

Myrtle Street Creative Build-to-Rent

Economic Impact Assessment

Qualitas

May 2020



Document Control

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Job ID: J56
Job Name: Myrtle St Creative BtR EIA

Client: Qualitas
Client Contact: Brendan O'Sullivan

Document Name: Myrtle Street Creative Build-to-Rent EIA final revised

Last Saved: 11/09/2020 5:10 PM

Version	Date	Approved by	Reviewed by
Draft	25 May 2020	Lauren Graham	Esther Cheong
Final	5 June 2020	Lauren Graham	Esther Cheong
Final revised	11 September 2020	Lauren Graham	Esther Cheong

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Executive Summary

BACKGROUND

3 Carrington Road Pty Ltd own a consolidated site at 3 Myrtle Street and 3-5 Carrington Road, Marrickville (the Site) in the Inner West LGA and approximately 8.5 kilometres south-west from Sydney's Central Business District.

A Planning Proposal proposes to amend the planning controls which apply to the Site, specifically the FSR controls to accommodate a Creative Cooperative. The Site's IN2 Light Industrial zone is proposed to be retained.

The amended planning controls will facilitate future development of the Site into a vertically integrated industrial-led creative cooperative, comprised of flexible industrial and warehouse space and living floorspace. The proposed use of 'build-to-rent' precludes strata subdivision of the residential living space.

Atlas Urban Economics (Atlas) is engaged to prepare an Economic Impact Assessment (EIA) to assess the economic impacts likely to result from the proposed planning controls amendments and subsequent redevelopment of the Site.

SITE CONTEXT

The Site is zoned IN2 Light Industrial and occupies approximately 3.768sqm in site area and is occupied by two industrial buildings which are tenanted to a taxi repair services business and a food manufacturer.

The Site is located at the corner of Myrtle Street and Carrington Road, approximately 600m east of the Marrickville train station. It is in the vicinity of the broader Carrington Road Precinct ('the Precinct').

The Precinct is zoned a mix of IN1 General Industrial and IN2 Light Industrial and accommodates a range of businesses engaged in a mix of service-related, creative and nice urban manufacturing activities that contribute to supporting, *inter alia*, artistic and cultural enterprise in areas beyond the local Marrickville area.

Construction work for the Sydney Metro City & Southwest has commenced, which when completed will deliver a Metro service that connects Sydney Metro Northwest through new Sydney CBD stations and southwest to Bankstown via upgrade and conversion of existing rail infrastructure including the Marrickville train station.

ECONOMIC AND MARKET CONTEXT

Nearly 1,250 workers were recorded in the Precinct Employment Analysis in 2016, an increase of some 35% from 920 workers in 2011, equivalent to average annual growth of 6.3% over the 2011-2016 period. Employment growth was stronger than the Inner West LGA which increased by 14% over the 2011-2016 period, equivalent to average annual growth of 2.7%.

The following observations are made with respect the Precinct's employment profile:

- Nearly 40% of jobs in the Employment Analysis Area are classified as Industrial jobs (39%), with growth over the period soft in comparison to the other categories;
- Population-serving industries had the strongest growth from 2011 to 2016, accounting for almost 50% of the increase;
- Knowledge-intensive jobs experienced overall soft growth, driven by the loss of 35 jobs in Public Administration & Safety, which offset the growth recorded in other Knowledge-intensive industries;
- Health & Education jobs are not strongly represented, representing 13% of total jobs in the Employment Analysis Area. Growth however has been commensurate with overall growth.

While Industrial jobs are dominant in the Employment Analysis Area, their growth has been comparatively modest, growing at an average annual rate of 2.9% in 2011-2016. It does however suggest business composition within the area is changing and is increasingly occupied by businesses that are more diverse than conventional industrial businesses.

As the Precinct continues its transition to light industrial and mixed business enterprise activity, there will continue to be a shift in floorspace requirements with businesses requiring smaller floorplates and a mix of floorspace types (including warehouse/ industrial work spaces to commercial and storage spaces). Consequently, development typologies that are flexible in nature and that can be adapted to suit a wide range of enterprise activity are needed.

NEED FOR THE PROPOSAL

Collision of Creative and Industrial

The Precinct has retained much of its industrial character, with the departure of large manufacturers replaced by various small scale enterprise that have a creative focus. These enterprises occupy a variety of floorspace in the Precinct, from micro studio suites to larger production and storage spaces.

Research into the business composition of the Precinct reveals:

- A 'collision' between creative industries and manufacturing in the Precinct.
- The presence of spatial connections and clustering between enterprise within the Precinct.

It is therefore important for flexible business floorspace to respond to the collision of creative and industrial activity, with many businesses requiring a hybrid of workspaces. It is also important for the opportunity of co-location - for businesses to be able to cluster with like businesses.

The Proposal responds to the need for providing workspaces that are flexible and that additionally enable businesses to cluster and co-locate with similar creative businesses. Given the naturally occurring clustering of creative enterprise in the Precinct, the Proposal would be market-supported and meet demonstrated demand for industrial-led creative floorspace.

The Proposal integrates vehicular access and loading/ unloading areas with workspaces, co-locating the following uses:

- Creative industry, studio and office
- Warehouse, research and production facilities
- Back-of-house support for artistic and cultural facilities
- Recreational uses
- Breakout and communal spaces

The continued ability to locate in an area with affordable rents, operate 24/7 in a central location close to suppliers, customers and staff are all important attributes of the Proposal.

Co-location of Residential Living

The Proposal additionally responds to the need for residential living close to infrastructure and employment opportunities. The Build-to-Rent proposition ensures residential living opportunities are not strata sub-divided for individual sale/ rent. The live-work and residential units can be rented in one-line to a housing provider or to individual households subject to eligibility.

Subject to astute design, low impact creative industrial enterprise activity can be accommodated to co-exist with residential uses. Notably, land uses in many inner-city areas do co-exist and operate alongside each other (e.g. Surry Hills, Chippendale).

Sustainable co-location on the Site will require careful separation of uses which is dealt with through the design process.

The Proposal

The Proposal is an industrial-led Creative Cooperative comprised of flexible industrial and warehouse space as well as living space. The proposed mix of uses are partly permitted in the IN2 Light Industrial zone. Light industry and Warehouse or Distribution Centres are permitted with consent. The additional permitted use of 'build-to-rent' of residential living space will facilitate development of a vertically integrated creative cooperative that accommodates 'live and work' opportunities, precluding strata subdivision of the residential living space.

The Proposal envisages high-span warehouse space on the ground floor with the first and second floors accommodating warehouse/ industrial space as well as live-work opportunities. The work space is proposed to be flexibly configured to accommodate a range of business activities from design and conceptualisation to manufacturing and production, display and sale as well as freight and logistics.

The Myrtle Street Creative Build-to-Rent will be Australia's first creative cooperative, vertically integrating co-living and co-working living in a single development. A range of flexible work spaces will respond to and strengthen Marrickville's creative industry and reflect its industrial heritage and unique 'maker-doer' characteristics.

ECONOMIC IMPACTS

To estimate the economic impacts that could result from the Proposal, a Proposal Case and Base Case are defined:

- **Proposal Case:** Existing buildings are demolished and the Site redeveloped into the following uses:
 - Flexible warehouse space (5,565sqm) on the Ground floor and parts of Level 1-2.
 - Approximately 175-225 'build to rent' dwellings (11,960sqm) with a mix of studio, 1, 2 and 3 bedroom units.
- **Base Case:** Alterations and additions to provide for additional floorspace subject to Marrickville LEP. At current planning controls, a complete redevelopment (demolition and rebuild) of the existing buildings is not considered viable.

The assessment distinguishes the economic impacts during construction and those that are more permanent once the development is complete and operations have stabilised.

Modelling outcomes for the Proposal Case are based on the development parameters and reflect one possible outcome. These economic impacts are assessed at the local Inner West LGA level. If viewed at the NSW state level, the economic impacts that result are greater.

Construction Phase

Construction of the Proposal is estimated to generate economic impacts for the Inner West LGA including:

- \$92.0 million in output (including \$56.9 million in direct activity).
- \$31.1 million contribution to GRP (including \$13.4 million in direct activity).
- \$18.5 million in incomes and salaries paid to households (including \$9.4 million in direct income).
- 224 FTE jobs (including 111 FTE directly employed in construction activity).

Operational Phase

The Proposal is estimated to result in net increase in economic activity through direct and indirect (flow-on) impacts annually:

- \$50.4 million additional in output (including 30.9 million in direct activity).
- \$24.2 million additional in contribution to GRP (including \$13.7 million in direct activity).
- \$12.8 million additional in incomes and salaries paid to households (including \$7.7 million directly).
- 143 additional FTE jobs (including 81 additional jobs directly related to activity).

The net economic impacts are summarised in Table ES-1.

