

# 61-79 HENRY ST PENRITH

## Economic Impact Assessment



Prepared for Australian Foundation for  
Disability (AFFORD)

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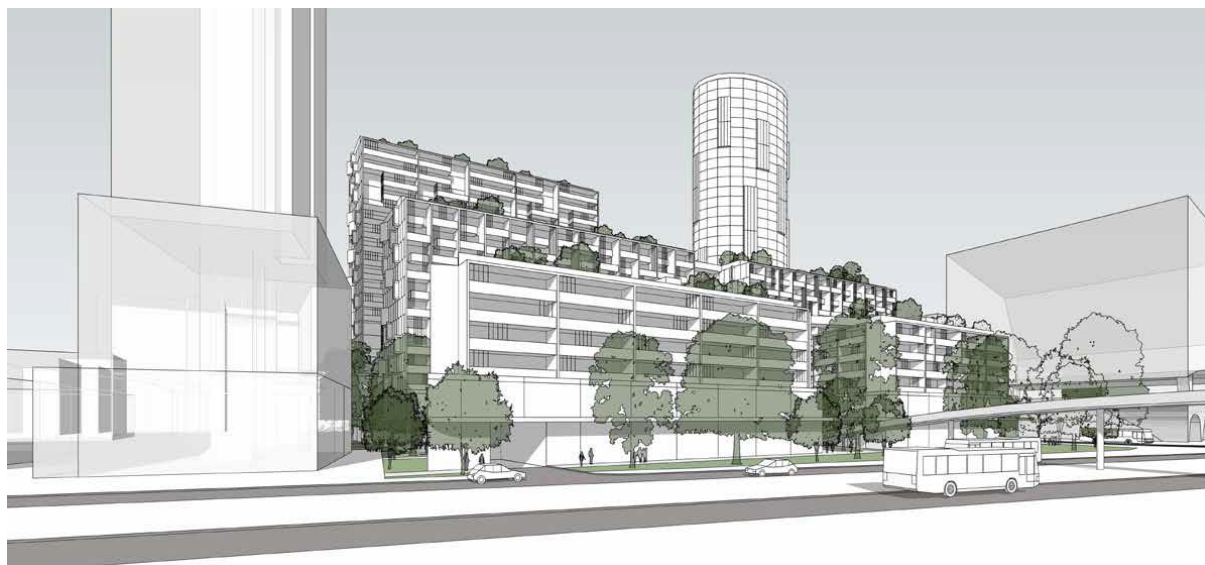
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## EXECUTIVE SUMMARY

Australian Foundation for Disability (AFFORD) engaged HillPDA to prepare an Economic Impact Assessment (EIA) to accompany a Planning Proposal for a proposed mixed-use development at the 61-67 Henry Street Penrith, hereafter known as Subject Site.

### The Planning Proposal

The Planning Proposal seeks to amend the B3 Commercial Core zone on the subject site to permit:

- mixed use development to a maximum FSR of 5.5:1;
- a minimum of FSR of 2:1 for non-residential uses.
- the balance of FSR (up to 3.5:1) to allow residential flat buildings and shop top housing

At an FSR of 5.5:1 a total of around 88,880sqm of mixed-use gross floor area (GFA) could be developed. Under the PP the mix of uses proposed are as follows:

- 7,515sqm GFA of retail with provision for supermarkets, speciality retail, restaurants and cafes
- 16,715sqm GFA of commercial office campus with versatile floorplates to support a broad range of market requirements
- 8,080sqm GFA of hotel and serviced apartments
- ~5,000sqm multi-purpose public domain area which can accommodate community events or can be used informally; and
- Around 455 residential apartments with a provision of seniors housing, assisted living and affordable housing.

## Employment Generating Uses

The Penrith LEP Cl2.3 applies a B3 Commercial Core zone on the Subject Site which under CL8.7(4) permits a maximum FSR of 5.5:1. If the Planning Proposal of FSR 5.5:1 was to provide 100% of the total GFA for commercial floorspace, this would equate to 88,900sqm GFA.




HillPDA has undertaken a high-level employment (office/ retail) floorspace forecast for the Penrith Town Centre. The results found demand in the Penrith Town Centre for an additional 62,000 to 112,500 GFA over the next 35 years. There may be an opportunity for Penrith CBD to benefit from Sydney West Airport and the aerotropolis project, however, this benefit, which is difficult to quantify, is many years away.

The Planning Proposal provides a ~22,200sqm GFA net increase of employment floorspace which would meet between 20% and 36% of demand for the LGA as forecast over the next 35years.<sup>1</sup> Further according to the Council, delivering the 2:1 of non-residential floorspace would equate to 9% of the stated additional floorspace demand and provide 40% of the stated theoretical floorspace deficit.





Based on the forecast, it is economically unjustifiable for the Planning Proposal to provide commercial space at an FSR of 5.5:1 (88,900sqm GFA). This would amount to between 79% and 143% of the additional employment floorspace required in the Penrith CBD over the next 35 years. The outcome of this quantum of employment floorspace is likely to result in long term vacancies and undermine the performance of the city centre.

## Economic Benefits

The economic impacts of the Planning Proposal (measured from the Base Case or 'do nothing' option) is as follows:

		Base Case (i.e. do nothing)	Planning Proposal*	Above Base Case
<b>During Construction (1)</b>				
<b>Economic Activity</b>		Nil	\$1,328 mil	+ \$1,328 mil
<b>Jobs during construction</b>		Nil	1,041	+ 1,041
<b>Total job years from Construction</b>		Nil	4,179	+ 4,179

<sup>1</sup> Existing employment generating uses is 13,766sqm GFA

		Base Case (i.e. do nothing)	Planning Proposal*	Above Base Case
<b>Post-construction</b>				
Employment floorspace		10,111sqm	32,310 sqm	+ 22,199 sqm
Jobs on Site		179	1,370	+ 1,190
Staff Remuneration		\$6.7 mil	\$98.2 mil	+ \$92 mil
Gross Value Added to local economy		\$10 mil	\$124.9mil	+ \$115 mil

1. Based on an estimated construction cost of \$417 million (\$2021)

Additional economic benefits include:

- Providing a catalyst for further investment in the locality
- Contributing to increasing housing diversity and affordability in the LGA and District
- Providing jobs closer to home and contributing to Penrith's employment targets
- Contribute to Transit Orientated Development (TOD) objectives by concentrating more people near the train station and commercial services, thereby reducing the reliance on private motor vehicle travel and increasing the use of public transport and
- Contributing to Sydney achieving the 30-minute city concept.



# INTRODUCTION

# 1.0 INTRODUCTION

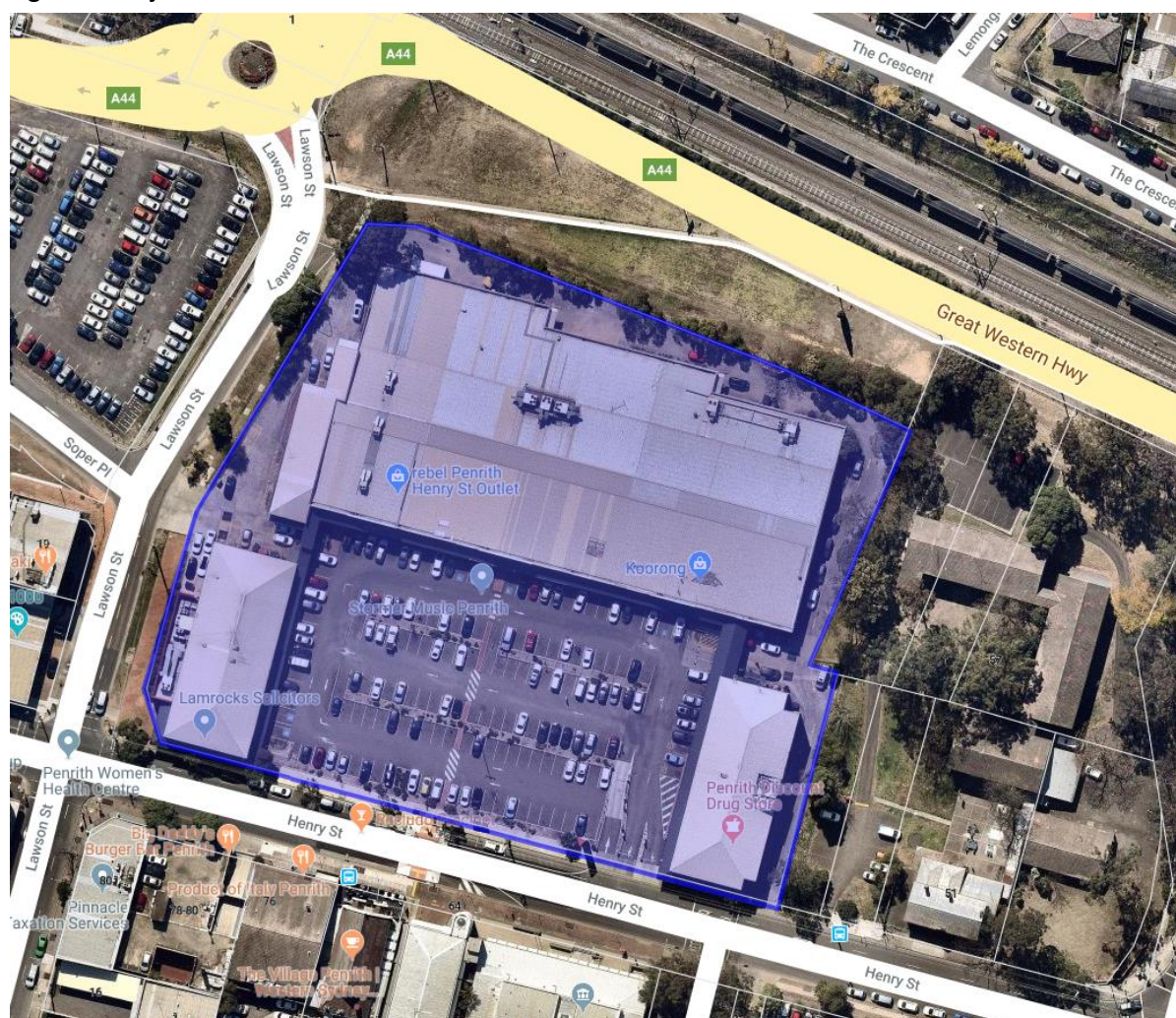
HillPDA has been engaged by Australian Foundation for Disability (AFFORD) to prepare an Economic Impact Assessment (EIA) to accompany a Planning Proposal for consideration by Penrith Council in regard to the proposed mixed-use development at 61-79 Henry Street Penrith (Subject Site).

