

138-142 Cronulla Street, Cronulla

Economic Impact Assessment

Sammut Developments
Pty Ltd

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Executive Summary

BACKGROUND

Sammut Developments Pty Ltd own a consolidated site at 138-142 Cronulla Street, Cronulla (the Site) in the Sutherland Shire LGA (the Shire) and approximately 30 kilometres south-east 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 mixed commercial development. The Site's B3 Commercial Core zone is proposed to be retained.

The Proposal would enable redevelopment of the Site into a commercial building comprising 4,139sqm GFA comprised of:

- Retail uses (food and beverage) of 1,654sqm GFA; and
- Commercial uses (including co-working facilities) of 2,485sqm GFA.

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 'B3 Commercial Core' and occupies 1,424sqm in site area. The Site is occupied by older-style retail/commercial buildings which are tenanted to a range of retailers and food and beverage operators.

The Site is centrally located within the Cronulla centre which is designated in the Greater Sydney Region Plan and South District Plan as a local centre.

The Region Plan identifies the important role played by supermarket-based centres in providing opportunities for local employment. Critically, the Region Plan recognises the need to provide for existing centres to grow and expand, whether through an expansion of the urban footprint (outwards) or through review of density controls (upward growth).

Sutherland Shire Council has developed a suite of strategies to give effect to community aspirations and planning objectives.

The Proposal responds to several key objectives of the Region Plan, District Plan and Council's strategies by:

- Expanding retail/ commercial floorspace to support focal points of neighbourhoods (Planning Priority S6);
- Supporting the tourism sector by provision of facilities that enrich the amenity and business offer of Cronulla for business-related visitors as well as recreational visitors (Planning Priority S7);
- Facilitating investment in centres for new commercial floorspace to accommodate a broader range of employment (Planning Priority S9).

ECONOMIC AND MARKET CONTEXT

Nearly 2,800 workers were recorded in the Cronulla Catchment Area in 2016 with employment dominated by three sectors:

- Accommodation and Food Services (28.4%);
- Retail Trade (14.1%); and
- Professional, Scientific and Technical Services (10.4%).

The employment profile in Cronulla is distinct. While its local service role is clear (more than 50% of jobs in Population-serving industries), its employment role for Knowledge-intensive industries is also notable (as demonstrated by nearly 30% of jobs).

This affirms the role of Cronulla as a local centre which providing access to day-to-day essential services and amenities but also to local employment opportunities.

To support the continued concentration of knowledge-intensive employment, there needs to be suitable and sufficient commercial floorspace in the centre. The floorspace requirements of knowledge-intensive businesses and their workers generally includes locations within transport- and amenity-rich business environments.

A review of the Shire's tourist visitation profile in the five years to 2018/19 indicates:

- A dominance of leisure visitation - those on holidays (47%) and visiting friends and relatives (42%).
- More than 80% of visitors are daytrippers with only a small proportion staying overnight (18% domestic visitors and 3% international visitors).
- Business-related visitation is minimal, with just over 2% of visitors to the Shire for this reason.

Growth in its commercial floorspace stock (not just quality but quantity) will assist to position Cronulla as a viable destination option for businesses to locate therein. A growing business community will grow the potential for more business-related visitation as well as contribute to the viability of Cronulla's retail offer.

NEED FOR THE PROPOSAL

Development Feasibility of Commercial Buildings

Sutherland and Miranda as strategic centres are designated with employment targets commensurate with their respective economic roles. A review of the development pipeline in strategic centres Sutherland and Miranda indicate minimal employment floorspace proposed. Aside from nearly 5,000sqm proposed at 696-700 Old Princes Highway in Sutherland, the other proposals include commercial and retail suites as 'ancillary', part of mixed use residential developments. Historically, Sutherland's employment growth has been nominal (0.1% average annual growth over 2011-2016).

Owing to the challenges of redevelopment in existing urban centres (e.g. fragmented lot and ownership patterns, valuable existing buildings), it is conceivable these centres could struggle to accommodate sufficient development to accommodate their target employment numbers.

Even if all the projects in the development pipeline are delivered, the employment floorspace proposed could accommodate less than 400 workers, representing less than 7% of their combined employment targets under the District Plan.

There is therefore a role for the Site as a key site (>1,400sqm) in Cronulla to accommodate local employment opportunities.

Role for the Site

Cronulla plays an important employment and business role despite its designation as a local centre. By virtue of its location close to the beach, it has natural features that contribute to its market appeal.

Commercial office supply in Cronulla is generally limited to a commercial building at 30 Kingsway and smaller suites within mixed use buildings. It's position on the northern fringe of the centre ensures high exposure and accessibility to Kingsway although is further from the Cronulla train station.

The building at 66-70 Cronulla Street ('Banc') offers ground floor retail suites and first floor commercial suites. A recent addition to Cronulla, leases were quickly secured across the ground floor and first floor office suites since completion in 2018.

As a coastal suburb with good public transport connections and various attractions including an independent cinema, nightclubs, pubs and bars, the Cronulla centre can offer the required business environment, however lacks contemporary commercial floorspace options for knowledge-intensive businesses.

The demand for flex space has been increasing in recent years, starting in Capital City CBD markets (Sydney and Melbourne are most notable), at first driven by the innovation and tech sectors. The demand for flex space has evolved to an extent where an increasing number of businesses seek out flex space solutions in the first instance before considering fixed lease arrangements. The demand for flex space is also emerging in suburban office locations.

The Proposal incorporates multiple levels of commercial office space that could accommodate businesses seeking fixed term lease arrangements as well as businesses seeking flex space solutions (including co-working space). With almost 2,500sqm of commercial space, the Site will be well placed to offer a range of office solutions that are flexible to market and business need.

The Proposal's incorporation of two levels of food and beverage floorspace presents it the opportunity to contribute meaningfully to economic activation of the immediate locality. Such an establishment/s would contribute to activating the ground plan and enhance Cronulla's retail and amenity offer.

ECONOMIC IMPACTS

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

- **Proposal Case:** The Proposal Case assumes the existing buildings will be demolished and the Site redeveloped into a multi-storey mixed commercial development containing food and beverage facilities and commercial office floorspace with basement car parking. The total GFA proposed is approximately 4,139sqm apportioned as follows:
 - Ground and first floors (1,684sqm GFA) - food and beverage uses. A possible use permitted in the B3 Commercial Core zone is a Tavern. This notional use is assumed for the purposes of estimating potential economic impacts.
 - Levels 2 to 6 (2,485sqm GFA) - Commercial office space/ co-working facilities.
- **Base Case:** The Base Case assumes a 'Do-nothing' scenario where the existing multi-tenanted retail/ commercial building remains 'as is' with no redevelopment.

The Site is subject to an FSR control of 2:1 with existing floorspace below the permissible GFA. While there is latent floorspace/ GFA capacity on the Site, realisation of that latent capacity would require demolition and redevelopment of the Site. This is not feasible and as a result the Site is assumed to remain 'as is' if there were no amendments to the planning controls. This scenario is therefore adopted as the Base Case.

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

Construction Phase

Construction of the Proposal Case is estimated to generate economic impacts for the Shire including:

- \$28.5 million in output (including \$17.1 million in direct activity).
- \$11.9 million contribution to GRP (including \$6.2 million in direct activity).
- \$7 million in wages and salaries paid to local workers (including \$4.1 million in direct activity).
- 81 FTE jobs (including 45 directly related to activity on-site).

Operational Phase

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

- \$39.3 million additional in output (including \$23.1 million in direct activity).
- \$20 million additional in contribution to GRP (including \$11.4 million in direct activity).
- \$10.8 million additional in incomes and salaries paid to households (including \$6.6 million directly).
- 130 additional FTE jobs (including 79 additional FTE jobs directly related to activity on-site).

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

Table ES-1: Net Operational Impacts, Sutherland Shire LGA

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$23.1	\$11.4	\$6.6	79
Flow-on Type I (Production-induced)	\$8.5	\$4	\$2.3	26
Flow-on Type II (Consumption-induced)	\$7.5	\$4.6	\$1.8	7
Total	\$39.3	\$20.0	\$10.8	130

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

CONCLUSION

Investment and Business Activity in Centres

Objective 22 in the Region Plan recognises that centres make up the urban structure of Greater Sydney and play an important role providing access to employment, goods and services.

