla Street and accommodates strip retail and commercial buildings that provide for a range of local businesses and services. An IGA supermarket is located just to the north of the Site along Cronulla Street with a Woolworths located in the Cronulla Mall.

The Cronulla library and Council carpark are located along Cronulla Street to the north of the Site, anchoring activity in the northern portion of the Cronulla centre.

Existing Buildings

The Site is occupied by three single storey, attached commercial buildings. The buildings have a rear frontage to Surf Lane where delivery access is available. The buildings are occupied by various retail tenancies as detailed in Table 2.1.

Table 2.1: Existing Uses/ Tenancies

Business	Approx. Floor Area (sqm)
Chinese restaurant	360
Clothing retailer	50
Hairdresser	85
Skateboard retailer	60
Convenience store	85
Café	85
Café	85
Café/ bookstore/ casting agency	175
Vietnamese restaurant	85
Lebanese restaurant	85

Source: Munro Operations Trust

Overall, the existing GFA is estimated at just under 1,200sqm.

2.2 PLANNING CONTEXT

2.2.1 A Metropolis of Three Cities - Greater Sydney Region Plan

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

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

The objectives of direct relevance to the Proposal are:

- Liveability Direction
 - Objective 6 - Services and infrastructure meet communities' changing needs.
 - Objective 7 - Communities are healthy, resilient and socially connected.
- Productivity Direction
 - Objective 22 - Investment and business activity in centres.
 - Objective 24 - Economic sectors are targeted for success.

Objective 6

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

Objective 7

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

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

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

Objective 22

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

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

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

Cronulla is identified in the Region Plan (GSC, 2018a) as a local centre. The Region Plan identifies the role of supermarket-based centres in providing opportunities for local employment. It also notes that the provision of fine grain urban form with a diversity of commercial spaces and public places and co-location of services and infrastructure help to enhance accessibility in a centre, contributing to its vitality and viability.

The Region Plan recognises the need to provide for existing centres to expand, whether through upward (reviewing building heights) or outward growth.

Objective 24

The contribution of the tourism industry to GDP is notable, with strong growth highlighted in the Region Plan to have valuable implications for business and economic activity.

Key considerations (relevant to the EIA) are identified for the preparation of tourism and visitation plans and strategies:

- Encouraging the development of a range of well-designed and located facilities.
- Enhancing the amenity, vibrancy and safety of centres and township precincts.
- Supporting appropriate growth of the night-time economy.

For the visitation economy to thrive, tourism at all scales (whether visiting friends and relatives or business reasons) requires appropriate floorspace and facilities.

2.2.2 South District Plan

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

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

- Liveability Direction
 - Planning Priority S4 - Fostering healthy, creative, culturally rich and socially connected communities.
 - Planning Priority S6 - Creating and renewing great places and local centres, and respecting the District's heritage.
- Productivity Direction
 - Planning Priority S7 - Growing and investing in the ANSTO research and innovation precinct.
 - Planning Priority S9 - Growing investment, business opportunities and jobs in strategic centres.
 - Planning Priority S11 - Supporting growth of targeted industry sectors.

Each of the relevant planning priorities are discussed in turn.

Planning Priority S4

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

The Proposal envisages delivering a fine grain activated laneway along Beach Park Avenue to accommodate retail uses and drive an increase in pedestrian activity. This will be further encouraged through a new public square in the centre of the Site and improved pedestrian link from the Site to the train station and bus interchange.

Planning Priority S6

Planning Priority S6 recognises the importance of supporting and improving the existing network of local centres as focal points of neighbourhoods which are highly accessible and provide a range of land uses. A set of place-based planning principles are outlined for local centres including (but not limited to):

- Provide public realm and open space;
- Improve walking, cycling and public transport connections;
- Protect or expand retail/commercial floorspace; and
- Increase residential development in, or within a walkable distance, of the centre.

The Proposal aligns with this Planning Priority through improving connectivity with the nearby transport interchange, providing new public realms, delivering new housing in close proximity to public transport and expanding retail and commercial floorspace on the Site.

Planning Priority S7

The Australian Nuclear Science and Technology Organisation (ANSTO) leads Australia's nuclear science research, located on a 100ha site at Lucas Heights.

The District Plan recognises that growing the ANSTO research and innovation precinct will require partnership between multiple tiers of government to ensure phasing and delivery of infrastructure to, *inter alia*, provide essential infrastructure to support the innovation precinct.

Planning Priority S9

Planning Priority S9 outlines the importance of facilitating new investment and employment in existing centres. Whilst strategic centres are identified as playing the most important role in this regard, smaller supermarket-based local centres will also need to expand to accommodate the demands of Greater Sydney's growing population.

The Proposal seeks to provide just over 5,200sqm of commercial floorspace on the Site, accommodating short-term accommodation and commercial office space in a renewed development.

Planning Priority S11

Planning Priority S11 recognises the appeal of the South District's surf beaches in attracting visitors and that businesses such as ANSTO attract corporate travellers, with many staying in the district during their visit.

The District Plan recognises the South District is not heavily marketed as a tourism destination, with supporting tourist infrastructure (particularly hotel and overnight accommodation) is limited.

The District Plan acknowledges that strategic planning can grow the tourism offer and increase overnight stays through provision of more facilities and short-stay accommodation for overnight visitors, business-related visitors and recreational/ health visitors. Place-making initiatives will also contribute to improving visitor experiences.

2.2.3 Sutherland Shire Local Environmental Plan (2015)

The Site falls in the B3 Commercial Core zone. Zone objectives are to:

- Provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community.
- Encourage appropriate employment opportunities in accessible locations.
- Maximise public transport patronage and encourage walking and cycling.
- Strengthen the viability of existing commercial centres through increased economic activity, employment and resident population.
- Create an attractive, vibrant and safe public domain with a high standard of urban design and public amenity.
- Enhance commercial centres by encouraging incidental public domain areas that have a community focus and facilitate interaction, outdoor eating or landscaping.
- Provide for pedestrian-friendly and safe shopping designed to cater for the needs of all ages and abilities.

These uses are permitted with consent: commercial premises, function centres, hotel or motel accommodation.

2.2.4 Sutherland Shire Planning Strategies

Community Strategic Plan

The Community Strategic Plan was developed by Council and the community (business, not-for-profit sector and residents). The community articulated collective commitment to several key outcomes.

Outcome 5 envisages a prosperous community where "...local centres are alive with thriving local businesses". The community wants the Sutherland Shire to be a community where people can work closer to home and where businesses prosper and provide more employment.

Strategies to achieve Outcome 5 include collaboration with the business community to support thriving local business. This includes strategies to:

- Develop vibrant, productive local centres.
- Support the growing business community by reducing barriers to growth where possible.
- Promote the community as a place to visit, live, work and invest.

Strategies to increase access to local employment are also identified.

Informing Economic Strategy

An Economic Strategy prepared by Council outlines four key outcomes to build a prosperous community through supporting a diverse, resilient and self-sustaining business community with a focus on tourism.

Table 2.2 highlights the outcomes, objectives and strategies of the Economic Strategy, as relevant to the EIA.

Table 2.2: Economic Strategy Outcomes and Strategic Approach

Outcome (Objective)	Strategic Approach	
1 Prosperous community with a fulfilling work life balance	1.2	Encourage growth of the professional, scientific and technical services and health care and social assistance sectors including supporting development of the ANSTO Innovation Precinct at Lucas Heights.
Objective to increase number of local jobs by 10,000 FTE (87,900) jobs by 2030	1.4	Proactively market the Sutherland Shire as a location of choice to conduct professional, scientific and technical services and health care and social assistance services.
2 Diverse, resilient and Self-sustaining community	2.3	Proactively market the Sutherland Shire as a location of choice for business, commercial investment and a diversified skilled workforce.
Objective to increase Sutherland Shire's business output (turnover by 15%) by 2030	2.9	Undertaken research on opportunities for increased business accommodation in Sutherland Shire.
	2.10	Facilitate a night time economy that builds on current strengths and creates a diverse and vital offer that will meet the needs of the current and future population.
4 Increase size and value of tourism contribution to Sutherland Shire economy	4.1	Support and incentivise investment to increase short stay visitor accommodation opportunities in Cronulla and surrounding areas
Objective to increase average tourism spend by 20% (\$6m) by 2030	4.3	Proactively market the Sutherland Shire as a destination of choice to potential visitors.