This report provides an assessment of economic impacts that may arise as a result of the proposed development. This Chapter outlines our approach and assessment methodology.

## 1.1 The Site

The Subject Site is located at 61-79 Henry Street Penrith, in the Penrith Local Government Area (LGA). The site is around 16,164sqm across one block with frontage to Henry Street, Lawson Street and the Great Western Highway. The site of the proposed development is approximately 750m east from Penrith Train Station. An aerial photo of the Subject Site is shown in the figure immediately below.

**Figure 1: Subject Site Aerial**



Source: Nearmaps 2019

Current improvements to the site include 8,596sqm of lettable commercial/ retail space and 190 at grade car spaces. The estimated GFA is 10,110sqm which equates to an FSR of 0.62:1. The mix of tenancies includes medical, legal, speciality retail and large format retail. Good Guys vacated the site in 2017. We understand that attempts to relet this space (~2,500sqm NLA) has been unsuccessful.

## 1.2 The Proposal

The Planning Proposal seeks to amend the B3 Commercial Core zone on the subject site to permit:

- mixed use development to a maximum FSR of 5.5:1;
- a minimum of FSR of 2:1 for non-residential uses.
- the balance of FSR (up to 3.5:1) to allow residential flat buildings and shop top housing

These amendments will facilitate the redevelopment of the Subject Site for a landmark mixed-use development. A total of around 88,880sqm of mixed-use gross floor area (GFA). The proposed development comprises of:

- A vibrant and active 7,515sqm GFA retail at the ground and lower floors with provision for supermarket, speciality retail, restaurants and cafes
- 16,715sqm GFA commercial office, with versatile floorplates to support a broad range of market requirements
- 8,080sqm GFA hotel with a mix of hotel rooms and serviced apartments
- Residential towers ranging in height from 6 to 25-storeys providing approximately 455 apartments of varying sizes, typologies, and layouts including one, two, and three-bedroom units. This includes a proportion of seniors living, supported housing, and affordable housing.

# CONTEXTUAL REVIEW

## 2.0 CONTEXTUAL REVIEW

This Chapter undertakes an appraisal of the planning and legislative context for the Subject Site based on State, Subregional and local planning guidelines. It considers matters relating to a housing and economic perspective.

### 2.1 Sydney Region Plan – A Metropolis of Three Cities



By 2031, Sydney's economic output will almost double to \$565 billion a year, with this economic growth being fuelled partly by an additional 817,000 new jobs over the period<sup>2</sup>. Sydney will also experience population growth of about 1.7 million persons, with 900,000 of this population growth expected to occur in Western Sydney. An additional 725,000 new dwellings will need to be constructed to accommodate this anticipated growth.

To meet the needs of a growing and changing population the Sydney Region Plan – *A Metropolis of Three Cities* (Region Plan) was finalised in March 2018 by the Greater Sydney Commission (GSC). The vision of the Region Plan is to create a metropolis of three cities, known as the Western Parkland City, Central River City and the Eastern Harbour City. The Subject Site is located within the Western Parkland City. The Western Parkland City aims to *“establish the framework for the development and success of an emerging new city”*.

A core intent of the Region Plan is to give people more housing choice and establish more jobs closer to where people live, to develop a more accessible and walkable city and create conditions for a stronger economy. These jobs and essential services will be concentrated within the following centre hierarchy identified in the Region Plan:

- **Metropolitan Centre** – the economic focus of Greater Sydney, fundamental to growing its global competitiveness and where government actions and investment, including transport, will be focussed
- **Strategic Centre** – enable access to a wide range of goods, services and jobs. Strategic centres are expected to accommodate high levels of private sector investment, enabling them to grow and evolve
- **Local Centre** - collections of shops and health, civic or commercial services.

Any redevelopment of Subject Site would assist in meeting the directions from the Region Plan by providing employment lands in a Metropolitan Centre, closer to where people live. There is also the added opportunity to support the economic strength of the local centre and help address liveability and sustainability within the area.

<sup>2</sup> World Trade Centre Sydney – Concept Business Case

## 2.2 Future Transport Strategy 2056

The *Future Transport Strategy 2056* (the Strategy) sets out NSW's 40 year transport system vision, directions and outcomes. It is supported by two *Services and Infrastructure Plans* for Greater Sydney and for Regional NSW. The Strategy provides the framework for innovation and technology in transport that will create liveable communities, sustainable society and a productive economy.

In relation to Penrith, committed objectives include creating a city shaping corridor between Greater Penrith, Greater Parramatta and Western Sydney Airport (0-10 years).



As Greater Penrith has been identified as a metropolitan cluster centre on a city-shaping corridor, it is subject to long-term priority infrastructure. This planned level of road, rail, bus and bicycle infrastructure will support the living and working community of Penrith. As such, the Proposal's mixed-use, higher density development situated nearby Penrith train station responds to the regional vision for Greater Sydney

## 2.3 Greater Sydney Services and Infrastructure Plan

The Greater Sydney Services and Infrastructure Plan builds on the broader strategic document for the state *Future Transport Strategy 2056*. It takes into account the direction for managing growth and development set in the Greater Sydney Regional Plan with a focus on transport and movement.

Over the next 10 years, major upgrades identified for investigation include a north south rail link and rapid bus transit. Initiatives relating to the Penrith LGA are seen in Table 1.

**Table 1: Greater Sydney Services and Infrastructure Plan –Penrith LGA**

Initiative	Description	Timeframe
<b>Committed Initiatives</b>		
<b>Priority Cycleway links in the Western Parkland City</b>	Priority Cycleway links connecting Penrith, Blacktown and Liverpool, including the Nepean River Green Bridge, to be developed and delivered in partnership with local councils, where appropriate.	0-10 years committed
<b>Initiatives subject to further investigation</b>		
<b>North-south rail link in Western Parkland City: Cudgegong Rd – St Marys</b>	Provide 30 minute access to growth areas in the north west, and provide efficient and reliable access by train to Greater Parramatta, Penrith and other centres on the train network via an interchange at St Marys	0-10 years investigation
<b>Rapid Bus Transit and interchange connections</b>	Infrastructure to support rapid bus connections and improved bus connections between WSA-Badgerys Creek Aerotropolis and Penrith, Liverpool, Blacktown and Campbelltown-Macarthur	0-10 years investigation



Faster transport links between Penrith and Parramatta will add to the economic resources of Penrith, allowing residential and commercial growth. The Planning Proposal responds to these planned transport investments with a mixed-use development.

## 2.4 Western City District Plan

By 2036 it is projected that the Western City District will have a population of 1.5 million, representing an additional 464,450 people over the 20 years from 2016. To house this growth, the Department of Planning and Environment estimates that 184,500 additional dwellings will be required. In Penrith the dwelling target is 6,600 in the next five years.

The Western District is Sydney's fastest growing District. The Western City District Plan maps a 20-year vision for the Western City District of Greater Sydney. This plan identifies the land surrounding the Western Sydney Airport the core of the Western Sydney Airport aerotropolis area. The long-term vision is to focus development on agglomerating knowledge-intensive airport-related industries to transform regions like Western Sydney by bringing together high-quality job opportunities while achieving strong environmental outcomes.

This plan establishes four strategic centres; Greater Penrith, Western Sydney Airport and Badgerys Creek Aerotropolis, Liverpool and Campbelltown Macarthur as the Western City's foundational urban centres. These centres will support urban infrastructure and jobs and be places where people can access services and lifestyle.

Greater Penrith is a critical strategic centre for the Western City. As part of the emerging Western City, Greater Penrith will receive the strategic advantages of job diversity and social opportunities. The vision by 2056 is that Greater Penrith will transform into:

- A trade, logistics, advanced manufacturing, tourism, health and science hub
- A city with well-designed, highly functioning and vibrant centres and local places
- A protected and valued parkland city.

As a Collaboration Area, Greater Penrith's growth will be supported by a whole-of-government approach and work with local councils to:

- Revitalise and grow the Penrith CBD
- Retain a commercial core in Penrith as required for long-term employment growth
- Provide capacity for additional mixed-use development in Penrith including offices, retail, services and housing
- Improve walking and cycling connections between Penrith and the Nepean River
- Strengthen Penrith City as the regional hub for office, retail, administration, recreation and culture.

This proposed project is consistent with the objectives of the Planning Priorities featured in the Western City District Plan as:

- The construction of the residential will enable more resident's access to public transport
- The construction of residential will allow for a viable development

- The construction of additional commercial office floorspace will help achieve the District Plan's employment targets by providing additional commercial floor space within the Strategic Centre of Greater Penrith.

## 2.5 Penrith Progression – A Plan for Action

In 2015, Council developed the Penrith Progression – A Plan for Action (the Plan). The Plan has the potential to bring more than 10,000 jobs and 5,000 dwellings to the City Centre.

This Plan is the Council's strategy, vision and desired outcomes for the Penrith City Centre in the context of jobs growth and housing. Through investment, development and business growth it aims to meet the GSC's Greater Penrith employment target of 44,000 new local jobs in the Centre by 2036. Local jobs mean fewer travel costs and more time with family.

As stated in the Plan, the transformation in the City Centre requires vibrant outdoor spaces, well-managed traffic, parking and inner-city living that is easy and safe to get around. This plan identified some opportunity precincts. Relevant to this Study include:

- **06 Green Grid** - provides a network of green pathways that connect both small and large green spaces throughout the city. The redevelopment of the subject site will assist to cool down the City Centre (6.1), strengthen the landscape and pathway links (6.2), and improve permeability along Henry Street (6.3)
- **08 Infrastructure** – where the construction of additional employment lands will enable higher order uses in the City Centre, which brings jobs and activation
- **09 City Economy** – the redevelopment of the subject site will improve the city economy through the attraction of new commercial and retail tenants which will ultimately active the city core.

The redevelopment of the subject site is proposed to include commercial office, retail and residential land uses. This will assist in achieving the each of these opportunity precinct objectives within this plan.

## 2.6 Penrith Community Plan 2017

The Penrith Community Plan 2017 (The Community Plan) is the community's plan for the City's future. The Community Plan was developed through extensive engagement (surveys, listening posts, activities, meetings and forums) with residents, young people, children, seniors and other members of the community. The Community Plan sets out a vision for Penrith and outlines strategies to help address the results of the recommendations made by community members.

