Parramatta CBD Planning Framework: Economic analysis

DRAFT REPORT

Parramatta City Council

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SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au
Offices in Canberra, Hobart, Melbourne and Sydney

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EXECUTIVE SUMMARY

Background

This economic analysis report has been prepared to support a review of the planning framework for the Parramatta CBD. The study, led by Architectus, has two main components: a built form modelling exercise to understand the potential physical form outcomes from redevelopment of available sites in the CBD, and a review of underlying market dynamics of development in Parramatta, and in particular office development. This report presents the findings of the second part of the study. The underlying purpose of this report is to address three interrelated questions:

1. How can Parramatta compete with other centres to attract employment?
2. How can Parramatta protect its capacity to accommodate employment and housing in the future?
3. What are the implications for Parramatta's planning framework?

Context

Parramatta has been designated as Sydney's second CBD for many decades. However, a number of other suburban centres have emerged in Sydney (e.g. Macquarie Park, Norwest Business Park and SOPA/Rhodes) that are now host to significant concentrations of employment, and in particular, office-based employment. These centres will continue to compete with Parramatta as locations for growth in office-based employment.

Access to potential labour markets is a major factor in the locational decisions of large employers. Parramatta can improve its access to labour markets relative to these other centres primarily through improvement in public transport access that would make Parramatta more accessible to more people.

Supply, demand and capacity for housing and employment

Analysis of capacity for new development in the Parramatta CBD – based on an understanding of constraints – suggests that there isn't sufficient floorspace capacity to accommodate the projected employment and housing growth to 2036. Under a 'trend' scenario (27,000 additional jobs and 5000 additional dwellings by 2036) it is estimated that there is a shortfall of almost 660,000 square metres of floorspace. Under a 'high growth' scenario (47,000 additional jobs and 7500 additional dwellings) the shortfall is estimated to be 1.8 million square metres.

Office development

With 690,000 square metres of office development, Parramatta is host to the second largest concentration of office development outside of the Sydney CBD and North Sydney, having recently been surpassed by Macquarie Park/North Ryde (850,000 sqm). Parramatta has low vacancy rates for A grade office space but there is considerable floorspace in the development 'pipeline': around 115,000 square metres of approved floorspace in five developments. These buildings typically host 20,000 to 30,000 square metres and but have not yet progressed for lack of pre-commitments from prospective tenants.

Other suburban employment centres provide a compelling offer to potential tenants: they currently have access to a similar sized labour market, are typically as accessible, as affordable, and despite their different urban forms, have a range of amenities that make them attractive to employers and

employees. They also, in general, provide greater opportunity for larger floor plate and campus style developments than the Parramatta CBD.

In the short term, Parramatta is unlikely to attract many large commercial office buildings (e.g. greater than 30,000 square metres) due to the limited scale of growth in the office market, and need for high proportions of pre-commitment before office developments get off the ground, and competition from other centres noted above. This is not to say additional large office developments will not locate in Parramatta, but that the process of attracting such development needs to be viewed as a longer term undertaking.

'Multiple uses developments' – that is developments that comprise a significant mix of *both* residential and commercial floorspace – are not unprecedented in the Australian context, but are not common. Most examples are located in areas that command relatively high commercial *and* residential capital values: either a central CBD location and/or a location with water and park views. It may be these conditions do not yet exist in Parramatta. If a developer is able to finance their own development, and is not reliant on risk adverse lenders, or institutional investors, they might undertake a multiple use development.

Findings of case studies of secondary centres in other jurisdictions

To understand the issues faced by Parramatta in a broader context, a series of case studies (via document review and targeted interviews) were undertaken of four international examples of major secondary centres within a larger metropolis: Surrey in Vancouver, North York in Toronto, Croydon in London, and Brooklyn in New York.

When compared with Parramatta the secondary centres considered have either less ambitious employment growth projections, or do not appear to have land supply or capacity constraints. Most of the secondary centres studied appear to have significant land and capacity for employment related development, and none excluded residential development as a means of protecting land for employment, although the possibility of such a strategy has been raised in relation to Brooklyn. Parramatta has a relatively high employment density compared to the secondary centres studied.

Support from the metropolitan and regional levels of government (in terms of support for both coordinated land use planning and transport) appears to be greater in certain case study centres (e.g. Croydon and North York), than is the case for Parramatta. Local and regional transport links which enhance the 'network' connectedness of centres appear to be crucial to prospects for the growth of secondary centres (e.g. Surrey, Croydon, North York, and Brooklyn).

The key message to emerge from the case studies is that, despite some broad similarities between Parramatta and the case study centres, Parramatta faces a unique and difference set of challenges; namely insufficient land supply for development, constrained transport access, and competition from other centres. These unique characteristics suggest the planning strategies employed in the case studies centres are likely to be of limited relevance.

Discussion

Parramatta's planning framework has been built on a clear and consistent strategy to maintain a commercial core (employment only) as a focus for future employment growth**.** In the face of pressure for residential development it is important that Council takes a clear position to either 'hold the line' on this policy, or, to change policy and accept a mix of uses.

Retaining this policy of a strict commercial-only core is likely to:
- Provide policy consistency

- Protect an area for future employment uses and thereby contributing to the achievement of metropolitan strategic planning goals
- Maximise employment capacity
- 'Supress' land values relative to mixed use areas (due to greater demand for residential development over commercial development in the current market)
- Potentially result in a slower pace of renewal, and
- Result in lower levels of activation of the CBD core outside of business hours.

On the other hand, changing the policy to allow residential development in the core is likely to:
- Reduce the longer term employment capacity of the Parramatta centre
- Increase land values closer to those of mixed use areas (depending on the zone or policies put in place)
- Stimulate more new development (predominantly residential but potentially more genuinely mixed use) in the short to medium term, and
- Provide greater activation of the CBD core outside of business hours.

Recommendations to achieve employment outcomes

1. On the balance of evidence it is recommended to continue to exclude residential development from the Commercial Core zoned areas of the CBD. The justification for this position is:
   - There is limited capacity in the core given the longer term aspiration for employment growth and it will be much more difficult for Parramatta to perform its second CBD role in the absence of employment opportunities
   - There is already capacity for residential development in mixed-use zoned areas of the CBD.

2. A slightly riskier but relatively conservative approach would be to allow 'multiple use developments' in the Commercial Core, but implement a very high threshold requirement for non-residential floorspace (e.g. a minimum of 20,000 or 30,000 square metres) before residential development might be added to the development proposition.

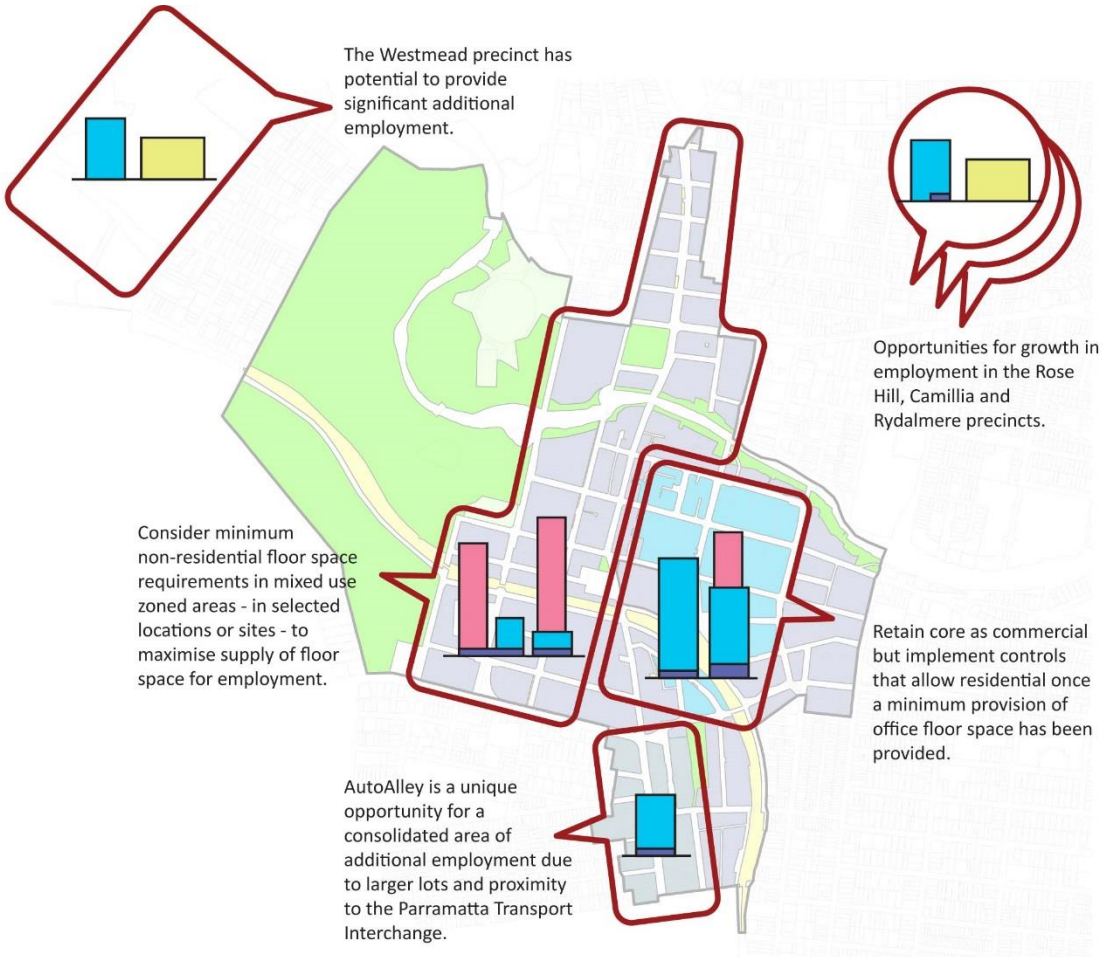
3. Mechanisms and/or incentives for providing commercial floorspace in mixed use zoned areas should be contemplated to maximise the capacity for employment. These might include:
   - Requirements for a minimum of proportion of commercial floorspace, as, say, a proportion of the maximum FSR or proportion of total gross floor area of the building (see Figure 31).
   - Incentives to provide retail and commercial floorspace such as FSR exceptions, reduced parking requirements, rate rebates for commercial floorspace, or other financial inducements.

4. Consideration should be given to the potential to accommodate employment growth in other locations in the Greater Central Parramatta. In particular the potential for the AutoAlley precinct to host significant future employment should be guaranteed. This issue was foreshadowed in previous studies undertaken by SGS (2012) for that precinct. A Planning and Transport Strategy for a connected cluster of employment lands in Grater Parramatta (including Westmead, Rydalmere, Camellia and Granville) should be prepared.

5. Improved transport links will improve access to potential labour markets relative to other centres and enhance the prospects of attracting additional employment to the Parramatta CBD. Both metropolitan and local scale interventions are relevant. Advocating for and, where necessary, facilitating transport improvements should be a priority for Council to enhance the centre's prospects of attracting employment both in the short and longer term. (It has been noted that the State Government's commitment to undertake further investigations regarding the feasibility of a light rail network centred on Parramatta are encouraging.) Maximising capacity and minimising congestion requires a focus on all 'sustainable transport' options such as mass transit, walking and cycling.

6. If the development potential in the Parramatta CBD is increased as a result of changes to planning controls (rezoning and/or increases in permissible densities or heights) Council would be justified in seeking to capture part of the value uplift created by these changes, and to use the proceeds of this value capture for broader public benefit (for example: upgrades to the public domain, public transport improvements, affordable housing, open space provision, public art, and so on). The value capture 'rates' would ideally be pre-scheduled to promote efficiency and transparency (as opposed to being negotiated on a case-by-case basis which adds uncertainty and cost for all parties). Differential value capture rates should be applied to different land uses as they create differential value uplift. (An expansion of this discussion is contained in the appendix: value capture.)

STRATEGIES FOR MAXIMISING THE EMPLOYMENT CAPACITY OF THE PARRAMATTA CBD AND GREATER CENTRAL PARRAMATTA AREA



1 INTRODUCTION

1.1 Parramatta CBD Framework Plan

This economic analysis report has been prepared to support the review of the Parramatta CBD planning framework.

The study, led by Architectus, has two main components: (i) a built form modelling exercise to understand the potential physical form outcomes from redevelopment of available sites throughout the CBD, and (ii) a review of underlying market dynamics for development in Parramatta, and a comparison with similar second order centres from other jurisdictions. This report presents the findings of the second part of the study.

The key focus of this work has been to address three interrelated questions:
1. How can Parramatta compete with other centres to attract employment?
2. How can Parramatta protect its capacity for hosting employment in the future?
3. What are the implications of these issues for future planning for the Parramatta CBD?

1.2 Structure of this report

This report contain six chapters.

- Chapter 2 considers the current policy and physical context of the Parramatta CBD and surrounds that are the objects of the subsequent analyses.

- Chapter 3 provides a high level analysis of the capacity for additional floorspace (supply) based on existing planning controls. The projected growth of employment and demand for housing are identified and compared with the capacity to provide a 'gap analysis'.

- Chapter 4 looks at the issue of commercial development in 'suburban' markets in Sydney and examines trends and drivers that impact on the relative competitiveness of Parramatta when compared with other centres. The prospects for 'multiple uses developments' that accommodate both employment and housing on the same site are also examined.

- In order to examine Parramatta's challenges in a broader context, a series of case studies were undertaken that looked at a range of second order centres in other cities including Vancouver, Toronto, New York and London. Planning approaches in other Australia cities were also examined. This content is provided in Chapter 5.

- Drawing all the preceding analyses and case studies together, Chapter 6 puts forward a series of recommendations for the planning framework for the Parramatta CBD in the future.

An appendix to the report provides an overview of the concept of value capture, its justification, and a potential mechanism by which it might be applied to development in the Parramatta CBD.

2 CONTEXT

This chapter provides an overview of the various contextual factors that are relevant to the CBD Planning Framework review. The chapter opens with a discussion of the position of Parramatta in the metropolitan context (2.1). It then provides an overview of the existing primary planning controls in the CBD (2.2). It then highlights the various functional precincts within the CBD and adjoining centres and neighbourhoods (2.3 and 2.4).

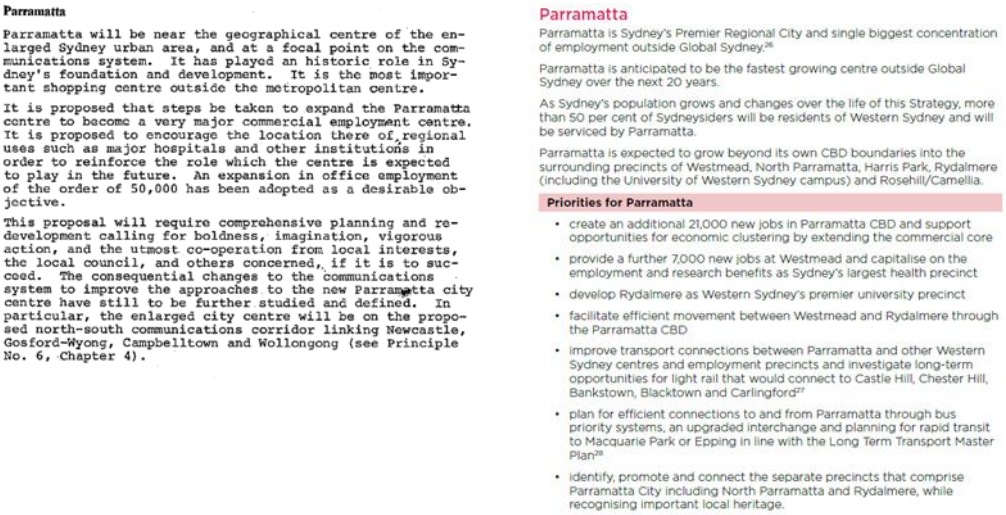
2.1 Strategic context

Parramatta as Sydney's second CBD

Every metropolitan strategy for Sydney since the 1968 Sydney Region Outline Plan, including the latest draft 2013 Metropolitan Strategy, has identified Parramatta as Sydney's second CBD: the major employment and economic hub in Western Sydney (see extracts below). This long established strategic positioning of Parramatta addresses the urban geography of the Sydney metropolitan area which features the Sydney CBD in the east but, over time, a growing residential population and an intensification of economic activity to newer urban areas in Sydney's west. The development of Parramatta city centre as the second CBD has consistently been viewed as a means of providing an alternative major activity hub to 'rebalance' the growth of the metropolitan area.

The 2013 *draft Metropolitan Strategy for Sydney to 2031* maintains the designation of Parramatta as the second CBD and 'Sydney's Premier Regional City'. The strategy suggests Parramatta will continue to contain the largest concentration of employment outside of the core, or 'Global Sydney'. In the draft strategy Parramatta has an employment target of 70,000 jobs by 2031, an increase of 21,000 jobs over a 20 year period.

FIGURE 1. PARRAMATTA IN METROPOLITAN PLANS: 1968 AND 2013



Parramatta

Parramatta will be near the geographical centre of the enlarged Sydney urban area, and at a focal point on the communications system. It has played an historic role in Sydney's foundation and development. It is the most important shopping centre outside the metropolitan centre.

It is proposed that steps be taken to expand the Parramatta centre to become a very major commercial employment centre. It is proposed to encourage the location there of regional uses such as major hospitals and other institutions in order to reinforce the role which the centre is expected to play in the future. An expansion in office employment of the order of 50,000 has been adopted as a desirable objective.

This proposal will require comprehensive planning and redevelopment calling for boldness, imagination, vigorous action, and the utmost co-operation from local interests, the local council, and others concerned, if it is to succeed. The consequential changes to the communications system to improve the approaches to the new Parramatta city centre have still to be further studied and defined. In particular, the enlarged city centre will be on the proposed north-south communications corridor linking Newcastle, Gosford-Wyong, Campbelltown and Wollongong (see Principle No. 6, Chapter 4).