Planning Priority S9 affirms this objective and outlines the importance of facilitating new investment and employment in existing centres. Whilst strategic centres play the most important role in this regard, smaller supermarket-based local centres (like Cronulla) will also need to expand to accommodate the demands of Greater Sydney's growing population.

The analysis identifies the challenges of new commercial development in strategic centres like Sutherland and Miranda and their ability to grow their employment base.

The Proposal seeks to provide just over 4,100sqm of commercial floorspace, accommodating food and beverage facilities and commercial office space in a renewed development. This responds to the objective of growing investment in centres, and in this case expanding upwards (facilitated by amendment to FSR controls).

Growing Visitation to the Shire

Visitation to the Shire is generally characterised by leisure (holidaying and visiting friends and relatives). Business-related visitation is minor (just over 2% over the five years to 2018/19).

The Proposal's inclusion of two levels of food and beverage floorspace will assist meaningful contribution to Cronulla's economic activation. A food and beverage establishment/s over two floors have the opportunity to 'anchor' and renew the portion of the centre in and around the train station. This would contribute to activating the ground plane and enhance Cronulla's amenity offer.

Growth in its commercial floorspace stock (not just quality but quantity) will assist to position Cronulla as a viable destination option for businesses to locate therein. A growing business community will grow the potential for more business-related visitation as well as contribute to the viability of Cronulla's retail offer.

Role for the Site and the Proposal

The Proposal is shown to deliver a positive economic impact to the local Cronulla centre and the broader Shire through its construction activities and increased levels of on-going operational activity generated from its proposed uses. By comparison, the Base Case underutilises the Site and has limited scope to accommodate 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 tourism and hospitality are forced to close down or endure severely restricted operations.

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1. Introduction

1.1 Background

Sammut Developments Pty Ltd own a consolidated site at 138-142 Cronulla Street, Cronulla (the Site) in the Sutherland Shire LGA (referred to as 'the Shire') and approximately 30 kilometres south-east from Sydney's Central Business District. The Site is occupied by older-style retail/ commercial buildings which are tenanted to a range of retailers and food and beverage operators.

A Planning Proposal is being prepared to amend the planning controls which apply to the Site. The Site's B3 Commercial Core zone is proposed to be retained, with floorspace ratio (FSR) controls amended to accommodate a mixed commercial development on the Site.

The Planning Proposal envisages the following planning controls:

- Land use zone (B3 Commercial Core, no change);
- Building height (25m, no change); and
- FSR 2.9:1 (amended from FSR 2.0:1)

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.

1.2 Study Purpose and Scope

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

- **Base Case**

The Site currently accommodates several attached retail/ commercial buildings and a number of tenants. While the Site is not currently developed to its floorspace potential (FSR 2:1), a redevelopment is not considered likely for economic viability reasons. It is therefore expected the Site will remain in existing use with the current improvements.

- **Proposal Case**

The Site as envisaged under the Proposal developed into a mixed commercial development, comprised of ground and first floor food beverage uses and the upper floors accommodating commercial office and co-working facilities.

The EIA carries out the following:

- Examine the economic and market context of the Proposal, its appropriateness in the context of Cronulla and the Shire's competitive position.
- Economic modelling to estimate the economic impacts of the Proposal should the Site be developed as envisaged.

The EIA considers if the Proposal has economic merit and is justified from an economic perspective.

1.3 Structure of the Study

The EIA is structured in the following manner:

- Chapter 1 (**Introduction**) provides an overview and background to the EIA, outlines its scope and overall structure.
- Chapter 2 (**Site Context**) reviews the Site, its planning context and describes the Proposal envisaged.
- Chapter 3 (**Economic and Market Context**) examines the employment composition in the Cronulla centre and the broader Shire and considers how economic and market trends and activity influence the role for the Site. The chapter additionally reviews the visitation profile of the Shire.
- Chapter 4 (**Land Use Analysis**) reviews the market for various land uses in Cronulla and in the broader Shire and investigates the need for the Proposal.

- Chapter 5 (**Economic Impact Assessment**) estimates the economic impacts resulting from two scenarios:
 - Base Case: the Site remains in its existing use.
 - Proposal Case: the Site is redeveloped as enabled by the amended planning controls to accommodate a new mixed use commercial building incorporating food and beverage uses and commercial office/ co-working facilities.
- Chapter 6 (**Policy Assessment**) synthesis the key findings from Chapter 1 to 5 and assesses them against key policy considerations.

2. Site Context

2.1 Location

The Site is located at 138-142 Cronulla Street in Cronulla within the Sutherland Shire LGA (the Shire), approximately 30 kilometres south-east of Sydney's Central Business District.

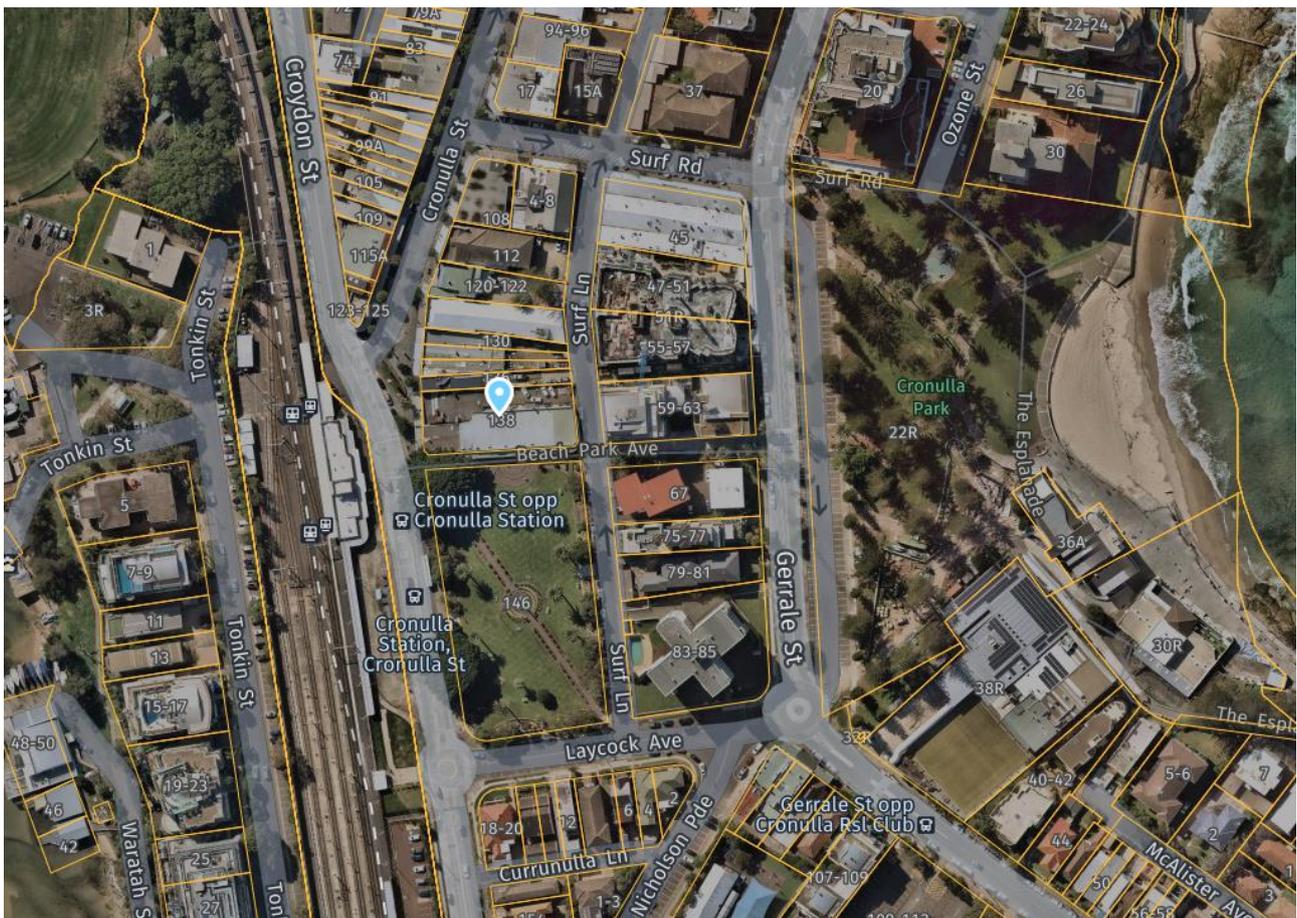
Cronulla is a popular suburb best known for its unique position on a peninsular with water frontages to Botany Bay to the north, Bate Bay to the east, Port Hacking to the south and Gunnamatta Bay to the west. South Cronulla Beach on the eastern fringe of the town centre features a sandy surf beach, public promenade and parklands making it a popular attraction for locals, visitors from the broader Sutherland Shire and Sydney Metropolitan and tourists alike.