To help address the concerns of the community surrounding employment, Strategy 1.1 was established to '*Attract investment to grow the economy and increase the range of businesses operating in the region*'. The strategy aims to help provide jobs closer to home. The proposed development will provide a net increase in employment lands which will assist the Council in providing the community with jobs closer to home.

Strategy 2.1 promotes the facilitation of development within the community to meet their current and future needs. The proposed development will provide a mix of apartment dwellings coupled with



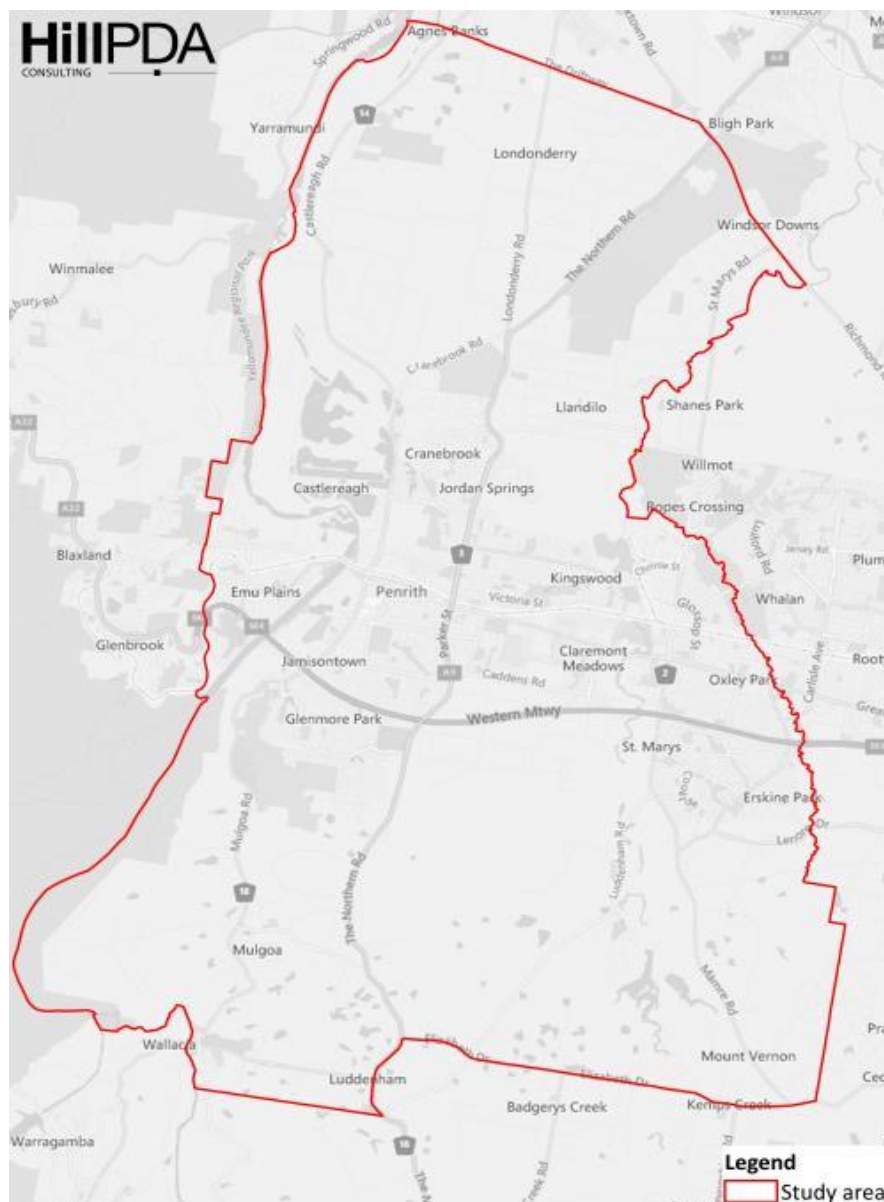
commercial and retail floorspace that will assist the Council in providing the community with different types of housing options close to local amenities and employment.

# DEMOGRAPHICS

## 3.0 DEMOGRAPHICS SNAPSHOT

The following chapter reviews the existing demographic profile of City of Penrith (LGA). It highlights key social characteristics and trends that influence the labour force and that are relevant to employment demands.

**Figure 2: Study Area**



Source: MapInfo

### 3.1 Population Profile

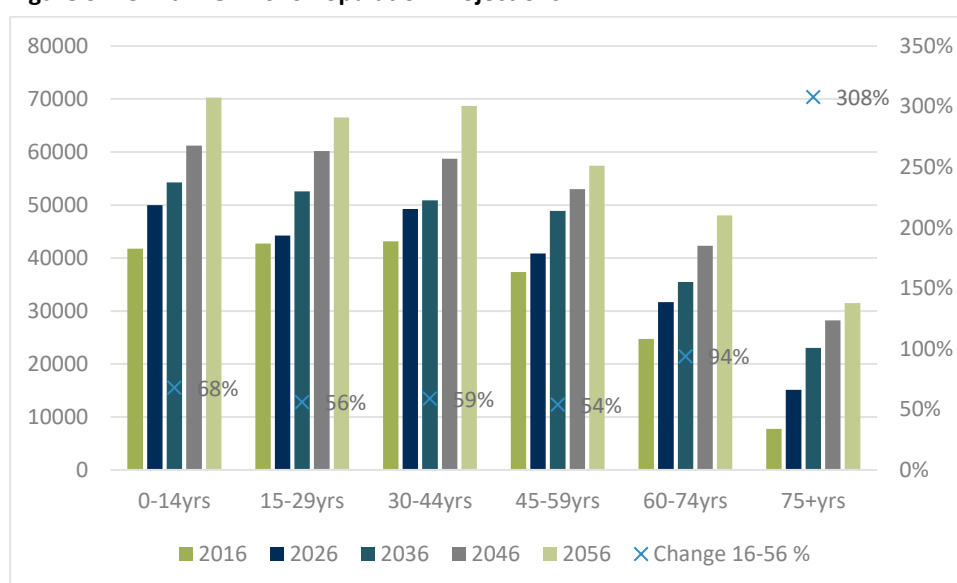
The LGA has seen a continued population increase in the last ten years. As at the 2011 Census, the population was 184,589; in 2016 the population was 201,596 showing a 9.2% increase over five years or 1.78%p.a. This forecast per annum increase is higher than Greater Sydney's average forecast

population growth of 1.5% p.a. By 2036 the population is expected to increase to 258,196<sup>3</sup> or at a rate of 1.25%p.a.

Penrith City has a young population. In 2016 only 16% was above 60 years old as shown in Figure 3 below. The higher representation of the younger age cohorts is attributed to the lower cost of living and housing for young families and younger people relative to Greater Sydney.

By 2056 the population age group that is set to experience the largest growth is the 75+ years old cohort increasing by 308%. This age cohort will place significant pressure on the demand for health and lifestyle services within the city centre, as a direct correlation exists between age and use of medical services.

**Figure 3: Penrith LGA 2016 Population Projections**



Source: NSW Projections 2019

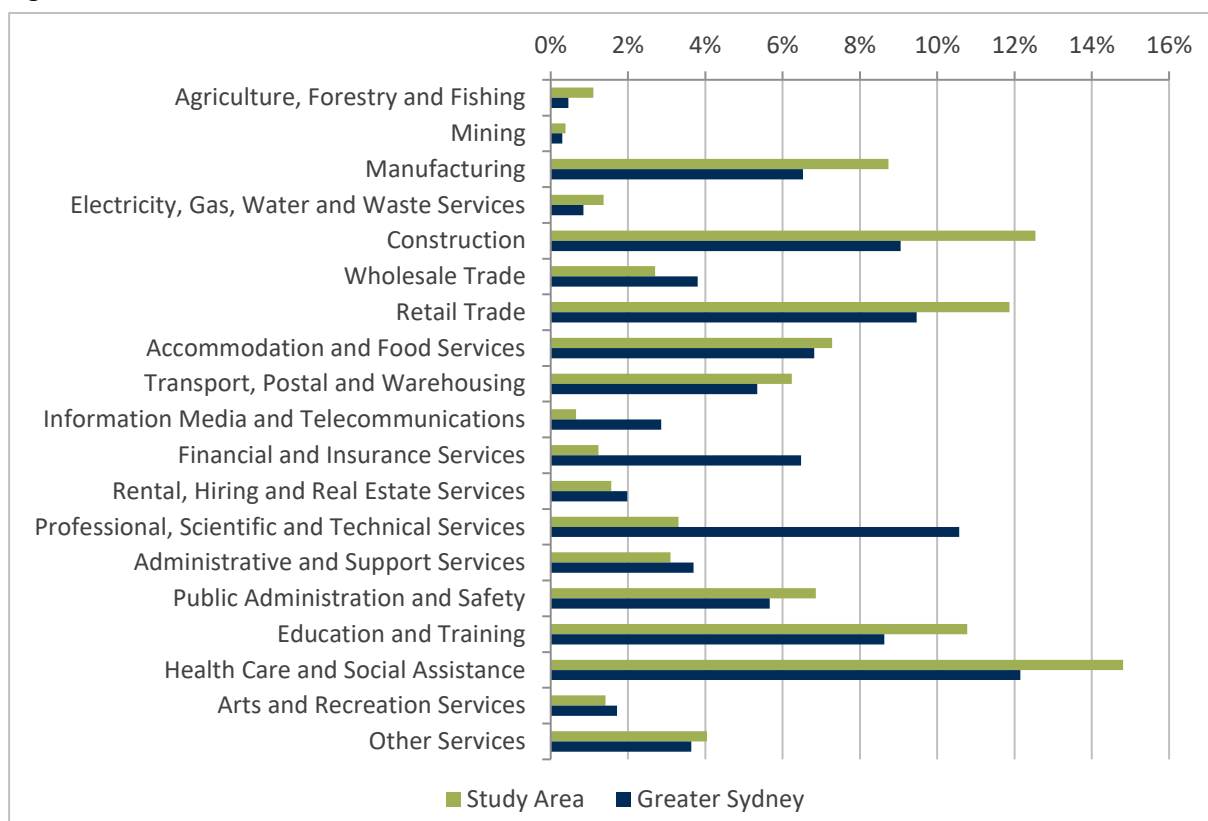
### 3.2 Employment Profile

As of 2016, 100,607 of 201,596 or 49% of residents living in the LGA were in the labour force. This figure includes employed full-time, part-time and unemployed looking for work. Of the labour force, 94,863 were employed showing an unemployment rate of 5.7% – lower than the Greater Sydney average of 6%.

