

BC/AC
14657
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Dear David,

**STRATEGIC ADVICE
HARBOURSIDE SHOPPING CENTRE, DARLING HARBOUR PRECINCT**

This strategic advice has been prepared by JBA on behalf of Mirvac Projects Pty Ltd in order to provide an overview of the key strategic and macro planning benefits and outcomes that will be realised by the proposed redevelopment of the Harbourside Shopping Centre. The advice has been prepared to accompany the State Significant Development Application submitted to the Department of Planning and Environment.

This advice relies on information that has been provided by Mirvac and which has been prepared in support of the State Significant Development Application. It focusses on the key strategic macro planning objectives outlined within the state and regional policy framework, with a particular focus on the proposal's alignment with the government's key strategic economic, employment and housing outcomes and objectives which apply to the site.

1.0 EXECUTIVE SUMMARY

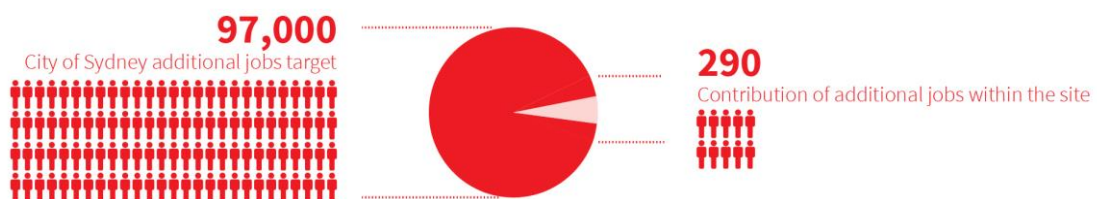
- The projected construction cost of approximately \$450 million is estimated to result in flow-on capital expenditure of circa \$607.5 million within the broader Australian economy. Overall, the construction phase of the project will result in over \$1 billion in cumulative capital expenditure throughout the Australian economy with a distinct focus on NSW and the Darling Harbour tourism precinct.



- *A Plan for Growing Sydney*, the NSW Government's overarching strategic plan for Sydney, specifically identifies the Sydney Harbour foreshore, Darling Harbour and the Cultural Ribbon as being integral to the future success of Sydney as a world class international tourist destination. The Harbourside Shopping Centre forms a key part of these precincts and its proposed redevelopment is entirely consistent with the plan.



- Approximately 930 permanent full time equivalent jobs will be created on the Harbourside site, representing approximately 290 new permanent jobs compared to the current development. It will therefore make a significant contribution to the City of Sydney's 2030 employment growth target under the *Sustainable Sydney 2030 Strategy*.



- 640 full-time equivalent construction jobs will be directly supported by the development of the new building and substantial public domain improvements within Darling Harbour, with a further 930 FTE supported within the local and broader Australian economy during the construction phase as a result of flow-on multipliers.



640
Construction jobs will be directly supported by the redevelopment of ATP



940
Full time local and broader Australian economy jobs during the construction phase as a result of flow-on multipliers

- The proposed development will accommodate a permanent workforce of over 900 additional persons within the site, and a permanent residential population of circa 700 people. Collectively the worker and resident population will inject approximately \$16 million in annual spending into the local economy. This is discussed in detail at Section 6.0 of this report. This expenditure will deliver substantial benefits to established local businesses within the Darling Harbour, Ultimo and CBD areas who will benefit from an increase in their local customer base, and support approximately 930 additional jobs in the local and regional economy.



2.0 HARBOURSIDE SHOPPING CENTRE

Harbourside Shopping Centre was opened in 1988 as part of the Bicentennial Program and has played a key role to the success of Darling Harbour as Australia's premier gathering and entertainment precinct. Harbourside is a large destination shopping centre with some 114 retailers providing food and beverage offerings/restaurants, entertainment and a general retail offering. The gross lettable area for the centre is approximately 20,000m² and approximately 12-13 million customers visit the centre annually. The Harbourside Shopping Centre is currently still operating.

Despite its success, with an annual pedestrian visitation of around 13 million people, Harbourside is now outdated and in decline. The building lacks a quality interface to the Darling Harbour public domain and Cockle Bay and does not integrate well with the major transformation projects underway and planned for across Darling Harbour.