Centrally positioned within the Cronulla local centre, the Site is easily accessible from Cronulla train station on the western side of Cronulla Street, South Cronulla Beach and the retail strip.

The Cronulla retail strip runs along Cronulla Street, Surf Lane and Gerrale Street and their connecting side streets and laneways within the vicinity of the Site. The centre features a mix of uses providing cafes, bars, restaurants and boutique specialty stores along with supermarkets and professional services. The retail and commercial strip extends further to the north along Kingsway and Gerrale Street and to west along Tonkin Street.

Gunnamatta Bay and Cronulla Ferry Wharf lie 300 metres to the west of the Site. Cronulla and National Park Ferry Cruises run passenger services around Port Hacking and a regular route between Cronulla and Bundeena, on the edge of the Royal National Park.

Figure 2-1: Location Map



Source: Nearmap

The immediate area is characterised by Munro Park, strip retail shops and cafes/restaurants, older style low and medium rise residential flat buildings along with more recently completed medium to high rise mixed use complexes.

2.2 Description

The Site is zoned 'B3 Commercial Core' and occupies 1,424sqm in site area.

Existing improvements comprise several older-style single storey attached retail buildings with a combined floor area of approximately 1,200sqm (rounded) and associated car parking accessed from Surf Lane. The building is understood to be fully tenanted, accommodating a mix of retail uses including food and beverage tenancies, personal services, apparel and a convenience store.

Table 2-1 provides an overview of the existing tenancy mix.

Table 2-1: Existing Uses/ Tenancies

Tenancy	Approx. GFA (sqm)
Chinese restaurant	360
Clothing retailer	50
Hairdresser	85
Skate shop	60
Convenience store	85
Café	85
Café	85
Café/bookstore/casting agency	175
Vietnamese restaurant	85
Lebanese restaurant	85
Total	1120

Source: Sammut Developments

2.3 Planning Context

2.3.1 Greater Sydney Region Plan - Metropolis of Three Cities

The Greater Sydney Region Plan (the Region Plan) (GSC, 2018a) seeks to accommodate the needs of Sydney's growing population in a metropolis of three cities: Western Parkland City, Central River City and Eastern Harbour City, building on a vision where most residents live within 30 minutes of their jobs, education and health facilities.

Aligning with the State Infrastructure Strategy 2018-2028 and the Future Transport Strategy 2056, the Region Plan outlines a plan to deliver the 10 key directions for Greater Sydney with a focus on four key themes, Infrastructure and Collaboration, Liveability, Productivity and Sustainability.

Liveability and Productivity objectives of the Region Plan and are directly relevant to the Catchment Area and the Proposal.

Objective 22: Investment and Business Activity in Centres

The Region Plan recognises that centres make up the urban structure of Greater Sydney and play an important role providing access to employment, goods and services. A hierarchy of centres - metropolitan, strategic and local centres is defined.

There are approximately 1,350 centres across Greater Sydney and each integral in providing access to jobs, goods and services.

- **Metropolitan centres** are economically significant and will continue to be the focus of government investment in infrastructure.
- **Strategic centres** are important as they provide increased access to a wide range of employment opportunities, goods and services and support the vision for a 30-minute city, where residents live within 30-minutes of where they work.

- **Local centres** are a collection of shops, health, civic and commercial services and are important for providing local employment opportunities and access to day-to-day essential services and amenities. Ensuring they are accessible and connected through walking and cycling paths is important.

The Region Plan designates Cronulla as a local centre. It identifies the important role played by supermarket-based centres in providing opportunities for local employment. Further, the Region Plan notes the provision of fine grain urban form to a diversity of commercial spaces and public places which altogether contribute to the vitality and viability of local centres.

Critically, the Region Plan recognises the need to provide for existing centres to grow and expand, whether through an expansion of the urban footprint (outwards) or through review of density controls (upward growth).

Objective 24: Economic Sectors Targeted for Success

The role and contribution of the tourism industry to GDP is notable, with strong growth identified to be valuable and critical for business and economic activity.

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

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

The Region Plan acknowledges that for the visitor economy to thrive, tourism at all scales (whether for personal or business reasons), appropriate facilities and floorspace is required.

2.3.2 South District Plan

The South City District Plan (the District Plan) is a 20 year plan to manage growth in the context of economic, social and environmental matters to achieve the 40 year vision for Greater Sydney (GSC, 2018b).

Flowing on from the objectives of the Region Plan, relevant objectives of the District Plan reiterate the importance of healthy, resilient and socially connected communities, culturally rich and diverse neighbourhoods and support for local centres.

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

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

Planning Priority S4

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

The Proposal envisages delivering a fine grain activated laneway along Beach Park Avenue to accommodate retail uses and drive an increase in pedestrian activity.

Planning Priority S6

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

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

The Proposal aligns with this priority through improving connectivity with the nearby transport interchange, providing new public realm and expanding retail and commercial floorspace on the Site.

Planning Priority S7

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

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

Planning Priority S9

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

The Proposal seeks to provide just over 4,100sqm of commercial floorspace, accommodating food and beverage facilities and commercial office space in a renewed development. This responds to the objective of growing investment in centres, and in this case expanding upward.

Planning Priority S11

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

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

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

The Proposal envisages provision of food and beverage facilities over two floors, which could be implemented as a tavern or similar establishment, thereby contributing to the appeal of Cronulla as a visitor destination.

2.3.3 Sutherland Local Environmental Plan (2015)

The Site is zoned B3 Commercial Core, the objectives of which are:

- To provide a wide range of retail, business, office, entertainment, community and other suitable land uses that serve the needs of the local and wider community.
- To encourage appropriate employment opportunities in accessible locations.
- To maximise public transport patronage and encourage walking and cycling.

- To strengthen the viability of existing commercial centres through increased economic activity, employment and resident population.
- To create an attractive, vibrant and safe public domain with a high standard of urban design and public amenity.
- To enhance commercial centres by encouraging incidental public domain areas that have a community focus and facilitate interaction, outdoor eating or landscaping.
- To provide for pedestrian-friendly and safe shopping designed to cater for the needs of all ages and abilities.

Permissible uses with consent include centre-based child care facilities; commercial premises; community facilities; educational establishments; entertainment facilities; function centres; hotel or motel accommodation; information and education facilities; medical centres; oyster aquaculture; passenger transport facilities; recreation facilities (indoor); registered clubs; respite day care centres; restricted premises; roads; and tank-based aquaculture.

2.3.4 Sutherland Shire Planning Strategies

Community Strategic Plan

The Community Strategic Plan (Sutherland Shire Council, 2017) was developed by Council and the community (business, not-for-profit and residents) to outline 6 long term outcomes for the Shire.

Outcome 5 is relevant to the EIA, envisaging a prosperous community where residents can work closer to home and businesses can thrive.

Strategies to achieve this outcome include collaboration with the business community to support local business within core centres such as Cronulla, develop vibrant, productive local centres, support the growing business community by reducing barriers to growth where possible, promote the community as a place to visit, live, work and invest and develop strategies to increase access to local employment are also identified.

Informing Economic Strategy

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

Table 2-2 summarises the outcomes, objectives and approach of the Economic Strategy as is relevant to the EIA.

Table 2-2: Economic Strategy Outcomes and Approach

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

Source: Sutherland Shire Council (2018)

Local Strategy Planning Statement

The Draft LSPS for the Sutherland Shire LGA (Sutherland Shire Council, 2019) outlines planning priorities in accordance with NSW's Government four key themes, Infrastructure and Collaboration, Liveability, Productivity and Sustainability.

Liveability and **Productivity** planning priorities are of particular importance to the EIA to:

- Manage change, growth and development of local centres.
- Create attractive public places that are enjoyable for residents and visitors.
- Attract more employment generating businesses.

The Draft LSPS 2019 was on public exhibition in September and October 2019 with community feedback under review in preparation for the final submission for endorsement by NSW Government.

2.4 The Proposal

The Proposal seeks to amend planning controls applying to the Site to facilitate development of a mixed commercial development proposing 4,139sqm GFA.