A snapshot of the labour force industries in the Study Area is shown in Figure 4 below. The largest industries by labour force are health care and social assistance, construction, retail trade and education and training. These industries equate for 50% of the local workforce.

<sup>3</sup> Community ID – population forecast

**Figure 4: Labour Force Industries in Penrith LGA**



Source: ABS 2016

An examination of the figure immediately below shows that 47%<sup>4</sup> of the local labour force in the Study Area is considered 'White Collar' these include managers, professionals, clerical and administrative workers.

<sup>4</sup> 2016 Census – Employment, Income and Education INDP – 1 Digit Level and LGA (POW) by OCCP – 1 Digit Level

**Figure 5: Occupation of Employment, 2016**



Source: ABS 2016

An analysis of the jobs held by the resident population in Penrith LGA in 2016 shows the three highest employment occupations were:

- Clerical and Administrative Workers (16,843 people or 17.8%)
- Professionals (14,073 people or 14.8%)
- Technicians and Trades Workers (14,052 people or 14.8%).

In comparison, Greater Sydney employed 14.6% in Clerical and Administrative Workers; 26.3% in Professionals; and 11.7% in Technicians and Trades Workers.

The number of employed people in Penrith City increased by 7,622 (8%) between 2011 and 2016.

The largest changes in the occupations of residents between 2011 and 2016 in Penrith City were for those employed as:

- Professionals (+1,940 persons)
- Community and Personal Service Workers (+1,519 persons)
- Machinery Operators and Drivers (+968 persons)
- Managers (+831 persons).

### 3.3 Employment Projections by Industry Type

Looking forward, over the 35 years from 2021, the Transport for NSW (TfNSW) Transport Performance and Analytics (TPA) forecasts that total employment within the Study Area is forecast to reach approximately 126,466 jobs by 2036. This represents a substantial increase of 47,605 jobs or 60% over the period.

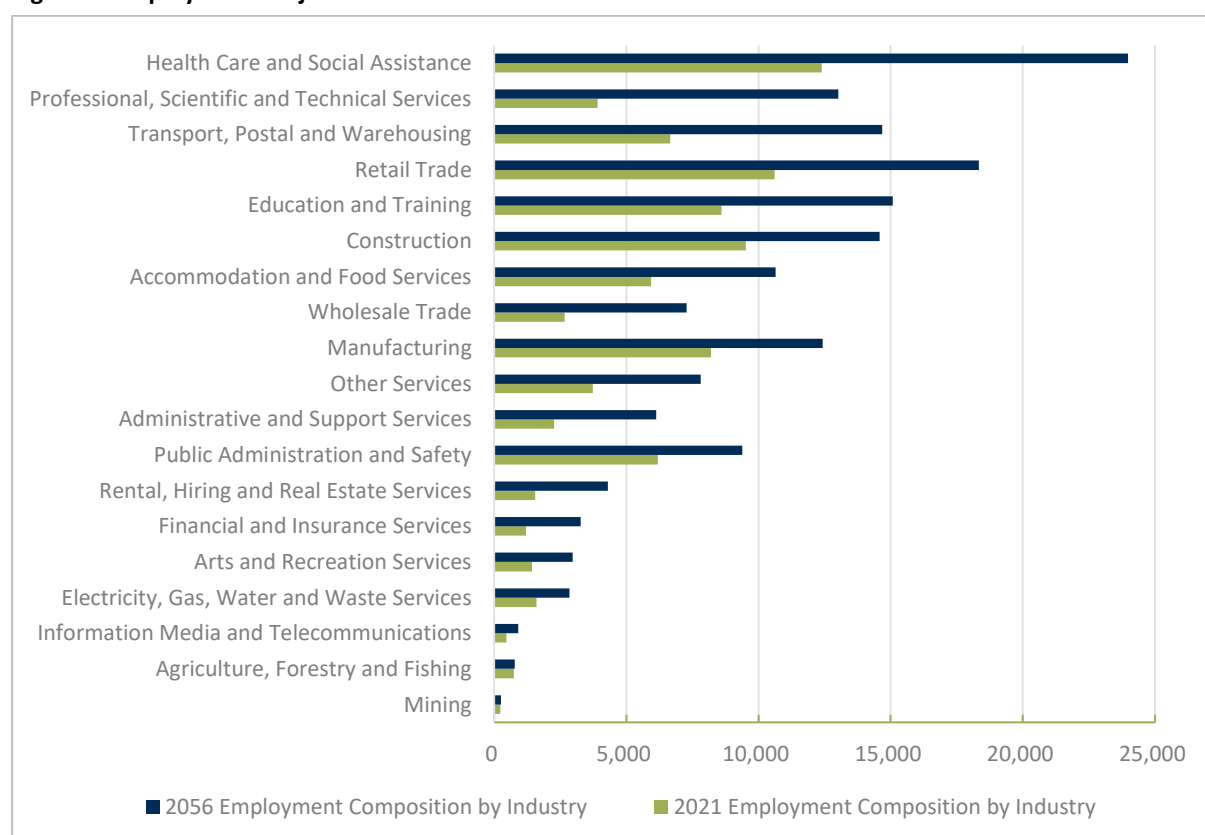
The most significant increase in industry types has been health care, education, professional/technical services and retail trade.

The industries which are forecast to experience strong growth over the period are:

- Health Care and Social Assistance (+11,592 Jobs)
- Professional, Scientific and Technical Services (+9,110 Jobs)
- Transport, Postal and Warehousing (+8,022 Jobs)
- Retail Trade (+7,730 Jobs)
- Education and Training (+6,472 Jobs)
- Construction (+5,067 Jobs).

Figure 6 below highlights these projections.

**Figure 6: Employment Projections**



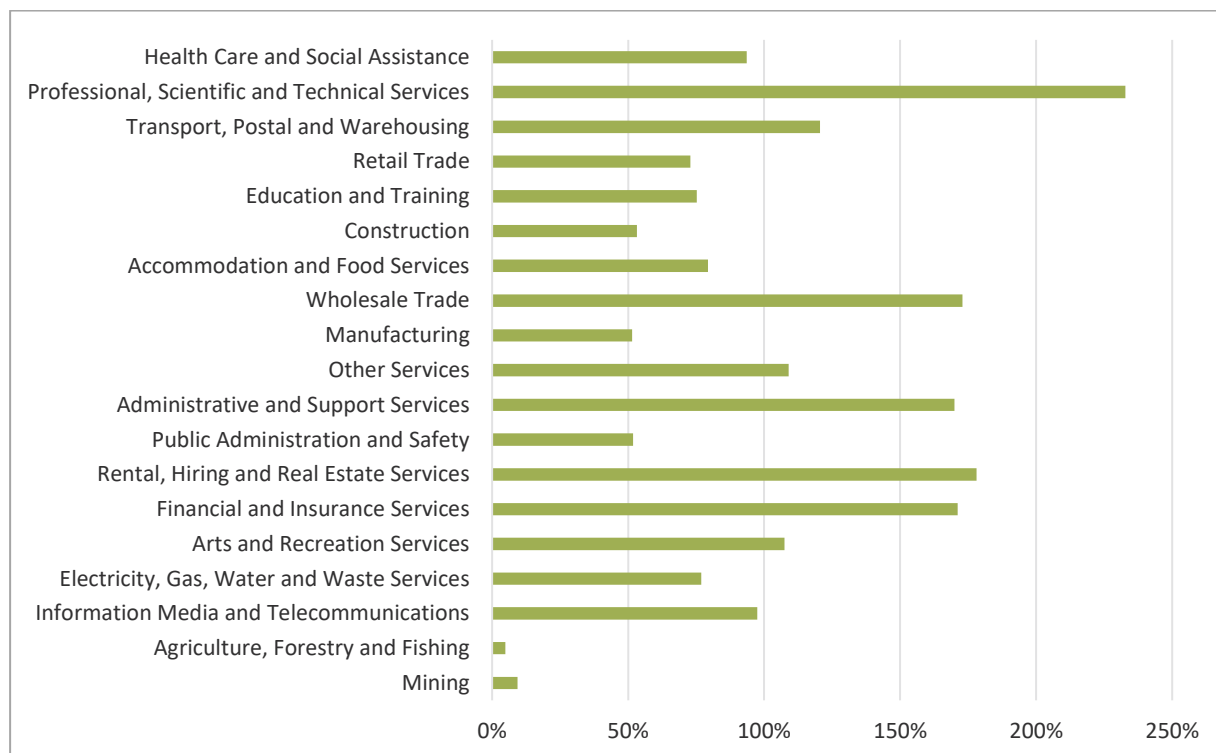
Source: TPA 2019 Employment by industry TfNSW<sup>5</sup>

Figure 7 below outlines the percentage change in employment by industry. The most substantial growth will be in the white-collar industries.

<sup>5</sup>\* Food Product Manufacturing; Beverage and Tobacco Product Manufacturing; Textile, Leather, Clothing and Footwear Manufacturing; Wood Product Manufacturing; Pulp, Paper and Converted Paper Product Manufacturing; Printing (including the Reproduction of Recorded Media); Petroleum and Coal Product Manufacturing; Basic Chemical and Chemical Product Manufacturing; Polymer Product and Rubber Product Manufacturing; Non-Metallic Mineral Product Manufacturing; Primary Metal and Metal Product Manufacturing; Fabricated Metal Product Manufacturing; Transport Equipment Manufacturing; Machinery and Equipment Manufacturing; and Furniture and Other Manufacturing.

Expanding on the objectives of the Greater Sydney Commissions Sydney Region Plan and Western City District Plan, revitalising and increasing employment spaces in the Penrith CBD would help to stimulate the development of land uses that are more reflective of the projected employment profile in the area.