Harbourside is at risk of being left behind and undermining the significant investment being made in Darling Harbour that will see it return to the world stage as a destination for events, entertainment and tourism.

Prior to Mirvac obtaining Harbourside, the NSW State Government reviewed the Site as an option to be part of the SICEEP development, primarily due to the isolated nature of the Site and Harbourside not being up to modern standards as a key retail shopping centre for Darling Harbour. The NSW State Government did not obtain the site as part of the SICEEP development due to the timing and staging of the projects, however, there was a general acknowledgement and consensus that the Site requires redevelopment.

Accordingly, Mirvac have taken a carefully considered and staged approach to the complete revitalisation of the Site and its surrounds and this is reflected in the State Significant Development Application for which this statement has been prepared.

3.0 PROPOSED DEVELOPMENT

The proposal relates to a staged development of the Harbourside Site which is located within the north western side of the Darling Harbour precinct. The Harbourside Site is to be developed for a mix of non-residential and residential uses, including retail tenancies and restaurants, residential apartments, and a new and improved public domain. The development as proposed under the State Significant Development Application involves:

- demolition of existing site improvements, including the Harbourside Shopping Centre, the southern pedestrian bridge link across Darling Drive, obsolete monorail infrastructure, and associated tree removal;
- extensive public domain improvements and a network of open space areas and pedestrian links around, within and through the site to facilitate improved integration of the site into the wider urban context;
- a new building comprising a podium structure with tower at the northern end of the site.
- a mix of land uses across the Site, including non-residential and residential uses;
- a maximum total Gross Floor Area (GFA) of 87,000m², comprising circa 52,000m² of non-residential space and 35,000m² of residential floor space.
- associated basement parking;

It is anticipated that, subject to planning approval, construction on the project will commence in 2018 for completion and full occupation by 2022. Mirvac has advised that there will be 640 full-time equivalent construction jobs directly supported by the delivery of the project, and the project will have a construction cost of approximately \$450 million.

4.0 STRATEGIC PLANNING AND ECONOMIC FRAMEWORK

The proposed redevelopment of the Harbourside Shopping Centre will result in the comprehensive regeneration of a key waterfront site within the Darling Harbour Precinct, the following section considers and discusses how the proposal responds to key strategic government planning policies which apply to the site.

4.1 State Priorities for NSW

The proposed development will assist in achieving a number of key 'State Priorities' as identified in NSW – Making it Happen, including but not limited to:

Strong Budget and Economy

A strong budget and economy is a central component of the Premier's Priorities for NSW. The proposed Harbourside redevelopment will make a significant contribution to achieving this objective, in particular it will:

- Support strong business confidence by indicating to the market that an industry leader such as Mirvac has sufficient confidence in the market conditions to invest \$450M to fund the site's redevelopment.
- Help generate and attract new business investment to the state, and in doing so will improve economic activity and productivity.
- Support a vibrant and dynamic business-friendly environment and thus provide new start-up businesses opportunities during both construction and operation.
- Create new job opportunities and will assist in boosting apprenticeships and traineeships, helping young people pursue careers in a highly skilled workforce.
- Result in the replacement of a tired and dated centre with a new high quality mixed use development anchored by a modern retail centre. The new facility will be designed to meet modern day trading needs and will attract a tenant mix that is better aligned to retail market demand, enabling it to

capitalise on its location within Darling Harbour. The improved success of the centre will result in additional tourist dollars and generate a greater level of local expenditure and local business. This will in turn increase business investment and drive greater demand for local jobs and employment growth.

Building Infrastructure

The Premier's Priorities emphasise the importance of building liveable communities for NSW and Sydney to remain appealing places that attract talented people and businesses from around the globe. For this to occur it requires smart, connected and resilient infrastructure that supports improved productivity and economic activity, which reduces travel time, and which allows Sydney's residents to have a high level of access to employment, services and facilities. The proposed Harbourside redevelopment will provide an outcome consistent with this objective as it will:

- Increase housing supply across NSW and contribute to State Government's objective of delivering 664,000 new dwellings in Sydney over the next 20 years.
- Help put downward pressure on prices within Greater Sydney by providing increased supply.
- Locate housing in close proximity to employment, services, facilities and amenities, thereby minimising dependence on motor vehicles and reducing road congestion.
- Provide new high quality amenity and services that will serve the local resident and visitor population.