Table ES-1: Net Operational Impacts, Inner West LGA

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$30.9	\$13.7	\$7.7	81
Flow-on Type I (Production-induced)	\$11.0	\$5.2	\$3.0	33
Flow-on Type II (Consumption-induced)	\$8.5	\$5.2	\$2.1	28
Total	\$50.4	\$24.1	\$12.8	143

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

Increase to household expenditure resulted from new residents moving to the Site will support additional economic activity, resulting in economic impacts for the Inner West LGA.

New household expenditure is expected to be directed to local businesses in the Marrickville local centre (to the west of the Site) and elsewhere in the LGA. Beneficiaries of this retail spend could conceivably include service retail and commercial businesses along Illawarra and Marrickville Roads, Marrickville Metro Shopping Centre and other retail and hospitality establishments in the Inner West LGA. This will contribute to the vitality and viability of the Inner West's local centres.

CONCLUSION

Supporting Creative Enterprise and Precincts

Objective 9 in the Region Plan highlights the significant role played by creative industries in Greater Sydney's productivity, with creativity, entrepreneurship, technical ability and collaboration being essential skills for the future workforce. Providing better and more opportunities for creative industries through multi-functional and shared spaces are important to create opportunities for artists and makers to live, work and learn locally.

There is demonstrated demand for hybrid workspaces for creative businesses in a co-located and clustered setting.

The Proposal seeks to provide more than 5,500sqm of flexible warehouse space, specifically targeted at creative industrial uses in a renewed development. This responds to the objective of supporting creative enterprise and precincts, and in this case expanding upwards (facilitated by amendment to the FSR controls).

Retaining and Managing Industrial and Urban Services Land

Objective 23 in the Region Plan identifies the need to manage industrial and urban services lands in line with the evolution of changing business practices and needs. It seeks to manage uses where needed to transition to higher-order employment activities to manage business productivity, efficiency and competitiveness.

The District Plan recognises that small, inner-city industrial precincts provide high proportions of urban services jobs for local communities. Even though employment growth will require additional floorspace, urban services are often less able to increase their floorspace efficiency or locate in multi-storey buildings.

The Planning Proposal responds to this by incorporating more than 5,500sqm of floorspace for creative industrial uses over multiple levels.

Due to vehicle circulation, loading/ unloading and parking requirements, many industrial buildings typically do not achieve FSR 1:1 even when permitted. After allowing for truck loading, circulation and parking areas at-grade, it is not unusual for industrial buildings to achieve only FSR 0.6:1 to FSR 0.7:1 even though more FSR is permitted.

By virtue of combining residential uses and employment floorspace in an integrated Creative Build-to-Rent development, the Proposal is able to meet parking requirements in basement levels. This facilitates provision of employment floorspace of nearly FSR 1.5:1, well above the current FSR 0.95:1. Basement parking would otherwise be cost prohibitive to incorporate in a development of employment floorspace only.

The Proposal addresses the District Plan's planning priorities by enabling the Site to be optimised in its employment role, also contributing to the economic vitality of the Marrickville local centre.

Role for the Site and the Proposal

The justification for the co-location of residential uses on the Site is to enable a scarce and valuable asset in an inner-city location to be optimised in its use. The District Plan rightly identifies that increasing industrial land supply is not a likely scenario. The relevant issue is then to ensure existing industrial land supply is enabled for an intensification of land use.

By virtue of combining residential uses in an integrated Creative Build-to-Rent development, the Proposal is able to meet parking requirements in basement levels. This enables non-residential/employment floorspace to be accommodated to almost FSR 1.5:1. Basement parking would otherwise be cost prohibitive to incorporate in a development of non-residential/employment floorspace only.

The Proposal is shown to deliver a positive economic impact to the local Marrickville centre and broader Inner West LGA through its construction activities and increased levels of on-going operational activity generated from its proposed creative industrial uses. By comparison, the Base Case underutilises the Site and has limited scope to accommodate large scale employment growth.

Given the current economic uncertainty surrounding the COVID-19 Pandemic, bringing projects such as the Proposal forward to help fill the gap in economic activity over the next 6-12 months represents a key avenue for local areas to support jobs and incomes for their communities. Direct and flow-on activity from the project will help support livelihoods while sectors such as arts and recreation, tourism and hospitality have been forced to close down or endure severely restricted operations.

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1. Introduction

1.1 Background

3 Carrington Road Pty Ltd own the sites at 3 Myrtle Street and 3-5 Carrington Road, Marrickville (collectively referred to as 'the Site'), approximately 8.5 kilometres south-west of the Sydney CBD. A Planning Proposal proposes to amend the Marrickville Local Environmental Plan (2011) to:

- Building height of 42m;
- Floorspace ratio (FSR) of 4.65:1; and
- Permit as an additional permitted use 'build-to-rent' while retaining the existing IN2 Light Industrial zoning.

The amended planning controls will facilitate future development of the Site into a vertically integrated industrial-led creative cooperative, comprised of flexible industrial and warehouse space and living floorspace. The proposed use of 'build-to-rent' would preclude strata subdivision of the residential living space.

The proposed mix of uses are partly permitted in the IN2 Light Industrial zone. Light industry and Warehouse or Distribution Centres are permitted with consent. The additional permitted use of 'build-to-rent' of residential living space will facilitate development of a vertically integrated creative cooperative that accommodates 'live and work' opportunities.

Site Context

The Site is located at the corner of Myrtle Street and Carrington Road, approximately 600m east of the Marrickville train station. It is in the vicinity of the broader Carrington Road Precinct ('the Precinct').

The Precinct is zoned a mix of IN1 General Industrial and IN2 Light Industrial and accommodates a range of businesses engaged in a mix of service-related, creative and nice urban manufacturing activities that contribute to supporting, *inter alia*, artistic and cultural enterprise in areas beyond the local Marrickville area.

Construction work for the Sydney Metro City & Southwest has commenced, which when completed will deliver a Metro service that connects Sydney Metro Northwest through new Sydney CBD stations and southwest to Bankstown via upgrade and conversion of existing rail infrastructure including the Marrickville train station.

The Site's location proximate to the future Marrickville train station, Sydney CBD, Sydney Airport and Port Botany places it in a position to support employment need and growth.

The Proposal seeks to respond to economic and market need by facilitating an intensification of productive uses on the Site, co-locating warehouse, creative industrial and warehouse floorspace as well as co-locating residential living opportunities.

1.2 Scope and Purpose

Atlas Urban Economics (Atlas) is engaged to prepare an Economic Impact Assessment (EIA) to estimate the economic impacts likely to arise from the proposed planning amendments and subsequent redevelopment of the Site.

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

- **Base Case**

The Site at present accommodates two buildings (estimated to be built to FSR 0.6:1). Comprehensive redevelopment of the Site to realise its maximum FSR of 0.95:1 is considered unlikely. Alterations and additions to the existing buildings are considered a more viable and likely scenario to unlock additional floorspace.

- **Proposal Case**

The Site is redeveloped to accommodate the proposed uses, with the first three levels accommodating flexible industrial and warehouse space with residential living space above.

The EIA seeks to:

- Examine the economic and market context of the Precinct and the need for employment floorspace (in particular for creative floorspace) and residential living opportunities.
- Estimate the economic impacts likely to result following redevelopment of the Site as proposed.

1.3 Structure of the Study

The EIA is structured as follows:

- Chapter 1 (**Introduction**) provides an overview and background to the EIA, outlines its scope and overall structure of analysis.
- Chapter 2 (**Site Context**) reviews the Site and its location, the employment composition of the immediate locality and its planning context. The chapter also describes the Proposal.
- Chapter 3 (**A Creative Cooperative**) examines the collision between creative and industrial uses, clustering and co-location trends and floorspace requirements observed and development examples that respond to this need for floorspace. The chapter also considers the need for co-location of residential living opportunities with creative industrial uses on the Site.
- Chapter 4 (**Economic Impact Assessment**) estimates the economic impacts of the Proposal should the Site be developed as envisaged. This is carried out by examining two scenarios:
 - **Base Case:** the Site remains in its existing use with floorspace additions made to expand building floorspace.
 - **Proposal Case:** the Site is redeveloped as enabled by the amended planning controls to accommodate a Creative Cooperative incorporating flexible warehouse space arranged over three levels and residential Build-to-rent on the upper levels.
- Chapter 5 (**Policy Assessment**) reviews the findings of the previous chapters and concludes alignment of the Proposal against policy considerations.