Parramatta

Parramatta is Sydney's Premier Regional City and single biggest concentration of employment outside Global Sydney.[26]

Parramatta is anticipated to be the fastest growing centre outside Global Sydney over the next 20 years.

As Sydney's population grows and changes over the life of this Strategy, more than 50 per cent of Sydneysiders will be residents of Western Sydney and will be serviced by Parramatta.

Parramatta is expected to grow beyond its own CBD boundaries into the surrounding precincts of Westmead, North Parramatta, Harris Park, Rydalmere (including the University of Western Sydney campus) and Rosehill/Camellia.

Priorities for Parramatta

- create an additional 21,000 new jobs in Parramatta CBD and support opportunities for economic clustering by extending the commercial core
- provide a further 7,000 new jobs at Westmead and capitalise on the employment and research benefits as Sydney's largest health precinct
- develop Rydalmere as Western Sydney's premier university precinct
- facilitate efficient movement between Westmead and Rydalmere through the Parramatta CBD
- improve transport connections between Parramatta and other Western Sydney centres and employment precincts and investigate long-term opportunities for light rail that would connect to Castle Hill, Chester Hill, Bankstown, Blacktown and Carlingford[27]
- plan for efficient connections to and from Parramatta through bus priority systems, an upgraded interchange and planning for rapid transit to Macquarie Park or Epping in line with the Long Term Transport Master Plan[28]
- identify, promote and connect the separate precincts that comprise Parramatta City including North Parramatta and Rydalmere, while recognising important local heritage.

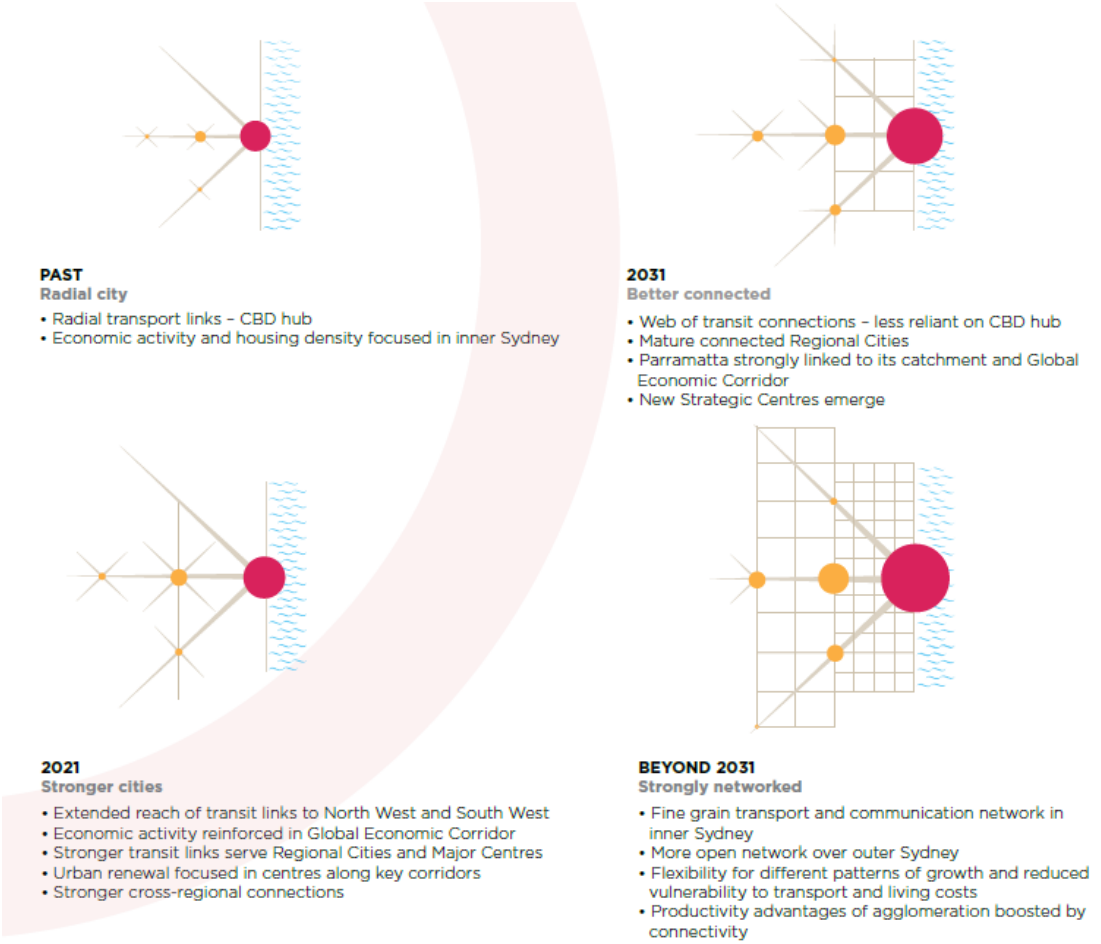
Sources: State Planning Authority of New South Wales, 1968 and Department of Planning and Infrastructure, 2013

Parramatta's employment role in a networked city

In the 2010 Metropolitan Plan the Global Economic Corridor (GEC), that was previously described as linking the concentration of economic assets from the Sydney Airport Specialised Centre through to North Sydney, was extended to include to Parramatta. In the 2013 draft Metropolitan Strategy the GEC has subsequently been extended to also include Norwest Business Park, forming Australia's most important and high value economic corridor. This extension of the Global Economic Corridor recognises the importance of the network of economic activities that locate to meet their physical and labour market requirements.

Recent analysis by the Property Council suggested that there is only 15 years supply of commercial office space in the Sydney CBD (PCA, 2011). As central Sydney is constrained for future commercial development (particularly when compared to Melbourne) a dense, network city – with a number of well-connected employment locations and precincts in the eastern half of the metropolitan area – will need to be developed in the future (SGS, 2012a). The 2010 Metropolitan Plan illustrated the notion of a more comprehensively networked city with the Parramatta City Centre as a major hub. The idea has been retained in the 2013 *draft Metropolitan Strategy for Sydney to 2031* (Figure 2)

FIGURE 2. SYDNEY AS A NETWORKED CITY

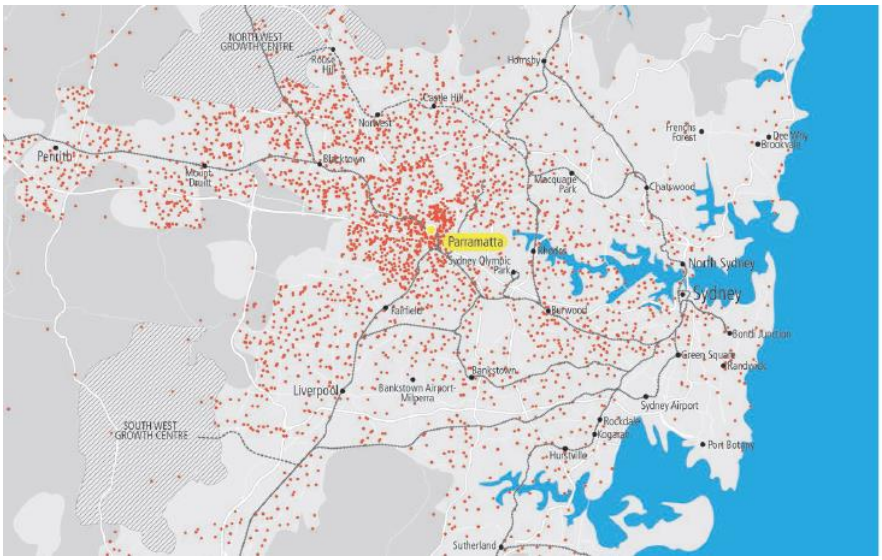


Source: Department of Planning and Infrastructure, 2013

Transport infrastructure to support Parramatta's role

Under the networked city model, Parramatta's success as a second CBD will rely to a significant extent on measures to improve its accessibility and connectivity to the broader metropolis. Analysis of journey to work data (Figure 3) shows that Parramatta's employment catchment is widespread, but heavily biased towards the west of the centre. This is likely to be a result of issues with accessibility from the north, east and south, and competition from other employment centres for workers in these locations.

FIGURE 3. ORIGINS OF WORKERS TRAVELLING TO PARRAMATTA (2006)



One dot = 10 workers. Source: Transport for NSW, 2012

Transport for NSW's (TfNSW) Long Term Transport Master Plan highlights a number of major transport challenges for Parramatta:

- Peak hour congestion around the transport interchange, mostly associated with bus traffic.
- Barriers which restrict connectivity such as major arterial roads
- Need for stronger transport connections to other parts of Greater Sydney
- Increasing demand and congestion associated with population growth

The Plan outlines a series of actions intended to support Parramatta's growth. Short term actions include:

- Target bus priority enhancements within 30 minutes travel time of Parramatta
- Plan a major upgrade of the Parramatta interchange
- Collaborate with Parramatta City Centre on city centre improvements and light rail
- Progress the Parramatta River cycleway and connections to Sydney Olympic Park

And medium to longer term actions include:

- Strengthen public transport links between Parramatta, Sydney CBD, North Sydney and Macquarie Park
- Improve frequency of public transport services to Parramatta CBD
- Improve road connections to and around Parramatta Road.

Around 26 percent of commuters travel to and from Parramatta city centre via public transport and this is expected to increase to 32 percent by 2031. If significant employment growth is to be achieved without increasing congestion on roads in and around Parramatta, an even higher proportion of public transport use, as well as more active transport journeys (walking and cycling), is desirable.

2.2 Existing CBD planning controls

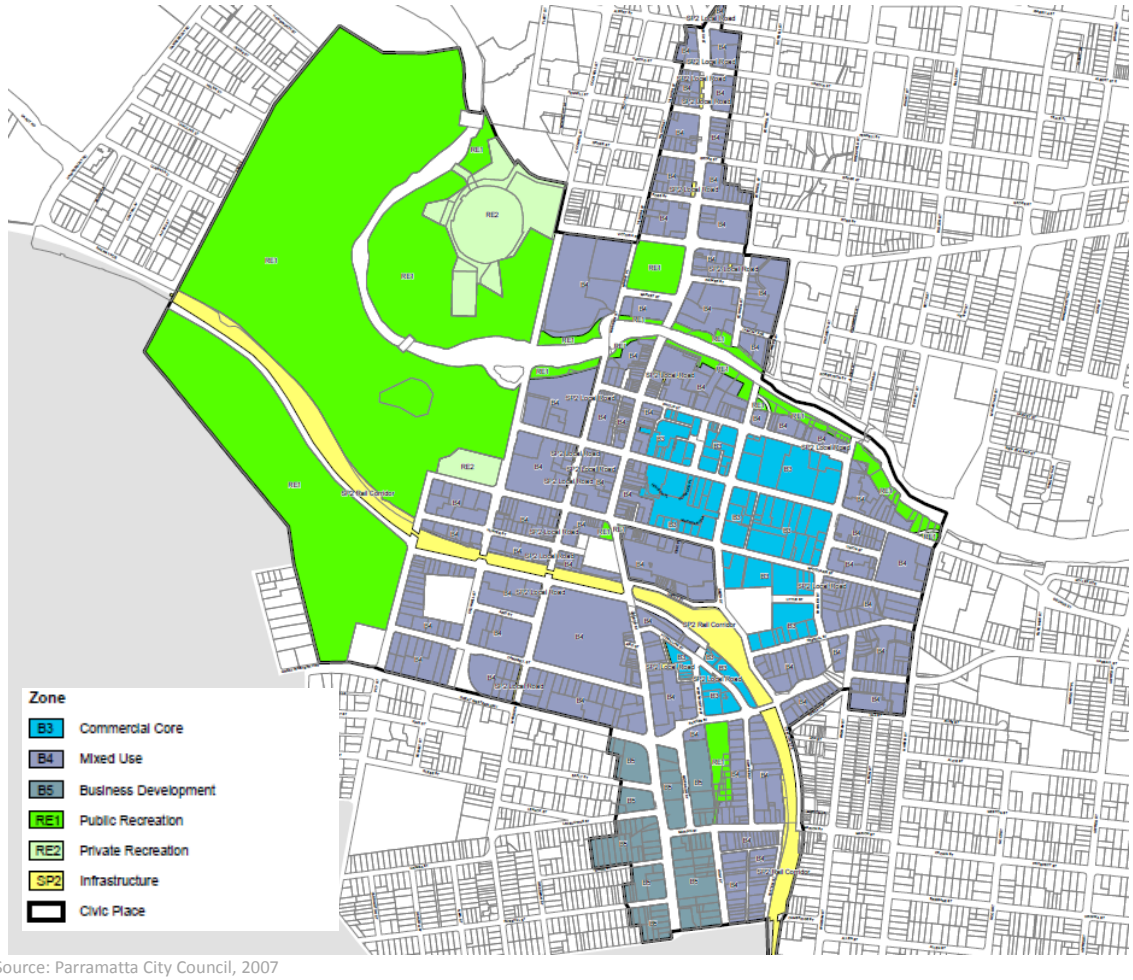
The land that is incorporated in Parramatta city centre is defined by the boundaries in the *Parramatta City Centre Local Environmental Plan* 2007 (City Centre LEP). Council is currently in the process of amalgamating the City Centre LEP with the LGA wide LEP. It is anticipated that this will not result in any changes to the existing controls.

Zoning

There are three main land use zones in the city centre: B3 Commercial Core, B4 Mixed Use and B5 Business Development. Parramatta Park is also contained with the city centre boundary and is zoned RE1 Public Recreation (Figure 4).

In the Commercial Core zone residential development is prohibited. The extent of the current commercial core corresponds with the 'City Core' zone within which residential development was also prohibited under the Sydney Region Environmental Plan 26 that was first gazetted in 1999. In this sense there has been a relatively long standing policy to prohibit housing in these parts of Parramatta CBD.

FIGURE 4. PARRAMATTA CITY CENTRE ZONING MAP



Source: Parramatta City Council, 2007

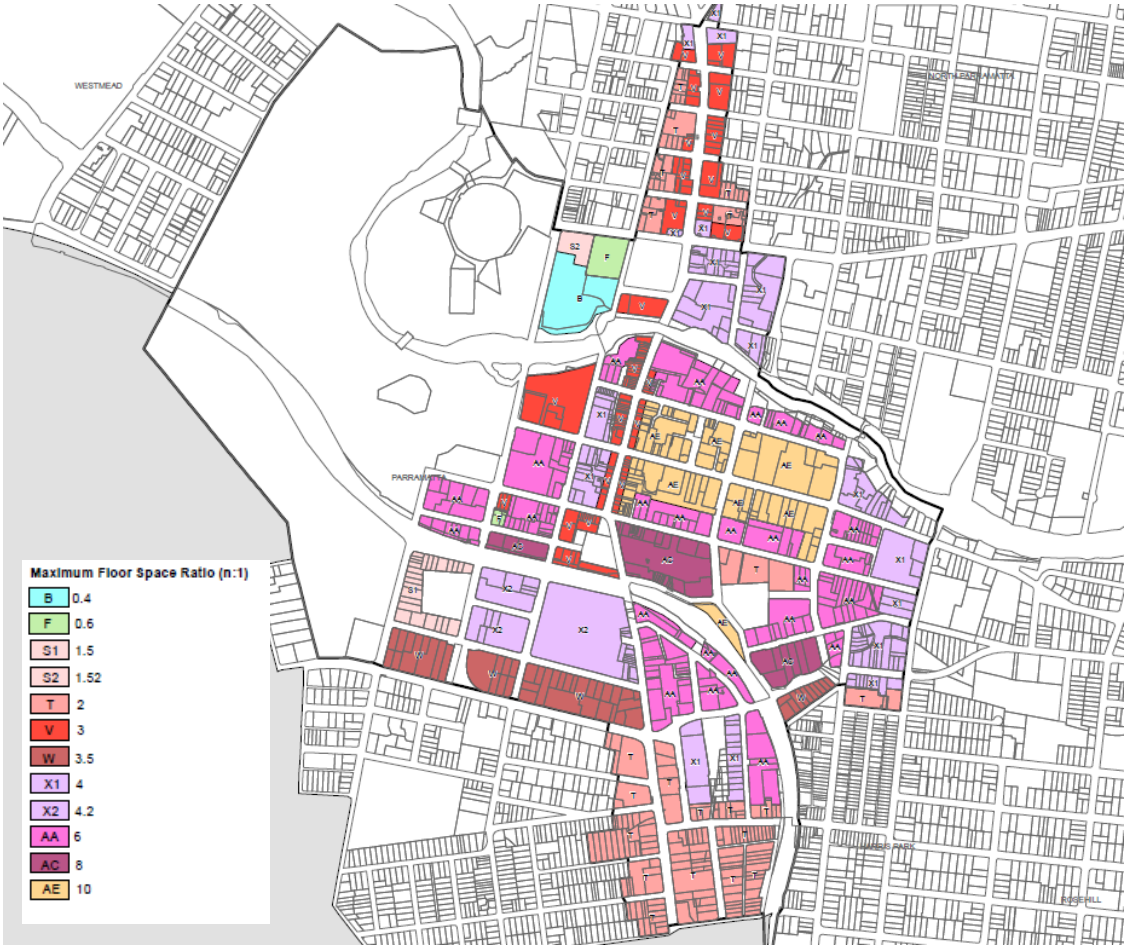
Floorspace ratios

There are a range of floorspace ratios (FSRs) applicable to the city centre ranging from 10:1 in the commercial core to 3:1 and 2:1 within the fringe areas of the city centre (Figure 5).