Protecting the Vulnerable

The proposed development will protect the vulnerable within Sydney and NSW, specifically it will:

- Help address the growing demand for social housing by making a substantial financial contribution to the provision of affordable housing within Sydney.
- Result in the creation of a new high quality public domain within the Darling Precinct that will be designed in accordance with the latest DDA standards and requirements.

Creating Jobs

The proposed development will help make a substantial contribution to helping the state government realise its objective of creating 150,000 new jobs by 2019. In particular the project will directly and indirectly deliver approximately 1,580 FTE jobs during construction and an additional 290 FTE jobs once operational. In addition to this the Harbourside redevelopment will generate additional local expenditure and flow-on employment on top of the jobs created directly as a result of the development.

4.2 A Plan for Growing Sydney

A Plan for Growing Sydney is the NSW Government's metropolitan strategy that was released in December 2014. The *Greater Sydney Commission Act 2015* gives the Plan statutory effect under the *Environmental Planning and Assessment Act 1979* as the primary strategic planning document for development in Sydney. The proposed redevelopment of the Harbourside Shopping Centre directly supports, and is consistent with numerous goals, objectives and actions identified within A Plan for Growing Sydney. In particular it is noted that:

a) The proposed development will make a key contribution to reinforcing Sydney's reputation as an internationally competitive city and a world class tourist destination.

The visitor economy plays a critical part to the success of Sydney and more broadly NSW. Last year there were more than 3.6 million overseas visitors to NSW spending nearly \$9 billion. The tourism and events sector supports tens of thousands of jobs throughout the State, with one in every 23 jobs in NSW being within the tourism industry.

The Plan for Growing Sydney states that 'Sydney's global reputation is built around its dominant CBD and iconic harbour setting.' It notes that generating more commercial and residential capacity, facilitating

easier access between CBD precincts and ensuring a bustling mix of retail and world-class culture and arts will help consolidate Sydney's global reputation and draw capital and skilled workers from around the world.

At present 26 million people visit Darling Harbour annually, many of which are tourists, and the proposed development will help Sydney capitalise on this opportunity by replacing a tired and dated shopping centre with a new purpose built facility that will support and anchor the cultural tourist attractions on offer in the Darling Harbour Live Precinct. It will therefore make a substantial contribution to reinforcing Sydney's attraction to both the national and international tourist market

b) The proposed development will fill in the 'missing link' in Darling Harbour and will help to deliver on the Government's objective of enhancing the Cultural Ribbon.

The Plan for Growing Sydney sets out a key priority (i.e. Action 1.1.3) to *'Diversify the CBD by enhancing the Cultural Ribbon which connects new and revitalised precincts including Barangaroo, Darling Harbour, Walsh Bay and the Bays Precinct.'*

The proposal will assist the Government in realising this objective by facilitating the comprehensive renewal and transformation of a key waterfront site that plays a vital role in Darling Harbour. Once complete the Harbourside development will result in a much needed improvement to the foreshore environment in the form of a new high quality building set within a substantially enhanced public domain including a widened and improved pedestrian promenade.

It will also directly support the new convention centre and hotel by anchoring the western side of Darling Harbour, and will deliver a greater diversity of uses and facilities that will undoubtedly add to the quality of the visitor experience within the Cultural Ribbon.

c) The proposed development will deliver new housing that will increase local supply and choice and provide accommodation in close proximity to jobs, services and facilities.

The proposed development will help the Government in realising of a number their strategic housing goals and objectives, including:

- Making Sydney a city that has housing choice, with homes that meet changing household needs, lifestyle choices, population growth and different household budgets.
- Accelerating housing supply across Sydney, in particular through the urban renewal of an area that is well connected to employment opportunities and frequent public transport.
- Providing opportunities for households seeking to downsize to an apartment that better suits their lifestyle needs, and in doing so free up housing options within other urban locations to provide opportunities for larger family households to find accommodation that suits their needs.
- Helping to address the growing demand for social housing by making a substantial financial contribution to the provision of affordable housing within Sydney.

d) The proposed development will deliver housing that responds to identified market demand

The Plan for Growing Sydney acknowledges that *'The Government and local councils need to understand and respond to the housing market in each and every Local Government Area.'*

The proposed development will respond to an identified market demand for housing in Darling Harbour, which has most recently been confirmed with the sale of the last stage of Lend Lease's Darling Square development, where all 391 apartments were sold in a matter of hours on Saturday 28th May 2016.