2. Site Context

2.1 Location

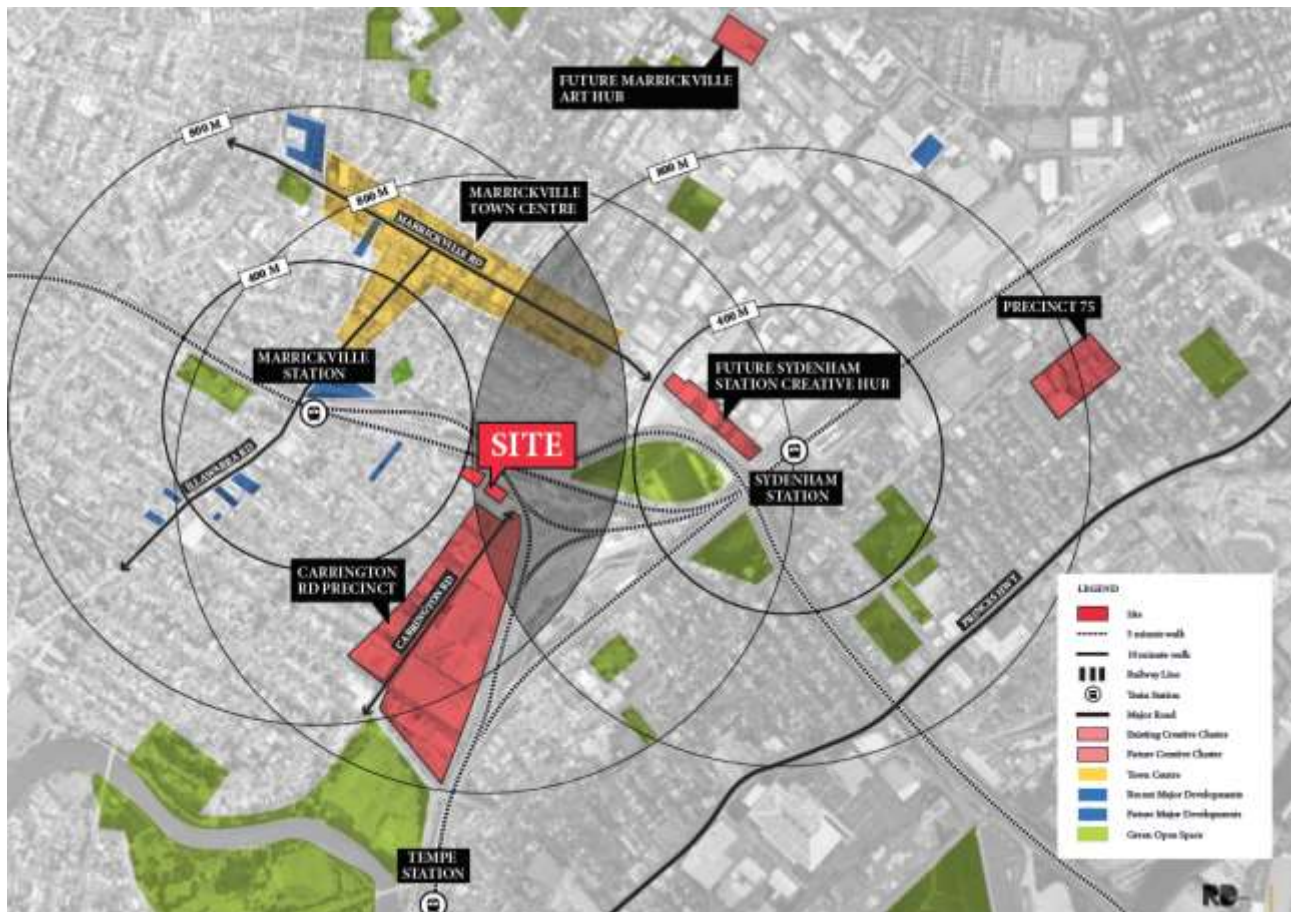
Marrickville has gentrified in recent years to become a hip and cultural hub of young professionals and families, artists and musicians characterised by funky bars and galleries, cafes, warehouse conversions and residential/ mixed use buildings along Marrickville Road and Illawarra Road.

Marrickville provides an array of shopping amenity focused on Marrickville Road between Illawarra Road and Victoria Road. The strip contains a mix of local service businesses, cafés/ restaurants, art galleries, clothing retailers and fresh food grocers. Marrickville Metro Shopping Centre, located on the border of Enmore and Newtown to the east of the Site, accommodating supermarkets and specialty stores.

The Site is located in the Carrington Road Precinct (referred to as 'the Precinct') approximately 600 metres east from Marrickville train station and Illawarra Road making it easily accessible to public transport and private car. The Precinct measures approximately 13ha extending from the Site south to the Cooks River. It is located approximately 2km south from Marrickville's main commercial precinct and approximately 14 kilometres north-west from Sydney Airport.

Figure 2-1 illustrates the Site's locational context.

Figure 2-1: Location Map



Source: Roberts Day

The Precinct's industrial history traces to the automotive industry (GM-Holden) and the textile manufacturing industry. Today buildings in the Precinct accommodate a range of business activity from design and production of television and film to food and beverage manufacturing/ distribution and niche manufacturing of furniture, wood and leather products. Artisan industries are also represented in the Precinct, including ceramics and fashion.

Surrounding uses are mostly service industrial and creative industrial in nature, evolving to meet population consumption needs as well as creative and cultural enterprise.

Existing buildings on the Site are understood to accommodate a food and beverage manufacturer (The Yoghurt Company) and a taxi services repair business (Cabriolet Services).

Infrastructure Pipeline and Investment

Marrickville is poised to benefit from a significant uptick in infrastructure and investment. The \$12.5 billion Sydney Metro City and Southwest project will upgrade the existing T3 Bankstown line between Sydenham and Bankstown to metro standards, with the Marrickville train station to be fully upgraded.

Upon commencement of operations in 2024, Marrickville train station will accommodate services every 4-minutes in peak periods and link Marrickville to the new Pitt Street Metro Station in just 12 minutes. Sydney Metro Southwest will also directly link with the recently completed Sydney Metro Northwest line, providing direct access between Marrickville and Sydney's North West, including key employment centres Macquarie Park and Chatswood for the first time.

Marrickville Local Centre

Inner West Council is preparing the Marrickville Town Centre Masterplan. This will include major upgrades to streets, laneways, plazas and other public spaces. This coincides with other Council-led investments into Marrickville, including the recently opened \$40m Marrickville Library and Pavilion which comprises over 3,600sqm of purpose-built library space, conference facilities, co-working space and children's playground.

The Marrickville Metro Shopping Centre is to undergo a major \$142m upgrade and expansion with an additional 11,000sqm of retail floorspace, including a new Coles supermarket, dining precinct and 44 retailers. The first stage of the upgrade is expected to be completed by Q4 2020.

2.2 Employment Profile

To understand the employment context of the Site and its surrounds, data from the Australian Bureau of Statistics (ABS) based on Destination Zone (DZ) geographies is examined. DZs are generally smaller than a suburb and are useful in understanding small area employment characteristics, however they do not always align with areas under investigation.

DZs 113261410 and 113261407 are selected to approximate the employment profile of the Precinct, illustrated in Figure 2-2. The Employment Analysis Area incorporates the Precinct as well as part of the Marrickville centre along Illawarra Road.

Figure 2-2: Employment Analysis Area



Source: Atlas

Broad Industry Classifications

The ABS categorises employment activity into 19 industry sectors referred to as ANZSICs (Australian New Zealand Standard Industry Classification). It is however useful to consider employment composition in broader industry terms.

Broad industry classifications (BICs) group the 19 ANZSIC industry sectors into four main categories - Population-serving, Knowledge-intensive, Health & Education and Industrial. The grouping of industry sectors is outlined in Table 2-1.

Table 2-1: Broad Industry Classification (BIC) by 19-digit ANZSIC

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

Source: ABS/Atlas

Employment Composition

Key headline observations are made of the employment profile in the Employment Analysis Area.

- Approximately 1,245 workers were recorded in 2016, an increase of some 35% from 916 workers in 2011, equivalent to average annual growth of 6.3% over the 2011-2016 period.
- Employment growth was stronger than the broader Inner West LGA which increased by 14% over the 2011-2016 period, equivalent to average annual growth of 2.7%.
- While overall growth in the Employment Analysis Area has been strong, growth in some industries has been particularly notable. These include:
 - Accommodation and Food Services, from 35 to 80 workers;
 - Information, Media and Telecommunications, from 78 to 141 workers;
 - Manufacturing, from 152 to 193 workers.
- In terms of Broad Industry Categories, the following observations are made:
 - Nearly 40% of jobs in the Employment Analysis Area are classified as Industrial jobs (39%), with growth over the period soft in comparison to the other categories;
 - Population-serving industries had the strongest growth from 2011 to 2016, accounting for almost 50% of the total jobs increase;
 - Knowledge-intensive jobs experienced overall soft growth, driven by the loss of 35 jobs in Public Administration & Safety, which offset the growth recorded in other Knowledge-intensive industries;
 - Health & Education jobs are not strongly represented, representing 13% of total jobs in the Employment Analysis Area. Growth however has been commensurate with overall growth.

While Industrial jobs are dominant in the Employment Analysis Area, their growth has been comparatively modest, growing at an average annual rate of 2.9% in 2011-2016. It does however suggest that accommodation within the area is changing and is increasingly occupied by an employment profile that is more diverse than the industries that comprise 'conventional Industrial'.

The employment structure of the Employment Analysis Area and the Inner West LGA is summarised in Table 2-2.