Source: Sutherland Shire Council

Achievement of the outcomes of the Economic Strategy will be a collective responsibility of Council, government agencies, not-for-profit sector and the local business community. Activities to support the Economic Strategy will be detailed in Council's four-year delivery program and annual operational plans.

2.3 THE PROPOSAL

The Proposal seeks to redevelop the Site to accommodate a new commercial building that accommodates a 35-room boutique hotel, events and conference facilities and commercial office floorspace that will include co-working commercial floorspace.

The proposed land uses are permissible in the B3 Commercial Core zone. The proposed FSR and heights exceed those permissible in the LEP and as such, the Planning Proposal seeks to amend the planning controls.

Table 2.3: The Proposal

Level	Proposed Use	GFA (sqm)
Ground Floor	Hospitality/ Hotel	834
Level 1	Hospitality/ Hotel	822
Level 2	Commercial/ Co-working	640
Level 3	Commercial/ Co-working	640
Level 4	Commercial	246
Level 5	Commercial	257
Level 6	Commercial	257
Level 7	Commercial	257
Level 8	Hotel (7 rooms)	257
Level 9	Hotel (7 rooms)	257
Level 10	Hotel (7 rooms)	257
Level 11	Hotel (7 rooms)	257
Level 12	Hotel (7 rooms)	257
	Total	5,238

Source: Innovate Architects

3. ECONOMIC AND MARKET CONTEXT

3.1 HISTORICAL GROWTH

In order to better understand the employment and activity occurring around the Site, Australian Bureau of Statistics data was examined using statistical geographical boundaries of Destination Zones (DZ). These statistical areas are generally smaller than a suburb and are useful in understanding small area employment characteristics.

For the purposes of this report, analysis of employment activity is focused on DZs surrounding the Site and encompassing the broader Cronulla town centre (referred to as the 'Catchment Area'). For comparative purposes, employment activity in the Catchment Area is benchmarked against the Sutherland Shire LGA.

A brief snapshot of employment activity in the Catchment Area compared to the LGA is in Table 3.1

Table 3.1: Employment Snapshot, Catchment Area

Indicator	Cronulla Catchment Area	Sutherland Shire LGA
Total Employment		
2016	3,117	69,778
2011	2,710	66,085
Key Industries (2016)		
Accommodation and Food Services	27.1%	8.7%
Retail Trade	14.0%	15.0%
Professional, Scientific and Technical Services	10.2%	8.2%
Health Care and Social Assistance	5.9%	15.3%
Construction	6.1%	11.8%

Source: ABS (2012b, 2017b)

Broad Industry Classifications

The ABS categorises employment activity into ANZSIC (Australian New Zealand Standard Industry Classification) 19 industry sectors. It is often more useful to consider employment composition in broader industry terms. Broad industry classifications (BICs) group the 19 ANZSIC sectors into four main categories - population-serving, knowledge-intensive, health and education and industrial.

The correspondence between the BIC and ANZSIC classifications is outlined in Table 3.2.

Table 3.2: Broad Industry Classifications (BICs) by ANZSIC

Population Serving	Knowledge-Intensive
<ul style="list-style-type: none"> Construction Retail Trade Accommodation and Food Services Arts and Recreation Services Other Services 	<ul style="list-style-type: none"> Information Media and Telecommunications Financial and Insurance Services Rental, Hiring and Real Estate Services Professional, Scientific and Technical Services Administrative and Support Services Public Administration and Safety
Health and Education	Industrial
<ul style="list-style-type: none"> Education and Training Health Care and Social Assistance 	<ul style="list-style-type: none"> Agriculture, Forestry and Fishing Mining Manufacturing Electricity, Gas, Water and Waste Services Wholesale Trade Transport, Postal and Warehousing

Source: ABS

3.1.1 Employment by Industry

Just over 3,100 workers were recorded in the Catchment Area in 2016. Three sectors dominate employment activity in the Catchment Area, namely accommodation and food services (27.1% of workers), retail trade (14.0%) and professional, scientific and technical services (10.2%).

Over the 2011-2016 period, the Catchment Area has expanded by 410 workers with this growth being driven by professional, scientific and technical services (100 workers), construction (81 workers) and rental, hiring and real estate services (55 workers). This rate of growth analyses to 2.8% per annum (on average).

Analysis of the employment composition shows that Catchment Area is primarily performing a dual role with a high composition of population-serving and knowledge-intensive employment which together account for over 80% of employment. Conversely, health and education and industrial employment are relatively minor, representing 11% and 5% of total employment in 2016.

Table 3.3: Employment by Industry (2011-2016), Catchment Area

Industry	2011		2016		Change (11-16)	
	No.	%	No.	%	No.	%
ANZ Standard Industry Classification (ANZSIC)						
Agriculture, Forestry and Fishing	1	0.0%	4	0.1%	3	323.1%
Mining	0	0.0%	0	0.0%	00	6.9%
Manufacturing	25	0.9%	67	2.1%	41	164.2%
Electricity, Gas, Water and Waste Services	2	0.1%	1	0.0%	-1	-65.7%
Construction	108	4.0%	189	6.1%	81	5.5%
Wholesale Trade	15	0.6%	9	0.3%	-6	-38.7%
Retail Trade	437	16.1%	436	14.0%	-1	-0.3%
Accommodation and Food Services	850	31.4%	845	27.1%	-5	-0.6%
Transport, Postal and Warehousing	81	3.0%	80	2.6%	-1	-1.3%
Information Media and Telecommunications	46	1.7%	40	1.3%	-6	-12.3%
Financial and Insurance Services	134	5.0%	164	5.3%	30	22.3%
Rental, Hiring and Real Estate Services	161	5.9%	215	6.9%	55	33.9%
Professional, Scientific and Technical Services	217	8.0%	317	10.2%	100	46.4%
Administrative and Support Services	69	2.6%	86	2.8%	17	24.4%
Public Administration and Safety	66	2.4%	82	2.6%	117	25.8%
Education and Training	121	4.5%	157	5.0%	36	29.4%
Health Care and Social Assistance	189	7.0%	183	5.9%	-6	-3.3%
Arts and Recreation Services	34	1.3%	33	1.1%	-1	-3.8%
Other Services	155	5.7%	209	6.7%	54	35.1%
Total	2,710	100.0%	3,117	100.0%	407	15.0%
Broad Industry Classification (BIC)						
Knowledge Intensive	692	25.6%	906	29.1%	213	30.8%
Health and Education	310	11.4%	339	10.9%	29	9.5%
Population Serving	1,583	58.4%	1,711	54.9%	128	8.1%
Industrial	124	4.6%	161	5.2%	36	29.4%
Total	2,710	100.0%	3,117	100.0%	407	15.0%

Source: ABS (2012b, 2017b)

Several observations can be drawn when comparing employment activity in the Catchment Area against the broader Sutherland Shire LGA:

- Cronulla recorded faster employment growth over 2011-2016 compared to the LGA (2.8% per annum compared to 1.1% per annum). Population serving and knowledge-intensive employment drove the majority of this growth.

- Employment in the Catchment is heavily focused on accommodation and food services and retail trade, which collectively account for more than 40% of all employment.
- Professional, scientific and technical services is a notable and growing industry of employment, employing an additional 100 workers over 2011-2016. In 2016, it employed more than 10% of workers in the Catchment.
- Employment growth in the LGA is driven by the health care and social assistance and public administration and safety sectors, growing by an average of 4.1% and 5.5% per annum respectively.
- The Catchment Area comprises a larger proportion of knowledge intensive jobs (31%) compared to the broader LGA (21%) despite its much smaller employment base.