In 2007 floorspace ratios were increased compared to those in the Sydney Region Environmental Plan 28 (1999). In the four blocks of the Commercial Core (that area bounded by Church. Phillip, Charles and Macquarie Streets) FSRs were doubled from 5:1 to 10:1. At the time, this increase in development potential was thought to be an appropriate mechanism to stimulate commercial development in the centre.

The 2001 GMU urban design study of planning controls found that, on selected sites, even higher FSRs would be required to realise the potential building heights that are allowed under the existing City Centre LEP.

FIGURE 5. PARRAMATTA CITY CENTRE FSR MAP



Source: Parramatta City Council, 2007

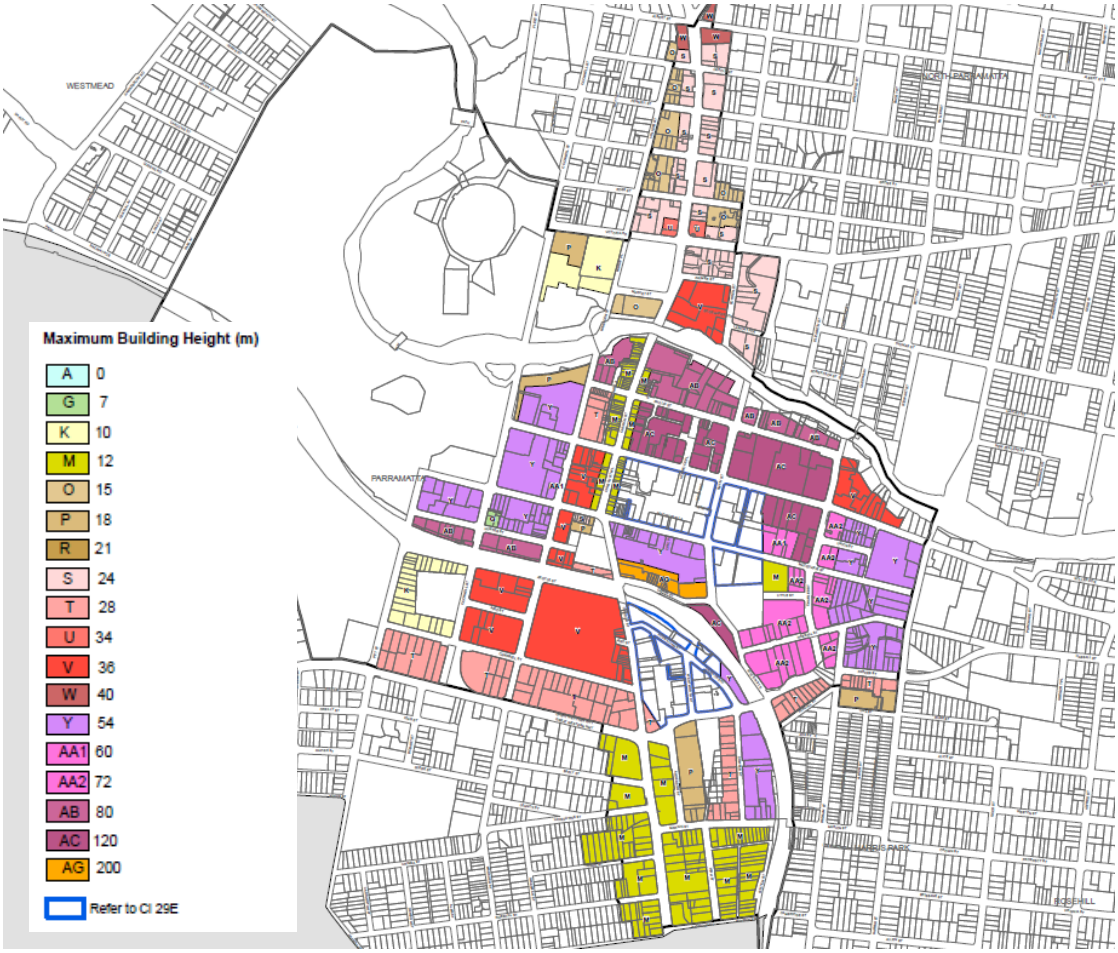
Building height

Heights generally reflect a similar pattern to FSRs with higher maximum building heights within the commercial core, progressively decreasing towards the fringe areas of the city centre (see Figure 6). The height controls range from 200 metres near the station and 120 metres in the commercial core to 12 metres. Two sections of the city centre are subject to Clause 29E 'sun access'.

Again, these heights area generally higher than those that were contained in the Sydney Region Environmental Plan 28, although the sun access planes that are intended to retain solar access to Lancer Barracks and Jubilee Pars were retained.

The 2001 GMU urban design study of planning controls suggested there were discrepancies between current height and FSR controls and undertook detailed testing on selected sites to explore how these discrepancies might be resolved.

FIGURE 6. PARRAMATTA CITY CENTRE HEIGHT MAP



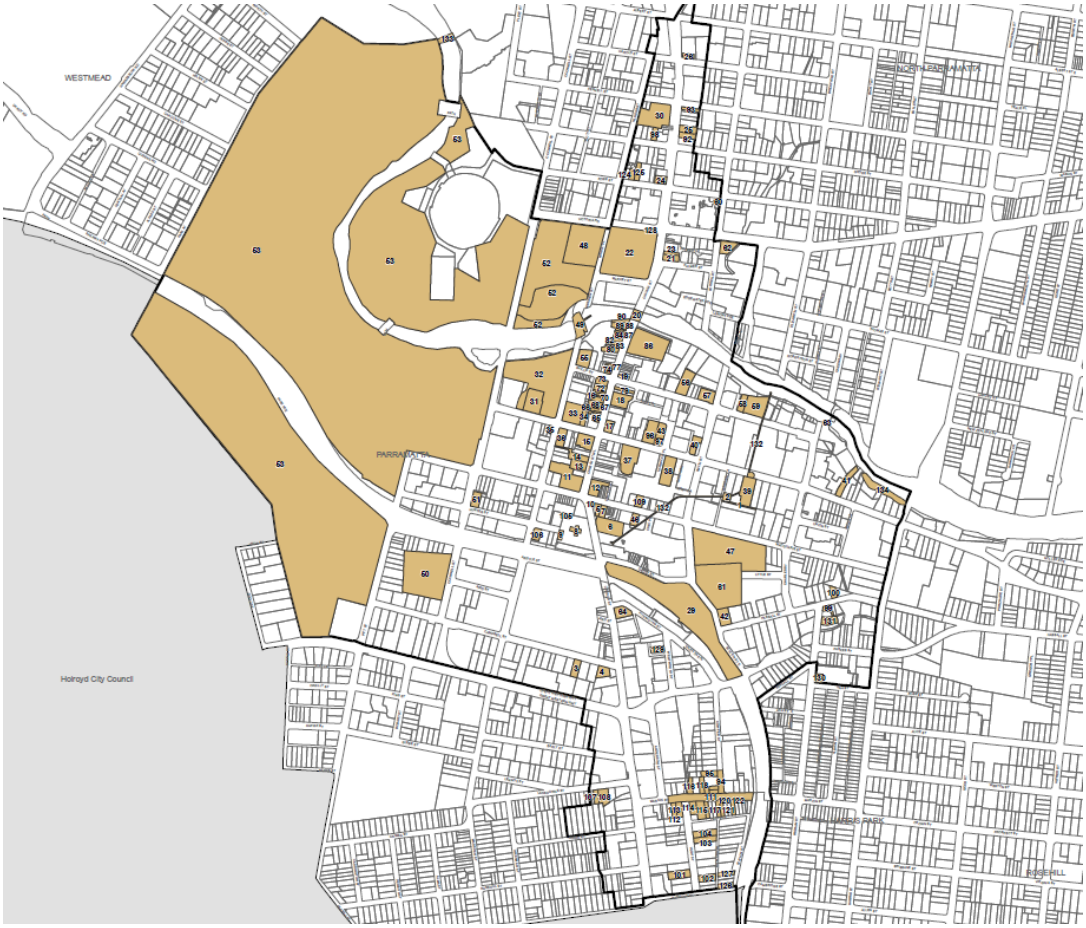
Source: Parramatta City Council, 2007

Heritage

There is a significant number of identified heritage buildings located within the Parramatta city centre (Figure 7). Old Government House has been listed as a World Heritage Site which impacts on the area west of Marsden Street with capped height and floorspace ratios. The area is subject to a conservation agreement and the control are subject to an agreement with the Federal government. Future development on affected sites will need to comply with these controls.

The impact of heritage listed buildings on the development potential of the centre generally, and the commercial core specifically, is an issue that should be investigated in the current study.

FIGURE 7. PARRAMATTA CITY CENTRE HERITAGE MAP



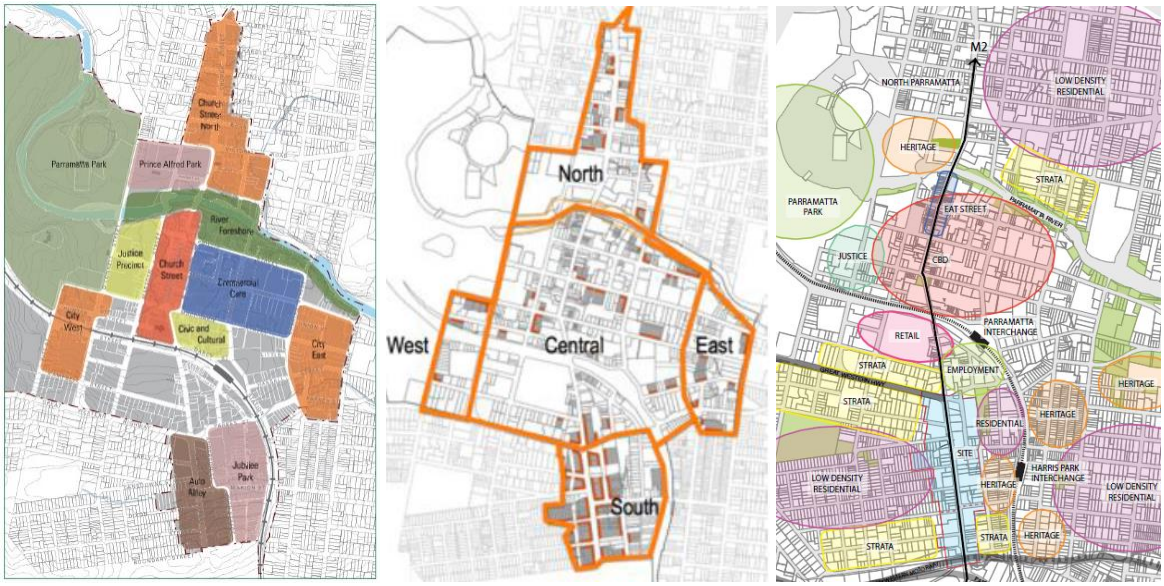
Source: Parramatta City Council, 2007

2.3 Precincts and assets

Mature CBD environments commonly feature a range of precincts that are the result of different character, functions and/or specific assets.

Various attempts have been made to identify precincts within the Parramatta City Centre (see Figure 8) There are a number of precincts based on the function of the area including the core retail around Westfield, the eat street of Church Street north, Civic Place precinct, commercial core around Smith and George Streets and the river corridor including culture, heritage and leisure assets. There are also a number of precincts which relate to the natural environment such as the Parramatta River precinct and Parramatta Park. The extent to which these precincts have informed planning controls, public domain design, and economic development strategies is unclear.

FIGURE 8. PRECINCTS IN THE PARRAMATTA CITY CENTRE



Sources: Cities Taskforce Vision document (2007), Parramatta City Centre Car Parking Strategy (2011); Auto Alley Urban Design Options report, p.22.

The Parramatta City Centre contains a number of built and natural assets which are quite often the focal points of the precincts identified above. These include:

- Parramatta Transport Interchange
- Civic Place
- Parramatta River
- Parramatta Park
- Several highly significant heritage items such as Old Government House, Parramatta Hall and Parramatta Church
- Church Street Mall
- The Riverside Theatre
- Parramatta Local Court
- Westfield Shopping Centre.

This is not to forget that the urban structure that host these assets is an asset in itself: a regular grid of major streets that are complemented by a series of smaller lanes and spaces.

Parramatta's various precincts and assets are an important point of difference for the centre relative to Sydney's other employment hubs. They should be viewed as important building blocks for a small, yet diverse, historic and sophisticated CBD environment that is unique within metropolitan Sydney.

2.4 Adjacent centres, neighbourhood and nodes

Another asset for Parramatta is the 'complex' of complementary centres, neighbourhoods and employment nodes located in close proximity to the CBD. These include North Parramatta, Harris Park, Westmead, Granville, Rosehill, Camellia and Rydalmere: an area that might be thought of as 'Greater Central Parramatta'.

Although consideration of these areas has not been identified in the scope of the present study, Parramatta's existing precincts, assets and adjoining areas – and their role in contributing to the character, identity and development of the centre – should be taken into consideration in any study of the future planning framework.

Specifically, their role in accommodating future employment and housing or both, might be considered a means of reducing development pressures for say residential land uses in the CBD. Accommodating growth in adjoining areas might also help to reduce the likely traffic and transport burden that will result from residential and employment growth, provided a high degree of self-containment can be achieved. Growth in local neighbourhoods will also provide opportunities for active transport.

2.5 Summary and implications

Parramatta has a long standing position in metropolitan strategic plans as Sydney's second CBD. Until relatively recently, Parramatta was host to the largest concentration of employment outside of the CBD and North Sydney. Macquarie Park/North Ryde has recently 'displaced' Parramatta from this position.

Planning controls have continued to provide for a 'protected' commercial core, although the capacity of this area is limited by existing development and heritage items. The 2007 city centre plan increased heights and FSRs.

Given the timing of the GFC, it is difficult to know what impact these controls might have had but the previous planning controls may not have been a key factor in limiting opportunities for commercial development in Parramatta's CBD. Limited demand and competition from other centres are more likely to explain the limited take up of new office developments.

Parramatta's capacity for further growth is contingent on a range of interrelated factors: demand, availability of land for redevelopment, planning constraints and transport accessibility. Connectivity is a key issue and improvements in connectivity and accessibility may be more likely to bring about a 'step change' in Parramatta's employment growth than changes to planning controls. The potential for the 'Greater Central Parramatta' area to accommodate both housing and employment also warrants further investigation (but is beyond the scope of the present study).

In regard to both of these issues, the recent announcement of State Government support ($400 million) to further the development of a Western Sydney Light Rail network, centred on Parramatta, is a positive step.

3 SUPPLY AND DEMAND

This chapter provides a high level analysis of supply, demand and the 'gap' between the two on the Parramatta centre. The first part of this section estimates capacity for new development (supply) based on the existing planning controls. Importantly, the final results reported here are based on capacity of sites that are relatively unconstrained for redevelopment. Projections for growth in employment and housing are also examined and converted to floorspace estimates (3.2 to 3.4) so that a 'gap analysis' (3.5) could be completed. This highlights the extent of the supply related planning challenge ahead for Parramatta's CBD.

3.1 Current capacity for employment and housing growth

This section seeks to quantify the capacity for additional development for both employment and housing in the Parramatta CBD under the current planning controls, and also taking into consideration proposed amendments to the existing controls (in both the Mixed Use zone and Auto Alley). The analysis begins by considering the unconstrained capacity then moves to considering constrained capacity: the capacity that is derived from those sites that might realistically be redeveloped in the next 20 years. The analysis draws in part on previous work by SGS (2012b).

It should be noted from the outset that any exercise in estimating the capacity for additional development requires a number of assumptions to be made and these significantly influence the findings. The assumptions used in this work are based on the best available information. However, the capacity findings are best seen as estimates that are indicative of the order of magnitude of potential additional available floorspace, rather than absolute or definitive quantities.

Approach

The capacity for additional floorspace was calculated using the following methodology:

1. Existing floorspace was estimated using digitised aerials to obtain the building footprints and a field audit of building scale and uses by floor.
2. The potential floorspace under existing FSR controls was estimated for each building parcel.
3. The existing floorspace (step 1) was subtracted from the potential floorspace (step 2) from the permissible floorspace by lot.

The potential impact on capacity of various proposed policy changes was also quantified. Capacity for additional floorspace in the Auto Alley precinct was derived from the previous analysis of capacity based on the proposed planning controls (short and long term) for this precinct (SGS, 2012b).

This relatively simple approach gives an idea of the order of magnitude of floorspace that might realistically be provided under current planning limits. The results of this analysis are without question an over–estimate of potential capacity as they have not taken into consideration a number of issues that would prevent the redevelopment of sites, namely:

- Sites being subject to strata title
- Heritage listing of specific items on a site
- Small lots that may not be large enough to viably redevelop without amalgamation
- Existing substantial capital improvements (e.g. multi-storey office developments) that are currently providing a return on investment and unlikely to redevelop, and
- Existing schools that are unlikely to be redeveloped in the foreseeable future for alternative uses.

It is also common for new commercial developments to not 'take up' all of the development potential that is made available through the planning framework.

In order to address some of these issues, capacity has also been calculated just for those sites deemed to have potential for significant development via a sieve mapping process undertaken by Architectus.

Unconstrained employment capacity results

Based on the method outlined above the analysis identified capacity in the Commercial Core (B3) for an additional 527,000 square metres of gross floor area (GFA). At a ratio of one office job per 20 square metres of GFA (the rate often used for capacity analysis of this type) this equates to a capacity for 26,400 jobs.

In the Mixed Use (B4) areas, recent development trends indicate that new floorspace is likely to be heavily oriented towards residential uses. An analysis of recent developments in this zone suggests that around 90 percent of the floorspace is allocated to residential uses. Therefore it has been assumed that 10 percent of floorspace will be non-residential: 5% for retail and 5% for office uses. Based on these assumptions the analysis found capacity for 132,820 square metres of additional gross floor area (GFA). This is sufficient capacity for around 3300 office jobs (at 20 sqm per office job) and 1700 retail jobs (at 40 sqm per retail job): a total of 5000 jobs.