**Figure 7: Proportion of Employment Forecasts for the Study Area**



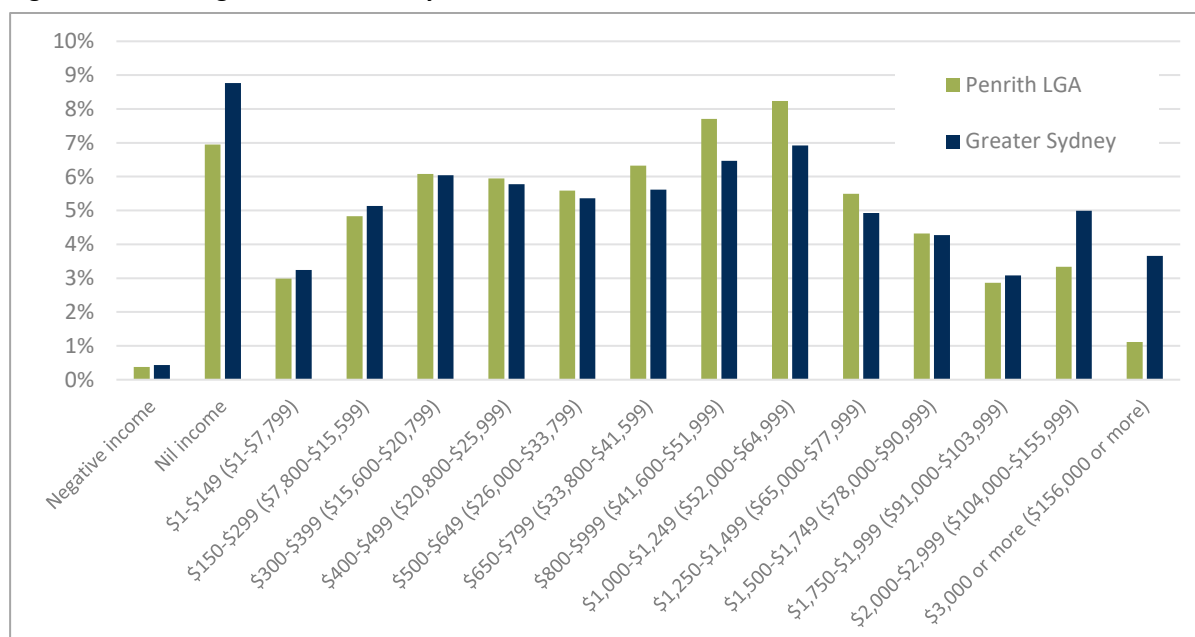
Source: TPA 2019 Employment by industry TfNSW

### 3.4 Income

In 2016 the median household income in Penrith LGA was \$86,216 some 5% lower than Greater Sydney at \$91,000. A further breakdown shows the majority spread of household income in Penrith ranges between \$300/week to \$1,250/week. In comparison, the spread of household income in Greater Sydney ranges between \$1,000/week to \$3,000/ week (Figure 8).



**Figure 8: Percentage of households by household income**



Source: ABS 2016

### 3.5 Housing

A snapshot of the study area's employment characteristics is seen in Table 2.

This data indicates that Penrith has a lower number of 1 and 2 bedrooms compared to Greater Sydney. Compared to Greater Sydney, more people in Penrith own their dwellings (40.7%).

**Table 2: Housing snapshot**

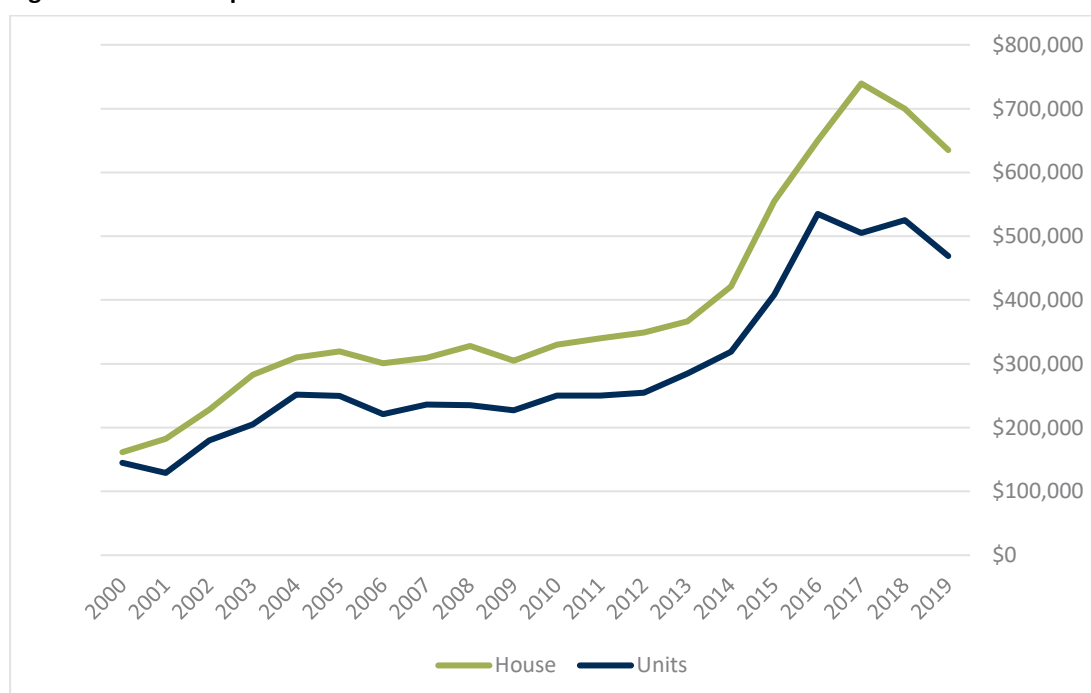
	Penrith	Greater Sydney
<b>Number of Bedrooms (% of occupied private dwellings)</b>		
1	2.0%	7.3%
2	10.2%	24.8%
3	45.8%	33.8%
4+	39.3%	30.9%
<b>Tenure (% of occupied private dwellings)</b>		
Owned outright	26%	29.1%
Owned with a mortgage	40.7%	33.2%
Rented	30.2%	34.1%
<b>Number of motor vehicles</b>		
None	6.1%	11.1%
1 motor vehicle	30.9%	37.1%
2 motor vehicle	37.1%	32.8%
3 or more motor vehicle	22.4%	15.7%

Source: ABS Census, 2016

### 3.5.1 Median house and unit price

The residential median capital growth for houses and units over the last 20 years in Penrith LGA has been steadily increasing till late 2017 and decreased in the last 2019 quarter (CoreLogic). The largest period of growth to date started in late 2013 and has continued through to the late 2017 quarter. As of Oct 2019, the median price of houses is \$635,000; the median price of units is \$469,000. Of note is the spread between the non-strata price and median strata price (shown in Figure 9 below). This increased spread creates a pent-up demand for unit dwellings, based on affordability.

**Figure 9: Median Capital Growth Penrith**

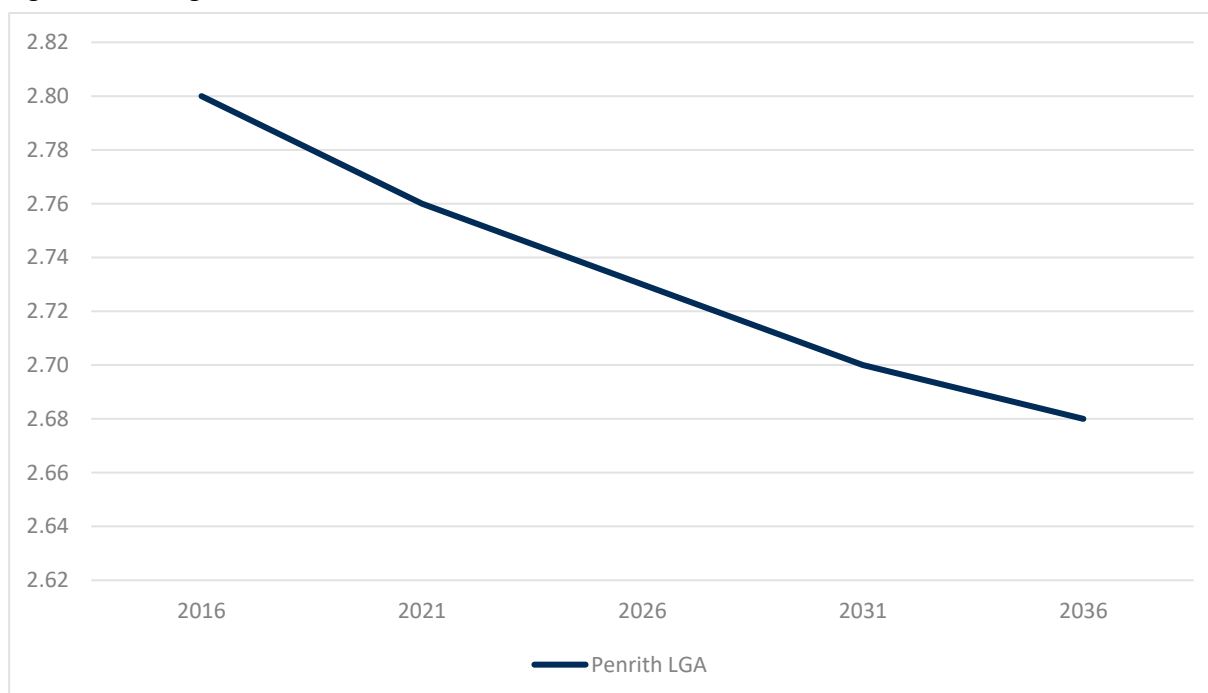


Source: CoreLogic 2019

### 3.5.2 Average household size

The Penrith LGA household size has been decreasing since 2016 and is predicted to continue to decline for the next 20 years (shown in Figure 10 below). The average household size in 2016 was 2.8; in 2036 the forecast average household size is estimated at 2.68. This average household size decline is related to family members leaving, increase in downsizers or the attractiveness of the area.