3.2 MARKET OVERVIEW

3.2.1 Commercial Office

Sydney's suburban office markets have performed strongly over the course of 2018-2019 as low vacancy levels in the Sydney and Parramatta CBDs resulted in tenant overflow to many suburban office markets. Infrastructure investment and the relocation/expansion of several university campuses in large centres is also driving uptake of commercial floorspace (e.g. Liverpool City Centre, Parramatta CBD). In most suburban office markets, this has resulted in tightening vacancy rates and increases in rents.

The Cronulla local centre is not considered a suburban office market; it does not comprise any purpose-built office buildings with commercial uses mostly located on the ground floor or in the upper levels of aged, two storey commercial buildings (the ground floor being occupied for retail uses). There is also an overlap between commercial and retail floorspace as many service businesses (real estate agencies, financial advisors and accountants, legal firms) occupy traditional ground floor retail space.

The primary suburban office market proximate the Site is Sutherland which serves as the principal commercial and civic hub for the broader Sutherland region.

Sutherland

Aligning with its designation as a strategic centre, Sutherland is the largest suburban office market in the LGA. It accommodates a variety of occupiers including government agencies, regional branches of national occupiers (e.g. CBA), educational operators and a variety of smaller, locally-based professional firms.

The centre has benefited from an upswing in recent times, largely driven by residential growth with population-serving businesses seeking to locate there to accommodate growing demand.

There are small scale office suites on the first floor of buildings fronting Old Princes Highway, with several purpose-built office buildings east of the Old Princes Highway. Gross rents range from \$350/sqm to \$450/sqm, with newer and more contemporary stock at the upper end of the range.

Development of commercial floorspace is limited, generally as suites within mixed use developments.

3.2.2 Short-term Accommodation

There is a limited number of short-term accommodation establishments in key centres of the LGA.

Table 3.4: Existing Short-term Accommodation Establishments, Key Centres

Establishment	Suburb	No. of Rooms	Star Rating	Amenities/ Facilities
Rydges Cronulla 20-26 Kingsway	Cronulla	84	4 stars	Restaurant and bar/ lounge, outdoor pool, self-parking
Quest Cronulla Beach 1 Kingsway	Cronulla	60	4 stars	Restaurant, fitness centre, self-parking
Cronulla Motor Inn 85 Kingsway	Cronulla	25	3 stars	Outdoor pool, self-serve laundry, picnic area

Establishment	Suburb	No. of Rooms	Star Rating	Amenities/ Facilities
Cronulla Beach Backpackers Level 1, 40-42 Kingsway	Cronulla	15	n/a	Vending machine, kitchenette, luggage storage
Guesthouse B+B 83 The Kingsway	Cronulla	29	n/a	Self-serve laundry
Metro Hotel Kingsway and Jackson Ave	Miranda	52	4 stars	24-hour fitness centre
Nightcap at Caringbah 343 Port Hacking Rd	Caringbah	10	3.5 stars	Restaurant, bars/ lounges, luggage storage
Sutherland Motel Princes Hwy and Aldgate St	Sutherland	27	3.5 stars	Outdoor pool, airport shuttle, self-serve laundry, BBQ pits
Abcot Inn 410 Old Princes Hwy	Sutherland	46	3.5 stars	Restaurant, outdoor pool, kitchenette

Source: AEC

There is just under 350 room capacity in the various short-term accommodation establishments listed in Table 3.4.

3.3 VISITATION PROFILE

This section outlines recent trends in visitors, visitor nights, average length of stay and expenditure in the Sutherland Shire. Given the suburban characteristics of Sutherland, visitation has been driven primarily by the holidaying and visiting friends and relatives (VFR) markets. Business-related tourism in the LGA has comprised a relatively low market share of visitor over the years.

Total Visitors

The number of visitors to Sutherland was approximately 1.5 million in the year to March (YE) 2019. This was down -9.9% over the previous year YE March 2018, however up by an average of 2.9% per annum over the last three years (from 2016 to 2019). Of these visitors:

- 82.1% were daytrippers;
- 15.4% were domestic overnight visitors; and
- 2.5% were international visitors.

Visitation to Sutherland Shire has fluctuated significantly, with the Shire experiencing its largest decrease year-on-year of 14.3% in 2010 and its largest year-on-year increase of 21.3% in 2014. However, over the past decade, overall visitation has increased by approximately 376,000 (averaging 2.9% per annum).

Visitors by Reason

In the YE March 2019, reasons for visiting Sutherland Shire was predominantly divided between holidays (44%) and VFR (40%).

From 2016 to 2019, visitation for holiday purposes fell by -4.7 percentage points, while business visitation fell by -0.5 percentage points. Over the same period (YE March 2019), VFR experienced an increase in the share of visitors by approximately 83,000 (2.4 percentage points), followed by a growth in other purposes of 50,000 visitors (2.8 percentage points).

Type of Accommodation Used by Visitors

The most frequent type of accommodation by domestic overnight visitors is private accommodation, which accounted for 83% of all domestic overnight stays in Sutherland Shire in the YE March 2019. Similarly, the primary accommodation type used by international visitors during their stay was private accommodation, accounting for 75% of all international stays in the YE March 2019.

International visitors staying in hotel accommodation during the YE March 2019 comprised 22% of the market, this share has increased by 13 percentage points over the past three years.

The share of domestic visitors staying in hotel accommodation was lower at 12% of the domestic overnight market, decreasing by approximately 20,000 nights (5.5 percentage points) from the YE March 2016.

Visitor Nights

The number of visitor nights in Sutherland Shire numbered approximately 1.16 million for YE March 2019. This decreased by -21.4% from the previous year where the number of nights reached approximately 1.41 million.

The international market accounts for around 53% of all visitor nights, which reflects the longer average length of stay by international visitors (16 days) versus the domestic overnight market at 2 nights.

The average number of nights spent for domestic and international overnight visitors decreased by an average of 4% per annum from 2016 to 2019.

The share of international visitor nights has increased significantly over the years, with an average annual growth rate of 7.4% from 2016 to 2019 (increasing by approximately 118,000 nights).

International visitation nights in the YE March 2019 was primarily driven by the United Kingdom and India (each 18% of visitor nights), followed by other European countries (14% of visitor nights). India did not have a market share of visitor nights in the previous year (YE March 2018), highlighting the potential for visitation growth from emerging international markets.

3.4 DEVELOPMENT ACTIVITY

Little commercial development has been progressed in Cronulla in recent years with many commercial buildings in the centre begin to approach the end of their economic useful life. A modest amount of new commercial suites is observed in the pipeline, primarily located at the ground level of proposed mixed-use developments.

The following commercial developments are identified in the Cronulla pipeline:

- **81 Cronulla Street**
Alterations and additions to the existing building to include *inter alia*, two office units on the first floor and a second floor as a dental clinic. The application is granted development approval but understood to be deferred.
- **62 Croydon Street**
Alterations and additions to existing 5 storey commercial building to provide for 8 offices, communal/ breakout area and kitchenette/ bathroom facilities. Development approval is granted.
- **109 Cronulla Street**
Construction of 4 storey commercial building to comprise backpackers accommodation with 40 guest beds (3 rooms), ground floor restaurant and rooftop bar. Development application submitted and is under assessment.
- **40-44 Kingsway**
Construction of 6 storey mixed use development to contain 4 commercial premises on ground floor and 18 apartments above. Development approval is granted.
- **49-57 Gerrale Street**
Construction of 9 storey mixed use development to contain 6 ground floor commercial units and 63 residential units with rooftop and podium level swimming pool. The development is under construction.