Floorspace bonuses for design competition

Under the current planning controls a 10% FSR bonus is available for certain types of development that must be subject to a design competition. An audit of sites which could would likely meet the criteria estimated that approximately 24,400 sqm of additional floorspace for office uses could be obtained from the 10% bonus. This is sufficient floorspace for 1200 office-based jobs.

Auto Alley

Recent design and analysis work in Auto Alley has set out short and long term options for future planning controls that would see a significant increase in the capacity of this precinct. The short term proposal, which includes areas zoned both B3 and B5, would accommodate a maximum of 250,600 square metres of additional floorspace which might host in the order of 10,100 jobs. The long term proposals assumes the B5 zoned areas area uplifted to the Commercial Core zoning with an increased floorspace ratio: from 3:1 to 6:1. This would allow a total of almost 350,000 square metres of floorspace that might accommodate a total 17,500 jobs, assuming that all of this floorspace was used as office with an average job to floor area ratio of one per 20 square metres.

Unconstrained capacity for housing

Based on the assumption that the remaining 90% of additional floorspace capacity on Mixed Use zoned land would be realised as residential development, there is capacity for approximately 1,200,000 square metres of gross residential floorspace which would equate to 12,000 dwellings assuming the average gross floorspace per dwelling is 100 square metres.

Constrained capacity

For the sake of simplicity the preceding analyses have not attempted to quantify floorspace capacity that is effectively lost because some sites are constrained for redevelopment in the short to medium term.

The current study is concerned with the potential for growth over the next roughly 20 years, or to the year 2036. This being the case there are a number of sites in the CBD for which it can be safely assumed that the likelihood of redevelopment in this timeframe is very low. To identify those sites that are unlikely to accommodate significant additional development over the next 20 years a sieve mapping process was undertaken. This process excluded sites on the basis of:

- Existing land uses (e.g. open space, roads and schools)

- Designated constraints (e.g. heritage issues)
- Existing significant development, such as strata residential or larger commercial developments
- Existing approvals and other development likely to occur in the near-term, which this project is unlikely to be able to influence
- Isolated sites that are not large enough to deliver significant development.

The result of the sieve mapping is that significantly less land is available for development than the unconstrained scenario: in the order of one third of the number of sites or buildings were identified as being likely to accommodate significant new development.

It is estimated that these unconstrained sites might provide capacity for 688,800 square metres of additional gross floorspace; approximately 213,600 square metres of commercial floorspace and 427,680 square metres of residential floorspace, or capacity for approximately 12,500 additional jobs and 4,300 additional dwellings. This is 37% of the capacity identified in the unconstrained analyses of the Commercial Core and existing Mixed Use zones areas in the Parramatta CBD.

Summary of capacity analyses

The findings of the analyses presented above are provided in the tables below. The first table shows the total capacity for employment based on the analysis that does not consider development constraints. The second table shows employment capacity if the realistic constraints on development over the next 20 years are taken into consideration. The third and final table shows residential capacity under both the constrained and unconstrained scenarios.

It is evident that although there is considerable theoretical capacity for employment in Parramatta, in reality, there is in fact very limited capacity. Excluding Auto Alley, there is estimated capacity for an additional 12,500 jobs. Auto Alley has the potential for a further 17,500 job provided this area is developed to the maximum FSRs and all employment is at office density.

It should also be borne in mind that these estimates are based on the realisation of the maximum amount of floorspace permissible under current planning controls. It is highly unlikely that large office towers of the scale envisaged by the current height controls will be built in the short to medium term. This is because office demand is ‘lumpy’ as investors need to secure significant pre-commitments from prospective tenants before securing finance and commencing construction. This issue is discussed in more detail in chapter 4.

The potential capacity for residential development has been identified as being in the order of 12,000 dwellings under the unconstrained analysis and closer to 4000 dwellings when the various constraints are taken into consideration.

TABLE 1. EMPLOYMENT CAPACITY: UNCONSTRAINED (SQM)

Location/ type	Zones/ other	Total additional floorspace	Office proportion	Retail proportion	B5 employment proportion	Additional commercial floorspace	Additional employment
CBD	Commercial Core	527,100	100%	-	-	527,100	26,400
	Mixed use	1,328,600	5%	5%	-	132,860	5,000
	Total	1,855,700				659,960	31,400
Potential additional capacity	Competitions	24,400	100%	-	-	24,400	1,200
Auto Alley	Commercial Core	152,000	100%	-	-	152,000	7,600
	B5 - short term	98,600	-	-	100%	98,600	2,500
	B5 - long term	197,148	100%	-	-	197,148	9,900
	Total (Long term)	349,100				349,100	17,500
Total		**2,229,200**				**1,033,460**	**50,100**

Source: SGS, 2012b, 2014. Assumptions: 20 square metres average floorspace per office job; 40 square metres average floorspace per retail job; 100 square metres average floorspace per dwelling.

TABLE 2. EMPLOYMENT CAPACITY: CONSTRAINED (SQM)

Location/ type	Zones/ other	Total additional floorspace	Office proportion	Retail proportion	B5 employment proportion	Additional commercial floorspace	Additional employment
CBD	Commercial Core	213,600	100%	-	-	213,600	10,700
	Mixed use	475,200	5%	5%	-	47,520	1,800
	Total	688,800				261,120	12,500
Potential additional capacity*		24,400	100%	-	-	24,400	1,200
Auto Alley*		349,100				349,100	17,500
Grand total		**1,062,300**				**634,620**	**31,200**

* These totals are not subject to the same constraints analysis that was applied to the CBD.
Source: SGS, 2012b, 2014. Assumptions: 20 square metres average floorspace per office job; 40 square metres average floorspace per retail job; 100 square metres average floorspace per dwelling.

TABLE 3. RESIDENTIAL CAPACITY: UNCONSTRAINED AND CONSTRAINED (SQM)

Location/ type	Zones/ other	Total additional floorspace	Residential proportion	Additional residential floorspace	Additional dwellings
Unconstrained					
CBD	Mixed use	1,328,600	90%	1,195,740	12,000
Constrained					
CBD	Mixed use	475,200	90%	427,680	4,300

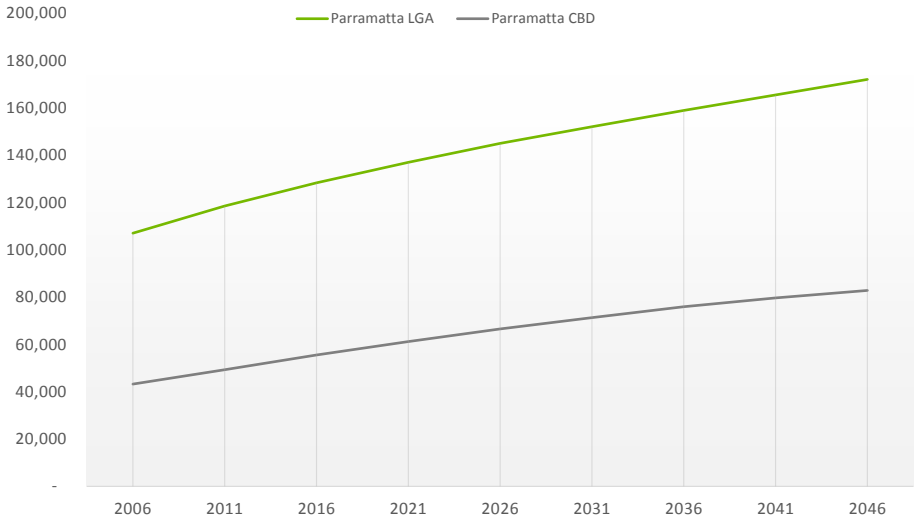
Source: SGS, 2012b, 2014. Assumptions: 20 square metres average floorspace per office job; 40 square metres average floorspace per retail job; 100 square metres average floorspace per dwelling.

3.2 Employment projections

Employment within Parramatta CBD represents around 42 percent of total employment within Parramatta LGA. Drawing on the 2012 BTS employment forecast for the 15 travel zones that comprise the CBD, this share is projected to increase to almost 50 percent by 2046 (Figure 9).

The BTS projections suggest that by 2036 the LGA will have 159,000 jobs, of which 76,000 will be in the CBD. This is an increase of approximately 40,500 and 26,500 for the LGA and CBD respectively.

FIGURE 9. PROJECTED EMPLOYMENT 2006-2046, PARRAMATTA LGA AND CBD

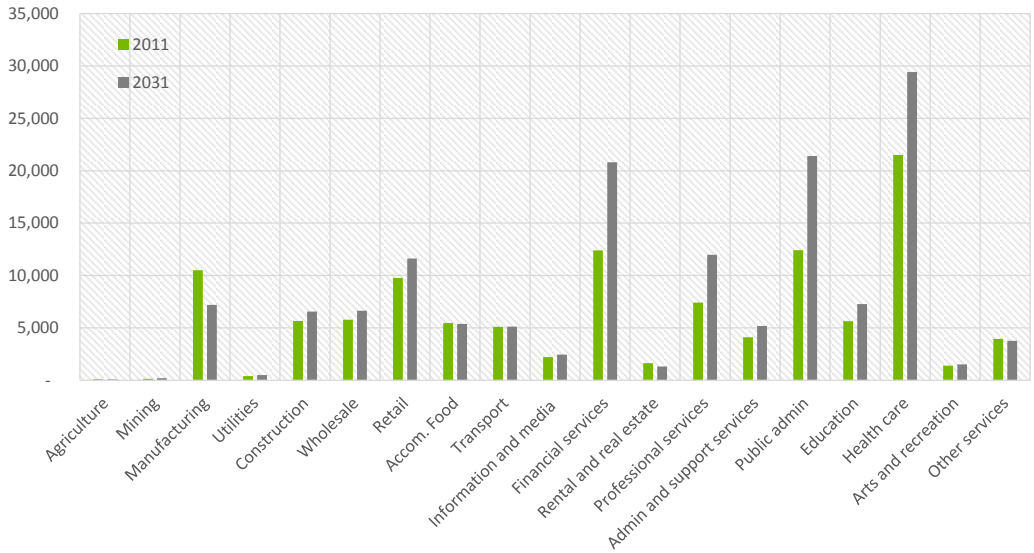


Source: SGS Economics and Planning, 2014 using BTS employment forecasts, 2012

Industry composition of employment in the Parramatta LGA

Within Parramatta LGA, the major industries of employment (1 digit ANZSIC) are health care, public administration and financial services, followed by professional services, manufacturing and retail. This pattern is expected to continue to 2031 although health care, public administration and financial services are projected to grow significantly (Figure 10).

FIGURE 10. INDUSTRY OF EMPLOYMENT PARRAMATTA LGA (2011-2031)

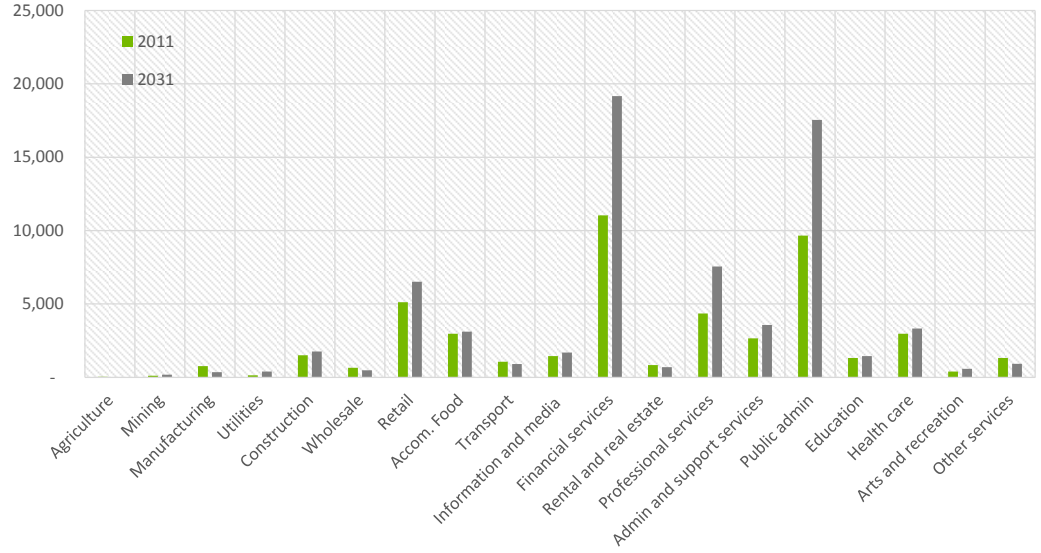


Source: SGS Economics and Planning, 2014 using BTS employment forecasts, 2012

Industry composition of employment in the Parramatta CBD

In the Parramatta CBD the major industries of employment are financial services and public administration, with significant employment also in retail and professional services. Again, this pattern is anticipated to continue to 2031, however professional services is forecast to overtake retail as the third largest industry of employment within Parramatta CBD (Figure 11).

FIGURE 11. INDUSTRY OF EMPLOYMENT PARRAMATTA CBD (2011-2031)

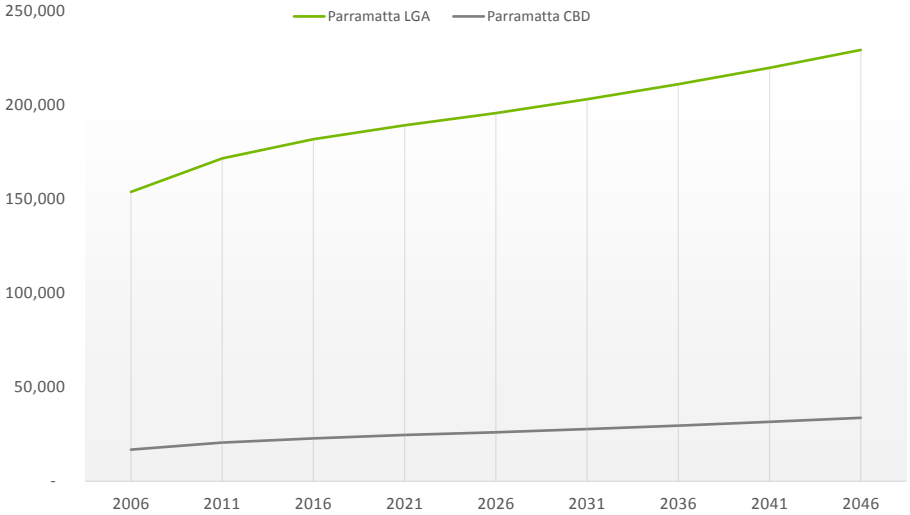


Source: SGS Economics and Planning, 2014 using BTS employment forecasts, 2012

3.3 Demand for housing

BTS population forecasts (2012) estimate that the population of Parramatta LGA is expected to grow from 170,000 people in 2011 to 230,000 people by 2046. The population of Parramatta CBD represents around 15% of the population of the LGA and is projected to grow from 20,000 people in 2011 to around 34,000 people by 2046 (Figure 12). In 2036, the projected population will be approximately 211,000 people, an increase of 39,000 from 2011.

FIGURE 12. PROJECTED POPULATION 2006-2046

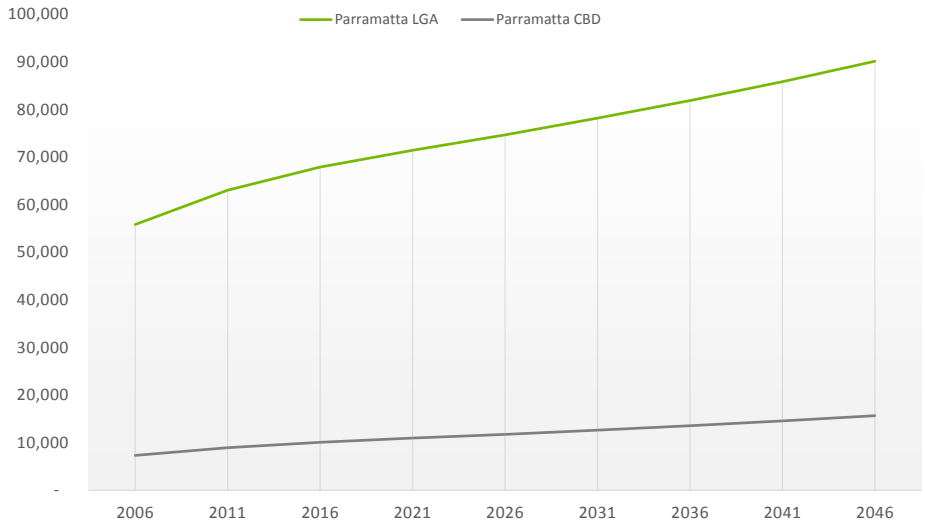


Source: SGS Economics and Planning, 2014 using BTS population and dwelling forecasts, 2012

There are currently around 63,000 dwellings in Parramatta LGA and the BTS projects that this number will grow by an additional 19,000 dwellings between 2011 and 2036. Parramatta CBD contains around 17% of total dwellings within the LGA. There is projected to be demand for an additional 4600 dwellings in Parramatta CBD between 2011 and 2036, bringing the total number of dwellings to approximately 13,600 by 2036.

For the purposes of the gap analysis below, 'trend growth' in housing has been as rounded up to 5,000 additional dwellings by 2036. In the absence of any other projections, the 'high residential growth' scenario has been set at 1.5 times the trend growth, that is, 7500 additional dwellings to 2036.

FIGURE 13. PROJECTED DWELLINGS 2006-2046



Source: SGS Economics and Planning, 2014 using BTS population and dwelling forecasts, 2012

3.4 Employment targets from state and local policy

Parramatta is forecast to experience considerable employment growth over the next 25 years. Table 4 illustrates a number of different growth scenarios for the Parramatta CBD that have been identified in plans and strategies, past and present.