**Figure 10: Average Household Size Penrith LGA**

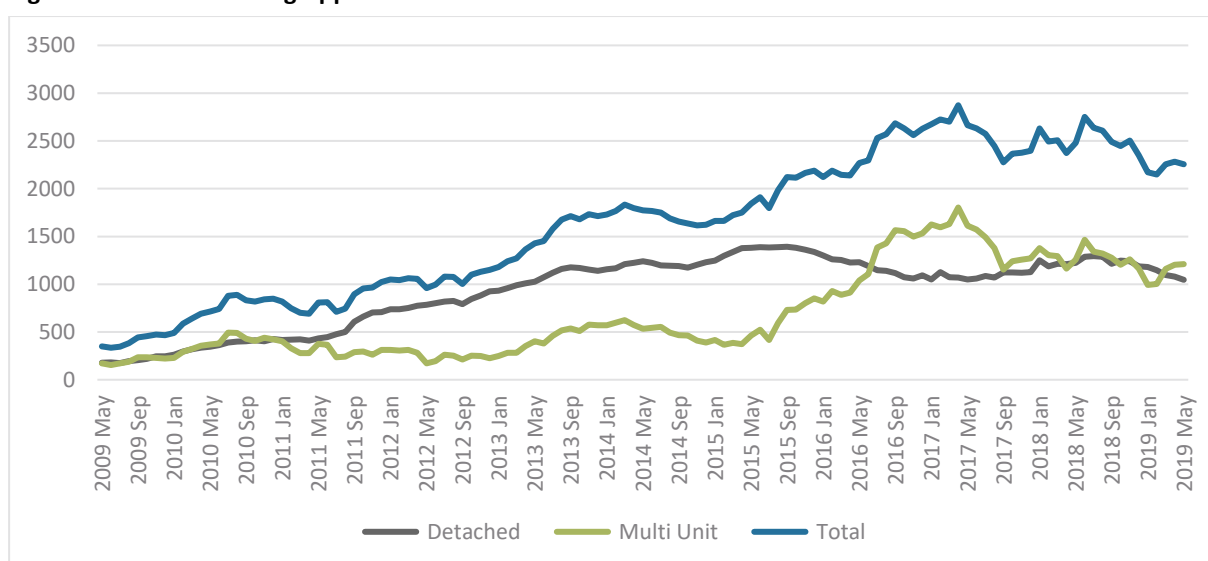


Source: DPI&E Dwelling Projections 2016

### 3.5.3 Approvals and Completions

Since early 2018 residential construction in Sydney appeared to have plateaued, with dwelling investment largely unchanged. In comparison, a review of the DPI&E dwelling completions in Penrith found there was a very large increase in multi-unit approval from 2016 to mid 2017. Since 2016, detached dwelling approvals have remained relatively consistent year on year. This indicates there is a mix of development of both detached dwellings and unit dwellings in the Penrith LGA.

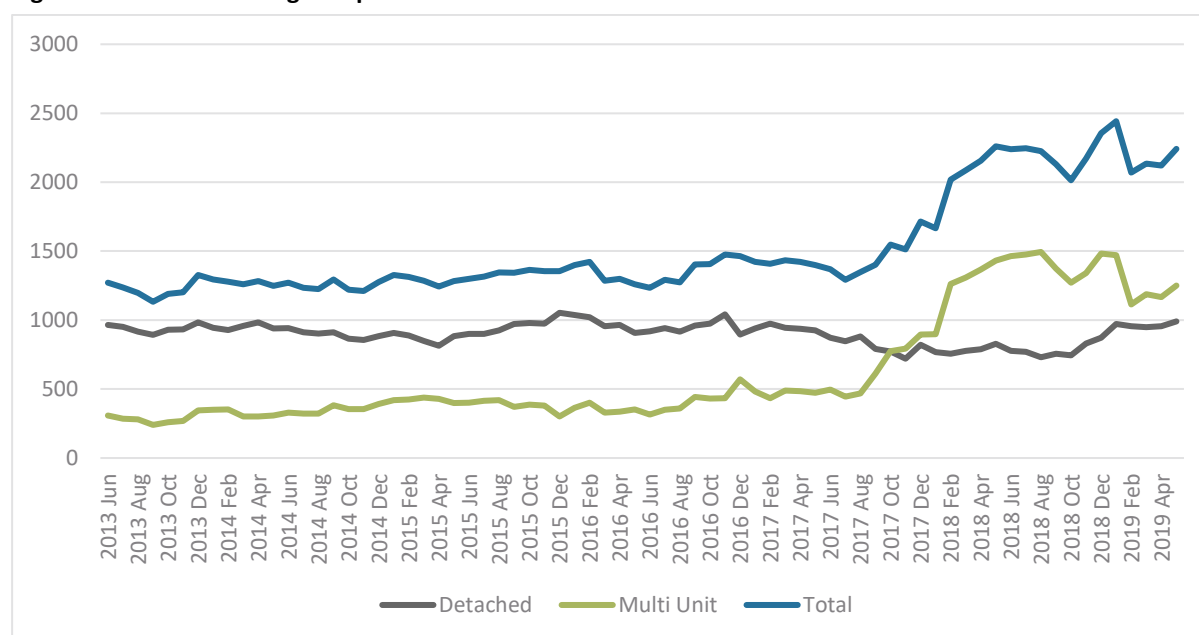
**Figure 11: DPI&E Dwelling Approvals Penrith**



Source: DPI&E Dwelling Approvals 2019

The DPI&E completions data is correlated to the approvals data showing an increase in multi-unit dwellings and notable parallel increase in both detached dwellings and units in Penrith. We expect this to be part of the significant investment occurring along the western Sydney corridor. A recent drop in dwelling approvals over 2018 seems to have stabilised with completions heading back to mid-2017 levels.

**Figure 12: DPI&E Dwelling Completions Penrith**



Source: DPI&E Dwelling Completions 2019

# COMMERICAL FLOORSPACE DEMAND

## 4.0 COMMERCIAL FLOORSPACE DEMAND

The following Chapter forecasts the amount of additional commercial office space that could be accommodated within the Penrith City Centre locality. Projections have been based on State Government employment forecasts at the corresponding Travel Zone (TZ) level<sup>6</sup>.

### 4.1 Commercial Floorspace Projections Methodology

The following two approaches are used to forecast the demand for commercial office floorspace. There are two fundamental determinates of demand for commercial office floorspace. The first is the growth in employment by sector (industry). The second is the population growth in the locality. Each fundamental determinant uses TPA<sup>7</sup> projections to forecast potential demand.

At a commercial centre level, it is more difficult as you need to consider the availability of supply (zoning and land supply), the desirability of location (prestige, transport, access and amenity) and cost of delivery (built cost and net rent). The other complicating factor is market speculation which can run well ahead or behind underlying demand.

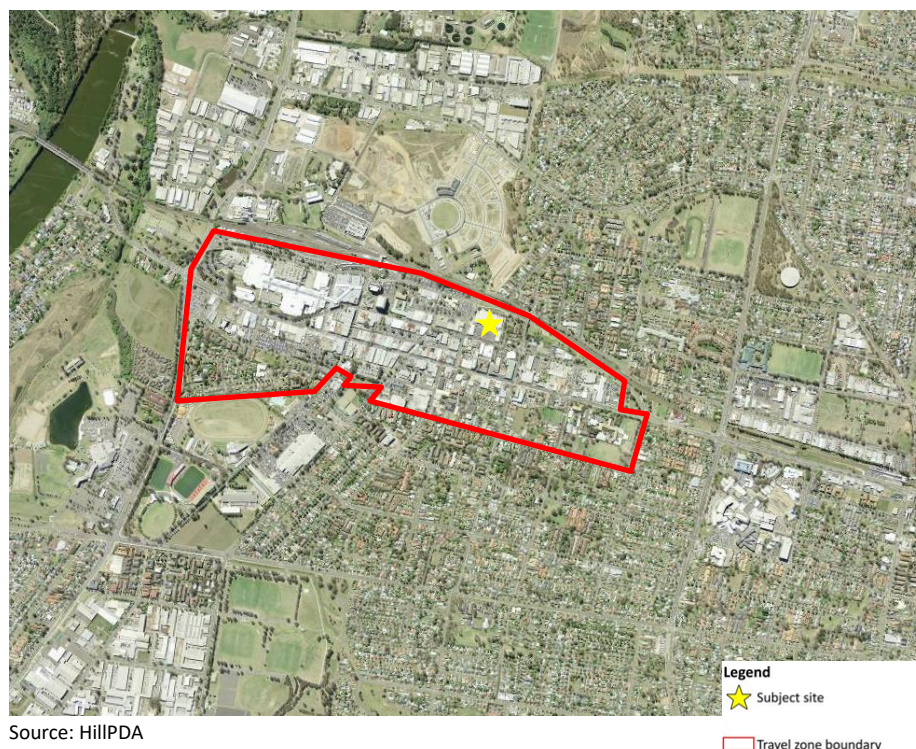
#### Approach 1 – Employment Forecast to 2056 in the TZ

1. Deduce the net commercial office employment growth within the TZs that comprise the Penrith City Town Centre.
2. Apply industry standard employment densities to net employment growth to ascertain commercial office floorspace requirements to accommodate related employment growth.

<sup>6</sup> A Travel Zone (TZ) is the smallest geographical area that the Transport Performance and Analytics (TPA) forecast employment.

<sup>7</sup> TPA – Transport Performance Analytics

**Figure 13: Subject Site and TZ**



### **Approach 2 – Population Forecast 2056 in the surrounding TZ's**

1. Deduce the net population growth within the eight (8) TZs that encompass and surround the Penrith City Town Centre.
2. Apply industry standard employment densities to net population growth to ascertain commercial office floorspace requirements to accommodate related population growth.



**Figure 14: Subject Site and Surrounding TZ's**



Source: HillPDA

## 4.2 Commercial Floorspace Demand

### 4.2.1 Approach 1 – Employment Forecast to 2056 in the TZ

The TZ that intersects the Subject Site is referred to as Penrith CBD Station (refer to the red boundary in Figure 13). The TPA estimates that around 24,865 jobs are contained within the TZ as of 2021<sup>8</sup>. This is forecast to increase to a total of 36,349 jobs by 2056, representing an increase of 11,484 jobs or 46% over the period.

Of the total net growth in employment, around 3,456 or 30% are related to commercial office jobs<sup>9</sup>.

**Table 3: Penrith CBD Station TZ Employment Forecasts**

Industry	2021	2056	Growth	White Collar
Agriculture, Forestry and Fishing	91	61	-30	
Mining	97	87	-10	
Manufacturing	1,522	2,146	624	
Electricity, Gas, Water & Waste Services	338	396	59	
Construction	1,843	2,284	441	

<sup>8</sup> TPA employment projections 2019

<sup>9</sup> Combination of the ANZSIC 1 digit industries of Information Media and Telecommunications; Financial and Insurance Services; Rental, Hiring and Real Estate Services; Professional, Scientific and Technical Services and Administrative and Support Services



Industry	2021	2056	Growth	White Collar
Wholesale Trade	518	1,201	683	
Retail Trade	4,255	5,259	1,003	
Accommodation and Food Services	2,451	2,963	511	
Transport, Postal and Warehousing	1,176	2,880	1,703	
Information Media & Telecommunications	251	136	-115	-115
Financial and Insurance Services	599	953	354	354
Rental, Hiring and Real Estate Services	540	994	453	453
Professional, Scientific & Technical Services	1,568	2,308	741	741
Administrative and Support Services	648	923	275	137
Public Administration and Safety <sup>10</sup>	2,937	3,904	967	967
Education and Training	765	1,138	373	373
Health Care and Social Assistance <sup>11</sup>	3,557	6,281	2,723	545
Arts and Recreation Services	527	745	218	
Other Services	1,182	1,691	509	
<b>Total</b>	<b>24,865</b>	<b>36,349</b>	<b>11,484</b>	<b>3,456</b>

Source: TPA 2016 employment forecasts, HillPDA

To ascertain the floorspace required to accommodate growth in commercial related office employment, we have applied industry standard employment density benchmarks<sup>12</sup>.