Table 2-3 summarises the proposed amendments to the planning framework compared to existing planning controls.

Table 2-3: The Proposal

Control	Existing (Permissible)	Proposed
Floor Space Ratio (FSR)	2.0:1	2.9:1
Gross Floor Area (GFA)	2,848sqm	4,139sqm
Building Height	25m	25m (no change)

Source: SSLEP (2015), Innovate Architects

Key components of the Proposal include:

- Food and beverage facilities over the Ground and first floor (1,654sqm GFA).
- Commercial office and associated terrace on Level 2 (725sqm GFA).
- Commercial office/ co-working facilities and associated on terrace areas Levels 3 and 4 (1,179sqm GFA).
- Commercial office and associated terrace areas on Levels 5 and 6 (581sqm GFA).
- Basement car parking.

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

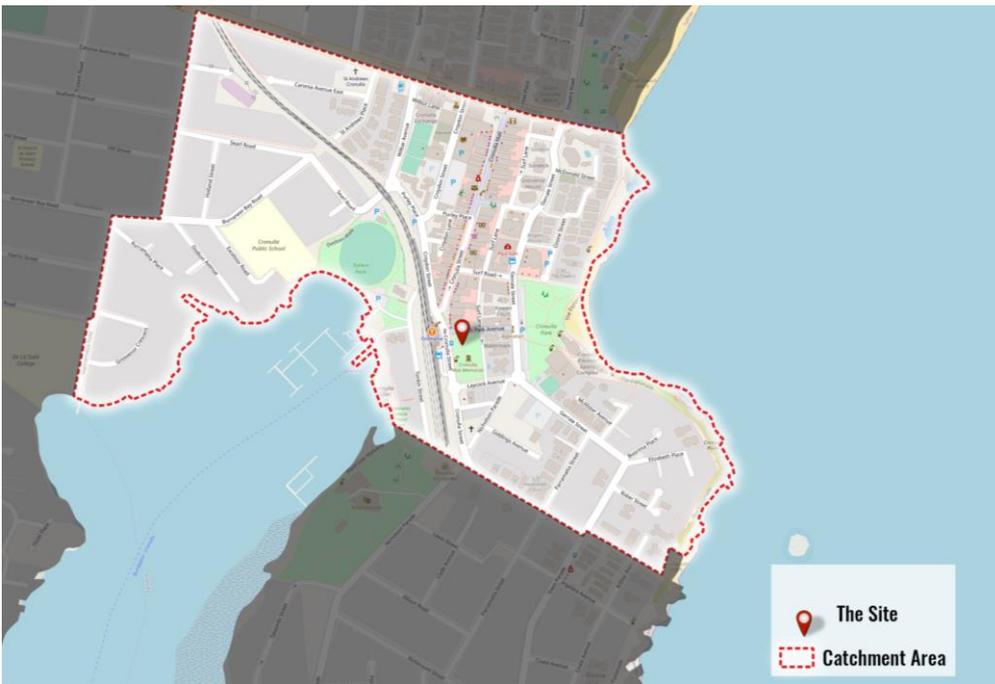
3. Economic and Market Context

3.1 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.

A catchment area representing the core of the Cronulla local centre where the majority of business activity occurs is defined for the employment profile analysis. The employment profile of the defined catchment area is benchmarked against the Sutherland Shire LGA. Figure 3-1 shows the Cronulla Catchment Area as defined.

Figure 3-1: Cronulla Catchment Area



Source: ABS (2017)

Table 3-1 provides a summary of key industries of employment in the Cronulla Catchment Area and broader Shire.

Table 3-1: Employment Profile Snapshot and Key Industries, Cronulla Catchment Area and Sutherland LGA

Industry	Cronulla Catchment Area	Sutherland Shire LGA
Accommodation and Food Services	28.4%	9.1%
Retail Trade	14.1%	15.5%
Professional, Scientific and Technical Services	10.4%	8.4%
Health Care and Social Assistance	5.9%	15.7%
Construction	5.2%	9.8%

Source: ABS (2017)

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 3-2.

Table 3-2: 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

The next section compares the employment profile (by ANZSIC and by BIC) of the Cronulla Catchment Area with the Sutherland Shire LGA.

Employment by Industry

Nearly 2,800 workers were recorded in the Cronulla Catchment Area in 2016 with employment dominated by three sectors:

- Accommodation and Food Services (28.4%);
- Retail Trade (14.1%); and
- Professional, Scientific and Technical Services (10.4%).

In comparison to the Shire, there were 63,280 workers recorded in the Shire in 2016 with Health Care and Social Assistance and Social and Retail Trade being key sectors, together accounting for a third (32%) of total workers.

The Shire is a more diverse economy than the Cronulla Catchment Area, underpinned by Health Care and Social Assistance (15.7%), Retail Trade (15.5%) along with Accommodation and Food Services (9.1%), Professional, Scientific and Technical Services (8.4%) and Education and Training (9.7%). Construction (9.8%) is also a notable sector, unsurprisingly driven by residential building activity in the Shire.

Table 3-3: Employment by Industry (2016), Cronulla Catchment Area and Sutherland LGA

Industry	Catchment Area		Sutherland Shire LGA	
ANZSIC (Australian New Zealand Standard Industry Classification)				
Agriculture, Forestry & Fishing	3	0.1%	118	0.2%
Mining	-	-	60	0.1%
Manufacturing	56	.0%	3,748	5.9%
Electricity, Gas, Water & Waste Services	4	0.1%	451	0.7%
Construction	143	5.2%	6,199	9.8%
Wholesale Trade	8	0.3%	1,857	2.9%
Retail Trade	390	14.1%	9,829	15.5%
Accommodation & Food Services	784	28.4%	5,748	9.1%
Transport, Postal & Warehousing	62	2.2%	1,712	2.7%
Information, Media & Telecommunications	27	1.0%	475	0.8%
Financial & Insurance Services	156	5.6%	1,586	2.5%

Industry	Catchment Area		Sutherland Shire LGA	
Rental, Hiring & Real Estate Services	198	7.2%	1,271	2.0%
Professional, Scientific & Technical Services	286	10.4%	5,311	8.4%
Administrative & Support Services	63	2.3%	1,948	3.1%
Public Administration & Safety	72	2.6%	2,463	3.9%
Education & Training	132	4.8%	6,155	9.7%
Health Care & Social Assistance	164	5.9%	9,931	15.7%
Arts & Recreation Services	33	1.1%	1,133	1.8%
Other Services	182	6.6%	3,285	5.2%
Total	2,763	100.0%	63,280	100.0%
BIC (Broad Industry Classification)				
Population-serving	1,532	55.4%	26,194	41.4%
Knowledge-intensive	802	29.0%	13,054	20.6%
Health and Education	296	10.7%	16,086	25.4%
Industrial	133	4.8%	7,946	12.6%
Total	2,763	100.0%	63,280	100.0%

Source: ABS (2017)

Examining the BIC-profile of the Catchment Area's employment, it is clear that Cronulla plays a dual role by accommodating Population-serving (55.4%) and Knowledge-intensive (29.0%) employment, which together accounted for nearly 85% of total employment in 2016. This affirms the role of Cronulla as a local centre (as outlined in the Region Plan) which provides access to day-to-day essential services and amenities as well as to local employment opportunities.

The Shire by comparison, accommodates lower proportions of Population-serving (41.4%) and Knowledge-intensive (20.6%) employment. Much higher proportions of Health and Education (25.4 and Industrial 12.6%) employment is represented.

The employment composition of the Cronulla Catchment Area is relevant and has implications for floorspace requirements. A dominance of Knowledge-intensive industries (e.g. professional services) will necessarily mean a need for commercial floorspace while industries such as Retail Trade and Food and Accommodation Services will generally require retail and non-retail shopfront floorspace.

3.2 Market Overview

Greater Sydney is characterised by a number of established suburban office markets which are driven in combination by businesses' desire to service local catchments, employers and employees seeking to work within close commute to where they live, affordable rents and government investment in infrastructure. Suburban office markets performed strongly over 2019 and into the first quarter of 2020 with demand from both domestic and international buyers attracted to low vacancy rates and historically low interest rates.

Retail sectors across suburban markets have been stagnant to declining over recent year as consumers ration spending on non-discretionary household goods. Retail assets exposed to non-discretionary spending however continue to demonstrate resilience in the current retail market.