The 'very high growth scenario' projects a total of 96,000 jobs in the Parramatta CBD by 2036. This equates to a rate of employment growth of 1880 jobs annually. The current draft Metropolitan Strategy's employment target of 70,000 aligns with the 2012 BTS projections. Both suggest an annual growth rate of approximately 1050 jobs. The projections put forward in the Cities Taskforce Plan of 2006 implied growth rates of 1200 jobs annually.

The four sets of employment projections provide three scenarios that have been described as 'trend growth', 'high growth', and 'very high growth' based on the implied average annual increase in jobs (the final column in the table below).

TABLE 4. EMPLOYMENT GROWTH SCENARIOS FOR PARRAMATTA CITY CENTRE

Growth scenario	Source	'Current' jobs	Additional jobs	Projected jobs	Per annum job increase
Trend growth	BTS projections (2012)	49,000 (2011)	27,000	75,921 (2036)	1,080
Trend growth	Draft Metro Strategy (2013)	49,000 (2011)	21,000	70,000 (2031)	1,050
High growth	Cities Taskforce Plan (2007)	43,000 (2006)	30,000	73,000 (2031)	1,200
Very high growth	PCC target	49,000 (2011)	47,000	96,000 (2036)	1,880

Source: SGS, 2014

3.5 Gap analysis

Having taken into consideration existing planning controls, proposed planning amendments to increase the employment capacity, potential additional capacity for employment identified in Auto Alley, and realistic constraints imposed by existing development, strata title and heritage items, it is evident that capacity for additional employment floorspace in Parramatta is relatively limited. The constrained capacity of the CBD has been estimated at 1.4 million square metres: 1.0 million for employment and 0.4 million for housing.

Capacity requirements

It must also be borne in mind that the floorspace capacity for jobs and dwellings shown in the tables in section 3.1 imply a 100% realisation of the potential capacity for additional floorspace under the existing planning controls. Such an outcome is unrealistic in practice. Planning controls must provide for capacity that exceeds demand to ensure efficient and competitive land markets. A rule of thumb of an additional 30% to 50% capacity in excess of the medium term demand has been suggested. With this in mind, Table 5 below identifies the capacity required to accommodate the three growth scenarios to 2036, assuming the planned floorspace requirement would need to be 50% in excess of demand (final column).

Assuming 50% excess capacity is sufficient, the 'trend' scenario requires 1.7 million square metres of additional floorspace. To achieve Council's higher growth targets, close to 3 million square metres of floorspace would be required.

TABLE 5. FLOORSPACE CAPACITY TO ACCOMMODATE GROWTH TO 2036 (SQM)

Scenario	Land use	Target (additional jobs or dwellings)	Additional floorspace required	Floorspace required + 50%
Scenario 1: Trend employment, Trend residential	Employment	27,000	648,000	972,000
	Housing	5,000	500,000	750,000
	Total	na	1,148,000	1,722,000
Scenario 2: Trend employment, High residential	Employment	27,000	648,000	972,000
	Housing	7,500	750,000	1,125,000
	Total	na	1,398,000	2,097,000
Scenario 3: High employment, High residential	Employment	47,000	1,128,000	1,692,000
	Housing	7,500	750,000	1,125,000
	Total	na	1,878,000	2,817,000

Source: SGS, 2014

Potential supply vs potential demand

By comparing the projected floorspace demand with the constrained floorspace capacity the magnitude of the surplus or gap in floorspace can be identified (see Table 6). The floorspace demand (including the additional 50%) for each of the three scenarios is compared to the constrained capacity.

In the case of the first scenario, which has been described as trend or business-as-usual growth, there is a shortfall in capacity of around 660,000 square metres. For the second scenario, where the residential growth features an additional 2500 dwellings, the shortfall is 1,000,000 square metres. And finally, if the floorspace requirements of the 'very high growth scenario' are considered, the deficit is even more substantial: 1.8 million square metres.

TABLE 6. FLOORSPACE GAP ANALYSIS (SQM)

Capacity, demand, gap	Commercial floorspace	Residential floorspace	Total
Scenario 1: Trend employment, trend residential			
a. Capacity (constrained)	634,620	427,680	1,062,300
b. Demand (includes additional 50% floorspace)	972,000	750,000	1,722,000
c. Gap (a – b)	-337,380	-322,320	-659,700
Scenario 2: Trend employment, high residential			
d. Capacity (constrained)	634,620	427,680	1,062,300
e. Demand (includes additional 50% floorspace)	972,000	1,125,000	2,097,000
f. Gap (d – e)	-337,380	-697,320	-1,034,700
Scenario 3: High employment, high residential			
g. Capacity (constrained)	634,620	427,680	1,062,300
h. Demand (includes additional 50% floorspace)	1,692,000	1,125,000	2,817,000
i. Gap (g – h)	-1,057,380	-697,320	-1,754,700

Source: SGSEP, 2014. Note: the methodology used to calculate capacity in this report differs to that used by Architectus in the main study. The Architectus methodology was based on modelling of built form outcomes, whereas the SGS method used the maximum FSR permissible under current or proposed planning controls (see Section 3.1 for more detail). Notwithstanding the different approaches both analyses found the existing floor space capacity is insufficient to meet demand to 2036.

Commentary

A range of projections for total employment in the Parramatta CBD to 2036 establish targets of between 76,000 and 96,000 total jobs. The gap analysis above suggests that regardless of the projection used, there is a gap in the available floorspace to accommodate these projections. It is for this reason that previous analysis by SGS (2012) highlighted the need to consider the potential for Auto Alley to have a large share of land zoned for employment activity and this has been taken into consideration in the above calculations. However, it would appear that even the inclusion of employment only floorspace in AutoAlley would not provide sufficient floorspace to meet the high employment growth target.

However, it is unlikely that new office developments in the short term will take up all the existing development potential available under the current planning controls. The reasons for this are discussed in more detail in in the following chapter, but in essence relate to the limited and 'lumpy' nature of demand for commercial floorspace.

The issues of Parramatta's competitiveness in the metropolitan region for new office development, the resulting demand for new office space, and the issue of competition between residential and commercial uses are explored in the next chapter.

4 OFFICE DEVELOPMENT

This chapter[1] provides an overview of Sydney's office markets, and specific detail on the current supply of office floorspace in Parramatta, including the current mix by grade, and information on office developments that are approved have not yet been built. The chapter then turns to a discussion of Parramatta's position in the metropolitan office market, and the relative strengths and weakness of Parramatta as a location for additional office developments. Finally, the issue of mixing residential and commercial floorspace in a single development is discussed by examining industry perspectives and selected case studies.

4.1 Sydney's office markets

The Parramatta office market is the fifth largest suburban office market in Australia with around 700,000 square metres of office floorspace. This is less than Macquarie Park/North Ryde and North Sydney which have around 850,000 square metre of floorspace each (see Table 7). Around 40 percent of Parramatta's commercial office floorspace is A grade and around 20 percent is B grade.

TABLE 7. OFFICE FLOORSPACE IN SYDNEY CENTRES (SQM)

Market	Floorspace (sqm)	Prime grade space*	Vacancy Rate Dec '13
Sydney CBD	4,900,000	53%	7.2%
North Sydney	848,605	26%	10.5%
Crows Nest/St Leonards	357,333	29%	14.3%
Chatswood	280,845	56%	13.5%
Macquarie Park/North Ryde	854,251	69%	9.5%
Total North Shore	**2,338,062**	**46%**	**11%**
Parramatta	685,878	40%	9.7%
Grand total	**7,985,618**	**50%**	**9.3%**

Source: Savills office market reports Q1 2014 and SGS Economics and Planning calculations
*Prime grade includes Premium and A Grade office space.

Both Macquarie Park, Norwest and Sydney Olympic Park have all experienced considerable growth in office floorspace in the last 10 years (see Table 8). Both the CBD and Parramatta have also seen strong growth in the decade just past at around 10 percent and 14 percent respectively.

[1] The content of this chapter draws on Inputs and consultation with CBRE and a range of other data sources.

TABLE 8. RECENT GROWTH IN OFFICE FLOORSPACE (SQM)

Centre	2004	2009	2014	2004-2014	
Sydney CBD	4,492,884	4,742,798	4,958,706	465,822	10.4%
North Sydney	806,803	814,893	848,605	41,802	5.2%
St Leonards/Crow Nest	358,474	354,084	357,333	-1,141	-0.3%
Chatswood	298,286	295,332	280,845	-17,441	-5.8%
Macquarie Park/North Ryde	475,397	755,897	854,251	378,854	79.7%
Parramatta	602,325	660,326	685,878	83,553	13.9%
Norwest	240,000*	296,131	400,000	160,000	66.7%
Sydney Olympic Park	30,500	95,261	250,000	219,500	719.7%

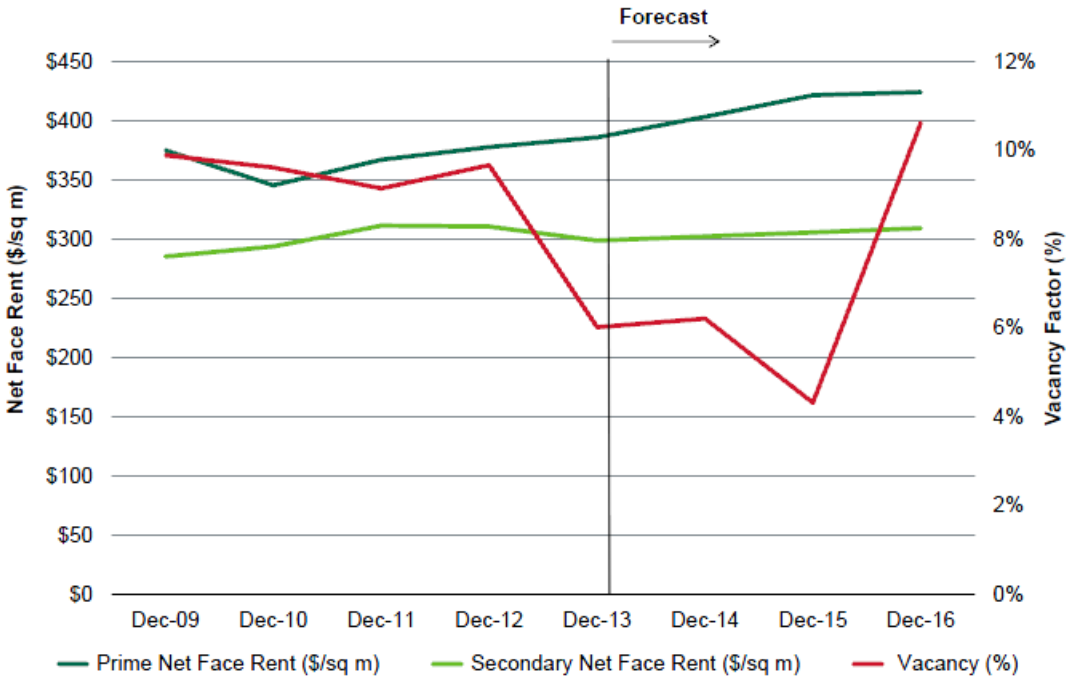
Source: CBRE 2004, 2009, Colliers 2004, 2009, Savills 2014
*2005 figure

4.2 Parramatta's office market

Stock, vacancies and rents

There is currently a shortage of prime commercial office space in Parramatta with the vacancy rates for A grade stock being very low at just 0.5%. As a consequence rents for prime space have been rising over the period since January 2010 and are expected to continue to rise as vacancy rates remain low at least until new developments come on-line (see Figure 14). Low vacancy rates are good for rents, but they are a limitation for attracting employment to the centre. Agents Jones Lang LaSalle (2013) have suggested that the result is that 'Parramatta is currently unable to attract tenants seeking desirable A-Grade office with large enough floor plates to accommodate their needs.'

FIGURE 14. FACE RENTS & VACANCY PARRAMATTA



Source: CBRE, 2014

Rents in Parramatta are considerably lower than the Sydney CBD and North Sydney (Table 9) but available information suggests they are comparable to other suburban markets for the equivalent grade of office space.

The Low vacancy rate for A grade stock is putting pressure on secondary stock (B, C and D) to be refurbished and re-released as prime commercial space. Low vacancy rates are also helping to keep rental growth steady in the prime market, and incentives remain low compared to other Australian CBD markets.

TABLE 9. COMPARISON OF RENTS AND YIELDS

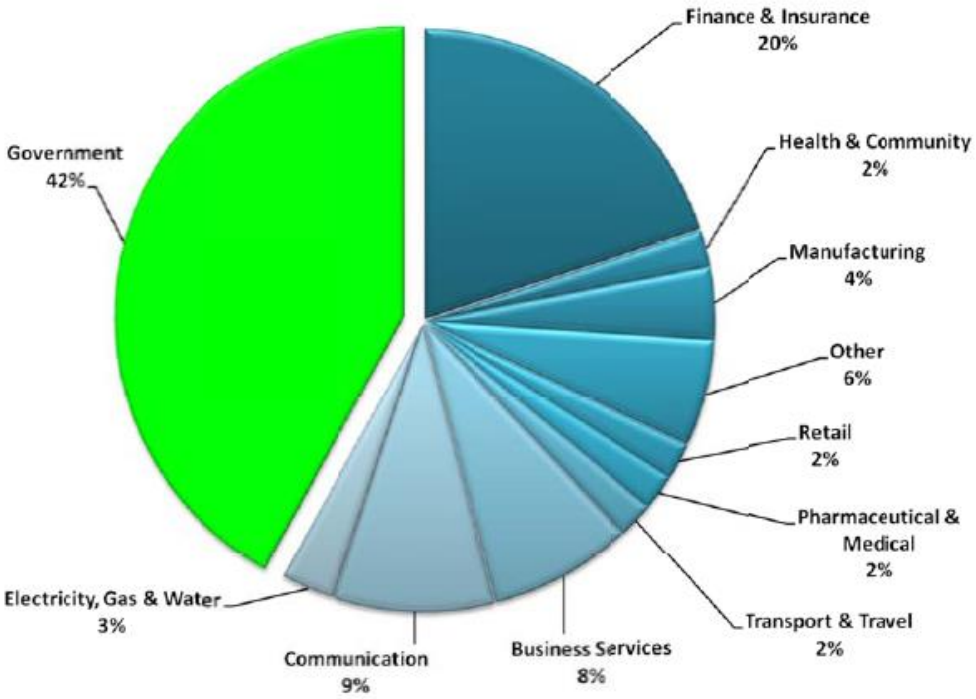
	Gross Rent		Net Face Rent		Market Yield (% Net Face Rental)	
	A-Grade	B-Grade	A-Grade	B-Grade	A-Grade	B-Grade
Parramatta	$490	$400	$385	$300	8.5%	10.5%
North Sydney	$770	$570	$640	$450	7.75%	9.5%
Sydney CBD	$1,020	$730	$850	$585	7.5%	8.75%
North Ryde	-	-	$325	-	8.0%	-
Norwest	-	-	$335	-	9.75%	-

Source: Savills, 2013 (Parramatta, North Sydney and Sydney CBD. Note: High values used); Colliers International, 2013 (North Ryde and Norwest)

Existing employment mix

Existing occupiers of floorspace in Parramatta is dominated by government which accounts for over 40% of tenants (see Figure 15).

FIGURE 15. OCCUPIER PROFILE - PARRAMATTA



Source: CBRE 2014

Development pipeline

Even though rents are rising and vacancy remains low for prime stock, mooted developments and pipeline developments have yet to get off the ground. There is around 115,000 square metres of new stock in the development pipeline, in five separate developments, awaiting pre-commitments prior to

commencing construction (see Table 10). These projects are typically between 20,000 and 30,000 square metres, are 12 to 20 storeys in height, and have floor plates of around 1200 to 1500 square metres.

It is anticipated that commencement of any of these projects would be post 2015, primarily due to there being no known pre-commitments to any these projects.

TABLE 10. APPROVED OFFICE DEVELOPMENTS IN PARRAMATTA

BUILDING	DEVELOPER	AREA (SQM)	PRECINCT	STATUS	TIMING
169 Macquarie Street	Leightons	24,500	Mid City	DA Approved	Mooted
153 Macquarie Street	Alfasi	28,600	Mid City	DA Approved	2015+
105 Phillip Street	Dexus	20,388	Mid City	DA Approved	Mooted
89 George Street	Duxton	11,517	Mid City	DA Approved	Mooted
159 Church Street	Westfield	30,000	City South	DA Applied	Mooted

Source: CBRE 2014

Potential tenants

Agents seeking pre-commitments in Parramatta are targeting a range of potential occupiers to secure pre-commitments. These include government agencies (local, state and federal), call centres, firms in the financial and business services sector, legal firms, and back office functions of Sydney CBD operations.

Consultation revealed that there were a number of potential tenants seeking commercial space in Sydney. NRMA currently have a requirement for around 5,000 to 6,000 sqm of commercial space although they have not shortlisted Parramatta as a stated preference. The University of Western Sydney may be looking for a large requirement, although they have not come to the market yet and the quantum of space they are seeking is unknown. Multiple medical uses require around 600 sqm for surgeries, while all other enquiries fielded are for leases between 50 and 500 sqm.

More recent advice has suggested that a large national bank has sought proposals from the market to provide 20,000, 40,000 or 60,000 square metres of office space in a suburban office market.

4.3 Suburban office markets compared

The term suburban office markets is used here to describe all office locations that are outside of the CBD, so it is inclusive of employment centres, like Parramatta, and business parks, like Norwest.

Suburban business parks in Sydney are likely to be Parramatta's main competitors in attracting new employment. The four major business parks in Sydney, that is, Macquarie-North Ryde, Homebush-Rhodes, Mascot and Norwest, comprise over 1.24 million sqm of office space. This is an increase of 573,000 sqm in five years. Together these business parks account for 12 percent of Sydney's total office space.