Table 2-2: Employment by Industry, Employment Analysis Area and Inner West LGA (2011-2016)

Industry	Employment Analysis Area				Inner West LGA			
	2011	2016	2016 %	Avg. Ann. %	2011	2016	2016 %	Avg. Ann. %
Australia New Zealand Standard Industry Classification (ANZSIC)								
Agriculture, Forestry & Fishing	0	0	0.0%	0.0%	53	106	0.2%	14.9%
Mining	0	0	0.0%	0.0%	15	25	0.0%	10.8%
Manufacturing	152	193	15.5%	4.9%	4,721	4,132	7.0%	-2.6%
Electricity, Gas, Water & Waste Services	4	5	0.4%	4.6%	94	118	0.2%	4.7%
Construction	27	87	7.0%	26.4%	2,938	4,782	8.1%	10.2%
Wholesale Trade	135	116	9.3%	-3.0%	2,879	2,044	3.5%	-6.6%
Retail Trade	65	64	5.1%	-0.3%	6,522	7,083	12.0%	1.7%
Accommodation & Food Services	35	80	6.4%	18.0%	3,771	5,370	9.1%	7.3%
Transport, Postal & Warehousing	126	166	13.3%	5.7%	2,168	2,257	3.8%	0.8%
Information, Media & Telecommunications	78	141	11.3%	12.6%	1,141	1,315	2.2%	2.9%
Financial & Insurance Services	0	12	1.0%	0.0%	856	1,221	2.1%	7.4%
Rental, Hiring & Real Estate Services	3	12	1.0%	32.0%	1,440	1,212	2.1%	-3.4%
Professional, Scientific & Technical Services	48	61	4.9%	4.9%	4,836	5,187	8.8%	1.4%
Administrative & Support Services	23	31	2.5%	6.2%	1,693	1,833	3.1%	1.6%
Public Administration & Safety	48	13	1.0%	-23.0%	3,308	4,345	7.4%	5.6%
Education & Training	42	51	4.1%	4.0%	4,451	5,458	9.3%	4.2%
Health Care & Social Assistance	77	111	8.9%	7.6%	6,990	8,210	13.9%	3.3%
Arts & Recreation Services	10	21	1.7%	16.0%	1,106	1,279	2.2%	2.9%
Other Services	43	81	6.5%	13.5%	2,505	2,933	5.0%	3.2%
Total	916	1,245	100.0%	6.3%	51,487	58,910	100.0%	2.7%
Broad Industry Categories (BIC)								
Knowledge-Intensive	200	270	21.7%	6.2%	13,274	15,113	25.7%	2.6%
Health & Education	119	162	13.0%	6.4%	11,441	13,668	23.2%	3.6%
Population-Serving	180	333	26.7%	13.1%	16,842	21,447	36.4%	5.0%
Industrial	417	480	38.6%	2.9%	9,930	8,682	14.7%	-2.7%
Total	916	1,245	100.0%	6.3%	51,487	58,910	100.0%	2.7%

Source: ABS (2017)

2.3 Planning Context

2.3.1 A Metropolis of Three Cities - Greater Sydney Region Plan (2018)

A Metropolis of Three Cities - Greater Sydney Region Plan (2018) sets the strategic vision for Greater Sydney to 2036. The Region Plan details a planning framework for the liveability, productivity and sustainability of the metropolis for three cities.

There are 10 Directions each of which comprise a set of objectives of the Region Plan.

The relevant objectives include:

- Objective 9 - Greater Sydney celebrates the arts and supports creatives industries and innovation
- Objective 10 - Greater housing supply
- Objective 11 - More diverse and affordable housing
- Objective 22 - Investment and business activity in centres
- Objective 23 - Industrial and urban services land is planned, retained and managed

Objective 9

Creative industries play a significant in Greater Sydney's productivity with creativity, entrepreneurship, technical ability and collaboration being essential skills for the future workforce. Providing better and more opportunities for creative industries to collaborate with health and education institutions can facilitate local innovation.

In addition to arts and cultural experiences in venues, theatres, cinemas, eat streets and events, multi-functional and shared spaces are also required to create opportunities for artists and makers to live, work and learn locally. Greater use of the public realm for temporary uses, and vacant or under-utilised commercial spaces for arts, events and creative uses is encouraged.

Objective 10

As Greater Sydney prepares to deliver an unprecedented supply of 725,000 new dwellings by 2036 to meet current population projections, it is important that a range of housing types, tenures and price points is available. A range of housing types provides for the needs of the community at different stages of life and caters for diverse household types. Key to delivering new housing supply is linking with local infrastructure to optimise existing infrastructure and create liveable neighbourhoods.

Objective 11

More diverse and affordable housing is important. Affordability affects renters and homeowners and is an issue that has escalated in recent years. A key contributing factor to the unaffordability crisis facing Greater Sydney is the rapid growth in sale and rental prices and moderate supply levels which has resulted in an increasing proportion of households choosing to rent over buying or delaying home purchases until later in life. Despite the large rental market demand, many renters face a relatively poor choice of rental housing options with short and insecure rental agreements.

Objective 22

Greater Sydney is comprised of a network of centres - metropolitan centres, strategic centres and local centres.

Marrickville is a designated local centre and is located approximately 500m east of the Site. Local centres are defined as a collection of shops and include health, civic and commercial services. Local centres are diverse and vary in size. They play an important role in providing access to goods and services close to residents. Increasing the level of residential development within walking distance of centres with a supermarket is considered a desirable liveability outcome.

Objective 23

Industrial and urban services lands can include a range of activities from major freight and logistics and heavy manufacturing to light industry, urban services and new economy or creative uses.

The Region Plan notes that management of industrial and urban services lands should evolve in response to changing business practices and needs. It states the importance of managing uses to allow sites to transition to higher-order employment activities to maximise business productivity, efficiency and competitiveness.

2.3.2 Eastern District Plan

The Eastern City District Plan (the District Plan) is a 20 year plan for the implementation of the 10 Key Directions under the Region Plan. Aligning with local planning strategies, the District Plan will assist Councils deliver growth and change through a set of planning priorities and outcomes.

Planning Priorities and Actions of relevance to the Proposal include:

- Planning Priority E4 - Fostering healthy, creative, culturally rich and socially connected communities
- Planning Priority E5 - Providing housing supply, choice and affordability with access to jobs, services, public transport
- Planning Priority E6 - Creating and renewing great places and local centres and respecting the District's heritage
- Planning Priority E7 - Growing a stronger and more competitive Harbour CBD
- Planning Priority E12 - Retaining and managing industrial and urban services land

Planning Priority E4

This priority focuses on fostering healthy, creative, culturally rich socially connected communities.

The District Plan emphasises the importance of place-based planning to build on the District's artistic and creative strengths.

Co-locating artistic and creative organisations will support creative enterprises and precincts. This will be facilitated by planning for multi-functional and shared work spaces with opportunities for business owners to live, work and learn locally. Locations to consider for creative industries include underutilised mixed-use areas, in particular ground level commercial or declining high streets.

Planning Priority E5

The priority sets out objectives and corresponding strategies to deliver greater and more diverse housing supply to meet a diverse range of household types.

Affordability is recognised to be key issue at the Federal and State Government level. The NSW Department of Planning and Environment and the Greater Sydney Commission will jointly investigate ways to facilitate housing diversity through innovative purchase and rental models.

Further opportunities to support housing affordability and diversity include more compact housing and innovative design to support moderate income households in particular key workers and skilled workers in targeted employment areas. This could include new owner developer models that support lower cost and flexible delivery of apartments.

Planning Priority E6

Local centres (like Marrickville) are a focal point for neighbourhoods, providing local services and importantly, local employment. Place-based planning for local centres should have regard to key principles that:

- Protect or expand employment opportunities
- Integrate and support creative enterprise
- Increase residential development in the centre

Planning Priority E7

The Eastern Economic Corridor provides a substantial economic contribution to Greater Sydney extending from Macquarie Park through the Harbour CBD and Randwick to Green Square and Mascot. The Corridor and surrounding neighbourhoods are attractive places to live and work, further encouraging substantial investment. The District Plan recognises the importance of the industrial areas in Marrickville and their contribution to the Eastern Economic Corridor.

Planning Priority E12

This priority seeks to implement strategies that retain and manage industrial and urban services land. The Inner West is identified as an area of value for the creative industries within Greater Sydney.

2.3.3 Inner West Local Strategic Planning Statement

The Inner West Local Strategic Planning Statement (LSPS) builds upon the directions of the Region Plan and priorities of the District Plan.

The LSPS notes the importance of ensuring remaining areas of employment lands are 'protected' to ensure they continue stimulating local jobs, enterprise formation and retain local spending.

It highlights the importance of cultural production and creative industries to the area's liveability, economy and distinctive identity. Though, the current planning framework does not reflect the diversity of the creative sector and all of its requirements. Council states its intention to play a key role to facilitate protecting and preserving appropriate spaces for a diverse range of creative industries and cultural producers.