Sutherland Shire

The primary office market for the Shire is Sutherland which is the principal commercial and civic hub for the broader region.

Commercial office markets in Sutherland and Miranda centres have performed strongly in recent years, characterised by low vacancy, limited new supply and tight yields in the sub-5% range.

The Cronulla local centre is a less established office market compared to other larger centres in the Shire. With few purpose-built office buildings, commercial uses are mostly located on the ground floor or in the upper levels of older style, two storey commercial buildings (the ground floor being occupied for retail uses).

There is also an overlap between commercial and retail floorspace as many service businesses (real estate agencies, financial advisors and accountants, legal firms) occupy ground floor shopfront retail space. Where there is high proportion of non-retail businesses occupying ground floor shopfront space especially on prime retail streets, this typically indicates ground floor rents are relatively low and symptomatic of a poorly performing centre.

Cronulla's retail and commercial office markets are small and generally tightly held by owner occupiers and local investors. Investors in this market can be outpriced by owner occupiers and this is evident from the low investment returns from sales over recent years (sub-3%).

Cronulla's retail market is underpinned by a substantial food and beverage offer reliant on both locals and visitors to the area. The beaches are a major drawcard and offer multiple waterfront dining options for operators. Depending on the location and quality of accommodation, sale rates range between \$9,500/sqm to \$25,000/sqm of building area whilst rental rates range from \$600/sqm to \$1,200/sqm gross per annum.

Established buildings such as 30 Kingsway (Delfino Building) are in the north of the central retail precinct with 62 Croydon Street, 17 Gerrale Street and 12 Laycock Avenue offer commercial office space, long been held by local businesses and a handful of investors. Average rental rates for existing commercial floorspace range from as low as \$400/sqm to \$800/sqm gross per annum.

The building at 66-70 Cronulla Street ('Banc') is a recent addition to the Cronulla centre and offers modern, quality retail and commercial floorspace over the ground and lower levels with residential units above. The building's prime position within the heart of Cronulla's centre has attracted renown restaurant chains Salt Meat and Cheese and Crust Pizza along with high end dining operators with initial gross rentals ranging between \$950/sqm and \$1,250/sqm per annum being achieved for the ground floor retail and an average \$760/sqm of floor area for first floor commercial space.

Market activity for commercial floorspace in the Cronulla centre is patchy. Older-style commercial buildings typically experience protracted leasing up periods even at relatively low quoting rents, while modern and contemporary commercial floorspace experiences keen market demand at much higher rents.

3.3 Visitor Economy

Tourism is an important component of the Shire local economy. This section outlines recent trends in visitation and tourism-related employment in the Shire. Given its suburban nature, visitation to Sutherland has been driven primarily by the holidaying and visiting friends and relatives (VFR) markets. Business-related tourism has comprised a low proportion of overall visitation in recent years.

Total Visitors

The number of visitors to the Shire was approximately 1.57 million over 2018/19. This was down by almost 10% over the previous year, however up by an average of 3.4% per annum over the last three years (from 2016 to 2019). Of these visitors:

- 81.4% were daytrippers;
- 18.1% were domestic overnight visitors; and
- 2.6% were international visitors.

Historically, visitation has fluctuated with the Shire experiencing its largest decrease year-on-year of 14.3% in 2010 and its largest year-on-year increase of 21.3% in 2014. That said, overall visitation has increased by approximately 529,000 (averaging 4.7% per annum) over the 2010/11 to 2018/19 period.

Visitors by Reason

In the five years to 2018/19, reasons for visiting the Shire were generally split between those on holidays (47%) and VFR (42%). Business reasons represented a small proportion for visiting the Shire at just over 2%, with 'Other' accounting for 8%.

Employment and Economic Value

The tourism and hospitality industries are not defined by the ABS as an ANZSIC industry. Economic modelling undertaken by the National Institute of Economic and Industry Research (NIER) suggests that as at 2016/2017, the local tourism sector in the Shire employed some 5,094 workers (both directly and indirectly). This represented 6.6% of total employment in the Shire.

By 2018/19, the local tourism sector employed approximately 4,892 workers and accounted for 6.1% of total employment in the Sutherland Shire LGA. This reflects a decline of around 200 workers.

Beyond the number of employees generated by the Shire's local tourist sector, it is also an important economic contributor. Value added, the measurement of how productive an industry is at increasing the value of its inputs, is an important measure. As at 2018/19, the Shire's local tourism and hospitality sector generated value added of \$571.3m, accounting for 6.8% of total value added in the Shire's economy.

Table 3.4 includes a snapshot of the key economic indicators for the Shire's tourism sector over 2015-2019.

Table 3.4: Snapshot of Tourism and Hospitality Sector (2015/16-2018/19), Sutherland Shire LGA

	2015/16	2016/17	2017/18	2018/19
Employment (Total)	4,429	5,094	4,989	4,892
Output/Sales (\$M)	\$876	\$1,049	\$1,059	\$1,026
Value Added (\$M)	\$494	\$581	\$586	\$571

Source: NIEIR (2020)

3.4 Development Activity

Cronulla has undergone residential transformation in recent years with a pipeline of luxury residential/mixed use projects completing in the centre and in North Cronulla however there has been little commercial and retail development.

Table 3-5 summarises future planned supply of non-residential stock in Cronulla.

Table 3-5: Development Pipeline, Cronulla

Address	Brief Description	Non-residential GFA (sqm)	Status
49-57 Gerrale St	Mixed use building containing 6 ground floor commercial suites and residential units above.	703	Under construction
109 Cronulla St	4 storey commercial building to comprise a 40 bed backpacker accommodation facility, ground floor restaurant for approx. 70 patrons and rooftop bar.	500	DA submitted
40-44 Kingsway	6 storey mixed use development containing 4 ground floor commercial premises.	273	Approved. No works to date
25-29 Tonkin St	9 storey mixed use building with ground floor café fronting Gunnamatta Bay and commercial suite fronting Tonkin Street with residential units above.	275	Under construction
Total		1,751	

Source: Cordell Connect, Atlas

As the development pipeline demonstrates, there is only a small quantum of commercial or retail floorspace proposed (<1,800sqm) which is 'ancillary' to proposed residential.

The completion of Banc at 66-70 Cronulla Street in the heart of Cronulla's centre in 2018 is the most recent addition to Cronulla's retail and commercial supply.

The review of development activity indicates there is little new commercial floorspace in the development pipeline in Cronulla in the short-term to accommodate local business services and knowledge-intensive businesses seeking floorspace in the Cronulla centre.

3.5 Need for the Proposal

The employment profile in Cronulla is distinct, different to the broader Shire's employment composition. While its local service role is clear (as evidenced by more than 50% of employment in Population-serving industries), its employment role for Knowledge-intensive industries is also notable (as demonstrated by nearly 30% of jobs).

To support the continued concentration of knowledge-intensive employment, there needs to be suitable and sufficient commercial floorspace in the centre. The floorspace requirements of knowledge-intensive businesses and their workers generally includes location within transport- and amenity-rich business environments.

As a coastal suburb with good public transport connections and various attractions including an independent cinema, nightclubs, pubs and bars, the Cronulla centre can offer the required business environment, however lacks contemporary commercial floorspace options for knowledge-intensive businesses.

A review of the Shire's tourist visitation profile in the five years to 2018/19 indicates:

- A dominance of leisure visitation - those on holidays (47%) and visiting friends and relatives (42%).
- More than 80% of visitors are daytrippers with only a small proportion staying overnight (18% domestic visitors and 3% international visitors).
- Business-related visitation is minimal, with just over 2% of visitors to the Shire for this reason.

Growth in its commercial floorspace stock (not just quality but quantity) will assist to position Cronulla as a viable destination option for businesses to locate therein. A growing business community will grow the potential for more business-related visitation as well as contribute to the viability of Cronulla's retail offer.

The next chapter examines the need for different land uses in Cronulla.

4. Land Use Analysis

4.1 Commercial Uses

Major Commercial Centres

The Shire comprises several strategic centres at Miranda and Sutherland with a number of local centres such as Cronulla playing a more local role. These strategic centres provide a diverse range of land uses from civic and community buildings to traditional and large format retail floorspace and commercial office floorspace.

- **Sutherland** is located to the west of Cronulla and Miranda and accommodates a busy commercial and retail precinct centred around the train station. A range of retail, entertainment, commercial and community services operate in Sutherland in addition to being home to a District Court and Council Chambers.