Using this methodology, we have estimated that between 62,000sqm and 76,000sqm GFA (rounded to nearest 1,000sqm) of additional commercial office space would be required over the next 35 years to meet demand resulting from the increase in office employment.

The commercial demand projections outline the growth in employment would support additional floorspace within the Penrith City Centre over the next 35 years.

**Table 4: Projected Commercial Office Floorspace Requirements, 2021--2056 (GFA)**

	Employment growth 2016-2036	Employment densities sqm/worker	Estimated floorspace requirements (GFA)
Commercial office	3,456	18sqm to 22sqm	62,212 to 76,037

Source: HillPDA

#### 4.2.2 Approach 2 – Population Forecast to 2036 in the Surrounding TZ's

The eight TZ's including Penrith CBD Station (refer to the red boundary in Figure 14) was used to generate the additional commercial office space using approach two (2). The TPA estimates that

<sup>10</sup> Removed from calculation given a significant portion of these jobs related to Defence and Public Order, Safety and Regulatory Services

<sup>11</sup> Assistance jobs earmarked 20% of total Health Care and Social for commercial floorspace

<sup>12</sup> Employment density benchmarks is the amount of floorspace required per employee

around 11,783 residents are contained within these TZ's as of 2021. This is forecast to increase to a total of 33,998 people by 2056, representing an increase of 22,214 people or 189% over the period.

**Table 5: Penrith TZ's Population Forecasts**

	2021	2056	Growth
Population projections	11,783	33,998	22,214

Source: TPA 2019 employment forecasts, HillPDA

To calculate the floorspace required to accommodate growth in commercial related office employment, we have applied industry standard employment benchmarks<sup>13</sup>.

These benchmarks include both the percentage of the population employed and the percentage of the workforce in white collar jobs.

Of the net growth in population, around 10,883 or 49% would be expected to be in the labour force with 5,116 or 47%<sup>14</sup> related to commercial office jobs.

Using this methodology, we have estimated that between 92,000 and 112,500sqm GFA of additional commercial office space would be required over the next 35 years to accommodate the increase in office employment.

**Table 6: Demand for Commercial Floorspace – TPA Population Forecast**

	Population Forecast for Study Area 18sqm/worker	Population Forecast for Study Area 22sqm/worker
TPA population in 2021	11,783	11,783
TPA population in 2056	33,998	33,998
TPA additional population forecast 2021-2056 <sup>15</sup>	22,215	22,215
% of the population employed <sup>16</sup>	49%	
Population forecast to be employed full-time	10,885	10,885
% of the workforce in white collar jobs <sup>17</sup>	47%	
Population forecast to be employed in white collar jobs	5,116	5,116
Floorspace per worker (sqm)	18	22
Total Demand for Office (sqm)	92,090	112,555
Rounded to the nearest 500 (sqm)	<b>92,000</b>	<b>112,500</b>

<sup>13</sup> Employment density benchmarks is the amount of floorspace required per employee

<sup>14</sup> 2016 Census - Employment, Income and Education INDP - 1 Digit Level and LGA (POW) by OCCP - 1 Digit Level

<sup>15</sup> TPA Population Forecast 2021 -2056 Penrith Core (TZ Codes: 4974, 4975, 4977, 4978, 4979, 4980, 4981 and 4982)

<sup>16</sup> ABS Community Profiles Labour Force in Study Area – See section 4.1 above

<sup>17</sup> 2016 Census - Employment, Income and Education INDP - 1 Digit Level and LGA (POW) by OCCP - 1 Digit Level

### 4.3 Equitable distribution of office space

Using a different approach Council has estimated that there are currently 14,331 jobs and 416,067 sqm of commercial floorspace in the Penrith CBD. To accommodate population growth the Council has set a target of 12,723 additional jobs in the CBD from 2016 and 2041. These additional forecast jobs equate to an additional 364,089sqm of commercial floorspace. Based on their capacity assessment, the net theoretical floor space in B3 zones is estimated at 381,150 sqm and the net actual floorspace capacity in B3 zones in the Penrith City Centre is estimated at 282,618 sqm, which shows a commercial floorspace deficit of 81,471 sqm.<sup>18</sup>

Based on this data, Council has recommended that 61-79 Henry Street, adopt a minimum of 2:1 non-residential floorspace. This would equate to approximately 32,300 sqm of GFA.<sup>19</sup> (jobs on site is calculated in section 6.1)

Delivering 2:1 of non-residential floorspace would equate 9% of the stated additional floorspace demand and provide 40% of the stated theoretical floorspace deficit. The delivery of this would fall within the 5–10-year timeframe (subject to net absorption) and is considered an equitable distribution of commercial floor space for the eastern end of the CBD. Most of this space could accommodate courts/justice related commercial uses which aligns to the Penrith Progression Plan.

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<sup>18</sup> PCC proposal correspondence letter dated 19 May 2021

<sup>19</sup> Council in their advice (May 2021) calculated a minimum 37,000sqm of non-residential floorspace, however according to the site survey a 2:1 ratio would equate to 32,328 sqm of GFA

# ECONOMIC IMPACTS FROM CONSTRUCTION

## 5.0 ECONOMIC IMPACTS FROM CONSTRUCTION

The following Chapter undertakes an assessment of the potential economic benefits during construction.

### 5.1 Economic Impacts during construction

Total construction cost has been estimated at \$417m based on the following assumed rates:

**Table 7: Estimated Construction costs**

Area	GFA (sqm)	\$/sqm	\$m
Residential	52,780	3,800	201
General Retail	6,115	2,900	18
Supermarket	1,400	2,900	4
Hotel	8,080	4,900	40
Community Uses	3,790	2,700	10
Commercial	16,715	2,700	45
Fitout	23,817	1,200	29
Car Parking (spaces)	1,290	55,000	71
<b>TOTAL</b>	<b>88,800</b>		<b>417</b>

Sources: Rawlinson's Construction Handbook 2021, RLB Digest 2021

The construction industry is a significant component of the economy accounting for 5.96% of Gross Domestic Product (GDP) and employing just over one million workers across Australia<sup>20</sup>. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

**Production induced:** which is made up of:

- first round effect: which refers to the outputs and employment required to produce the inputs for construction, and
- an industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect.

**Consumption induced:** which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

<sup>20</sup> Source: IBIS World Construction Industry Report 2018

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.62, \$0.66 and \$0.91 respectively to every dollar of construction.

The table below quantifies the associated economic multipliers resulting from the construction process. The estimated construction cost for the proposed scheme of \$417m will generate further economic activity described as:

- First round effects of \$258m;
- Industrial supported effects of \$276m; and
- Consumption induced effects of \$377m.

The table below quantifies associated economic multipliers resulting from the construction process.

**Table 8: Investment Multipliers**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.620	0.661	0.905	3.186
<b>Output (\$million)</b>	<b>417</b>	<b>258</b>	<b>276</b>	<b>377</b>	<b>1,328</b>

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables (ABS Pub: 5209.0)

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

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

In particular the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality many of these resources would have been employed elsewhere. Note that the NSW Treasury guidelines state:

*“Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project”<sup>21</sup>.*

Nevertheless, economic multiplier impacts represent considerable added value to the Australian economy.

<sup>21</sup> Source: Office of Financial Management Policy and Guidelines Paper: Policy and Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSE Government (TPP 09-7) NSW Treasury

### 5.1.1 Construction related employment

Every one million dollars of construction work undertaken generates 2.5 job years directly in construction<sup>22</sup>. Based on the estimated construction cost 1,041 job years<sup>23</sup> would be directly generated by the proposed development as shown in the table below.

**Table 9: Construction employment**

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.731	0.851	1.434	4.016
Employment per \$million	2.497	1.826	2.125	3.581	10.029
<b>Total Job Years Generated</b>	<b>1,041</b>	<b>761</b>	<b>886</b>	<b>1,493</b>	<b>4,181</b>

Source: HillPDA Estimate using data from ABS Australian National Accounts: Input-Output Tables (ABS Pub: 5209.0) adjusted by CPI to 2021

The ABS Australian National Accounts: Input-Output Tables identified employment multipliers for first round, industrial support and consumption induced effects of 0.73, 0.85 and 1.43 respectively for every job year in direct construction. Including the multiplier impacts the Planning Proposal is forecast to generate a total of 4,181 job years directly and indirectly in construction.

<sup>22</sup> Source: ABS Australian National Accounts: Input – Output Tables 2015-16 (ABS Pub: 5209.0) adjusted to 2019 dollars

<sup>23</sup> Note: One job year equals one full-time job for one year

# EMPLOYMENT IMPACTS



## 6.0 EMPLOYMENT IMPACTS

This chapter quantifies the likely employment levels on site post construction assuming full occupation of the building. It further provides an assessment of its contribution towards meeting the job targets under Council's Draft Employment Lands Strategy, particularly to demonstrate that the proposal gives effect to Western City District Plan Planning Priority W9 Growing and strengthening the metropolitan cluster and Section 9.1 Direction 1.1 Business and industrial zones.

### 6.1 Employment generation

The proposed development would support permanent employment post-construction through the operation of community and commercial/retail uses. The table below provides an estimate of the number of jobs that would be supported on site.