The LSPS notes potential partnership opportunities with social, creative and cultural space providers to increase provision of affordable, fit-for-purpose and sustainable space to support growth of the cultural sector and creative industries.

2.4 The Proposal

The Proposal is an industrial-led Creative Cooperative comprised of flexible industrial and warehouse space as well as living space. The proposed use of 'build-to-rent' precludes strata subdivision of the residential living space.

The proposed mix of uses are partly permitted in the IN2 Light Industrial zone. Light industry and Warehouse or Distribution Centres are permitted with consent. The additional permitted use of 'build-to-rent' of residential living space will facilitate development of a vertically integrated creative cooperative that accommodates 'live and work' opportunities.

The Myrtle Street Creative Build-to-Rent will be Australia's first creative cooperative, vertically integrating co-living and co-working living in a single development. A range of flexible work spaces will respond to and strengthen Marrickville's creative industry and reflect its industrial heritage and unique 'maker-doer' characteristics.

The Proposal envisages high-span warehouse space on the ground floor with the first and second floors accommodating warehouse/ industrial space as well as live-work opportunities. The work space is proposed to be flexibly configured to accommodate a range of business activities from design and conceptualisation to manufacturing and production, display and sale as well as freight and logistics.

Table 2-3 summarises the proposed planning controls and uses.

Table 2-3: The Proposal, Uses and Configuration

Metrics	Gross Floor Area (GFA)	
Floor Space Ratio (FSR)	4.65:1	
Building Height	42m	
Flexible Warehouse	Ground to Level 2	5,565sqm
Built-to-Rent	Level 2 to 6	11,960sqm
Total	17,525sqm	

The next chapter investigates the market context and need for the Proposal.

3. A Creative Cooperative

3.1 Creative Industrial

'Creative industries' are increasingly referred to as their economic value and contribution as part of the creative economy grows. Creative industries are often loosely defined and used. Broadly, they can be distinguished by the value they bring that is driven by creativity.

Creative industry sectors including publishing, performing arts, visual arts, screen production, music, software development and digital media. Creative industry sectors often intersect with the cultural sector. Depending on the types of activity undertaken, their floorspace requirements will be different. Commercial office space may be required for marketing of visual arts productions while industrial floorspace may be required for production of pottery, sculpture and paintings.

The Marrickville Local Environmental Plan (2011) defines "industrial activity" as *"the manufacturing, production, assembling, altering, formulating, repairing, renovating, ornamenting, finishing, cleaning, washing, dismantling, transforming, processing, recycling, adapting or servicing of, or the research and development of, any goods, substances, food, products or articles for commercial purposes, and includes any storage or transportation associated with any such activity"*.

'Creative Industrial' uses can therefore be thought of as those creative industrial sectors who engage in any of the activities identified in the LEP definition of industrial activity. A theatre set designer may design and manufacture props and therefore require industrial floorspace for that business activity. They may also display their products and undertake retailing activity. In this example they will require a hybrid of floorspace (not just industrial floorspace) to carry out their business.

The Pursuit of Competitive Productivity

In an increasingly competitive economic landscape, many sectors are experiencing disruption to business-as-usual. Businesses continually seek out new and creative ways of doing things in an effort to be more productive and remain competitive. As a result, many creative businesses emerge to create and develop solutions that are innovative.

Creative businesses could make use of technology to contribute to competitiveness and productivity outcomes, for example innovative food technology that results in less wastage and more efficient production. Creative businesses typically seek non-traditional commercial premises; comprised of a mix of industrial, commercial, storage/ warehousing floorspace.

Many of these creative businesses are observed in South Sydney where a number of business functions can be undertaken at the same location, i.e. design and production, storage and warehousing, administration and marketing. The rise and growth of creative businesses has accordingly led to a growth of development types that combine factory/ industrial space with creative suites and high-tech industrial units. Examples of these development typologies can be found in Marrickville and further afield in South Sydney and include:

- **The Borough** - 76 Edinburgh Road, Marrickville

The Borough is comprised of four precincts and provide a mix of high-tech units, open plan work zones and small industrial units. The suites are understood to range in size from 50sqm to around 300sqm.

- **Precinct 75** - 75 Mary Street, Marrickville

Precinct 75 accommodates a collection of creative businesses within adaptively reused suites ranging in size from 50sqm to nearly 1,000sqm. A tenant mix is curated through careful tenant selection to ensure they contribute to growing the Inner West creative business community.

The evolution of floorspace requirements and type is already witnessed in South Sydney and at a larger scale. Hybrid development typologies are common where a mix of business functions are co-located under the one-roof. Examples include:

- Collins on Bourke - 90-96 Bourke Road, Alexandria
- Enterprise Industrial Estate - 51-53 Bourke Road, Alexandria
- The Mill - 41-43 Bourke Street, Alexandria

Creative enterprise is increasingly observed to collide with industrial activity, cultural activity and business activity more broadly. This has implications for how floorspace is used and how new development activity responds.

3.2 Creative Clustering

The co-location/ clustering of businesses for competitive advantage is natural. Businesses seek to cluster for supply chain advantages or for collaboration and resource-sharing opportunities.

The Precinct is an established creative industry and manufacturing cluster which has origins from the early 1900's. A comprehensive business audit of the Precinct (as part of the larger research study *Made in Marrickville*) undertaken in 2017 found the Precinct to accommodate a unique mix of creative industries, many of whom undertake industrial activities and therefore leading to their decision to locate within the Precinct. Many of these activities were found to be accommodated in a range of “affordable and practical workspaces” with small studio suites and larger production facilities arranged across a number of co-located complexes (Gibson, Grodach, Lyons, Crosby and Horley, 2017).

The Precinct has grown into a diverse mix of commercial, tactile and social networks consisting of 15 functional clusters and more than 220 creative and creative-manufacturing enterprises.

Figure 3-1 illustrates the clustering activity in the Precinct.

Figure 3-1: Spatial Clusters in the Precinct



Made in Marrickville describes the Precinct as an active local business hub and home to mostly micro and small businesses (<4 employees and 5-19 employees respectively), which make up 92% of the Precinct. Many enterprises operate across both the creative and industrial sector, carrying a diverse range of business activities from food and beverage manufacturing to fashion design and theatre puppet making. Many businesses service the local area as well as broader Sydney’s artistic and cultural institutions’ back-of-house functions.

Feedback from the business audit found that the Precinct’s affordable rents were a key factor for location selection, the ability to operate 24/7 and the centrality of the location to businesses’ suppliers, customers and staff.

3.3 Co-location with Residential Living

Ensuring there are opportunities for housing that is affordable within close proximity of where people work is a key tenet of planning. Affordable and diverse housing solutions are an important priority for many councils including Inner West Council.

Like many inner ring suburbs of Sydney, Marrickville and its neighbouring suburbs continue to accommodate many renter households (41% of total Inner West households were renters in 2016 compared to 33% in Greater Sydney). Price and availability has generally been tight, with residential vacancy rates rarely exceeding 2% over the past decade until 2018. Vacancy rates are presently just over 3%, still indicating a tight rental market.

Co-location of residential living opportunities with work opportunities is therefore an important solution.

3.4 Opportunity for the Proposal

Creative Industrial Clustering

This section outlines key findings of the *Made in Marrickville* research study which demonstrate:

- The employment significance of the 'collision' between creative industries and manufacturing in the Precinct.
- The opportunity for spatial connections and clustering to occur between enterprise within the Precinct.

Section 3.1 demonstrates the importance of flexible business floorspace that responds to the collision of creative and industrial activity, resulting in many businesses requiring a hybrid of workspaces. Section 3.2 further demonstrates the importance of the opportunity for co-location, for businesses to be able to cluster with like businesses.

The Precinct has retained much of its industrial character, with the departure of large manufacturers replaced by various small scale enterprise that have a creative focus. These enterprises occupy a variety of floorspace in the Precinct, from micro studio suites to larger production and storage spaces.

As the Precinct continues its transition to light industrial and mixed business enterprise activity, there will continue to be a shift in floorspace requirements with businesses requiring smaller floorplates and a mix of floorspace types (including warehouse/ industrial work spaces to commercial and storage spaces). Consequently, development typologies that are flexible in nature and that can be adapted to suit a wide range of enterprise activity are needed.

The Proposal responds to the need for providing workspaces that are flexible and that additionally enable businesses to cluster and co-locate with similar creative businesses. Given the naturally occurring clustering of creative enterprise in the Precinct, the Proposal would be market-supported and meet demonstrated demand for industrial-led creative floorspace.

The Proposal integrates vehicular access and loading/ unloading areas with workspaces, co-locating the following uses:

- Creative industry, studio and office
- Warehouse, research and production facilities
- Back-of-house support for artistic and cultural facilities
- Recreational uses
- Breakout and communal spaces

The continued ability to locate in an area with affordable rents, operate 24/7 in a central location close to suppliers, customers and staff are all important attributes of the Proposal.