The District Plan identifies an employment target of 2,300 to 3,300 additional jobs by 2036. This is equivalent to an average annual growth rate of 1.7% to 2.3%. Research indicates employment in Sutherland grew by an average annual growth rate of 0.1% over the 2011-2016 period, significantly less than that required under the District Plan to 2036.

Assuming a generic benchmark occupancy ratio of 20sqm per employee, these employment targets would require additional floorspace in the order of 46,000sqm to 60,000sqm over the period to 2036.

- **Miranda** is a major retail destination and home to a Westfield Shopping Centre, specialised medical precinct and accommodates a range of health services.

The District Plan identifies an employment target of 1,000 to 4,500 additional jobs by 2036. This is equivalent to an average annual growth rate of 0.7% to 2.5%. Over the 2011-2016 census period, employment grew at an average annual rate of 2.6%, notably more than the Sutherland strategic centre.

Assuming a generic benchmark occupancy ratio of 20sqm per employee, these employment targets would require additional floorspace in the order of 20,000sqm to 90,000sqm over the period to 2036.

The respective employment role and targets for the Shire's strategic centres are important to consider as business investment does not occur in a vacuum. If businesses are unable to find suitable commercial space in a certain centre, they will consider if other centres may be able to meet their floorspace requirements. This analysis is therefore important in understanding the potential role Cronulla could play.

Development Pipeline

This section examines the nature and quantum of employment floorspace proposed in Sutherland and Miranda. This allows an understanding of these centres' prospects of achieving their respective employment targets.

Table 4-1: Development Pipeline, Sutherland and Miranda

Address	Brief Description	Non-residential GFA (sqm)	Status
Sutherland			
5 Adelong St 20-24 Robertson St	Mixed use development to comprise 53 apartments, 2 commercial suites (90sqm and 149sqm), boarding house and conversion of heritage listed dwelling into communal area.	249	Development approval
55-57 East Pde	Mixed use development to comprise 40 apartments and 2 retail tenancies and communal areas.	141	Development approval
1-7 Boyle St	Mixed use development to comprise 42 apartments, 5 retail tenancies on the ground floor and 4 office suits on the first floor.	1,800	Development approval
696-700 Old Princes Hwy	Demolition of existing structures, construction of 8 storey commercial building with ground floor retail and upper level office space.	4,930	Development application

Address	Brief Description	Non-residential GFA (sqm)	Status
Miranda			
557, 561-563 Kingsway	Mixed use development to comprise 37 apartments and 2 commercial suites	241	Development approval
4-6 Wandella Rd	Conversion of existing storage room at undercroft level of Parkside Plaza into commercial premises	160	Development approval
12 Fletcher Ave	Conversion of existing dwelling to health consulting room	139	Development approval
Total		7,660	

Source: Cordell Connect, Atlas

There is approximately 7,660sqm GFA of employment floorspace proposed in the pipeline (mostly retail and commercial suites) in Sutherland and Miranda, with 7,120sqm and 540sqm respectively.

Dividing by the assumed generic benchmark occupancy ratio of 20sqm per employee, an additional 383 workers could potentially be accommodated should all the proposed development eventuate into delivery.

Co-working as a Commercial Floorspace Solution

Flex space is any space that is available on a short-term basis, at variable prices or on a membership basis. The format of space could be desks in a shared open plan office or comprehensive private offices with the full suite of business support services.

Co-working space is a type of flex space, which is designed to promote interaction, collaboration and networking between individuals who share an office space.

The Flex space sector has seen major growth in Sydney and Melbourne over the past three to five years where more than 60% of flex space was leased (Commercial Real Estate, 2019). Research indicates that Sydney CBD overtook Melbourne as the top performing market in 2019 with the rapid expansion of major operators. Currently, there are 21 flex space operators based in the Sydney CBD, taking up approximately 78,350sqm of office space.

Continued growth in the flex space sector is anticipated for not just for CBD locations but also in suburban office locations. The flexibility of co-working space is a key driver for their market appeal, with businesses able to expand/ reduce their building footprint and lease tenure according to changing market environments and business needs.

Our analysis of the market indicates a gap in supply for good quality commercial office market within the Cronulla centre. The availability of co-working facilities will complement the commercial office solution, enabling flex space and co-working operators to offer the flexibility of flex space to the Cronulla market.

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

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

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

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

4.2 Food and Beverage Uses

The lifestyle appeal of Cronulla is without a doubt as its beaches and ample waterfront vantage points making it a popular hub for waterfront dining, pubs and clubs enjoyed by locals and visitors.

Hospitality and retail businesses are the cornerstone of Cronulla's local economy making up the vast majority of land uses in the central core. There are a number of smaller bars and restaurants concentrated on Surf Road, Surf Lane and Cronulla Street along with larger venues to the north of the centre including Watergrill Restaurant on Gerrale Street and Northies Cronulla Hotel at the intersection of Kingsway and Elourera Road.

There are a multitude of food and beverage options along the beachfront as well as in the north of the centre towards Kingsway. A hospitality anchor in the central portion of the centre would assist to renew and activate the locality.

4.3 Need for the Proposal

Development Feasibility of Commercial Buildings

A review of the development pipeline in strategic centres Sutherland and Miranda indicate minimal employment floorspace proposed. Aside from nearly 5,000sqm proposed at 696-700 Old Princes Highway in Sutherland, the other proposals include commercial and retail suites as 'ancillary', part of mixed use residential developments. Historically, Sutherland's employment growth has been nominal (0.1% average annual growth over 2011-2016).

It is a commercial reality that market rents in suburban office markets are often below economic rents required for new development to be feasible. In some cases the issue of development feasibility can be overcome with greater floorspace permissibility. In other cases, existing buildings may be valuable and have many more years of economic useful life and not be yet ripe for redevelopment.

Sutherland and Miranda as strategic centres are designated with employment targets commensurate with their respective economic roles. Owing to the challenges of redevelopment in existing urban centres (e.g. fragmented lot and ownership patterns, valuable existing buildings), it is conceivable these centres could struggle to accommodate sufficient development to accommodate their target employment numbers.

Even if all the projects in the Sutherland/ Miranda development pipeline are delivered, the employment floorspace proposed could accommodate less than 400 workers, representing less than 7% of their combined target employment to 2036 under the District Plan.

There is therefore a role for the Site to play as a key landholding (>1,400sqm site area) in Cronulla to accommodate economic activity and local employment opportunities.

Role for the Site

Cronulla plays an important employment and business role despite its designation as a local centre. By virtue of its location close to the beach, it has natural features that contribute to its market appeal. Even though Cronulla is not a strategic centre, its employment role is not insignificant with nearly 2,800 persons employed in 2016.

Commercial office supply in Cronulla is generally limited to a commercial office building at 30 Kingsway and smaller suites within mixed use buildings and terraces across the centre. 30 Kingsway comprises a circa 2000's strata titled building consisting of two upper levels of commercial office occupied by a mix of local businesses. Its position on the northern fringe of the centre ensures high exposure and accessibility to Kingsway although is further from the Cronulla train station.

The building at 66-70 Cronulla Street ('Banc') offers five ground floor retail suites and six first floor commercial suites. A recent addition to the Cronulla centre, leases were quickly secured across the whole ground floor retail component and first floor office suites since completion in 2018.

The demand for flex space has been increasing in recent years, starting in Capital City CBD markets (Sydney and Melbourne are most notable), at first driven by the innovation and tech sectors. The demand for flex space has evolved to an extent where an increasing number of businesses seek out flex space solutions in the first instance before considering fixed lease arrangements. The demand for flex space is also emerging in suburban office locations.

The Proposal incorporates multiple levels of commercial office space that could accommodate businesses seeking fixed term lease arrangements as well as businesses seeking flex space solutions (including co-working space). With almost 2,500sqm of commercial space, the Site will be well placed to offer a range of office solutions that are flexible to market and business need.

The Proposal's incorporation of two levels of food and beverage floorspace presents it the opportunity to contribute meaningfully to economic activation of the immediate locality. Food and drink premises and a type of retail premises and could include restaurant/ café, takeaway food and drink, pub, small bar. Other related permissible uses include function centres, hotel or motel accommodation, registered clubs.

A food and beverage establishment/s over two floors as envisaged in the Proposal has the opportunity to 'anchor' and renew the portion of the centre in and around the train station. This would contribute to activating the ground plane and enhance Cronulla's amenity offer.