With the completion of Barangaroo and the new Darling Harbour Live precinct, demand for housing in Darling Harbour is expected to intensify, and the proposed development will provide for approximately 35,000m² of new residential floor space, which will greatly assist with meeting market demand.

e) The proposed development will provide an outcome that directly responds to the priorities, objectives and actions set out for the Central Subregion.

Consistent with the objectives and action for the Central Subregion, the proposed development will:

- Assist with accelerating housing supply, choice and affordability within central Sydney;
- Contribute to improving pedestrian connections between venues within the Cultural Ribbon, particularly with the improvements along the foreshore walkway, links to Pyrmont Bridge, and the construction of new pedestrian bridge across Darling Drive.
- Support the transformation and evolution of Darling Harbour and increase capacity for mixed uses including additional housing and public domain improvements.

On the basis of the above, it is evident that the proposed Harbourside redevelopment will provide an outcome that is consistent with and integral to the realisation of A Plan for Growing Sydney's core objectives of improving Sydney's global reputation, completing the Cultural Ribbon, improving housing choice and growing employment within the CBD.

4.3 Sustainable Sydney 2030 – City of Sydney Community Strategic Plan (2014)

Sydney 2030 is the City of Sydney's overarching long-term strategic plan for Sydney, dealing with a range of urban and environmental issues. It sets out ten targets for Sydney to 2030, which are then supported by strategic directions aimed at achieving the Vision for Sydney a sustainable, green, connected global city. The proposed Harbourside redevelopment will make a significant and direct contribution to achieving a number of these key targets including:

- **Target 3** – *There will be at least 138,000 dwellings in the city (including 48,000 additional dwellings compared to the 2006 baseline) for increased diversity of household types, including greater share of families.*
- **Target 5** – *The city will contain at least 465,000 jobs (including 97,000 additional jobs) compared to the 2006 baseline) with an increased share in finance, advanced business services, education, creative industries and tourism sectors.*
- **Target 7** – *At least 10 per cent of city trips will be made by bicycle and 50 per cent by pedestrian movement.*
- **Target 8** – *Every resident will be within reasonable walking distance to most local services, including fresh food, childcare, health services and leisure, social, learning and cultural infrastructure.*
- **Target 9** – *Every resident will be within a 3 minute walk (250 m) of continuous green links that connect to the Harbour Foreshore, Harbour Parklands, Moore or Centennial or Sydney Parks.*

The strategic directions set out in Council's strategy also speak for the need of providing additional capacity to deliver housing and grow employment in proximity to public transport, which are both directly supported through this proposal and which will reduce dependency on private cars.

5.0 CONSTRUCTION BENEFITS

The capital investment value for proposed development and associated public domain and infrastructure works is estimated to be approximately \$450 million. Mirvac has provided a project-specific estimate that the Harbourside project will directly support 640 full-time equivalent (FTE) jobs provided during the construction phase, either on-site or in directly project-related off-site locations.

The delivery of a major construction project relies on the input of a range of industries, with the economic contribution and benefits extending beyond the direct capital expenditure for project goods and on-site employment. The flow-on benefits of construction activity are categorised for measurement into two types of economic multipliers¹:

¹ NSW Treasury, TPP-09-07: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government, November 2009

- Production induced effect – including both a first-round effect which is all of the direct inputs and employment required to construct the project, and an industrial-support effect which relates to the flow-on employment and expenditure required to produce the inputs into the materials/services obtained in the first-round effect. For example, the purchase of reinforced steel bars from a supplier is measured in the first-round expenditure and employment, whilst the induced demand for mining, transport and manufacturing to produce this product is captured in the industrial-support effect.
- Consumption induced effect – being the forward effects of expenditure in all industries from wages/salaries of persons employed as a result of the direct and production-induced effects of the project.