Residential Living

The Proposal additionally responds to the need for residential living close to infrastructure and employment opportunities. The Build-to-Rent proposition ensures residential living opportunities are not strata sub-divided for individual sale/ rent. The live-work and residential units can be rented in one-line to a housing provider or to individual households subject to eligibility.

Subject to astute design, low impact creative industrial enterprise activity can be accommodated to co-exist with residential uses. Notably, land uses in many inner-city areas do co-exist and operate alongside each other (e.g. Surry Hills, Chippendale). Sustainable co-location on the Site will require careful separation of uses on the site which is dealt with through the design process.

4. Economic Impact Assessment

4.1 Overview

This chapter examines the economic activity supported through the operations of businesses locating to the Site if it were redeveloped according to the Proposal.

The chapter additionally examines the economic activity and impacts that could be facilitated through employment and industry growth beyond the direct activities undertaken within the Inner West LGA.

Approach

This section estimates the economic activity supported in the following scenarios:

- **Proposal Case:** Existing buildings are demolished and the Site redeveloped into the following uses:
 - Flexible warehouse space (5,565sqm) on the Ground floor and parts of Level 1-2.
 - Approximately 175-225 'build to rent' dwellings (11,960sqm) with a mix of studio, 1, 2 and 3 bedroom units.
- **Base Case:** Alterations and additions to the Site to provide for additional floorspace subject to height and density controls under the Marrickville LEP. At the current planning controls, a complete redevelopment (demolition and rebuild) of the existing buildings is not considered a likely viable proposition.

The economic impacts are assessed at the Inner West LGA. An Input-Output model (including the development of specific regional Input-Output transaction tables) was developed to reflect the economic structure of the LGA. Refer to Schedule 1 for further details on the methodology and key assumptions.

Modelling outcomes for the Proposal Case are based on the development parameters and reflect one possible outcome.

Input-Output modelling estimates economic activity through examination of four types of impacts described in Table 4-1.

Table 4-1: Economic Indicators

Indicator	Description
Output	The gross value of goods and services transacted, including the cost of goods and services used in the development and provision of the final product. Care should be taken when using output as an indicator of economic activity as it counts all goods and services used in one stage of production as an input to later stages of production, thus overstating economic activity.
Gross Product	The value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product (GRP)) defines a net contribution to economic activity.
Incomes	The wages and salaries paid to employees as a result of the Project either directly or indirectly.
Employment	Employment positions generated by the Project (either full time or part time, directly or indirectly). Employment is reported in terms of Full-time Equivalent (FTE) positions or person-years.

Atlas

Input-Output modelling estimates show the **impacts of direct spending** in a particular industry as well as from Production-induced impacts (Type I) or Consumption-induced impacts (Type II).

- **Production-induced impacts** (Type I) show the effects of industrial support effects of additional activities undertaken by supply chain industries increasing their production in response to direct spending.
- **Consumption-induced impacts** (Type II) estimate the re-circulation of labour income earned as a result of the initial spending through other industry impacts (or impacts from increased household consumption).

The estimates of economic impacts consider production and consumption-induced flow-on impacts. Type II impacts are commonly considered to overstate economic activity and therefore the types of flow-on impacts are reported separately.

4.2 Drivers of Economic Activity

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 and stabilisation.

- **Construction phase:** Construction activity is assessed for both the Proposal Case and Base Case. Construction activity in the Proposal Case will draw resources from and thereby generate economic activity in the Inner West and Greater Sydney Region. Assumptions are made on the proportion sourced from within and from outside the Inner West LGA.
- **Operational phase:** The Site is expected to generate ongoing economic operational activity through the following:
 - Direct turnover generated by **business operations** within the proposed creative industrial space.
 - Increased employment activity through '**dispersed jobs**', i.e. residents working from home.
 - Increased **direct expenditure** for the Inner West LGA generated from new residents moving to the Site.

We highlight that economic impacts are assessed at the Inner West LGA level. Should they be assessed at the NSW state level, the quantum and nature of impacts will be different.

Refer to Schedule 1 for a detailed description of the drivers and assumptions that underpin the assessed economic impacts.

4.3 Economic Activity and Impacts

Economic impacts arising in the Construction phase are assessed separately to the Operational phase as construction impacts are expected to be short-term in nature and will conclude when development activity is completed.

4.3.1 Construction Phase

The Base Case assumes additional floorspace will be provided on the Site to realise remaining development capacity under existing FSR controls (FSR 0.95:1). Compared to the Proposal, economic impacts in the Base Case during construction are expectedly lower due to much lower capital expenditure investment.

In the Proposal Case, the following economic activity is supported:

- \$92.0 million in output (including \$56.9 million in direct activity).
- \$31.1 million contribution to GRP (including \$13.4 million in direct activity).
- \$18.5 million in incomes and salaries paid to households (including \$9.4 million in direct income).
- 224 FTE jobs (including 111 FTE directly employed in construction activity).

These economic impacts are assessed at the local Inner West LGA level. If viewed at the NSW state level, the economic impacts that result are greater.

In the Base Case, economic impacts during construction are more modest given the much lower capital expenditure investment associated with alterations and additions to realise latent development capacity under existing planning controls.

Table 4-2 compares the economic impacts during construction and summarises the net economic impacts from the Proposal.

Table 4-2: Construction Impacts in Inner West LGA, Proposal Case and Base Case

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Proposal Case				
Direct	\$56.9	\$13.4	\$9.4	111
Flow-on Type I (Production-induced)	\$23.7	\$10.7	\$6.4	75
Flow-on Type II (Consumption-induced)	\$11.4	\$6.9	\$2.8	38
Total	\$92.0	\$31.1	\$18.5	224

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Base Case				
Direct	\$1.7	\$0.4	\$0.3	3
Flow-on Type I (Production-induced)	\$0.7	\$0.3	\$0.2	2
Flow-on Type II (Consumption-induced)	\$0.3	\$0.2	\$0.1	1
Total	\$2.8	\$0.9	\$0.6	6
Net Operational Impacts				
Direct	\$55.2	\$13.0	\$9.1	108
Flow-on Type I (Production-induced)	\$23.0	\$10.4	\$6.2	73
Flow-on Type II (Consumption-induced)	\$11.1	\$6.7	\$2.7	37
Total	\$89.2	\$30.2	\$18.0	218

Note: Totals may not sum due to rounding

Source: Atlas

Net economic activity generated by businesses is expected to support direct and flow-on impacts during construction:

- \$89.2 million in output (including \$55.2 million in direct activity).
- \$30.2 million contribution to GRP (including \$13.0 million in direct activity).
- \$18.0 million in incomes and salaries paid to households (including \$9.1 million in direct incomes).
- 218 FTE jobs (including 108 FTE directly employed in construction activity).

Again, construction impacts assessed at a State level will be greater as it assumes 100% of output is retained.

4.3.2 Operational Phase

Following construction completion, increased business activity can be accommodated in Base Case and Proposal Case. This business activity is generally categorised into the following activity types:

- **Business Operations Activity**
The economic activity that results from the commercial activity of businesses and tenants who occupy floorspace on the Site.
- **Dispersed Employment Activity**
The Proposal Case contains build-to-rent accommodation and residents working from home represent 'dispersed jobs' that generate additional economic activity.

Economic impacts are assessed separate for the Base Case and Proposal Case.

Proposal Case

The commercial activity generated by jobs in the Proposal Case will support economic activity directly through the activities of businesses located on the Site as well as through flow-on impacts through an increase in production-induced (supply chain) activity and household consumption annually.

- \$94.9 million in output (including \$58.1 million in direct activity).
- \$45.4million contribution to GRP (including \$25.8 million in direct activity).
- \$24.1 million in incomes and salaries paid to households (including \$14.5 million in direct incomes).
- 269 FTE jobs (including 153 FTE directly employed in construction activity).

Base Case

The Base Case accommodates business activity commensurate with permitted floorspace and uses. It is estimated to support the following annual economic activity through direct and indirect (flow-on) impacts associated with operations on the Site:

- \$44.5 million in output (including \$27.3 million in direct activity).
- \$21.3 million contribution to GRP (including \$12.1 million in direct activity).
- \$11.3 million in incomes and salaries paid to households (including \$6.8 million in direct income).
- 126 FTE jobs (including 72 directly related to activity on the Site).

Operational impacts assessed for the Base Case and Proposal Case are summarised in Table 4-3.

Table 4-3: Operational Impacts, Proposal Case and Base Case

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Proposal Case				
Direct	\$58.1	\$25.8	\$14.5	153
Flow-on Type I (Production-induced)	\$20.8	\$9.8	\$5.6	62
Flow-on Type II (Consumption-induced)	\$16.0	\$9.7	\$3.9	54
Total	\$94.9	\$45.4	\$24.1	269
Base Case				
Direct	\$27.3	\$12.1	\$6.8	72
Flow-on Type I (Production-induced)	\$9.7	\$4.6	\$2.6	29
Flow-on Type II (Consumption-induced)	\$7.5	\$4.6	\$1.8	25
Total	\$44.5	\$21.3	\$11.3	126
Net Operational Impacts				
Direct	\$30.9	\$13.7	\$7.7	81
Flow-on Type I (Production-induced)	\$11.0	\$5.2	\$3.0	33
Flow-on Type II (Consumption-induced)	\$8.5	\$5.2	\$2.1	28
Total	\$50.4	\$24.1	\$12.8	143

Note: Totals may not sum due to rounding.