The next chapter examines the economic impacts that could result from the Proposal.

5. Economic Impact Assessment

5.1 Overview

This chapter examines the economic activity and economic impacts that result from the Proposal compared to the Base Case.

Approach

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

- **Proposal Case:** The Proposal Case assumes the existing buildings will be demolished and the Site redeveloped into a multi-storey mixed commercial development containing food and beverage facilities and commercial office floorspace with basement car parking. The total GFA proposed is approximately 4,139sqm apportioned as follows:
 - Ground and first floors (1,684sqm GFA) - food and beverage uses. A possible use permitted in the B3 Commercial Core zone is a Tavern. This notional use is assumed for the purposes of estimating potential economic impacts.
 - Levels 2 to 6 (2,485sqm GFA) - Commercial office space/ co-working facilities.
- **Base Case:** The Base Case assumes a ‘Do-nothing’ scenario where the existing multi-tenanted retail/ commercial building remains ‘as is’ with no redevelopment.

The Site is subject to an FSR control of 2:1 with existing floorspace below the permissible GFA. While there is latent floorspace/ GFA capacity on the Site, realisation of that latent capacity would require demolition and redevelopment of the Site. This is not feasible and as a result the Site is assumed to remain ‘as is’ if there were no amendments to the planning controls. This scenario is therefore adopted as the Base Case.

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

Input-Output modelling describes economic activity through examination of four types of impacts described in Table 5-1.

Table 5-1: 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.

Source: 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.

5.2 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 the Proposal Case only as there is no redevelopment or construction activity in the Base Case. Construction activity in the Proposal Case will draw resources from and thereby generate economic activity in the Shire and Greater Sydney Region. Assumptions are made on the proportion sourced from within and from outside the Shire.
- **Operational Phase:** The Site is expected to generate ongoing economic operational activity through the following:
 - Direct turnover generated by a notional Tavern and commercial operational activities on-site.
 - Enhanced economic activity as a result of additional expenditure facilitated within the community from a Tavern.
 - Enhanced economic activity from new leasing opportunities facilitated by the proposed commercial office and co-working facilities.

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

5.3 Economic Activity and Impacts

5.3.1 Construction Phase

Construction of the Proposal Case is estimated to generate economic impacts for the Shire including:

- \$28.5 million in output (including \$17.1 million in direct activity).
- \$11.9 million contribution to GRP (including \$6.2 million in direct activity).
- \$7 million in wages and salaries paid to local workers (including \$4.1 million in direct activity).
- 81 FTE jobs (including 45 directly related to activity on-site).

Table 5-2 summarises the impacts estimated during the construction phase of the Proposal.

Table 5-2: Construction Impacts

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Direct	\$17.1	\$6.2	\$4.1	45
Flow-on Type I (Production-induced)	\$7.3	\$3.2	\$1.9	22
Flow-on Type II (Consumption-induced)	\$4.1	\$2.5	\$1.0	14
Total	\$28.5	\$11.9	\$7.0	81

Note: Totals may not sum due to rounding.

Source: Atlas

Further analysis of the construction impacts reveals the major beneficiaries are:

- Construction industry with \$16.1 million direct input and \$5.7 million flow on GRP.
- Professional, Scientific and Technical Services with \$1 million direct input and \$0.5 million flow on GRP.

5.3.2 Operational Phase

Base Case

The Base Case assumes a 'Do-nothing' scenario, which is estimated to generate the following annual economic activity through direct and indirect (flow-on) impacts associated with the existing operations on the Site.

- \$8 million in output (including \$5.1 million in direct activity).
- \$4.4 million contribution to GRP (including \$2.7 million in direct activity).
- \$2.6 million in incomes and salaries paid to households (including \$1.8 million in direct income).
- 47 FTE jobs (including 37 FTE directly related to activity on the Site).

Proposal Case

Following completion of construction, the Proposal Case is estimated to support the following annual economic activity through direct and indirect (flow-on) impacts associated with the proposed operations on the Site:

- \$47.3 million in output (including \$28.2 million in direct activity).
- \$22.4 million contribution to GRP (including \$14.1 million in direct activity).
- \$13.4 million in incomes and salaries paid to households (including \$8.4 million in direct income).
- 177 FTE jobs (including 116 FTE directly related to activity on the Site).

Operational impacts assessed for the Base Case and Proposal Case which derive net operational impacts are summarised in Table 5-3.

Table 5-3: Operational Impacts, Base Case and Proposal Case

Indicator	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTE)
Proposal Case				
Direct	\$28.2	\$14.1	\$8.4	116
Flow-on Type I (Production-induced)	\$9.6	\$4.6	\$2.6	29
Flow-on Type II (Consumption-induced)	\$9.5	\$5.7	\$2.3	33
Total	\$47.3	\$24.4	\$13.4	177
Base Case				
Direct	\$5.1	\$2.7	\$1.8	37
Flow-on Type I (Production-induced)	\$1.1	\$0.6	\$0.3	3
Flow-on Type II (Consumption-induced)	\$1.8	\$1.1	\$0.5	6
Total	\$8.0	\$4.4	\$2.6	47
Net Operational Impacts				
Direct	\$23.1	\$11.4	\$6.6	79
Flow-on Type I (Production-induced)	\$8.5	\$4	\$2.3	26
Flow-on Type II (Consumption-induced)	\$7.5	\$4.6	\$1.8	7
Total	\$39.3	\$20.0	\$10.8	130

Note: Totals may not sum due to rounding.

Source: Atlas

Net Operational Impact

The envisaged land uses and scale of the Proposal Case results in an increase in turnover and employment activity and greater levels of output and contribution to the Shire compared to the Base Case.

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

- \$39.3 million additional in output (including \$23.1 million in direct activity).
- \$20 million additional in contribution to GRP (including \$11.4 million in direct activity).
- \$10.8 million additional in incomes and salaries paid to households (including \$6.6 million directly).
- 130 additional FTE jobs (including 79 additional FTE jobs directly related to activity on-site).

Compared with the Base Case, the Proposal Case accommodates economic activity across a broader range of industries:

- Accommodation and Food Services (\$8.5 million in direct input and \$4.3 million flow GRP)
- Rental Hiring and Real Estate Services (\$3.6 million direct input and \$1.6 million flow on GRP)
- Financial and Insurance Services (\$2.9 million direct input and \$1.2 million flow on GRP)
- Construction (\$2.7 million direct input and \$0.9 million flow on GRP).

5.4 COVID-19 and Economic Implications

The global Coronavirus Pandemic sent shockwaves through the Australian economy since the first domestic case was discovered in January 2020. Escalating preventative measures aimed at slowing the spread of the disease, such as restrictions on gatherings and the forced closure of many hospitality and sporting businesses, domestic and international travel bans are having an unprecedented impact on business operations.

Given the unprecedented nature of forced business suspensions, the RBA has cut the official cash rate to a record low 0.25% and will consider unconventional monetary stimulus measures. Both State and Federal Governments have implemented a broad range of economic stimulus and household/ business support packages aimed at limiting the economic and social damage caused by the restriction measures.

At the time of writing and despite multi-billion dollar stimulus and support packages, leading economists project unemployment to rise to 12% by June 2020 (Oster in Khadem, 2020), while globally many leading economists project the current downturn to create a significantly deeper recession than the 2008-2009 Global Financial Crisis (Roubini, 2020; IMF 2020).

It is impossible to tell how long or severe the COVID-19 Pandemic or the associated economic implications will be, as the outcomes will depend on the ability to contain the spread of the outbreak, timeframes for developing and distributing a successful vaccine, and the effectiveness of government stimulus and support measures in Australia and globally.

However, bringing forward shovel-ready investment that does not impinge upon social distancing restrictions is a low risk and easily implementable measure by which to support jobs and incomes in local communities.

6. Policy Assessment

6.1 Section 9.1 Direction

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 6-1 and Table 6-2.