**Table 10: Employment on-site from development**

Land Use	Employment Density*	GLA	Units	Jobs
General Retail	1 / 26 sqm	4,892	sqm	188
Supermarket	1 / 26 sqm	1,260	sqm	48
Hotel	0.6 / room	183	rooms	114
Community Uses	1 / 50 sqm	3,335	sqm	67
Commercial	1 / 16 sqm	14,709	sqm	919
Work from home*	1 / 13 units	432	units	33
<b>Total</b>				<b>1,370</b>

\* Work from home: 7.6% of workers undertake majority of work at home (ABS Locations of Work 2008 Cat 6275.0). The rate was considerably lower in Penrith LGA in 2016 at 3.4%. Nevertheless COVID-19 has catalysed workplace trends towards more flexible working arrangements including working from home. This has become increasingly possible and desirable with improvements in technology and workplace practises and is likely to result in a 15% to 20% reduction in forecast demand for office space (Infrastructure beyond COVID-19, A national study on the impacts of the pandemic on Australia)

Sources: HillPDA research

Based on the table above, the proposed development is estimated to accommodate 1,370 jobs on site.

Current jobs on-site are estimated at 179. Hence this additional development will provide an increase of 1,190 jobs from 179 to 1,370 – a seven-and-a-half-fold increase.

Council previously set a target for new jobs (increase in the number of jobs) on site to match the increase in number of residential dwellings. Job demand projections in Council's Economic Development Strategy do not take the additional residential development into consideration. This means that the planning proposal must deliver at least 634 jobs on site (179 existing jobs plus 455 new apartments) as calculated in the table immediately below.

**Table 11: Equivalent job provision**

Proposed Number of Units	455
Number of Existing Jobs	179
Total	<b>634</b>
Difference to estimated jobs post completion	<b>+736</b>

The planning proposal will deliver 1,370 jobs which is 736 more jobs than required.

More recently Council in its letter dated 19 May 2021 to BCM Property Group had set a higher target or requirement for 1,095 jobs on the subject site. The target was based on apportioning a percentage of the target increase in jobs required in Penrith LGA by 2041. Council estimates that 109,000 more jobs in the Penrith LGA will be required from 2016 to 2041 in order to achieve a job containment ratio of one-to-one (number of jobs to working residents). The forecast jobs on site in the above table of 1,370 exceeds this target or requirement by 275 jobs.

# OTHER ECONOMIC IMPACTS

## 7.0 OTHER ECONOMIC IMPACTS

The following Chapter undertakes an assessment of the potential economic benefits post construction.

### 7.1 Workers' remuneration

Based on IBIS World Industry Reports, HillPDA has estimated total remuneration of workers at approximately \$94.6mil per annum. A breakdown by land use is shown in the table below.

**Table 12: Additional Staff Remuneration**

Land Use	Jobs	Avg Annual Wage	Total (\$m)
General Retail	188	\$32,700	\$6.2
Supermarket	48	\$41,500	\$2.0
Hotel	114	\$69,200	\$7.9
Community Uses	67	\$43,550	\$2.9
Commercial	919	\$84,000	\$77.2
Work at Home	33	\$61,600	\$2.0
<b>Total</b>	<b>1,370</b>	<b>\$71,706</b>	<b>\$98.2</b>

Sources: IBIS World Reports; HillPDA

Total salaries currently on the site are estimated at around \$6.7mil per year. The proposed development will increase total remuneration by around \$92m every year to a combined amount of \$98m (2021 dollars) – more than a fourteen-fold increase.

### 7.2 Gross value added

Gross value added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP).

We forecast the marginal GVA to be around \$69.6mil every year (measured in 2021 dollars) based on the following table.

**Table 13: Gross Value Added from Development**

Land Use	Jobs	GVA / Worker	GVA (\$m)
General Retail	188	\$96,699	\$18.2
Supermarket	48	\$59,052	\$2.9
Hotel	114	\$79,813	\$9.1
Community Uses	67	\$49,937	\$3.3
Commercial	919	\$96,699	\$88.9
Work at Home	33	\$74,400	\$2.5
<b>Total</b>	<b>1,370</b>	<b>\$91,144</b>	<b>\$124.9</b>

Source: IBIS World Reports; HillPDA

The GVA of the current use on-site is estimated to be \$10mil. This development will provide a further \$115m every year in GVA to a total of \$125m (measured in current 2021 dollars) – more than a twelve-fold increase.

### 7.3 Impact on whole-of-government revenue

Based on the table below the Planning Proposal is likely to contribute an additional \$113 million to government revenue.

**Table 14: Impact on whole-of-government revenue**

Source of Revenue	TOTAL (\$m)
GST from Residential Apartments <sup>*1</sup>	27
Stamp Duty Revenue <sup>*2</sup>	27
Developer Contributions <sup>*3</sup>	16
Payroll Tax during Construction <sup>*4</sup>	8
Payroll Tax over 10yrs post construct <sup>*5</sup>	26
Land Tax Revenue (over 10yrs) <sup>*6</sup>	9
<b>TOTAL</b>	<b>113</b>

<sup>\*1</sup> Assuming average apartment sale price of \$650,000

<sup>\*2</sup> Assuming average apartment sale price of \$650,000

<sup>\*3</sup> Section 94 (or 94A) + SIC Levy + Other

<sup>\*4</sup> Assuming 50% of workers do not attract payroll tax due to varying business sizes

<sup>\*5</sup> Assuming 50% of workers do not attract payroll tax due to varying business sizes

<sup>\*6</sup> Assuming 20% of buyers are subject to land tax

### 7.4 Demand for employment generating space

The Site is identified as Key Site 8 in the PLEP 2010. As such Clause 8.7(3) of the LEP 2010 provides that the consent authority may consent to development that exceeds the 24 and 56 metre height limit and/or 4:1 FSR if the proposed development includes community infrastructure. Clause 8.7(4) of LEP 2010 permits an FSR of 5.5:1 on Key Site 8 if the development includes community infrastructure.

If the Planning Proposal of 5.5:1 was to provide 100% of the total GFA for commercial floorspace, this would equate to 88,900sqm GFA.

In section 4.2 we have undertaken a high-level employment (office/ retail) floorspace forecast for the Penrith Town Centre. The results found that Penrith Town Centre would need a further 62,000 and 112,500sqm GFA over the next 35 years to accommodate forecast workers.

The Planning Proposal provides a ~22,200sqm GFA net increase of employment floorspace which would meet between 20% and 36% of demand for the LGA as forecast over the next 35years.<sup>24</sup>

Based on the forecast, it is economically unjustifiable for the Planning Proposal to provide commercial space at an FSR of 5.5:1 (88,900sqm GFA). This would amount to between 79% and 143% of the additional employment floorspace required in the Penrith Town Centre over the next 35 years. The

<sup>24</sup> Existing employment generating uses is 13,766sqm GFA

outcome of this quantum of employment floorspace is likely to result in long term vacancies and undermine the performance of the city centre.

This Planning Proposal supplies an increase in employment floorspace over the existing improvements resulting in 1,138 more jobs on site (see Section 6.1).

To add, the Planning Proposal meets the overarching objective/ intent of the PLEP CI2.3 by providing additional employment floorspace in the town centre and a considerable contribution towards job targets in the Penrith Town Centre. Providing 88,900sqm GFA of employment floorspace on a single development site is not realistic in this market.

## **7.5 Benefits to Penrith CBD**

### **7.5.1 Expenditure from Workers**

The 1,317 non-resident workers on site are expected to spend around \$7.68million every year on retail goods and services in the Penrith CBD.

### **7.5.2 Expenditure from Residents**

The development would benefit the city centre and existing retailers by accommodating additional residents. HillPDA estimates an additional 778 residents on site based on 455 apartments by 95% occupancy by 1.8 persons per occupied apartment (ABS Census Community Profile for Penrith LGA 2016).

Average spend per resident in Penrith LGA is around \$13,600 per annum. Total spend generated by residents on site is expected to be an additional \$10.6million. The majority of this spend is expected to be captured by existing businesses in the Penrith CBD.

### **7.5.3 Expenditure from Tourists**

The number of hotel rooms has not been decided as yet but a 180 room hotel on the subject site would generate around 42,700 occupied rooms nights every year assuming an occupancy rate of 65%. Assuming an average room rate of \$165 per night (4-star quality), the proposed hotel would generate a total annual room revenue of approximately \$7.05million.

With an average occupancy of 1.5 persons per room and an average spend per visitor night of around \$85 per person on food and retail goods and services, the total amount of annual spending by hotel guests would be in the order of \$5.4 million every year. Assuming half of this is spent in Penrith CBD, this is a further \$2.7m in retail expenditure captured by Penrith CBD retailers and food service providers.

### **7.5.4 Total Expenditure in Penrith**

Total estimated spend by residents, workers and tourists on the subject site in the Penrith CBD will be around \$18.66million every year (measured in 2021 dollars).

## **7.6 Other Economic Benefits**

### **7.6.1 Investment stimulus**

Where a significant property investment decision has been made it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment. The direct investment in the Subject Site would support a wide range of economic multipliers as outlined above which would in turn support investment in associated industries. It would also raise the profile of Penrith to potential investors.

The proposed development would create additional business opportunities in this locality associated with short term residents within the commercial and retail uses on site. It would increase the profile of this area and in so doing increase the financial feasibility of mixed use development, potentially acting as a catalyst for additional related infrastructure on surrounding sites.

### **7.6.2 Transit Orientated Development**

High density residential and mixed use development close to major public transport nodes (particularly rail stations with express train services) meets urban consolidation objectives. It results in improved efficiencies, reduces dependency on private motor vehicle usage and encourages the use of public transport and promotes the Greater Sydney Commission 30min city objective.

### **7.6.3 Street Activation**

The development of a mixed use development comprising uses such as commercial, retail and residential located on the Subject site would create increased pedestrian traffic having the effect of further activating the local area. This street activation would have the benefits of increasing security, increasing trade for retailers through increased passing trade and increase investment within the local area.

### **7.6.4 Increased Housing Supply**

A Western District Plan targets 6,600 dwelling to be delivered in Penrith in the next five years. The proposed development would assist Council in reaching their respective dwelling target. Furthermore, the proposed development would provide high density development in close proximity to existing public transport infrastructure, a key initiative of the Western District Plan. It would likely decrease the need for future residents to use personal transportation reducing traffic congestion and increasing environmentally sustainable alternatives.

### **7.6.5 Affordable Housing Provision**

We understand that NSW Government and Council are seeking for the provision of affordable housing on the site. The provision of affordable housing will provide significant benefits to the local area – providing housing for key workers in the CBD and widening housing diversity. Please note however that the feasibility of providing affordable housing in this current market is difficult due to high construction costs and modest apartment prices. Even five years from now we suspect that any proportion above 3% is unlikely to be viable.



## Disclaimer

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