In summary, there is little new commercial floorspace expected in the short-term to accommodate business services and knowledge-intensive businesses looking to locate in the Cronulla centre.

There are no hotel proposals in the pipeline except in Woollooware Bay where a 75-room hotel is proposed as part of a partnership between the Cronulla Sharks Leagues Club and Capital Bluestone.

3.5 NEED FOR THE PROPOSAL

Growth in the employment base over the 2011-2016 period in the Cronulla catchment area outstripped that of the Sutherland LGA, growing at an average annual rate of 2.8% compared to 1.1% in the LGA. Employment growth in Cronulla has been driven knowledge-intensive sectors, in particular professional, scientific and technical services which grew by 100 workers over the period.

For this strong growth in knowledge-intensive employment to be sustainable, there needs to be sufficient, suitable commercial floorspace to accommodate the growth.

A review of the tourist visitation profile for the LGA reveals the following:

- Visitors to the LGA in the 12 months to March 2019 were mainly for holidays (44%) and visiting friends and relatives (40%).
- More than 80% of visitors are daytrippers, with 15% domestic overnight and only 2.5% international visitors.
- The majority of overnight visitors stay in private accommodation, with 83% of domestic overnight visitors and 75% of international overnight visitors staying in private accommodation.
- International visitors stay for longer (average 16 days) compared to domestic visitors (2 nights), however the average number of nights stayed by international and domestic visitors has fallen at an average of 4% per annum between 2016 and 2019.

The existing stock of short-term accommodation is small, with the total number of rooms just under 350. More than 200 rooms are contained in motor inns, motels and guesthouses/ backpacker inns. Just over 140 rooms are within competitive hotels to the Proposal, i.e. the Rydges and Quest at Cronulla Beach.

Given the short supply of contemporary and quality hotel accommodation, it is unsurprising that Cronulla is not a business visitation destination with low proportions of visitation for business-related reasons.

The minor provision of quality hotel room accommodation limits the ability of Cronulla, and indeed the broader Sutherland Shire LGA in capturing tourism visitation and tourism spend in the local economy.

The next chapter examines in more detail, the need for different land use types.

4. LAND USE ASSESSMENT

4.1 SHORT-TERM ACCOMMODATION

Market enquiries indicate that the majority of short-term accommodation providers are mostly mid-scale hotels, budget motels and/or serviced apartments. There are two well-known chains across the market including Rydges and Quest in Cronulla, accommodating a total of 144 rooms in 4-star hotel establishments. The remaining short-term accommodation stock in the LGA total approximately 200 rooms in various budget and motel establishments.

Development Pipeline

There is minimal development pipeline activity for short-term accommodation:

- **109 Cronulla Street, Cronulla**
Redevelopment and construction of 4 storey commercial building for use as backpackers accommodation (40 guest bed in 3 rooms). The DA is under assessment.
- **Sharks Village, 461 Captain Cook Drive, Woolooware**
A Concept Plan application has been submitted seeking approval to develop the Cronulla Sharks site in several stages. The fourth stage of development is understood to propose a 70-room hotel co-located with a shopping centre, and refurbished Sharks Leagues Club.

The proposed developments when they are complete will nominally add to the supply of short-term accommodation in Cronulla (and the broader LGA). In the context of visitation numbers to the LGA (1.5 million in the 12 months to March 2019) the supply of short-term accommodation is low.

Drivers of Demand

Demand for short-term accommodation is expected to be driven by a number of key factors.

- **Local Residents**
Forecast increase in visitor nights commensurate with population growth across the region is expected to be one of the key drivers for growth in accommodation demand. There almost 900 dwellings at various stages of the development pipeline (from under construction, approved, application submitted to early planning).
- **Visitor Attractions**
Major sporting venues such as Pointsbet Stadium generate large volumes of visitation, as do tourist attractions. The hosting of unique events and festivals additionally attract additional visitation, and in turn drive demand for a diverse range of accommodation types.
- **Business Demand**
The growth of knowledge-intensive employment in the LGA (specifically in Cronulla) will drive business-related and corporate demand for short-term accommodation. The ANSTO Innovation Precinct will additionally influence demand for high quality hotel space for business and corporate events. Importantly, this demand is not influenced by tourism seasonality.
- **Health Care and Social Assistance Sector**
This sector underpinned notable employment growth in the LGA over 2011-2016. Demand for short-term accommodation naturally flows from more medical and healthcare professionals, visiting researchers and patients in the region.

Importance of the Short-term Accommodation Offer

Sutherland Shire hotels have traditionally not offered an accommodation experience comparable to that which is available in other major centres like Parramatta, Bankstown, Liverpool and Campbelltown.

The performance of a hotel market is self-perpetuating. Average quality hotels will not attract large scale visitation, which consequently affect hotels' ability to generate revenue (whether from rooms, functions and events, food and beverage). Average hotel performance in turn does not provide incentive for new hotels to develop or existing hotels to embark on refurbishment programmes or reinvest in their facilities.

The development of a range of good quality short-term accommodation options is needed to positively influence and lift the profile of the Sutherland Shire LGA as a tourist and business destination. If there are insufficient suitable accommodation options available for a particular visitor group, they may elect to stay elsewhere, thereby resulting in a foregone opportunity for Cronulla and the LGA to capture visitation and tourist spend.

4.2 COMMERCIAL USES

Major Commercial Centres

Sutherland and Miranda are the designated strategic centres in the Sutherland Shire LGA, with a number of local centres including Cronulla playing a local role.

- **Sutherland** accommodates a range of retail, entertainment, commercial and community services and plays an administrative and civic role with the location of a District Court and Council chambers.

The District Plan identifies a target of 2,300 to 3,300 additional jobs over the 20 years to 2036, equating to an average annual growth rate of 1.7% to 2.3%. In the 2011-2016 period, the Sutherland centre grew an average annual rate of 0.1%.

At a generic benchmark of 20sqm per full-time employee (FTE), these targets require additional floorspace of 46,000sqm to 66,000sqm over the 20 years to 2036.

- **Miranda** is a major retail destination incorporating a high street, shopping centre and mix of health services.

The District Plan identifies a target of 1,000 to 4,500 additional jobs over the 20 years to 2036, equating to an average annual growth rate of 0.7% to 2.5%. In the 2011-2016 period, the Miranda centre grew at an average annual rate of 2.6%.

At a generic benchmark of 20sqm per full-time employee (FTE), these targets require additional floorspace of 20,000sqm to 90,000sqm over the 20 years to 2036.

Development Pipeline

The development pipeline for employment floorspace in the Sutherland and Miranda centres is relatively minor.

Table 4.1: Development Pipeline, Sutherland and Miranda

Address	Description	Employment Floorspace (sqm)	Status
Sutherland			
5 Adelong St 20-24 Robertson St	Demolition and construction of 8 storey mixed use development (53 residential units and 2 ground floor commercial units) and a part 3/ part 4 storey boarding house for 15 boarding rooms and a manager's room	Ground floor units (90sqm, 149sqm)	Development Approval
55-57 East Pde	Construction of 9 storey mixed use development containing 40 residential units and 2 ground floor retail tenancies	Ground floor units (49sqm, 92sqm)	Development Approval
1-7 Boyle St	Construction of 9 storey mixed use development to comprise 5 retail tenancies on ground floor, 4 office tenancies on first floor and 43 residential units above	Ground floor retail (929sqm) First floor office (871sqm)	Development Application
Miranda			
557, 561-563 Kingsway	Demolition and construction of 9 storey mixed use development to comprise 37 residential units, 2 ground floor retail units and 1 lower ground commercial suite	Lower ground unit (47sqm) Ground floor units (115sqm, 126sqm)	Development Approval
4-6 Wandella Rd	Conversion of existing storage room at undercroft level of Parkside Plaza into commercial premises	Undercroft (160sqm)	Development Approval
12 Fletcher Ave	Conversion of existing dwelling into health consulting rooms	Consulting rooms (139sqm)	Development Approval

Source: AEC

Combined, the employment floorspace in the centres of Sutherland and Miranda have the potential to add 2,180sqm and 587sqm floorspace respectively. Dividing by a generic benchmark of 20sqm per FTE, an additional 138 workers could potentially be accommodated should all the proposed developments eventuate into delivery.