For construction expenditure, the Australian National Accounts 2008/09 published by the Australian Bureau of Statistics² indicate that for every 1 job directly supported in construction, a further 0.57 jobs are supported within the region as a result of production induced and consumption induced effect within the local region³. Input-output (I-O) models⁴ for Australian construction projects indicate that for every 1 job directly provided directly by a construction project, an additional 0.3 to 0.9 jobs are supported throughout the broader Australian economy. Therefore, based on the estimated direct employment for the construction phase of the project, it is estimated that the Harbourside project will support flow-on employment of up to a further 940 jobs within the Australian economy. **Cumulatively, the project will directly or in-directly support approximately 1,580 jobs over the construction phase.**

For construction expenditure, the production induced effect results in approximately \$1.35 million in flow-on expenditure for every \$1 million of direct expenditure in construction⁵. Based on the estimated base construction expenditure of \$450 million provided by Mirvac, it is therefore estimated that the project will generate \$607.5 million in capital expenditure within the broader Australian economy, meaning **that the project will result in over \$1 billion in cumulative capital expenditure throughout the Australian economy** (direct + production-induced).

6.0 OPERATIONAL BENEFITS

6.1 Worker Expenditure

Existing studies of average expenditure by workers in Sydney indicate that employees will spend between \$133 and \$305 per week within the immediate locality of their place of employment on food and non-food items. These studies also indicate that between 30 and 50% of total expenditure within the local trade area is directed toward food-related purchases such as take-away, cafés, restaurant dining and take-home groceries. The remainder of workforce expenditure is dedicated to spending on retail goods, such as clothing and accessories, entertainment, leisure activities and personal services.

A summary of previous studies into food and non-food⁶ expenditure is provided below:

- North Sydney CBD⁷: average total worker spending \$133 p/w
 - Food: \$79 p/w – 31%
 - Non-food: \$178
- Chatswood CBD⁸: Total worker spending \$285 p/w

² ABS Publication No. 5209.0, *Australian National Accounts: Input-Output Tables 2008-09*

³ Australian Urban Research Infrastructure Network, *WISER Economic Impact Assessment Tool, Regional Employment Tables for Sydney (C), 2015*

⁴ NSW Treasury, *TPP-09-07: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government, November 2009*

⁵ ABS Publication No. 5209.0, *Australian National Accounts: Input-Output Tables 2008-09*

⁶ Food-related expenditure includes both take-away and dine-in (cafes, restaurants etc.) food services as well as household groceries. Non-food spending includes clothing, household goods, personal services, leisure activities and general retail.

⁷ Urbis, *North Sydney Commercial Centre Study, February 2015 (data from 2013)*

⁸ Pitney Bowes, *Metro Chatswood Retail Market Analysis, December 2010*

- Food: \$125 – 56%
- Non-food: \$160
- Australian CBD average⁹: \$230 p/w
 - Food: \$76 p/w – 33%
 - Non-food: \$154 p/w

Actual spending is likely to vary between employment locations and individuals for a range of reasons, including availability of retail shops and services, occupation and income of workers and transport connectivity. For the purpose of this assessment, given the type of employment in the Harbourside Shopping Centre will be within the retail and hospitality sectors, we have adopted conservative estimate for workers' food spending of \$70 p/w. For the same reason we have once again adopted a conservative estimate for non-food spending of \$110 p/w.

On this basis, it is expected that the 930 workers provided by the Harbourside development will generate total demand for goods and services in the order of \$8.7 million per annum within the Darling Harbour, CBD and Ultimo areas¹⁰. Whilst some of this expenditure (particularly in take-away food purchases) will occur within new retail premises within the Harbourside development itself, it is expected that a proportion of spending will occur at existing retail and business premises within the Darling Harbour locality, thereby providing direct benefits to the local community.

6.2 Resident Expenditure

In addition to expenditure generated by new workers, the proposed residential component of the Harbourside development will result in a significant boost to the local economy. The proposed 35,000m² of residential floor space is likely to result in approximately 350 new dwellings, which based on an average household size of 1.95 people¹¹, equates to an estimated total residential population of 683 people.