Source: Atlas

4.4 Net Economic Impacts

Compared with the Base Case, the Proposal facilitates intensified use of the Site, accommodating more businesses and employment activity (including activity from dispersed employment and household spend), and result in greater levels of output and contribution to the Inner West local economy.

Compared with the Base Case, the Proposal is estimated to result in a **net increase in economic activity** through direct and indirect (flow-on) annually at:

- \$50.4 million additional in output (including 30.9 million in direct activity).
- \$24.2 million additional in contribution to GRP (including \$13.7 million in direct activity).
- \$12.8 million additional in incomes and salaries paid to households (including \$7.7 million directly).
- 143 additional FTE jobs (including 81 additional jobs directly related to activity).

Additional Economic Activity through Household Expenditure

This section estimates the quantum of household expenditure that could result from new residents to the Site in the Proposal and the additional economic activity that could be supported.

We caution that household expenditure activity that is supported should not be summed with the impacts estimated in section 4.3.2 as some household expenditure activity would have already been captured in the assessment of economic impacts in section 4.3.2 (for example, household spending could result in direct and flow-on activity for businesses that are operating within the Site).

It is therefore important not to sum the impacts in this section and those in section 4.3.2 to avoid double-counting. The estimate of economic activity supported by household expenditure should therefore be viewed as its own separate analysis.

Increase to household expenditure resulted from new residents moving to the Site will support additional economic activity, resulting in economic impacts for the Inner West LGA.

Household expenditure associated with the Proposal's new residents is estimated to support the following economic activity through direct and flow-on impacts (per annum):

- \$21.3 million in output (including \$13.9 million in direct activity).
- \$12.3 million in contribution to GRP (including \$8.2 million in direct activity).
- \$5.9 million in incomes and salaries paid to households (including \$4.0 million in direct activity).
- 91 FTE jobs (including 67 additional FTE jobs directly).

Table 4-4 summarises the economic impacts associated with household expenditure in the Proposal Case.

Table 4-4: Household Expenditure in Inner West LGA, Proposal Case

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$13.9	\$8.2	\$4.0	67
Flow-on Type I (Production-induced)	\$3.5	\$1.7	\$1.0	11
Flow-on Type II (Consumption-induced)	\$3.9	\$2.4	\$1.0	13
Total	\$21.3	\$12.3	\$5.9	91

Note: Totals may not sum due to rounding.

Source: Atlas

New household expenditure is expected to be directed to local businesses in the Marrickville local centre (to the west of the Site) and elsewhere in the LGA. Beneficiaries of this retail spend could conceivably include service retail and commercial businesses along Illawarra and Marrickville Roads, Marrickville Metro Shopping Centre and other retail and hospitality establishments in the Inner West LGA. This will contribute to the vitality and viability of the Inner West's local centres.

5. Policy Assessment

5.1 Section 9.1 Ministerial Directions

This section examines the Ministerial Direction section 9.1 (2), specifically Section 1.1 Business and Industrial zones. The objectives and considerations are identified in Table 5-1 and Table 5-2.

Table 5-1: Consistency with s9.1 (2) Objectives

Objective	Proposal
Encourage employment growth in suitable locations	The Site is currently improved with several older-style industrial buildings accommodating several businesses and an estimated 32 jobs. Through alterations and additions, the existing buildings could potentially be expanded and intensified to accommodate a total of 70 jobs. The Proposal envisages redevelopment of the Site to accommodate approximately 5,565sqm flexible warehouse floorspace and 11,960sqm Build-to-Rent floorspace. Combined, the proposed floorspace could accommodate 153 direct jobs (on-site), representing an increase of 83 direct jobs. The objective is met.
Protect employment land in business and industrial zones	The Proposal envisaged amendment to the FSR control which would lead to increased capacity for employment land uses in Marrickville and the broader Inner West LGA. The capacity of employment land in the IN2 Light Industrial zone would be increase, with the potential to accommodate 153 jobs, representing an increase of 83 direct jobs. The objective is met.

Source: DPIE, Atlas

The section 9.1 (2) Ministerial Directions identify the requirements for planning authorities to consider when preparing a planning proposal for land in a business zone.

Table 5-2: Planning Authority Considerations

Consideration	Achieved?	Comment
Give effect to the objective of the direction	Yes	Table 5-1 demonstrates that the objectives of the direction are met.
Retain the areas and locations of existing business and industrial zones	Yes	The Proposal retains the IN2 Light Industrial zone and proposes to expand the employment floorspace capacity through amendment to the FSR control.
Not reduce the total potential floorspace area for employment uses and related public services in business zones	Yes	The Proposal would provide more than 5,500sqm of employment floorspace which could be flexibly configured for creative industrial and a mix of business and enterprise uses.
Not reduce the total potential floorspace area for industrial uses in industrial zones	N/A	Not applicable
Ensure that proposed new employment areas are in accordance with a strategy approved by the Director-General of the Department of Planning	Yes	The EIA demonstrates the Proposal is consistent with state and local government objectives to support economic growth, employment growth, the efficient and effective use of scarce land in existing urban centres. The Proposal complies with this consideration.

Source: DPIE, Atlas

5.2 Conclusion

The Proposal responds to the Greater Sydney Region Plan and the Eastern City District Plan in a number of key areas.

Supporting Creative Enterprise and Precincts

Objective 9 in the Region Plan highlights the significant role played by creative industries in Greater Sydney's productivity, with creativity, entrepreneurship, technical ability and collaboration being essential skills for the future workforce. Providing better and more opportunities for creative industries through multi-functional and shared spaces are important to create opportunities for artists and makers to live, work and learn locally.

Planning Priority E4 affirms this objective and outlines the importance of making use of under-utilised commercial spaces.

The analysis in section 3.1 and 3.2 indicates demand for hybrid workspaces for creative businesses in a co-located and clustered setting.

The Proposal seeks to provide more than 5,500sqm of flexible warehouse space, specifically targeted at creative industrial uses in a renewed development. This responds to the objective of supporting creative enterprise and precincts, and in this case expanding upwards (facilitated by amendment to the FSR controls).

Retaining and Managing Industrial and Urban Services Land

Objective 23 in the Region Plan identifies the need to manage industrial and urban services lands in line with the evolution of changing business practices and needs. It seeks to manage uses where needed to transition to higher-order employment activities to manage business productivity, efficiency and competitiveness.

Planning Priority E12 affirms this, seeking to ensure industrial and urban services land is planned, retained and managed, recognising that demand for this land will increase commensurate to population growth. Good local access to these services reduces the need to travel to other areas.

The District Plan recognises that small, inner-city industrial precincts provide high proportions of urban services jobs for local communities. Even though employment growth will require additional floorspace, urban services are often less able to increase their floorspace efficiency or locate in multi-storey buildings.

The Planning Proposal responds to this by incorporating more than 5,500sqm of floorspace for creative industrial uses over multiple levels.

Due to vehicle circulation, loading/ unloading and parking requirements, many industrial buildings typically do not achieve FSR 1:1 even when permitted. After allowing for truck loading, circulation and parking areas at-grade, it is not unusual for industrial buildings to achieve only FSR 0.6:1 to FSR 0.7:1 even though more FSR is permitted.

By virtue of combining residential uses and employment floorspace in an integrated Creative Build-to-Rent development, the Proposal is able to meet parking requirements in basement levels. This facilitates provision of employment floorspace of nearly FSR 1.5:1, well above the current FSR 0.95:1. Basement parking would otherwise be cost prohibitive to incorporate in a development of employment floorspace only.

The Proposal addresses the District Plan's planning priorities by enabling the Site to be optimised in its employment role, also contributing to the economic vitality of the Marrickville local centre.

Role for the Site and the Proposal

The justification for the co-location of residential uses on the Site is to enable a scarce and valuable asset in an inner-city location to be optimised in its use. The District Plan rightly identifies that increasing industrial land supply is not a likely scenario. The relevant issue is then to ensure existing industrial land supply is enabled for an intensification of land use.