Market Activity

The commercial office market in Sutherland and Miranda has performed strongly over the 2018-2019 period, with vacancy levels understood to be tight (circa 5%) amid limited leasing and sales activity.

A shortage of good quality space has led to competitive market conditions in Cronulla, resulting in rising rents and sale prices. Gross office rents in new commercial suites is observed to be circa \$400/sqm to \$500/sqm however a number of recent deals are understood to have been struck upwards of \$600/sqm amidst strong demand. The strong growth of rental rates is a reflection of strong demand amidst limited supply.

Table 4.2 outlines commercial office space currently available for lease on the market.

Table 4.2: Leasing Activity, Cronulla

Address	Lettable Area (sqm)	Quoting Gross Rents (\$/sqm)	Description
2/74 Croydon St	120	\$540	First floor office suites in new mixed use development with residential on upper floors
1/74 Croydon St	30	\$690	
3/125 Cronulla St	75	\$420	First floor office in low-rise commercial building
4/70 Croydon St	100	\$390	First floor in older style commercial building
66-70 Cronulla St	55-147	\$700-\$750	Adaptive reuse development of Banc building in Cronulla Mall

Source: AEC

Feedback from local leasing agents indicates Cronulla, Sutherland and Miranda all suffer from a lack of contemporary office stock, resulting in a poor market profile. There are few investment grade office buildings with floorplates above 500sqm hence many large prospective tenants do not generally consider centres in the Sutherland LGA as a potential office location.

A small office suite (88sqm) at 17 Surf Road, Cronulla was sold in less than two weeks of marketing for a price equivalent to \$8,400/sqm).

This shortfall in contemporary office stock is also reflected in the prices observed to be paid for new office suites at Woolooware Bay and the Caringbah Business Hub.

- Commercial office suites (37sqm to 77sqm) at **Woolooware Bay** (due for completion in 2022) are observed to be priced from \$495,000 to \$900,000, equating to \$11,500/sqm to \$13,500/sqm of floorspace. These sale prices are akin to price levels observed in the Parramatta CBD and North Sydney CBD.
- Commercial suites (66sqm to 258sqm) at **Caringbah Business Hub** (38 Cawarra Road) priced from \$580,000, equating to around \$8,800/sqm. This development is in a B7 Business Park zone and is co-located with other floorspace types (industrial units/ showrooms, storage units and a café). Even though the office floorspace is not within a centre like Cronulla, the sale prices of the office suites reflect prices in Sydney CBD fringe markets.

The elevated sales and rental levels indicate and confirm an undersupplied commercial office market.

Co-Working Facilities

The flexibility offered by co-working facilities is a key driver for their popularity. With no lock-in leases or minimum floorspace requirements, co-working providers cater to a segment of the market keen to upsize or downsize flexibly.

There are limited co-working facilities in the LGA, including:

- Inspire Co-Work at 29 Kiora Road, Miranda was established approximately five years ago and has grown from one business to now accommodating over 200 workers from more than 80 businesses;
- Existing serviced offices at 2-6 Kingsway in Cronulla; and
- Co-working facility is proposed for Level 1 at 75 Cronulla Street.

Co-working facilities offer accommodation options for a range of occupiers - those who are starting-up, those who are expanding and those who have temporary requirements.

4.3 NEED FOR THE PROPOSAL

Cronulla has an important employment role to play despite its designation as a local, and not a strategic centre. In 2016, Cronulla employed just over 3,100 workers while Sutherland employed just over 3,200 workers.

Cronulla's employment base grew by an average annual rate of 2.8% over the 2011-2016 period, far stronger than the broader LGA which grew by an average annual rate of 1.1%.

Cronulla's increasing importance as an activity centre is not surprising given its beachside location, lifestyle appeal, accessibility by public transport and local population base.

While employment in the Cronulla centre is dominated by accommodation, food services and retail trade sectors, knowledge-intensive sectors drove a large proportion of the employment growth over the 2011-2016 period. Professional, technical and scientific services grew strongly to add 100 new jobs. These and other knowledge-intensive jobs typically require commercial office floorspace.

The development pipeline for hotel accommodation and commercial office floorspace is limited in Cronulla, and indeed the broader LGA. A continued shortfall of contemporary stock will limit the ability of businesses to locate in the area as well as result in foregone opportunity for visitors to visit, spend time in and spend in the area.

The Proposal will contribute to strengthening Cronulla's productivity as a local centre as well as the broader LGA's productivity in the following manner:

- Incorporate a 35-room boutique hotel with event/ conference facilities to accommodate visitors to the area as well as business and other functions.
- Make available 2,300sqm of contemporary office floorspace, contributing to the supply shortfall of office stock.
- Accommodate a co-working facility on two levels (1,280sqm), creating opportunity for flexible office configurations for a range of occupiers (from businesses starting-up to businesses expanding and those who have temporary project requirements).
- Facilitate redevelopment of commercial buildings that are ageing and not optimised to their full development potential.
- Contribute to alleviating price pressure on commercial floorspace, ensuring Cronulla (and the broader LGA) provides affordable floorspace to occupiers who seek a suburban office market that is well-connected and amenity-rich.

The Proposal will conceivably be a game-changer for Cronulla, accommodating >130 employees on-site when completed.

The next chapter examines the economic impacts that are likely to result from the Proposal.

5. ECONOMIC IMPACT ASSESSMENT

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

- **Base Case:** The Base Case assumes a Do-Nothing scenario, with the Site continuing their existing use (approximately 1,120sqm retail and food and beverage tenancies) with no redevelopment envisaged.

The Site has an FSR 2:1 with existing improvements below the permissible FSR. Whilst there is latent capacity on the Site, realisation of that latent capacity would require demolition of existing buildings and redevelopment. The current planning controls do not facilitate feasible redevelopment. Therefore, the Site remaining 'as is' is considered a reasonable Base Case scenario.

- **Proposal Case:** The Proposal Case assumes the demolition of the Site to facilitate the proposed 4,953 sqm hospitality/commercial space and 35 room hotel development.

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

5.1 DRIVERS OF ECONOMIC IMPACT

The following sections estimate the economic activity supported through the operations of businesses locating to the Site if it was redeveloped under the Proposal Case compared to if it remained in existing use (Base Case).

The economic impacts have been assessed at the Sutherland LGA level. An Input-Output model, including the development of specific regional Input-Output transaction tables, was developed to reflect the economic structure of the Sutherland LGA (refer to Appendix A). Input-Output modelling describes economic activity through the examination of four types of impacts which are defined and described in **Table 5.1**.

Table 5.1: Economic Indicators

Indicator	Description
Output	Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
Gross Product	Refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g., Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
Income	Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the Project.
Employment	Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow on activity, and is expressed in terms of Full-Time Equivalent (FTE) positions. One FTE job is defined as one person working full time for a period of one year.

Source: AEC

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending. Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

The following estimates consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

Drivers of Economic Activity

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

- **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in the Sutherland LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.
- **Operations Phase:** During the operational phase, the Site is expected to generate ongoing economic/operational activity through the following:
 - Direct turnover generated by the retail/commercial and hotel operational activities on-site.
 - Economic activity that would not otherwise occur in the Sutherland LGA as a result of induced visitation associated with the new hotel development.

Refer to Appendix A for a description of the drivers and assumptions that underpin the assessed economic impacts.

5.2 ECONOMIC ACTIVITY AND IMPACTS

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

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

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

5.2.1 Construction Phase

The economic impacts during the Construction Phase are assessed for the Proposal Case only, as there is no redevelopment or construction activity in the Base Case.