With the above in mind predicted expenditure of future residents has been calculated using data sourced from Market Data Systems (MDS) and the ABS' *Household Expenditure Survey (HES)*, the Census and National Accounts data. The MDS product, known as *MarketInfo*, represents spending propensity on a wide range of retail items during 2014.

MarketInfo models the effects of demographic variables, such as income, ethnicity, age, education level and geographic location on a household's propensity to purchase different types of retail items and services. The results are generally regarded as the best available proprietary database of its type in Australia.

MarketInfo provides an estimate of spending propensity per capita. Based on a resident population of 683 people, it is estimated that there will be approximately \$7.95 million spent annually by residents of the proposed Harbourside Development into the local economy. **Table 1** provides further details. It should be noted that this is a conservative estimate and the amount of spend is likely to be higher given that residents residing within the development are likely to have a greater disposable income and greater access to retail services than the majority of Sydney residents.

Table 1 – Predicted Development Spend by MarketInfo Spending Category

Spending Category	Annual Per Capita Spend (Year End June 2014)	Predicted Annual Spend of Development
Food & groceries	\$4,287	\$2,928,021
Take-home liquor	\$383	\$261,589
Take away food	\$848	\$579,184
Dining out	\$1,450	\$990,350
Fashion	\$1,322	\$902,926

⁹ *Urbis, National Office Workers Survey, 2013*

¹⁰ *Per week expenditure is extrapolated based on a 48-week business year.*

¹¹ *Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011*

Household goods	\$1,990	\$1,359,170
Other non-food goods	\$1,030	\$703,490
Retail services	\$331	\$226,073
Total	\$11,641	\$ 7,950,803

Source: Market Data Systems / MarketInfo / ABS

6.3 Flow-on Employment

The 'Retail Trade' and 'Accommodation and Food Services' industries are amongst the most labour-intensive industries within the Australian economy, employing between 11 and 12 persons for every \$1 million in expenditure¹². Allowing for the fact that a portion of worker and resident within the non-food category will be allocated to less employment-intensive industries (e.g. personal banking, professional services etc.), it is estimated that every \$1 million in workforce expenditure would support 9 to 10 jobs within the local and broader Australian economy. As such, the estimated additional expenditure of \$16.65 million per annum would support approximately 166 jobs, predominately in retail and personal services.

The injection of over \$16 million in spending on goods and services within the local economy will benefit a wide range of businesses, including for example cafés, restaurants, fitness and leisure businesses, drycleaners, clothing retailers and personal services firms.

The above estimate includes only expenditure by individual workers employed by within the proposed development, and does not account for additional employment generated as a flow-on effect of the proposal. Corporate expenditure by new businesses within the precinct is likely to include catering, business supplies, office services (cleaning and trades etc.), employee rewards and recognition, corporate events and functions. This additional expenditure will generate additional local expenditure and flow-on employment on top of the estimates provided above.

¹² ABS Publication No. 5209.0, Australian National Accounts: Input-Output Tables 2008-09

7.0 CONCLUSION

The proposed development will be an important contributor to keeping NSW the number one economy. The benefits of this project include:

- Approximately **930 permanent jobs** to Darling Harbour, representing 290 jobs above that currently provided on site.
- Additional **640 direct construction jobs** and a further **940 jobs** delivered as a result of flow-on effects from the construction project.
- **\$450+ million** construction expenditure.
- **\$16.65+ million** injected into the local area per annum from ongoing workforce and resident expenditure.
- Proposed development is situated on a key site within Sydney's Cultural Ribbon, and is integral to establishing Sydney's as a world class tourist and business destination.
- Supports and makes a substantial contribution to State and local Government economic and strategic objectives, in particular housing supply, jobs creation, sustainability targets, and reinforcing Sydney's reputation as an internationally competitive city; and
- Compliments and supports the significant government and private sector investments that has been made towards regenerating and improving the Darling Harbour Precinct and Sydney Harbour Foreshore.

As outlined above, the proposed development will generate significant social, environmental and economic benefits to the local and Australian economy, and directly supports numerous strategic planning directives of the Australian, NSW and City of Sydney governments.

Should you have any queries about this matter, please do not hesitate to contact me on 9956 6962 or at bcraig@jbaurban.com.au.

Yours faithfully,



Ben Craig
Associate