Floor plate size

Suburban office markets cater to a different type of tenant compared to the CBD. Tenants typically seek larger floor plates, over 1200 sqm (Urbis, 2013). Tenants in Sydney Olympic Park reportedly have similar floor plate size requirements while those at Rhodes and Norwest business park are larger at 1500 sqm or

greater. Despite this, tenancies in Parramatta are typically smaller than in other locations, with a significantly higher proportion of tenancies between 100 and 500 sqm, while in Sydney Olympic Park and Norwest tenancies are usually over 1000 sqm with very few smaller tenancies, although Norwest is beginning to cater for smaller tenancies through the provision of strata units.

Parking

The Parramatta office market does differ significantly from other suburban markets with less emphasis on car parking provision compared to locations such as Sydney Olympic Park and Norwest. In the latter, parking provision is an important driver of the office market, with parking typically included in the lease at a rate of one space per 25 sqm of office floor area. Consultation determined that access to parking is one of the key criteria for tenants in other suburban office markets whereas for the Parramatta market, access to public transport is more important. Access to PT services is likely to become more of an issue in suburban office markets if road traffic congestion increases. Monthly parking costs in Parramatta are $250-$300 per space, whereas those in Sydney Olympic Park are considerably cheaper at $150-$220 per space.

Tenancy size

As noted above, there is a demand for a large range of tenancy sizes in Parramatta, ranging from multiple tens of thousands of square metres to tenancies as small as 50 to 500 square metres. The Norwest Business Park has a small number of tenants with very large offices ranging upwards of 10,000sqm. It also hosts a reasonable number (10 - 20) tenants with floorspace in the 2,000 - 5,000 square metres range. The majority of tenants are sub-1,000sqm with the remainder between 1,000-2,000sqm.

Campus style development

As well as the transition of Woolworths to Norwest, Optus opted to locate in Macquarie Park. Optus relocated in a purpose-built campus spread across eight hectares, with 84,000 square metres of floorspace in six separate buildings. The campus includes childcare, a gym and onsite retail facilities. The ability to incorporate campus style facilities within the commercial environment remain a feature that appeals to some corporate tenants. Campus style office developments and business parks also offer opportunities for outdoor recreation (e.g. running and walking at lunch times) that can be appealing to employees and therefore employers.

Other organisations locating in business park or campus style premises include the Commonwealth Bank who in September 2007 began relocating teams to Sydney Olympic Park. By early 2009 around 3,500 employees had relocated to the site

The finer grain and mix of services and amenities provided in Parramatta is a distinctly different offer to that of business parks and campus style developments. This more complex offer should serve Parramatta well in the future so long as other fundamentals (for examples, floor plates, accessibility, costs, and so on) support new development.

4.4 Pre-commitments and commercial developments

While speculative commercial developments do occur, industry consultation suggests that developers are currently unwilling to speculatively build a commercial building in Parramatta. As noted above, a number of commercial developments with floorspace in excess of 10,000 sqm have been awaiting pre-commitments for some time (some for over ten years).

In general, a pre-commitment of 50-60 percent of the net lettable area is required for commercial office developments to proceed. The requirement to secure pre-commitments is to obtain finance from a bank. If a developer uses other sources of finance (e.g. equity) to fund the development, then the level of pre-commitment required will vary.

Having one large tenant or a mix of multiple tenants are both acceptable methods of gaining pre-commitments. However the more parties that are involved the more difficult it can be to align the timing of their requirements for new office accommodation. As a case in point, two tenants – QBE and Deloitte – pre-committed to occupy 80% of the Eclipse Building at 60 Station Street, and it was perhaps the result of the synchronicity of two firms moving to Parramatta that this project came to fruition.

In general, the challenge of gaining pre-commitments is a significant barrier to adding to the stock of office floorspace in the Parramatta CBD.

4.5 Prospects for 'multiple use developments'

In the current property cycle residential development is typically more profitable than office development. As a result, in areas where both uses are permissible, residential development will generally outbid commercial development. This issue is highlighted in a study undertaken for Toronto, Canada, a city which faces very similar development pressures to Sydney:

> The challenges created by residential price competition for land, high city taxes, construction cost frictions and over-long approvals timelines limit Toronto's ability to attract new office growth outside the financial core.
>
> A similar balance concern arises with the city's Centres. Notwithstanding different combinations of subway, SRT GO Rail and surface transit transfer nodes, each has failed to respond to planning permissions and fulfill office employment growth expectations. *The reasons for this are uncertain but include lack of tenant market interest and higher returns to residential development.*
>
> The need to specifically target a continued supply of well-located office space is being recognized in new planning directions in such other global cities as Vancouver, London and Sydney.
>
> *Malone Given Parsons Ltd (2012) (emphasis added).*

In Toronto as in Sydney, there is a concern that the market is not able to provide significant additional office floorspace outside of the traditional core.

'Multiple use developments'

The potential for developments that host both residential and commercial floorspace has been flagged as a possible solution to this dilemma. The term 'multiple use developments' is coined here to describe development that is a genuine mix of activities – employment and housing – rather than the typical mixed use developments that are predominantly residential development with a relatively small proportion of non-residential floorspace attached.

There are a number of reasons why 'multiple use' buildings (particularly in vertically separated formats) are not common:

- Potential investors in the residential and commercial development have different objectives. For example, institutional investors in commercial developments may want to avoid the added complexity of dealing with a residential strata plan (as the investment and 'write-down' horizons can differ substantially).
- Tenant pre-commitments for office space remain an issue (see above), and this is complicated by combining it with apartment presale requirements for the residential component of the development.
- Banks view 'innovative' building formats as risky and are therefore less likely to provide development finance.

- Anecdotal evidence suggests that commercial tenants might not view a 'multiple use' building as being as prestigious as a conventional commercial building. There also might be a reluctance to share a foyer and common areas with residential tenants, although this can be overcome by providing separate entrances and lift risers for the commercial and residential parts of the building.
- Residential developments typically provide higher returns, particularly in more margin office markets, so in a building of the same total area there is a disincentive to provide a large proportion of commercial development as this may compromise the financial return.

'Multiple use' development precedents

There are some examples of 'multiple use' developments in Australia, and these appear to be occurring more often, although they are still not common.

Examples of 'multiple use developments' can be either vertically or horizontally separated. The Riparian Plaza in Brisbane's CBD is an example of vertical separation. It has parking on the lower levels, 30,000 of commercial space over 25 floors, and residential development in the top 12 floors. In Adelaide the Conservatory development on Hindmarsh Square is a 19-level building comprising 430 sqm of ground floor retail space, four floors of above-ground parking, five floors of office space and nine floors of residential development. The Beau Monde apartment development in North Sydney incorporates a significant mix of uses with separate entrances for the residential and commercial components of the building. The residential component– which comprises around 240 apartments spread over 29 floors – was an addition to the existing commercial and retail premises on the first seven storeys of the building.

Examples of horizontally separated multi uses developments can be found on larger sites. The Renzo Piano designed Aurora Place building in Sydney comprises 49,400 sqm of commercial space spread over 41 floors, with a separate 18 storeys of residential development located on the eastern side of the site, opposite the Botanical Gardens. The World Square development – which is an entire city block – is comprised of a retail podium with separate towers above that contain residential development, commercial development, and short-term accommodation.

When does 'multiple use' development work?

The examples cited above to here are all located in areas which are able to command relatively high commercial *and* residential capital values, owing to either their central CBD location or water and park views. Investors in the commercial component can typically be assured of a 'premium' residential component, reducing capital risks. These conditions do not apply in Parramatta. Perhaps the residential capital values need to be sufficiently high to offset the risk of developing a substantial component of commercial development without the necessary tenant pre-commitments.

It may be that there are circumstances specific to the developer that allows then to bypass traditional bank financing. If a developer is able to finance a significant proportion of the development themselves, they are less reliant on risk adverse lenders, and might be in a position to undertake a 'multiple use' development. In these cases the scale of development is likely to be smaller.

From a broader perspective, there is evidence to suggest that multiple use' development has broader societal benefits in locations where mixed uses development would displace employment to more dispersed locations. SGS (2014a) undertook a study to understand the impacts of imposing a mandatory minimum two storeys of commercial development for all mixed use development in Chapel Street, Melbourne. This work was prepared to assist a local authority development appropriate policy settings for future mixed use developments to ensure the retention and growth of local employment. The cost benefit analysis found that this intervention would have a positive impact from a broader societal perspective, despite a lower rate of profitability (compared to a standard residential focussed mixed use development) in the short term.

4.6 Summary

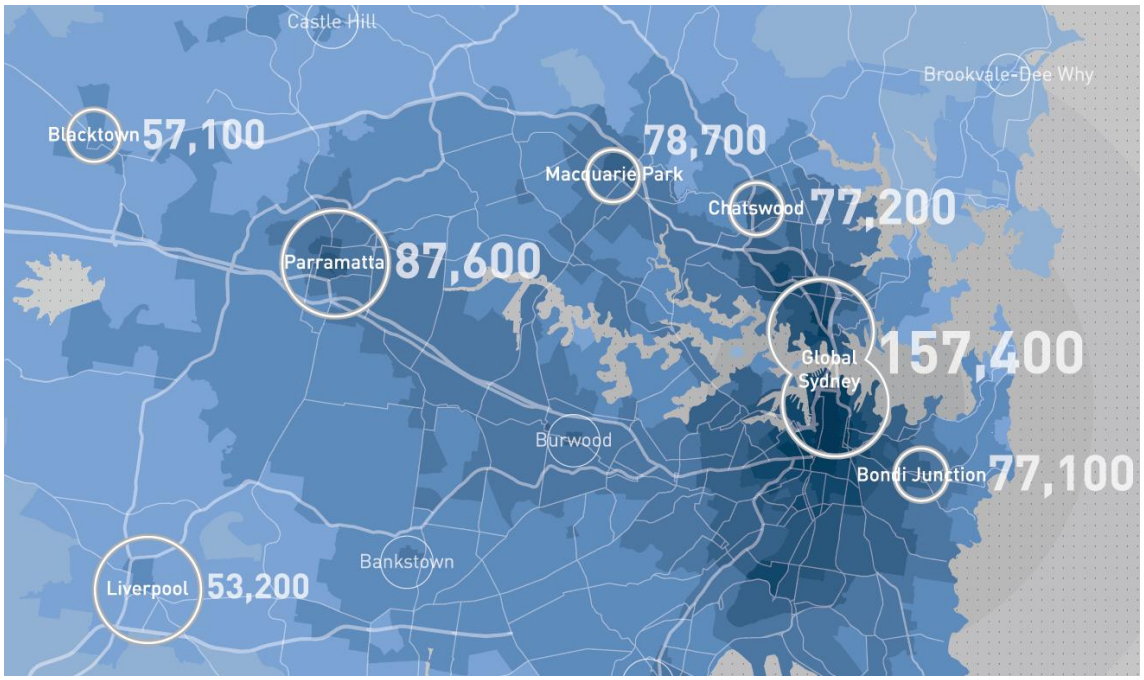
With 690,000 square metres of office development, Parramatta is host to the second largest concentration of 'suburban' office development in Sydney, having recently been surpassed by Macquarie Park/North Ryde which hosts 850,000 square metres. Parramatta has low vacancy rates for A grade office space but there is also considerable floorspace in the development 'pipeline': around 115,000 square metres of approved floorspace in five developments. These buildings typically host 20,000 to 30,000 square metres but have not progressed for lack of pre-commitments from prospective tenants.

In the short term, Parramatta may find it difficult to attract many very large commercial office buildings (e.g. greater than 30,000 square metres) due to the limited scale of growth in the office market, and the need for significant pre-commitments for new office developments to get off the ground.

Other employment centres cited above provide a compelling offer to potential tenants: they currently have access to a similar sized labour market, are typically seen as being as accessible and as affordable, and, despite their different urban forms, have a range of amenities that make them attractive to employers and employees. They also offer opportunities for larger floor plate and campus style developments that are limited within the Parramatta CBD.

Parramatta currents enjoys similar 'agglomeration benefits' to other centres. Figure 16 shows the 'effect density of jobs' for different locations in Sydney, which is a measure of the potential business-to-business connections (taking into consideration the number of jobs and travel times between them). Parramatta, Macquarie Park and Chatswood all show similar EJD scores. Progressive improvements to transport infrastructure and reductions in travel times can provide Parramatta with an agglomeration advantage relative to these centres. In this regard investigations into the potential for a light rail network in and around Parramatta are a positive step.

FIGURE 16. EFFECTIVE JOB DENSITY FOR SYDNEY CENTRES (2013)



Source: SGS, 2013.

5 CASE STUDIES OF SECONDARY CENTRES

This chapter contains four international case studies of secondary centres in large centres, and also explores planning approaches undertaken in some other Australian locations. The objective of these investigations is to develop an understanding of existing approaches to dealing with the tensions between residential and employment uses in secondary employment centres.

The case studies were chosen based on comparability to Parramatta, being identified secondary centres in the larger metropolis. The four centres considered were:

- Surrey in Vancouver (Canada)
- North York in Toronto (Canada)
- Croydon in London (UK), and
- Brooklyn in New York (USA).

The planning for the secondary centres of Box Hill and Dandenong in Victoria, North Sydney in NSW, and Southport on the Gold Coast is also considered.

5.1 Surrey, Vancouver

Context

Surrey is located approximately 22 kilometres south east of Downtown Vancouver, in British Columbia, on the South West coast of Canada. The Municipality of Surrey extends from the Fraser River to the USA/ Canada border. Surrey Metro Centre is designated as the principle activity centre for the area of Greater Vancouver south of the Fraser River. It is the second largest municipality in Greater Vancouver, with a population of around 500,000, behind Vancouver City with an estimated population of 650,000 (BC Stats, 2013). Greater Vancouver's total population grew by almost 10% over the last five-year census period, from 2.1 million to 2.3 million. Surrey is projected to grow by over 50% to a population of 770,000 by 2041.

Greater Vancouver has many similarities to Sydney in its physical layout and natural waterfront setting. However, Vancouver is a smaller city, with a population of around 2.5 million, growing towards 3 million. But the location of Surrey relative to 'downtown' Vancouver is similar to that of Parramatta in Sydney: it's 20 kilometres to the west; it's connected by the main public transit line; and it's the focus of the most rapidly growing area of the metropolitan area (Figure 17).

Connectivity

The Surrey Metro Centre has three rapid transit stations (all on the Expo line of the Sky Train service): Gateway, Surrey Central and King George Stations. Travel time from these stations to Downtown Vancouver is around 40 minutes (see Figure 18). There is an extensive bus service to other regional centres, and a proposal to build three light rail lines to connect to the smaller centres and employment corridors of the municipality to the south, south east and east of the centre. In 2011 the mode split for travel to work was 70% by car, 20% by public transport, and the remaining 10% by bicycle or walking (Statistics Canada, 2011).

FIGURE 17. SURREY'S LOCATION IN GREATER VANCOUVER

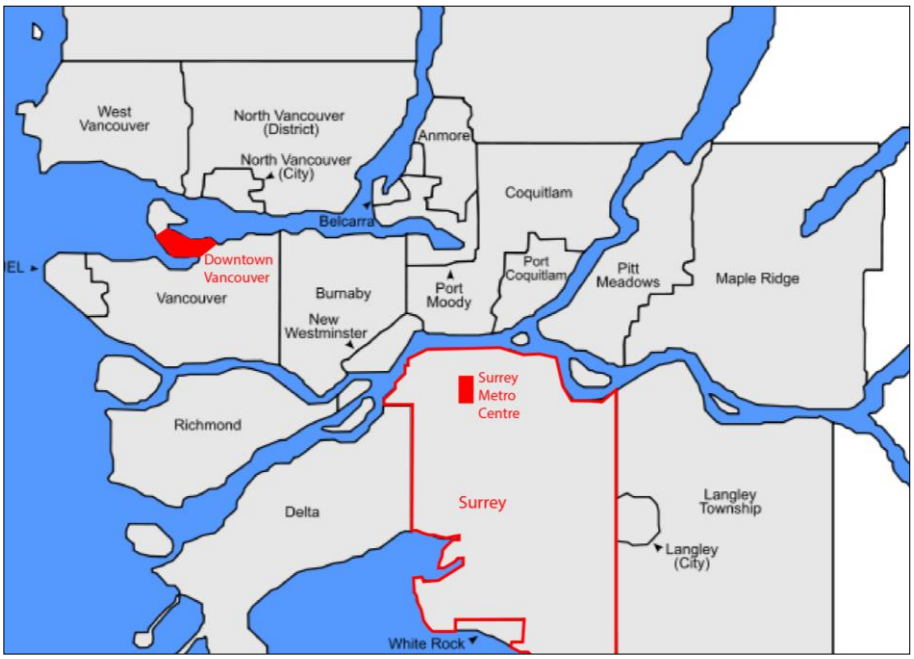
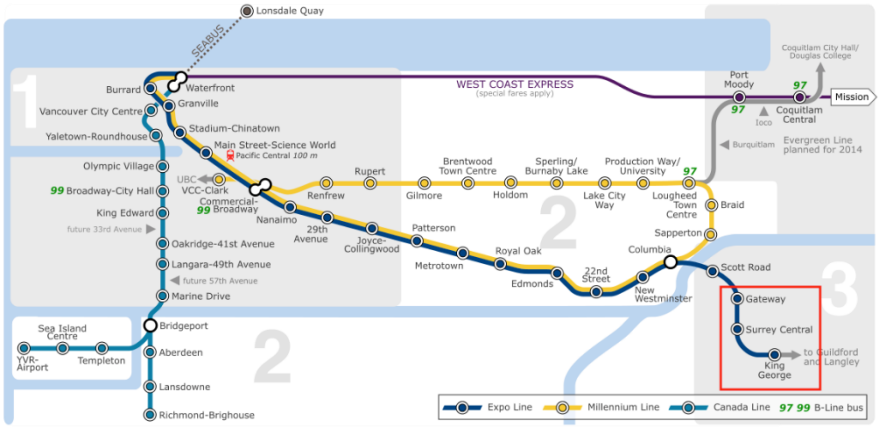


FIGURE 18. GREATER VANCOUVER SKY TRAIN SYSTEM



Strategic planning

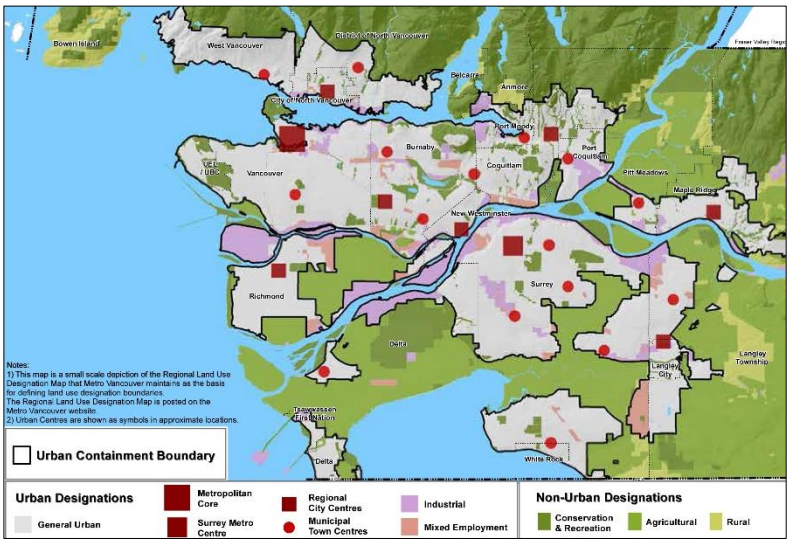
The hierarchy of centres in Vancouver is similar to that of Sydney. The Vancouver Metropolitan Core is at the top of the hierarchy, followed by Surrey – the 'Metropolitan Centre' for the east of Greater Vancouver – then seven 'Regional City' centres are grouped together with a combined job target. In the language of Sydney's centres hierarchy, Surrey can be compared with the Regional Cities, and the next tier down with the Major Centres. The breakdown of office space in various locations across the Vancouver metropolitan region is:

- 46% of office space in the region is in Downtown Vancouver and Broadway Corridor (Metro Core)
- 21% is in Burnaby/New Westminster, mostly in Metrotown and New Westminster.
- 8% is at University of British Columbia
- 9% in both Richmond and Surrey/White Rock, and
- Less than 10% is distributed throughout the rest of the region (MetroVancouver, 2013).