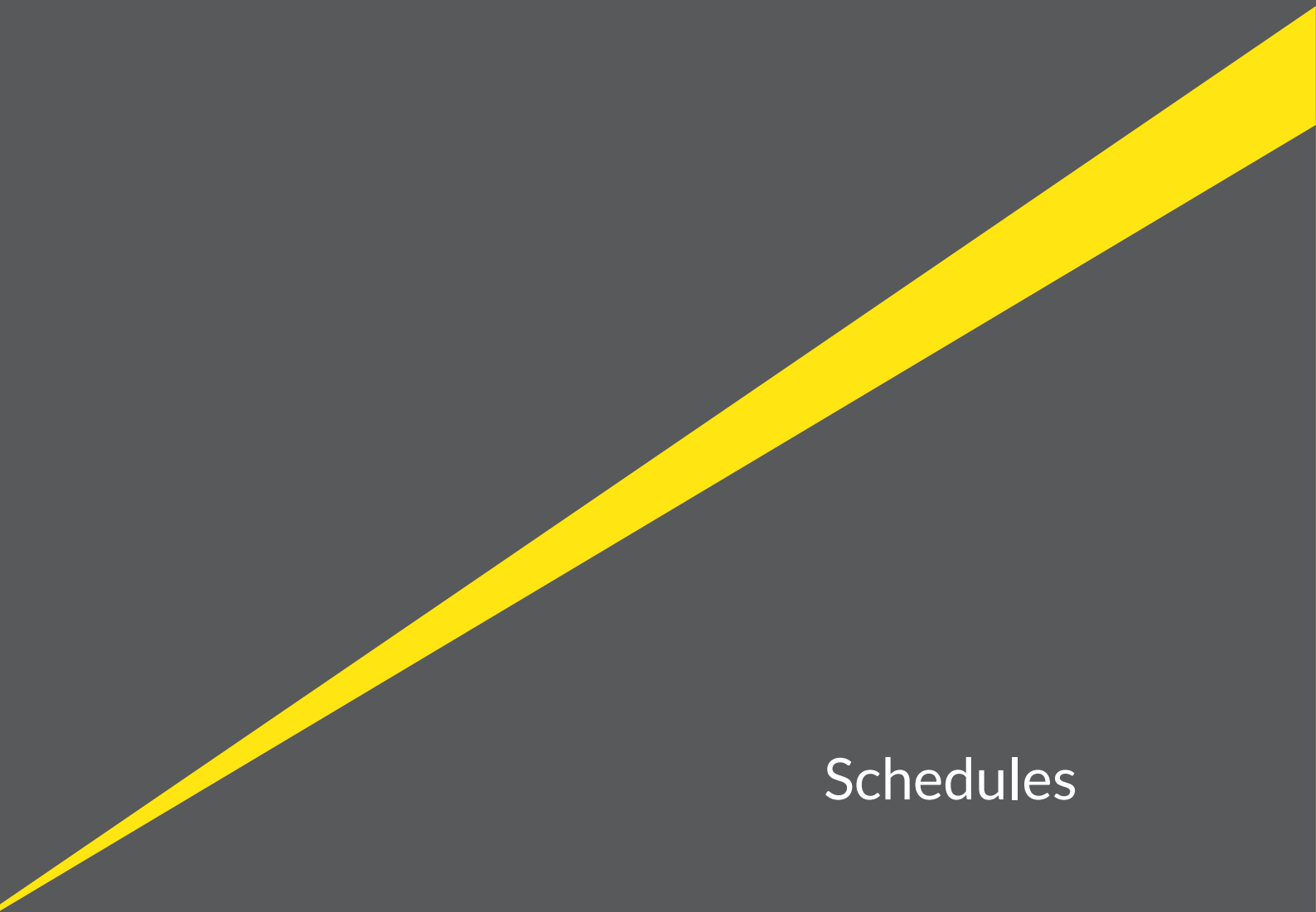
By virtue of combining residential uses in an integrated Creative Build-to-Rent development, the Proposal is able to meet parking requirements in basement levels. This enables non-residential/employment floorspace to be accommodated to almost FSR 1:1. Basement parking would otherwise be cost prohibitive to incorporate in a development of non-residential/employment floorspace only.

The Proposal is shown to deliver a positive economic impact to the local Marrickville centre and broader Inner West LGA through its construction activities and increased levels of on-going operational activity generated from its proposed creative industrial uses. By comparison, the Base Case underutilises the Site and has limited scope to accommodate large scale employment growth.

Given the current economic uncertainty surrounding the COVID-19 Pandemic, bringing projects such as the Proposal forward to help fill the gap in economic activity over the next 6-12 months represents a key avenue for local areas to support jobs and incomes for their communities. Direct and flow-on activity from the project will help support livelihoods while sectors such as arts and recreation, tourism and hospitality have been forced to close down or endure severely restricted operations.

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Schedules

Input-Output Methodology

Input-Output models are a method to describe and analyse forward and backward economic linkages between industries based on a matrix of monetary transactions. The model estimates how products sold (outputs) from one industry are purchased (inputs) in the production process by other industries.

The analysis of these industry linkages enables estimation of the overall economic impact within a catchment area due to a change in demand levels within a specific sector or sectors.

Impacts are traced through the economy 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)** derived from open Input-Output models. Type I impacts represent the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services, and subsequent round effects of increased purchases by suppliers in response to increased sales.
 - **Household Consumption Effects (Type II)** derived from closed Input-Output Models. Type II impacts represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the catchment economy.

Economic analysis considers the following four types of impacts, summarised in Table S1-1.

Table S1-1: Economic Activity Indicators

Indicator	Description
Output	The gross value of goods and services transacted, including the cost of goods and services used in the development and provision of the final product. Care should be taken when using output as an indicator of economic activity as it counts all goods and services used in one stage of production as an input to later stages of production, thus overstating economic activity.
Gross Product	The value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product, GRP) defines a net contribution to economic activity.
Incomes	The wages and salaries paid to employees as a result of the Project either directly or indirectly.
Employment	Employment positions generated by the Project (either full time or part time, directly or indirectly). Employment is reported in terms of Full-time Equivalent (FTE) positions or person-years.

Source: Atlas

REGIONAL MODEL DEVELOPMENT

Multipliers used in this assessment have been created using a regionalised Input-Output model derived from the 2016-17 Australian transaction table (ABS, 2019).

Estimates of gross industry production in the catchment area were developed based on the share of employment (by place of work) of the Catchment Area within the Australian economy (ABS, 2017) using the Flegg Location Quotient and Cross Hauling Adjusted Regionalisation Method (CHARM). See Norbert (2015) and Kronenberg (2009) for further details.

MODELLING LIMITATIONS AND ASSUMPTIONS

Input-Output modelling is subject to a number of key assumptions and limitations (ABS, 2019):

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using multipliers is the implicit assumption that the economy has no supply-side constraints. 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 multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. Prices are assumed to be unaffected by policy and any crowding out effects are not captured.
- **Fixed ratios for intermediate inputs and production:** Economic impact analysis using multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. As such, impact analysis using 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;
- **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 notable limitations, Input-Output techniques provide a solid approach for assessing the direct and flow on economic impacts of a project or policy that does not result in a significant change in the overall economic structure.

DRIVERS OF ECONOMIC IMPACT

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 Inner West LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.
- **Operational Phase:** On completion of development, the Site is expected to generate ongoing economic/ operational activity through the direct turnover generated by the business activities on the site, increased employment activity (including dispersed jobs of residents working from home) and increased retail household spend.

Construction Phase

For modelling purposes, construction costs (including contingency) for the Proposal Case were broken down into their respective Australia and New Zealand Standard Industrial Classification (ANZSIC) industries.

Drivers of the Construction phase were examined for both the Proposal Case and Base Case. This breakdown was developed based on the following assumptions by Atlas regarding the most appropriate ANZSIC industries for each activity.

Table S1-2 summarises the Constructions Cost Allocations for the Base Case and Proposal Case.

Table S1-2: Construction Cost Allocation, Proposal Case and Base Case (including Contingency)

Work Type	Base Case (\$M)	Proposal Case (\$M)	ANZSIC
Site Preparation and External Works	\$0.1	\$0.16	Construction Services
Site Preparation and Demolition	\$0.0	\$0.65	Heavy and Civil Engineering Construction
Flexible warehouse	\$3.3	\$40.9	Non-Residential Building Construction
Residential component	\$0.0	\$62.1	Residential Building Construction
Professional Fees	\$0.1	\$10.4	Professional, Scientific and Technical Services
Total	\$3.5	\$113.8	

Source: Atlas

Of the above capital outlay, not all activity will be undertaken within the Inner West LGA economy. For the purposes of this assessment it was assumed:

- Approximately 50% of the direct expenditure on construction-related (i.e. Residential Building Construction, Non-Residential Building Construction 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 Sydney 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 the Inner West 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).

Only flow-on activity of locally sourced professional, scientific and technical services activity (50%) is included, as it is not anticipated professional, scientific and technical services businesses located outside of the Inner West LGA would purchase goods/ services locally.

Operational Phase

In order to model the economic impacts, operational employment levels for the economic activity occurring in the three scenarios were categorised into the ANZSIC industries which Atlas considered most appropriate.

Employment by industry estimates were converted to a direct output value using a multiplier based on the national transaction table (ABS, 2019). The resultant estimates of output were modelled as the direct activity associated with the Proposal Case and Base Case.



Appendices

APPENDIX 1

Appendix heading

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