Proposal Case

Economic activity generated by businesses and workers in the Sutherland LGA is expected to be supported direct and flow-on impacts arising during construction:

- \$53.7 million in output (including \$21.6 million in direct activity).
- \$24.3 million contribution to GRP (including \$8.0 million in direct activity).
- \$13.2 million in incomes and salaries paid to households (including \$5.0 million in direct activity).
- 163 FTE jobs (including 56 directly employed in construction activity).

Table 5.2: Construction Impacts in Sutherland LGA, Proposal Case

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$21.6	\$8.0	\$5.0	56
Production Induced	\$17.7	\$7.8	\$4.5	55
Household Consumption	\$14.5	\$8.5	\$3.7	51
Total	\$53.7	\$24.3	\$13.2	163

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

Major industry beneficiaries of the construction phase include:

- Construction (direct and flow on GRP of \$9.1 million).
- Professional, scientific and technical services (direct and flow on GRP of \$2.4 million).
- Ownership of Dwellings (flow on GRP of \$2.4 million).

5.2.2 Operational Phase

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

Base Case

The Base Case is estimated to support the following annual economic activity through direct and flow-on impacts associated with the existing Site:

- \$10.6 million in output (including \$4.8 million in direct activity).
- \$5.8 million contribution to GRP (including \$2.6 million in direct activity).
- \$3.5 million in incomes and salaries paid to households (including \$2.0 million directly).
- 57 FTE jobs (including 37 directly).

Table 5.3: Operational Impacts, Base Case

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$4.8	\$2.6	\$2.0	37
Production Induced	\$1.8	\$0.9	\$0.5	5
Household Consumption	\$4.0	\$2.4	\$1.0	14
Total	\$10.6	\$5.8	\$3.5	57

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

Major industry beneficiaries of the operational base case include:

- Accommodation and food services (direct and flow on GRP of \$1.8 million per annum).
- Retail Trade (direct and flow on GRP of \$1.1 million per annum).
- Ownership of Dwellings (direct and flow on GRP of \$0.7 million per annum).

Proposal Case

Following completion and operation of the Proposal, the activity associated with new business activity and additional visitation is estimated to support the following economic impacts through direct and flow-on impacts (per annum):

- \$65.6 million in output (including \$28.9 million in direct activity).
- \$35.7 million contribution to GRP (including \$15.4 million in direct activity).
- \$18.5 million in incomes and salaries paid to households (including \$8.8 million directly).
- 258 FTE jobs (including 133 directly).

Table 5.4: Operational Impacts, Proposal Case

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$28.9	\$15.4	\$8.8	133
Production Induced	\$14.2	\$6.9	\$3.9	45
Household Consumption	\$22.6	\$13.3	\$5.8	80
Total	\$65.6	\$35.7	\$18.5	258

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

Major industry beneficiaries of the operational proposal case include:

- Accommodation and food services (direct and flow on GRP of \$5.0 million per annum).
- Financial and insurance services (direct and flow on GRP of \$4.4 million per annum).
- Retail trade (direct and flow on GRP of \$4.1 million per annum).

5.3 NET OPERATIONAL IMPACT ON ECONOMIC ACTIVITY

Compared to the Base Case, the Proposal Case is expected to result in a net increase in annual economic activity through the direct and flow-on impacts (per annum):

- \$55.0 million *additional* in output (including \$24.1 million in direct activity).
- \$29.9 million *additional* in contribution to GRP (including \$12.8 million in direct activity).
- \$15.0 million *additional* in incomes and salaries paid to households (including \$6.8 million directly).
- 201 *additional* FTE jobs (including 96 additional jobs directly related to activity and induced visitation).

It should be noted that no allowance for the transfer of existing Sutherland LGA activity into the redeveloped site or the retention of existing (base case) businesses elsewhere within the LGA under the proposal case have been made in generating the below estimates.

Table 5.5: Estimated Net Operational Impacts in Sutherland LGA

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$24.1	\$12.8	\$6.8	96
Production Induced	\$12.4	\$6.0	\$3.4	40
Household Consumption	\$18.6	\$10.9	\$4.8	66
Total	\$55.0	\$29.9	\$15.0	201

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

6. POLICY ASSESSMENT

6.1 ECONOMIC AND EMPLOYMENT IMPACTS

To compare the outcome of the Base Case versus the Proposal Case, each of the identified impacts compared to the Base Case are summarised and ranked based on the rating system outlined in **Table 6.1**.

Table 6.1: Economic Impact Rating Matrix

Severity of Impact	Score	Explanation
Strong Positive Impact	+3	The scenario would make a strong positive contribution towards this impact compared to the Base Case
Slight Positive Impact	+1	The scenario would make a slight positive contribution towards this impact compared to the Base Case
Neutral Impact	0	The scenario would make neither positive or a negative contribution towards this impact compared to the Base Case
Slight Negative Impact	-1	The scenario would make a slight negative contribution towards this impact compared to the Base Case
Strong Negative Impact	-3	The scenario would make a strong negative contribution towards this impact compared to the Base Case

Source: AEC

Table 6.2 identifies the economic impacts and derives a total score for Proposal using the Base Case as the starting point of '0'. The higher the positive score the greater the net positive economic impact from a community perspective, the lower the score the greater the adverse economic impact.

Table 6.2: Total Economic Impact of Base Case versus Proposal Case

Impact	Base Case	Rating	Proposal Case	Rating
Employment & Economic Impact				
Output (\$M)	\$10.6	+1	\$65.6	+3
GRP (\$M)	\$5.8	+1	\$35.7	+3
Income (\$M)	\$2.4	+1	\$18.5	+3
Employment (FTE)	37 (direct)	+1	133 (direct)	+3
Hotel Demand				
Support Tourism Industry	n/a	0	35 rooms F+B, events/ conference facilities	+3
Construction				
Output (\$M)	n.a.	0	\$21.6	+3
GRP (\$M)	n.a.	0	\$17.7	+3
Income (\$M)	n.a.	0	\$14.5	+3
Employment (FTE)			163	+3
Total		4		27

Source: AEC

The Proposal Case would deliver a clear, strong positive economic impact comparative to the Base Case. The Proposal Case has only allowed for the redevelopment of the Site as envisaged under the Planning Proposal. As Sutherland grows the economic impact identified in this EIA would be even greater.

6.2 SECTION 9.1 DIRECTION

The Section 9.1(2) direction relevant to the EIA is Section 1.1 Business and Industrial Zones. The objectives are identified below together with their consideration in the context of the Planning Proposal.

Table 6.3: Consistency with Section 9.1(2) Objectives

No.	Objective	Proposal Case
1	Encourage employment growth in suitable locations	<p>The Site currently contains several strip retail/ commercial buildings that accommodate approximately 37 jobs.</p> <p>The Proposal Case envisages development of the Site to accommodate: Boutique hotel (35 rooms) and 2,300sqm of commercial office floorspace. This floorspace combined could accommodate 133 jobs on Site, representing a net increase of 96 direct jobs.</p> <p>The Proposal Case complies with this objective.</p>
2	Protect employment land in business and industrial zones	<p>The planning amendment sought would lead to an increase in the quantum of land zoned for employment generating land uses in the Sutherland LGA.</p> <p>The total number of jobs generated as a result of the Proposal is estimated at 258 jobs (representing a total increase of 201 jobs).</p> <p>The Proposal Case complies with this Objective.</p>
3	Support the viability of identified strategic centres	<p>The Proposal Case would consolidate new jobs and investment in Sutherland in accordance with <i>Greater Sydney Region Plan</i> objectives to support business and investment in centres.</p> <p>The Proposal Case would increase and improve the accommodation offer in Sutherland by accommodating 35 rooms in a boutique hotel in a beachside setting. The Proposal will also accommodate conference and events facilities that will contribute to Cronulla (and the LGA)'s competitiveness as a tourist destination for recreational and business reasons.</p> <p>This is consistent with the South District Plan's objectives to support growth in tourism, which is targeted industry sector.</p> <p>For these reasons, the Proposal Case would fulfil this Objective.</p>

Source: AEC

Section 9.1 Directions set out five requirements for planning authorities to consider when preparing a planning proposal that will affect land within an existing business zone. This are considered below in relation to the Proposal Case.