Surrey Metro Centre's designation as the second centre is based largely on its growth potential, rather than its current capacity. As the main centre for eastern Greater Vancouver, Surrey is projected to

accommodate an additional 30,000 dwellings and 30,000 jobs in the Metro Centre area by 2041. A number of other centres in Greater Vancouver currently contain more jobs than Surrey. These include Metrotown, also on the Expo Line, and the University of British Columbia, on the western edge of Vancouver City., The latter is considered to be more like a Specialised Centre in the Sydney hierarchy, than a regional centre.

FIGURE 19. GREATER VANCOUVER METROPOLITAN STRATEGY MAP



Source: Greater Vancouver Metropolitan Strategy

FIGURE 20. GREATER VANCOUVER EMPLOYMENT CENTRES TARGETS

Area	2006	2041	Growth
Metropolitan Core	256,000 (22%)	313,000 (18%)	57,000 (10%)
Surrey Metro Centre	18,000 (2%)	49,000 (3%)	31,000 (5%)
Regional City Centres	124,000 (11%)	237,000 (14%)	113,000 (19%)
Municipal Town Centres	69,000 (6%)	163,000 (9%)	94,000 (16%)
Urban Centres Total	**467,000 (40%)**	**762,000 (43%)**	**295,000 (50%)**
Frequent Transit Development Areas	254,000 (22%)	412,000 (24%)	158,000 (27%)
All Other Areas	437,000 (38%)	579,000 (33%)	142,000 (24%)
Total	**1,158,000**	**1,753,000**	**595,000**

Source: Greater Vancouver Metropolitan Strategy

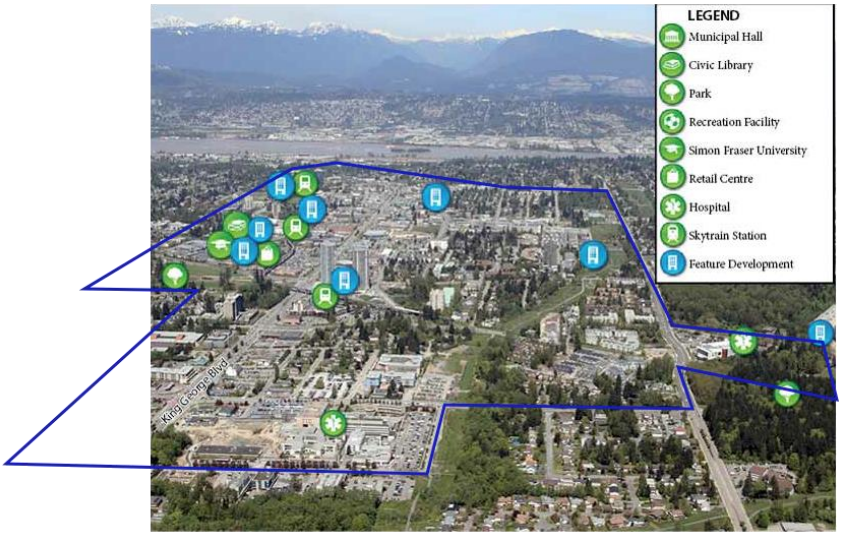
Statutory planning

The Surrey Metro Centre designated area is approximately 4 km x 1.6 km, or 640 hectares in area. It is a relatively large: larger than downtown Vancouver at around 540 hectares in area. Consultation with local planners revealed that Surrey Metro Centre has significant capacity for both commercial and residential uses. They do not therefore believe there is any need to introduce a commercial only zoning that prohibits residential use.

The strategy to attract employment and residential growth to the in Surrey Metro Centre has been to establish major magnet infrastructure. Over the last few years, major construction has occurred,

including: the Simon Fraser University building (built over an existing shopping centre); a major new civic centre into which the city has relocated its administrative functions from a smaller centre; a new library; and, a soon to be completed performing arts centre.

FIGURE 21. SURREY METRO CENTRE OVERVIEW



Key findings and lessons

There are a number of similarities between the secondary centres of Surrey and Parramatta from a strategic perspective: Surrey is the nominated second centre for Vancouver, 20km from the CBD, the focus for the major growth areas of eastern Vancouver, and has good transit access. However, Surrey is not constrained in terms of land supply. As a consequence, zoning and supply policies for employment and residential are very different when compared to the constrained situation in Parramatta. Other key findings and lessons that might be drawn from this case study include:

- **Good public transit and access to the major downtown is critical for a second centre**. Surrey is increasingly selected as a residential and business location due to the good transit access and its location within the municipality with significant growth capacity.

- **Long term planning is providing strategic advantages**. Surrey's major strategic advantage is the substantial capacity it has within its metropolitan centre, and employment lands, as Greater Vancouver grows and occupies the land within its urban boundaries.

- **Magnet infrastructure is critical.** The significant investment in a University Campus, new public library, city hall and speculative office building, all located adjacent to the train station have helped create an early critical mass to generate interest in the centre.

- **Downtown Vancouver is now highly constrained for future employment development, and has reinstated commercial core zoning.** Pressure for more apartment towers in what has become a highly liveable centre is forcing out offices. High job targets there have led to the reinstatement of a commercial core zone that prohibits residential.

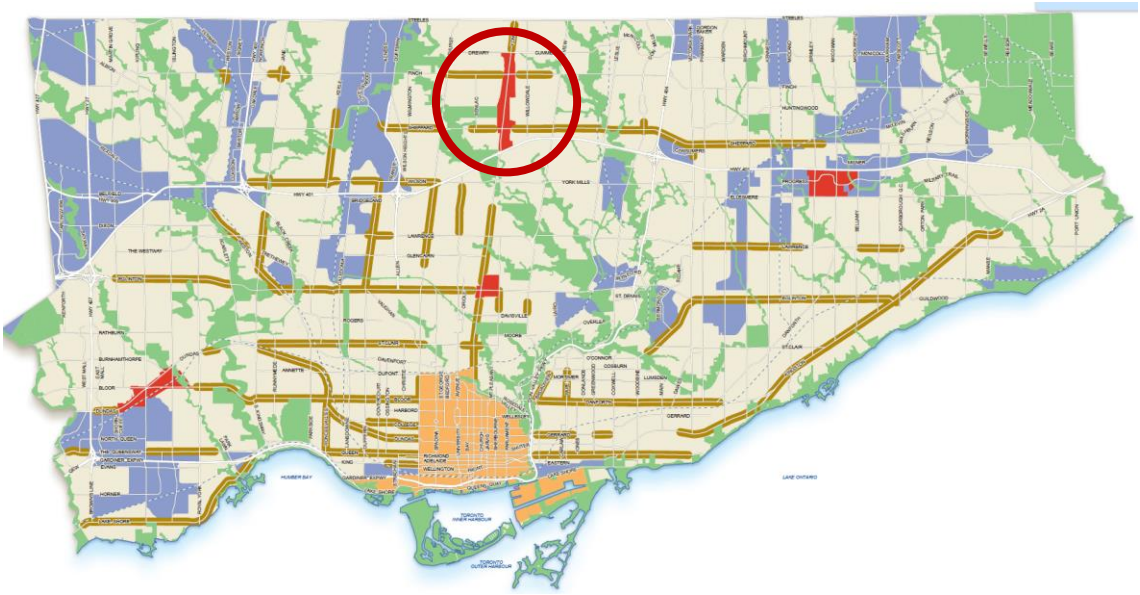
5.2 North York, Toronto

Context

North York is located approximately 13 kilometres north of downtown Toronto (Figure 22). Outside of the city centre or 'downtown', Toronto has four designated higher order centres of which North York Centre is the largest (City of Toronto, 2013). With 36,000 jobs, North York Centre contains 6.9% of the combined total employment in Toronto's 'downtown and centres'. The City of Toronto reports that North York is "the most active centre for both employment and residential development in the City" (Ibid.) and consultation suggests that the centre has grown considerably over the last 10 years.

Toronto has been experiencing very high levels of growth. One commentator suggested that in 2013 over half of all construction cranes in North America were in Toronto. This growth, combined with urban containment policies, has driven intensification, particularly higher density residential development that has been directed towards centres. There is also apparently interest in office development, however this is primarily within the downtown area.

FIGURE 22. NORTH YORK'S LOCATION WITH TORONTO'S URBAN STRUCTURE



Source: The Toronto Official plan

Governance and city size

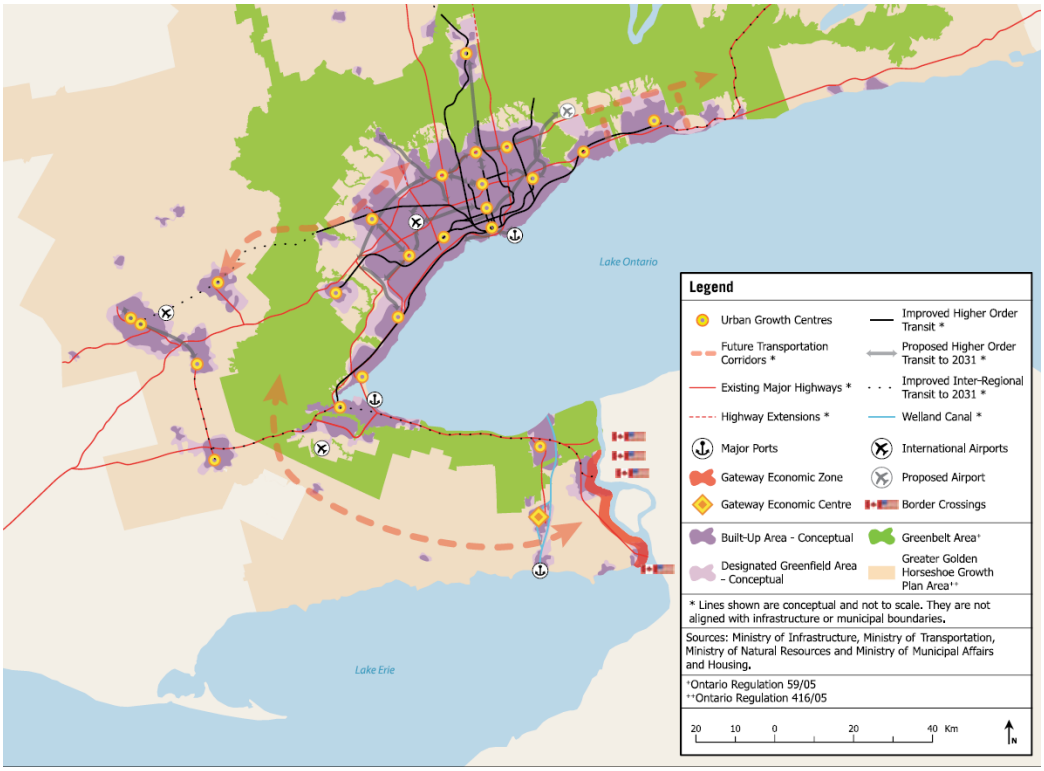
A notable point of difference in the Canadian context is the presence of four levels of government – federal, provincial, regional and municipal – and their respective roles in relation to urban and regional planning. The two higher levels of government play a limited role in planning, typically related to strategic policy, with the primary responsibility for detailed land use planning falling on regional and municipal governments.

That said, in 1998, the Municipality of Metropolitan Toronto, a regional municipality with six constituent municipalities, was amalgamated to form the present City of Toronto. This change effectively removed the regional governance layer in metropolitan Toronto. The City of Toronto, which hosts North York, is now a relatively large 'local' municipality at 630 square kilometres in area: approximately 10 times the size of Parramatta City Council and 25 times the size of the City of Sydney.

Strategic planning

The regional planning context for Toronto and the adjoining areas in southern Ontario is set out in the Growth Plan for the Greater Golden Horseshoe (2006). 'Horseshoe' is a reference to the shape of the area at the western end of Lake Ontario. This document, authored by the provincial government's infrastructure department, provides the regional planning regime that local municipalities 'must have regard to' in their local planning. Amongst other things, the plan addresses where growth should be directed, designates 25 higher order mixed use centres, and addresses the issue of transport infrastructure – for both people and goods – that is needed to support future growth in the region (see Figure 23). During consultation, the policy statements in the plan were described as having a certain 'force of law' and local authorities were thus compelled to abide by the plan, although the mechanism by which this is achieved is not clearly understood.

FIGURE 23. EXTRACT FROM THE GREATER GOLDEN HORSESHOE PLAN



Source: Greater golden horseshoe plan

Under the current strategic plan for Toronto (Toronto Official Plan, 2010) North York is designated as one of four mixed use centres outside the 'downtown' centres (also includes Scarborough, Etobicoke, and Yonge-Eglinton). The Plan describes the importance of these centres in providing opportunities for office based employment and residential development that is near public transportation, but outside of the 'downtown' area. The plan contains policies to protect the 'employment areas': general industrial area and/or office parks as distinct from the mixed use town centres. There is concern in Toronto about protecting this employment land base as issues of residential encroachment threaten to impact on these employment areas as is the case in parts of Australian cities.

An urban structure plan for Toronto clearly identifies the location and extent of higher order mixed use centres, employment districts and the cities green space network (see Figure 22).

Density targets

The Greater Golden Horseshoe Plan provides specific density targets for centres (by type) which the relevant centre plans must enact through their zoning 'by laws'. For North York and the larger mixed use centres in Toronto the target is 400 persons and/or jobs per hectare. For the subsequent levels of

centres in the urban hierarchy this target is 200 and 150 persons and/or jobs per hectare respectively. Consultation suggested that these 'flexible targets' (that is flexible with regard to mix) were put in place to give local authorities discretion to determine an appropriate land use mix and built form, rather than being prescriptive on these matters. The plan contained no specific policy to address the issues of ensuring sufficient opportunities for office development. It was also noted that the targets for higher order centres are not all that ambitious, with some centres already far exceeding them. Notwithstanding this caveat, the approach of combining employment and housing into a single target at the scale of the broader strategy is noteworthy.

Zoning, incentives and density transfers

The North York centre is subject to a 'secondary plan' that dates from the former municipality and is therefore almost 10 years old. This plan includes a number of seemingly innovative mechanisms to encourage the desired land use mix in the centre:

- A wide range of different mixed use zones manage the land use mix in specific precincts. For example:
  - In the mixed use area type A residential development is prohibited
  - In the mixed use area B residential uses cannot exceed 50% of the permitted gross floor area
  - In the mixed use area E commercial uses cannot exceed 65% of the permitted gross floor area, and
  - In the mixed use area G commercial, institutional, uses that are not predominantly offices, residential, public parks and recreational uses are permitted but the commercial proportion must not exceed 20% of the permitted gross floor area.

- Incentives for desirable land uses or building features by providing exemptions for these from density calculations. Exempted items include:
  - Bike parking
  - Private open space in residential development
  - Public recreation facilities and social infrastructure (child care centres, and so on)
  - Street oriented retail areas (to a depth of 30m), and
  - Indoor connections to transit terminals.

- Density transfers between sites where:
  - The donor site has been acquired for public purposes (roads or open space), or
  - The donor site is occupied by a place of worship, public recreation centre or social facility that does not take up all the permissible floor area on that site.