Table 6-1: Consistency with s9.1 (2) Objectives

Objective	Proposal
Encourage employment growth in suitable locations	The Site is currently improved with several older-style retail/ commercial buildings accommodating a range of businesses and an estimated 37 jobs. The Proposal envisages redevelopment of the Site to accommodate 1,654sqm retail floorspace (specifically food and beverage) and 2,485sqm commercial floorspace. Combined, the proposed floorspace could accommodate 116 direct jobs (on-site), representing an increase of 79 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 Cronulla and the broader Sutherland Shire LGA. The capacity of employment land in the B3 Commercial Core would be increase, with the potential to accommodate 116 jobs, representing an increase of 79 direct jobs. The objective is met.
Support the viability of identified strategic centres	The Proposal would complement the strategic centres of Sutherland and Miranda, increasing and improving the lifestyle and amenity offer of Cronulla as a place to visit and spend time in. This would then increase the Sutherland Shire LGA's competitiveness as a tourist destination for recreational as well as for business reasons. This is consistent with the South District Plan's objective to support the tourism sector which is a targeted industry sector. 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 6-2: Planning Authority Considerations

Consideration	Achieved?	Comment
Give effect to the objective of the direction	Yes	Table 6-1 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 B3 Commercial Core zone and proposes to expand the commercial 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 4,100sqm of floorspace, comprised of 1,654sqm retail floorspace (proposed for food and beverage uses) and 2,485sqm commercial floorspace (including co-working facilities).
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

6.2 Conclusion

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

Investment and Business Activity in Centres

Objective 22 in the Region Plan recognises that centres make up the urban structure of Greater Sydney and play an important role providing access to employment, goods and services.

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

The analysis in section 4.1 indicates the challenges of new commercial development in strategic centres like Sutherland and Miranda and their ability to grow their employment base.

The Proposal seeks to provide just over 4,100sqm of commercial floorspace, accommodating food and beverage facilities and commercial office space in a renewed development. This responds to the objective of growing investment in centres, and in this case expanding upwards (facilitated by amendment to FSR controls).

Growing Visitation to the Shire

Visitation to the Shire is generally characterised by leisure (holidaying and visiting friends and relatives). Business-related visitation is minor (just over 2% over the five years to 2018/19).

The Proposal's inclusion of two levels of food and beverage floorspace will assist meaningful contribution to Cronulla's economic activation. A food and beverage establishment/s over two floors have the opportunity to 'anchor' and renew the portion of the centre in and around the train station. This would contribute to activating the ground plane and enhance Cronulla's amenity offer.

Council's community strategic plan and economic strategy aim to increase the scale and value of the tourism sector's contribution to the local Shire economy.

Growth in its commercial floorspace stock (not just quality but quantity) will assist to position Cronulla as a viable destination option for businesses to locate therein. A growing business community will grow the potential for more business-related visitation as well as contribute to the viability of Cronulla's retail offer.

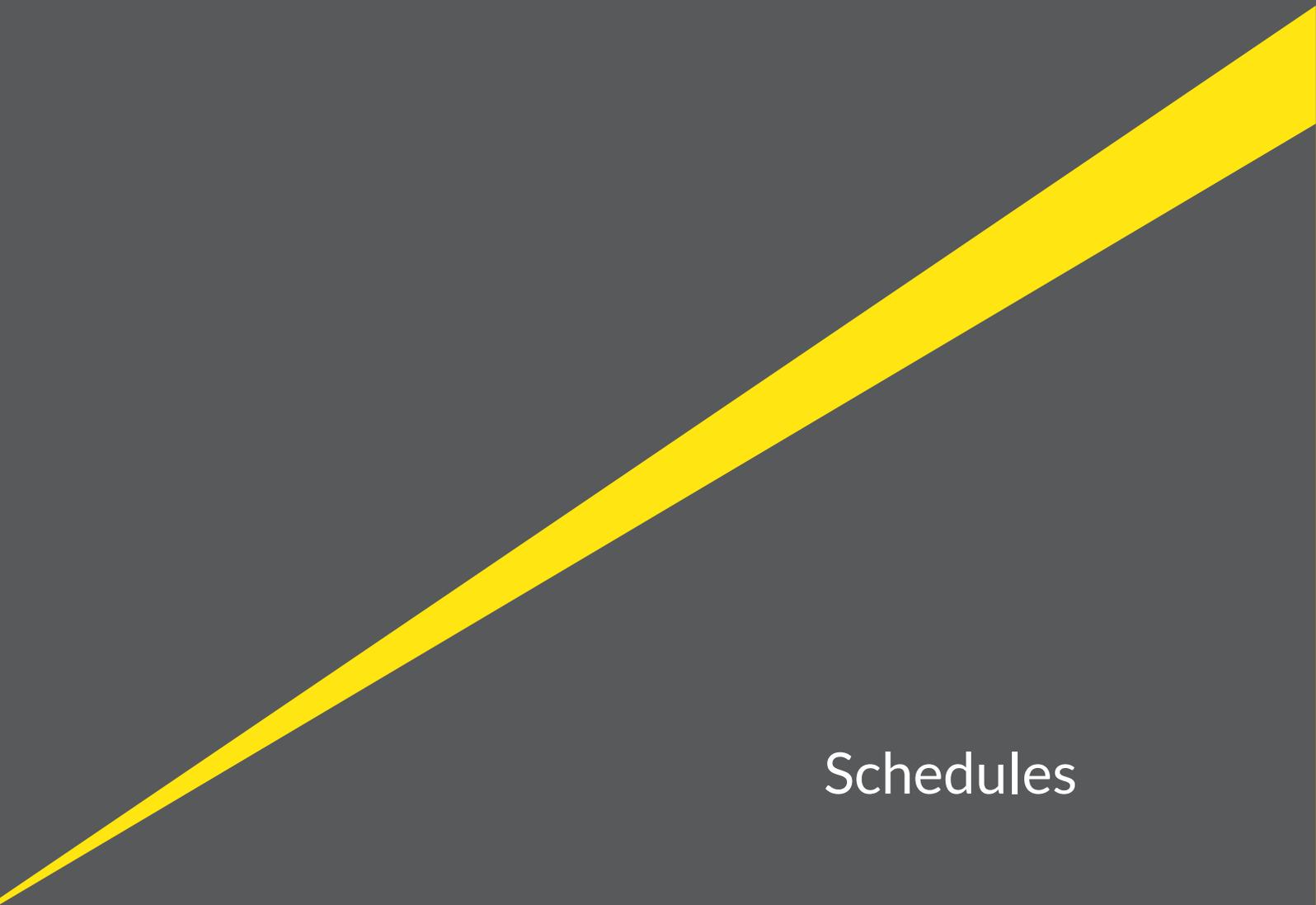
Role for the Site and the Proposal

The Proposal is shown to deliver a positive economic impact to the local Cronulla centre and the broader Shire through its construction activities and increased levels of on-going operational activity generated from its proposed uses. By comparison, the Base Case underutilises the Site and has limited scope to accommodate 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 tourism and hospitality are 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 models estimate 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, described 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, 2017a) 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 Sutherland Shire 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 food and beverage and commercial office operational activities, as well as the dispersed jobs of residents working from home.

Construction Phase

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

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

Table S1-2: Construction Cost Allocation (including Contingency) for the Proposal Case

Work Type	Proposal Case (\$M)	ANZSIC
Site Preparation and Demolition	\$0.38	Heavy and Civil Engineering Construction
Basement	\$4.00	Non-Residential Building Construction

Work Type	Proposal Case (\$M)	ANZSIC
Ground to Level 6	\$15.14	Non-Residential Building Construction
Professional Fees (2%)	\$1.90	Professional, Scientific and Technical Services
Total	\$22.5	

Source: Atlas

Of the above capital outlay, not all activity will be undertaken within the Sutherland LGA economy. It was assumed:

- Approximately 50% of the direct expenditure on construction-related (i.e. 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 Sutherland LGA would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in Sutherland LGA).
 - Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e. 5% of the Type II).

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 Sutherland 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 two 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 Base Case, Proposal Case and Existing Use.

Table S1-3: Operational FTE Allocation of Floorspace

Work Type	GFA (sqm)	GFA (sqm) / FTE	Estimated Jobs (FTE)	Direct Output (\$M)	ANZSIC
Base Case					
Food and Beverage	665	30	26	\$3.6	Accommodation and Food Services
Retail Services	370	30	9	\$1.3	Retail Trade
Personal Services	85	30	2	\$0.2	Other Services
Total	1,120	-	37	\$5.1	
Proposal Case					
Food and Beverage	1,654	50	33	\$4.6	Accommodation and Food Services
Commercial office/ Co-working	2,485	30	83	\$23.6	Split across the Catchment's employment mix profile (ABS, 2017)
Total	4,139	-	116	\$28.2	

Source: Atlas

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