Table 6.4: Planning Authority Considerations

Consideration	Achieved?	Explanation
Give effect to the objectives of this direction	Yes	Table 6.3 has established that the objectives of the direction would be achieved via the Proposal Case.
Retain the areas and locations of existing business and industrial zones	Yes	<p>The Proposal retains the B3 Commercial Core zone and seeks to augment the commercial floorspace offer by expanding the quantum and quality of floorspace.</p> <p>The Proposal would provide more than 5,200sqm of floorspace, including a boutique hotel (35 rooms), 2,300sqm commercial office floorspace that will incorporate a co-working facility.</p>
Not reduce the total potential floor space area for employment uses and related public services in business zones	Yes	See above.
Not reduce the total potential floor space area for industrial uses in industrial zones	Yes	N/A
Ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning		As established in this EIA, the Proposal Case is consistent with State and local government objectives to support jobs, economic development, efficient and effective use of land and accelerate housing supply in suitable locations. It complies with this condition.

Source: AEC

6.3 CONCLUSION

The Proposal responds to the Greater Sydney Region Plan in a number of key areas, specifically contributing to Objective 22 (investment and business activity in centres) and Objective 24 (economic sectors are targeted for success).

New Investment and Business Activity in Centres

The District Plan highlights the importance of facilitating new investment and employment in existing centres. While strategic centres are identified as playing the most important role in this regard, smaller supermarket-based local centres (such as Cronulla) are also recognised to play a role in accommodating the needs of Greater Sydney's growing population.

The Proposal seeks to provide just over 5,200sqm of commercial floorspace on the Site, accommodating short-term accommodation and 2,300sqm commercial office space in a renewed development.

The Cronulla centre is poorly catered to in terms of contemporary office floorspace. Most opportunities are within older style commercial buildings on the first floor. A lack of supply opportunities will constrain the centre's ability to grow, which over the 2011-2016 period showed notable growth driven by knowledge-intensive sectors.

A lack of contemporary commercial floorspace is not only observed in Cronulla. It is generally an LGA-wide issue, the high price levels of newly developed space testament to an undersupplied market.

Council's strategic plan places importance on vibrant and productive local centres, initiating strategies to support the growing business community by reducing barriers to growth. The incorporation of commercial office floorspace (and co-working space) will cater to a wider range of business needs, aligning with Council and the community's aspirations of supporting the growing business community.

Growing the Tourism Economy

Investment in quality hotel and short-term accommodation would support Sutherland's ability to grow the visitor economy. This aligns with strategic planning priorities at the state level but also strongly aligns with Council's community strategic plan and economic strategy.

The Sutherland Shire LGA has traditionally not provided a diversity of short-term accommodation options, with limited representation by national and international hotel chains. This is limiting to its profile as a visitor destination.

As is evident from tourism and visitation statistics, the majority of visitors are daytrippers and an overwhelming majority of overnight visitors (international and domestic) stay in private accommodation. The average number of nights stayed has additionally been declining at an average rate of 4% per annum since 2016.

Council's community strategic plan and economic strategy aspire to increase the size and value of tourism contribution to the Sutherland Shire economy. The audit of existing short-term accommodation in section 3.2 and summary of pipeline activity in section 3.4 indicates a severe lack of quality short-term accommodation. It is therefore unsurprising that the tourism economy is limited in its growth.

Role of The Proposal

The proposed uses combined will provide for greater employment opportunities in the centre. The District Plan specifies job targets for the strategic centres of Sutherland and Miranda.

Sutherland centre is designated a target of 2,300 additional jobs (baseline) to 3,300 additional jobs (high growth) over the 20 years to 2036. These targets equate to an average annual growth rate of 1.7% to 2.3%. This will require significant growth compared to the recent past, where the Sutherland centre grew at an average annual rate of 0.1% over the 2011-2016 period.

Additionally, from the minor development pipeline observed in these strategic centres, it is likely to be challenging for the job targets to be met in both the strategic centres.

The Proposal's contribution to employment and economic activity will assist with overall competitiveness of the Sutherland Shire LGA.

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APPENDIX A: INPUT-OUTPUT METHODOLOGY

INPUT-OUTPUT MODEL OVERVIEW

Input-Output analysis demonstrates inter-industry relationships in an economy, depicting how the output of one industry is purchased by other industries, households, the government and external parties (i.e. exports), as well as expenditure on other factors of production such as labour, capital and imports. Input-Output analysis shows the direct and indirect (flow-on) effects of one sector on other sectors and the general economy. As such, Input-Output modelling can be used to demonstrate the economic contribution of a sector on the overall economy and how much the economy relies on this sector or to examine a change in final demand of any one sector and the resultant change in activity of its supporting sectors.

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

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

These effects can be identified through the examination of four types of impacts:

- **Output:** Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
- **Gross Product:** Refers to the value of refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
- **Income:** Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the project.
- **Employment:** Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow-on activity, and is expressed in terms of full-time equivalent (FTE) positions.

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

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

MODEL DEVELOPMENT

Multipliers used in this assessment are derived from sub-regional transaction tables developed specifically for this project. The process of developing a sub-regional transaction table involves developing regional estimates of gross production and purchasing patterns based on a parent table, in this case, the 2016-17 Australian transaction table (ABS, 2019a).

Estimates of gross production (by industry) in the Catchment Area were developed based on the percent contribution to employment (by place of work) of the Catchment Area to the Australian economy (ABS 2017), and applied to Australian gross output identified in the 2016-17 Australian table.

Industry purchasing patterns within the Catchment Area were estimated using a process of cross-industry location quotients and demand-supply pool production functions as described in West (1993).

Where appropriate, values were rebased from 2016-17 (as used in the Australian national IO transaction tables) to current values using the Consumer Price Index (ABS, 2019b).

MODELLING ASSUMPTIONS

The key assumptions and limitations of Input-Output analysis include:

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using Input-Output multipliers is the implicit assumption that the economy has no supply-side constraints, so the supply of each good is perfectly elastic. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using Input-Output multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. The system is in equilibrium at given prices, and prices are assumed to be unaffected by policy and any crowding out effects are not captured. This is not the case in an economic system subject to external influences.
- **Fixed ratios for intermediate inputs and production (linear production function):** Economic impact analysis using Input-Output multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. That is, the input function is generally assumed linear and homogenous of degree one (which implies constant returns to scale and no substitution between inputs). As such, impact analysis using Input-Output multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount. Further, it is assumed each commodity (or group of commodities) is supplied by a single industry or sector of production. This implies there is only one method used to produce each commodity and that each sector has only one primary output.
- **No allowance for economies of scope:** The total effect of carrying on several types of production is the sum of the separate effects. This rules out external economies and diseconomies and is known simply as the “additivity assumption”. This generally does not reflect real world operations.
- **No allowance for purchasers’ marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.

Despite these limitations, Input-Output techniques provide a solid approach for taking account of the inter-relationships between the various sectors of the economy in the short-term and provide useful insight into the quantum of final demand for goods and services, both directly and indirectly, likely to be generated by a project.

In addition to the general limitations of Input-Output Analysis, there are two other factors that need to be considered when assessing the outputs of sub-regional transaction table developed using this approach, namely:

- It is assumed the sub-region has similar technology and demand/ consumption patterns as the parent (Australia) table (e.g. the ratio of employee compensation to employees for each industry is held constant).
- Intra-regional cross-industry purchasing patterns for a given sector vary from the national tables depending on the prominence of the sector in the regional economy compared to its input sectors. Typically, sectors that are more prominent in the region (compared to the national economy) will be assessed as purchasing a higher proportion of imports from input sectors than at the national level, and vice versa.

DRIVERS OF ECONOMIC IMPACT

The following sections examine the estimated economic activity supported through the operations of businesses locating to the Site if it was redeveloped under proposal compared to if it remained in its existing use.

- **Base Case:** The Base Case assumes a Do-Nothing scenario, with the Site continuing their existing use (approximately 1,390 sqm retail and food and beverage tenancies) with no redevelopment envisaged.
- **Proposal Case:** The Proposal Case assumes the demolition of the Site to facilitate the proposed 4,953 sqm hospitality/commercial space and 35 room hotel development.

The economic impacts have been assessed at the Sutherland Local Government Area (LGA) level. Input-Output modelling describes economic activity through the examination of four types of impacts which are defined and described in Table A.1.

Table A.1: Economic Indicators

Indicator	Description
Output	Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
Gross Product	Refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g., Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
Income	Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the Project.
Employment	Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow on activity, and is expressed in terms of Full-Time Equivalent (FTE) positions. One FTE job is defined as one person working full time for a period of one year.

Source: AEC

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending. Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

The following estimates consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

Drivers of Economic Activity

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

- **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in the Sutherland LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.
- **Operations Phase:** On completion of development, the Site is expected to generate ongoing economic/operational activity through the direct turnover generated by the retail commercial operational activities, as well as the dispersed jobs of residents working from home.

Construction Phase

For modelling purposes, construction costs (including contingency) for the Proposal Case were broken down into their respective ANZSIC industries. As the Base Case does not involve any construction activity, drivers of the Construction phase were examined for the Proposal Case only. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

Table A.2: Construction Cost Allocations, Proposal Case (Including Contingency)

ANZSIC	\$M	Notes
Non-Residential Building Construction	\$40.3	Hotel and Commercial Construction
Construction Services	\$0.9	Site Works & Infrastructure
Professional Fees	\$4.1	Professional, Scientific and Technical Services
Total Cost	\$45.3	

Source: AEC.

*Note: Totals may not sum due to rounding.

Of the above capital outlay, not all activity will be undertaken within the Sutherland LGA economy. For example, some professional services activities are likely to be sourced from capital city centres. The following table outlines assumptions used in the modelling to identify where relevant activity is anticipated to occur.

Table A.3. Location of Construction Phase Activity by Industry

Industry	% Local
Non-Residential Building Construction	100%
Residential Building Construction	100%
Construction Services	100%
Professional, Scientific and Technical Services	25%

Source: AEC.

For the purposes of this assessment it was assumed:

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

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

Base Case Operational Phase

In order to model the economic impacts, operational employment levels for the economic activity occurring in the Base Case scenario were categorised into the ANZSIC industries which AEC considered most appropriate. Employment by industry estimates were converted to an output value using a multiplier based on the national transaction table (ABS, 2017; ABS, 2019a). The resultant estimates of output were modelled as the direct activity associated with the Base Case scenario in Table A.4 below.

Table A.4: Operational FTE Allocation, Base Case

IO Industry	FTE on Site	Output (\$M)
Food and Beverage Services	26	\$3.3
Retail Trade	9	\$1.3
Personal Services	2	\$0.2
Total	37	\$4.8

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

Proposal Case Operational Phase

The mix of land uses as envisaged under the Proposal Case would generate economic activity consisting of:

- Operational employment from the hotel and retail/commercial activities.
- Additional visitation drawn to the Sutherland LGA to stay at the hotel which might not otherwise occur.

The following sections describe the assumptions applied to estimate each of the economic impacts.

Operating Activity

Output estimates for the operational employment from the proposed commercial floorspace were developed using the same assumptions and methodologies used for the Base Case and the existing employment mix for the surrounding area.

The ANZSIC allocations and operational output estimates for the Proposal Case are outlined in the following table.

Table A.5: Operational FTE Allocation of Non-Residential Floorspace, Proposal Case

Activity	GFA (sqm)	FTE/sqm	FTE	ANZSIC Allocation
Hospitality	1,656	50	33	Retail Trade (50%), Food and Beverage Services (50%)
Commercial	2,297	30	77	Modelled as per local (Destination Zone) economy by place of work (ABS 2017)
Hotel	35 rooms	0.4/room	14	Accommodation (100%)
Total	16,763	32	124	

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

The Input-Output model was used to convert FTE employment estimates to direct output (\$M) based on transaction table relationships for the relevant ANZSIC sectors as shown in the table below.

Table A.6: Operational Output by ANZSIC Sector

ANZSIC	Estimated Direct FTE	Output (\$M)
Agriculture, forestry and fishing	0.1	\$0.04
Mining	0.0	\$0.00
Manufacturing	1.6	\$0.90
Electricity, gas, water and waste services	0.0	\$0.01

ANZSIC	Estimated Direct FTE	Output (\$M)
Construction	4.7	\$2.23
Wholesale trade	0.2	\$0.08
Retail trade	27.3	\$3.80
Accommodation and food services	51.4	\$7.77
Transport, postal and warehousing	2.0	\$0.86
Information media and telecommunications	1.0	\$0.51
Financial and insurance services	4.1	\$3.08
Rental, hiring and real estate services	5.3	\$2.74
Ownership of dwellings	0.0	\$0.00
Professional, scientific and technical services	7.8	\$2.08
Administrative and support services	2.1	\$0.65
Public administration and safety	2.0	\$0.34
Education and training	3.9	\$0.63
Health care and social assistance	4.5	\$0.66
Arts and recreation services	0.8	\$0.22
Other services	5.2	\$0.86
Total	124	\$27.5

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

Induced Visitation

Estimates for direct visitor spend generated by the Proposal are developed based on Tourism Research Australia (TRA, 2019) national and international expenditure data and AEC assumptions.

An estimated 50/50 split has been applied for domestic and international visitors for the proposed hotel (TRA, 2019). As the facility is new to the Sutherland LGA, it has been assumed that all associated activity is reliant on the development to be delivered to the region (therefore, all visitors have been considered as 'net new' and within the scope of this economic impact assessment).

Table A.7: Visitor Assumptions

Hotel Indicator	Proposed Hotel Outcome
Rooms	35
Occupancy	70%
Avg. People per Room Night	1.3
% Net New Visitors	100%
Net New Visitor Nights	11,625
Domestic Visitors	50%
International Visitors	50%

Source: AEC

Average local visitor expenditure of \$293 per night for domestic and \$123 per night for international visitors was applied based on Destination NSW (2019) benchmarks.

Expenditure items were allocated to appropriate ANZSIC sectors and allowances were made for expenditure items unlikely to be captured within the Sutherland LGA (some items excluded, and others reduced) and visitor spend already captured directly by the hotel directly.

Table A.10: Visitor Spend by ANZSIC

Expenditure Splits	Domestic Overnight	International	Total Spend (\$M)
Retail Trade	28.5%	16.3%	\$0.45 ¹
Food and Beverage Services	26.1%	30.7%	\$0.50 ¹
Heritage, Creative and Performing Arts	3.9%	2.0%	\$0.04
Water, Pipeline and Other Transport	3.8%	21.8%	\$0.22

Expenditure Splits	Domestic Overnight	International	Total Spend (\$M)
Rental and Hiring Services (except Real Estate)	2.0%	2.1%	\$0.05
Road Transport	2.4%	4.0%	\$0.07
Personal Services	1.8%	2.0%	\$0.04
Accommodation	31.2%	20.5%	Excl. ²
Gambling	0.4%	0.6%	\$0.01
Total	100.0%	100.0%	\$1.43

Notes: ¹ Reduced 25% to account for direct hotel/commercial expenditure. ² Excluded to account for direct hotel expenditure.
Source: TRA (2019). AEC

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OUTCOME DRIVEN