Discussions with Canadian planners however, suggested that the approaches and practices described above are being superseded in a move towards more permissive planning regimes. Whilst it was once common practice to put density limits in official plans, in the face of growth development pressures, in part a result of the urban containment policies alludes to above, setting such limits is becoming less common. Without these density limits, the planning mechanisms set out in the current North York Secondary Plan to influence the land use mix and incentivise desirable outcomes will be ineffectual.

In place of density and height limits planning in Toronto is placing greater emphasis on urban design issues: streetscapes, pedestrian environments, buildings interfaces, solar access, and so on. Consultation also suggested some areas are beginning to experiment with minimum heights (and densities), and that there is less concern with traffic and parking impacts of new development in statutory plans.

Key findings and lessons

North York exhibits a number of similarities to Parramatta: it is 13 km from 'downtown' Toronto and centrally located within a growing urban region. North York currently hosts around 35,000 jobs; similar in magnitude to Parramatta's 50,000. However, using the limited data that is available, it is estimated Parramatta is a much more dense employment centre: the current gross employment density of North

York is around 250 jobs per hectare; in Parramatta this figure is closer to 500. Other key findings and lessons that might be drawn from this case study include the following:

- **An established and binding regional planning context is an important strength of planning for employment in North York**, the Toronto metropolitan area, and broader region of the Greater Golden Horseshoe. Although a hierarchy of centres is a consistent feature of metropolitan plans for Sydney, the extent to which this reflects the market realities for employment other than just retail needs to be questioned.

- **The size of the Toronto Metropolitan area provides for a very different planning governance framework.** Toronto is more or less half the size of Brisbane – with twice that city's population – and is therefore much better positioned to influence metropolitan development and supporting infrastructure for its secondary centres.

- **Existing planning policies in North York attempt to influence land use mix through specific mixed use.** Other than this there is no evidence of specific policies to protect land for employment in mixed use centres. Land supply for employment uses does not appear to be a concern in North York.

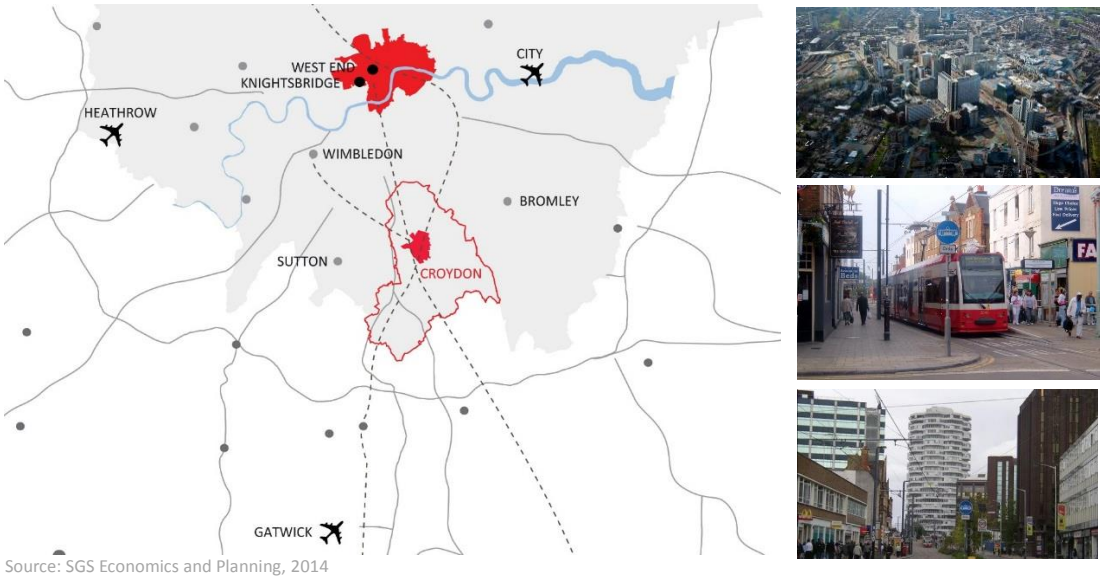
- **Consultation suggested that planning in Toronto is moving away from planning limits** (height and density) towards an approach that is more influenced by urban design outcomes.

5.3 Croydon, London

Context

Croydon is located approximately 15 kilometres south of central London (Figure 24). In the 1960s, the central government adopted a policy of decentralisation and Croydon was nominated as an employment centre in outer London. As a result a number of office towers were built during this decade. The centre was 'car friendly' with a number of large roads traversing the city centre, although this has been impacting on pedestrian amenity and accessibility. Croydon has 'missed' two subsequent economic booms and as a result lacks a supply of contemporary office accommodation. The centre is now seeking to establish itself as a modern and attractive centre for commercial, retail and residential development, recognising the importance of balancing these land uses.

FIGURE 24. CROYDON'S LOCATION AND IMAGES OF THE CENTRE

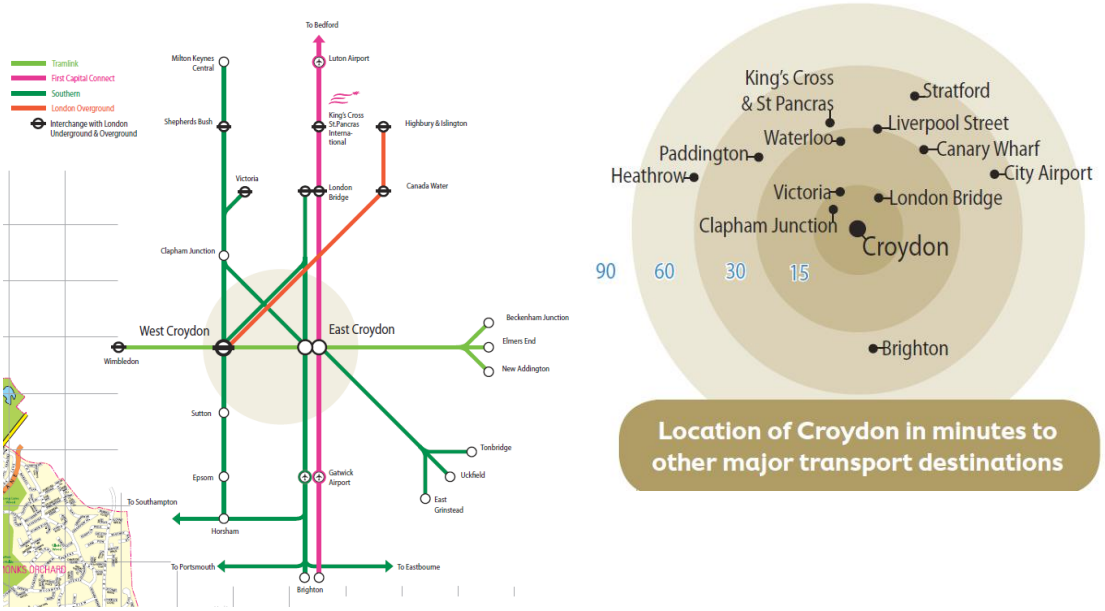


Source: SGS Economics and Planning, 2014

Croydon is connected to a number of major employment and residential centres via heavy rail, the 'overground' (a metro rail like the London Underground) and a local tram network (Figure 25). There are two heavy rail stations located within the centre: East Croydon and West Croydon. London Bridge and Victoria Stations, in the centre of London, are accessible in 15 minutes by train.

Croydon is designated as a Metropolitan Town Centre in the London Plan, which is a second tier employment centre behind the Central Activity Zone (CAV) (which includes Central London and Canary Wharf). The centre is one of two strategic office locations outside Central London and is likely to experience strategically significant levels of growth with strong demand and/or large scale retail, leisure or office development in the pipeline and with existing or potential public transport capacity to accommodate it. The centre has an indicative employment target of 7,500 additional jobs to 2031 and a minimum target of 7,300 additional dwellings by 2031. The London Plan highlights the need for the centre to find 'a carefully managed balance … between modernising office provision and encouraging the conversion of surplus capacity to other uses including a significant increment to housing' (GLA, 2014).

FIGURE 25. TRANSPORT CONNECTIONS TO AND FROM CROYDON



Source: Transport for London, 2013

Planning framework

Croydon has also been identified as one of 30 'opportunity areas' in Greater London, a designation that brings with it support from the Greater London Authority (GLA) and Transport for London (TfL) in terms of plan making. The Opportunity Area Planning Framework (OAPF) for Croydon was developed jointly with the GLA and TfL and adopted in January 2013. The OAPF and aims to provide 95,000 sqm of Grade A office space over the next 20 years and has been a catalyst for investment within the centre, even before it was finalised.

The local development framework for Croydon identifies six key character areas which reflect the vision and to some extent the existing land uses within these precincts. These character areas do not reflect zoning, but rather are a flexible anticipation of which land uses will occur. This planning framework is seeking to consolidate commercial floorspace within the New Town and East Croydon character areas. The Borough of Croydon has already approved a number of development applications for office space within this area. Figure 26 shows the net increase in commercial floorspace anticipated in the New Town and East Croydon precincts and highlights the expectation that some commercial floorspace will be lost to other land uses in the other character areas.

FIGURE 26. COMMERCIAL SPACE BREAKDOWN

Six Character areas	Existing 2011 (sqm)	Net uplift (sqm)	Net total 2031 (sqm)
New Town & East Croydon	235,000	230,000	465,000
Northern Fringe	1,000	0	1,000
Southern Fringe	72,000	-50,000	22,000
West Croydon	44,000	-10,000	34,000
Civic and Cultural	113,000	-25,000	88,000
Retail Core	65,000	-50,000	15,000
Total	**530,000**	**95,000**	**625,000**

Source: Borough of Croydon, 2013

The New Town and East Croydon precincts also provide the greatest residential capacity (refer to Figure 27).

FIGURE 27. RESIDENTIAL CAPACITY FIGURES 2012-2032

The Six Character areas	Years 0 to 5 Residential	Years 6 to 10 Residential	Years 11 to 20 Residential
New Town & East Croydon	819	900	1000
Southern and Old Town Area	100	150	168
Retail Core	0	400	700
Fairfield and Mid Croydon	100	600	557
West Croydon	0	445	300
Northern Area	0	400	661
Total	**1019**	**2895**	**3386**

Source: Borough of Croydon, 2013

Public domain and infrastructure upgrades

The Borough of Croydon has received £50 million in public investment as part of the Connecting Croydon Program to upgrade the public domain and make the centre more pedestrian friendly. The Borough was also awarded £23 million as part of the 'post-riot' funding package distributed by the Mayor for London. This funding is being invested in public realm improvements – specifically shop front improvements and security – and economic development, including up-skilling and training. Consultation with planning staff suggested these programs have been successful in attracting investment to the centre, including commercial, retail and residential, by improving the attractiveness of the centre and improving investor confidence.

Levies

A Community Infrastructure Levy is also collected to provide new local and sub-regional infrastructure that is consistent with Croydon's development plan. The levy, which is effectively a betterment tax, applies to the entire Borough of Croydon with the rates varying by land use and location. The rate is between £20 and £140 per square metres of net additional floorspace, and a proportion of this is directed to the Mayor of London. The levy is lowest for residential development within the Croydon Town Centre, and for business development outside the centres. This charging regime would appear to be designed to encourage residential development in the centre and business development in other locations, which appears to contrast with planning and land use aspirations of Parramatta.

Office development

Pre-commitment for commercial developments is less of an issue than in Parramatta with a number of speculative developments occurring including a recent 10,000 sqm development which has now been let.

Summary

Whilst there are similarities between Parramatta and Croydon, there are also significant differences. Both Croydon and Parramatta are acknowledged as 'second tier' metropolitan centres within the metropolitan plans for London and Sydney. Both centres are a similar distance from the metropolitan centre: 15km and 20km, respectively. Both Croydon and Parramatta are seeking to reinforce their roles as mixed used centres that host employment, retail and residential development. And both centres are grappling with issues of the 'image' and attractiveness of the centre. Improving the physical environment and overcoming perceptions that the centres are perhaps 'second rate', are key challenges for both local authorities.

These similarities are not inconsequential, however the contrasts are also quite stark. Parramatta has more jobs and more ambitious growth targets for employment than Croydon (see Table 11). Parramatta has the aspiration to host at least 20,000 additional jobs by 2031 whereas Croydon has a more modest target of 7,500 jobs. In terms of housing, Parramatta is projected to accommodate an additional 3,700 dwellings by 2031, whereas the Croydon centre is expected to accommodate a minimum of 7,300 additional dwellings by 2031. Evidently growth in Parramatta is focused on employment rather than housing, whereas Croydon is seeking a more even balance of the two in the next 20 years.

TABLE 11. EMPLOYMENT PROJECTIONS FOR CROYDON AND PARRAMATTA: 2011-2036

	2011	2016	2021	2026	2031	2036	Growth 2001-36 (%)	Growth 2011-36
Croydon Centre								7,500
Croydon Borough	134,000	136,000	142,000	148,000	153,000	159,000	19%	25,000
Parramatta CBD	49,273	55,508	61,233	66,601	71,370	75,921	54%	26,648
Parramatta LGA	118,542	128,396	137,026	145,012	152,112	158,997	34%	40,455

Perhaps the most profound contrast is that of transport accessibility. Croydon is within 15 minutes of central London by train, whereas the journey from Parramatta to Central Station is in the order of 25 to 40 minutes. The impact of travel time on agglomeration benefits and the ability of a centre to attract employment cannot be underestimated. Add to this the significant tram network, the overground rail service and the fact that Croydon is served by two separate heavy rail stations, on either side of the centre. Also working in Croydon's favour as an employment location is limited competition from alternative centres. Parramatta on the other hand must complete with SOPA, Norwest and Macquarie Park as an employment location.

In terms of the planning framework Croydon is unlike Parramatta in that the approach to planning is flexible and based on a mutual understanding of the public and private sector. The Borough of Croydon relies heavily on their aspirational master plans to guide development rather than rigid statutory controls.

Key findings and lessons

- **Croydon features very good PT accessibility to central London, airports and local residential areas** through various forms of mass transit, making it an attractive location for employment, retailing and housing.

- **Strategic planning for Croydon has been undertaken in partnership with metropolitan authorities (planning and transport)**. The Greater London Authority and Transport for London have been working closely with the Borough to develop a local planning framework and Croydon Opportunity Area Framework.

- **Funding for public domain upgrades**, from both the metropolitan and local levels, **has been key to attracting private sector investment** by improving the attractiveness of the centre and increasing investor confidence.

– **Croydon has significantly lower aspirations for employment growth than Parramatta** and as a result quarantining land for future employment through strict zoning isn't required to meet the modest employment targets.

5.4 Brooklyn, New York

Brooklyn is one of the five boroughs that make up the City of New York, in New York State, on the North East coast of the USA. The population of Brooklyn is around 2.5 million, and it covers an area of 250 square kilometres.

Downtown Brooklyn is the main centre for Brooklyn, and is located on the Western tip of Long Island approximately 7 km from Midtown Manhattan, and 2.5 km from Lower Manhattan. Midtown and Lower Manhattan are the two commercial areas in New York City larger than Downtown Brooklyn in terms of jobs and commercial activity.

Downtown Brooklyn measures approximately 1200 x 800m, or 96 Ha. There are currently 100,000 jobs in Downtown Brooklyn, and an average of 150,000 shoppers per day. There are almost 60,000 college students attending 11 Academic institutions and 50 Arts organisations that attract 650,000 visitors per annum. Downtown Brooklyn has 15,000 residents, up from 3000 in 2004 and still rising. There are over 127,000 residents within 1 mile of downtown, many in surrounding Brownstone neighbourhoods.

FIGURE 28. BROOKLYN AND DOWNTOWN BROOKLYN'S POSITION IN NEW YORK CITY

Connectivity

Downtown Brooklyn has a major Hub Railway Station- Atlantic Yards, which has 9 subway lines running through it and is a terminus station for the Long Island Railway- a major commuting line bringing people from the suburbs of Long Island into central New York. There are 8 subway stations in Downtown Brooklyn, most with two or more links enabling transfers between lines.

There are also 17 bus routes that pass through Downtown Brooklyn, connecting with the various areas of Brooklyn. The Brooklyn and Manhattan Bridges connect Downtown Brooklyn with Lower Manhattan for cars, bikes, pedestrians and trains on the Manhattan Bridge.

FIGURE 29. NEW YORK SUBWAY SYSTEM

Strategic planning

Downtown Brooklyn is the third largest concentration of jobs in the New York area. Brooklyn was a separate city to Manhattan, and as such has a full complement of civic infrastructure including a City Hall, Public Library, Museum, Botanical Gardens and Zoo. The Downtown area of Brooklyn was relatively prosperous from the mid 1800's through to the 1920's driven by proximity to the port activities on the East River and to Manhattan. Brownstone townhouses homes were constructed across large areas, as a form of suburban expansion from Manhattan, served by subway and trams. After the 1929 stock market crash, the area's financial fortunes suffered. Further decline occurred in the 1960's when, like many other American cities, the middle classes moved from the inner city to the suburbs. Social problems emerged due to concentrations of poorer residents around downtown Brooklyn, including the Fort Greene Public Housing Estates, one of Robert Moses' largest public housing projects in New York.

An economic development plan was initiated by the Borough President in the 1970's, based on work done by the Regional Planning Association (RPA), the not for profit urban research and advocacy group that is recognised as the pre-eminent planning group, responsible for metropolitan wide planning of the greater New York area, across the three states of New York, New Jersey and Connecticut. Development of the Metro Tech centre was a major economic incentive program, based on the Silicon Valley research and development model, attempting to bring education and industry together in Downtown Brooklyn. This program had limited success initially, but put in place a framework that has led to almost 60,000 higher education students now in the area.

Planning policies

The City of New York coordinates strategic planning for Brooklyn and the other boroughs. The Bloomberg administration released The PlaNYC strategy in 2007, which was focussed largely on population growth, infrastructure and sustainability. Similar to much of the Bloomberg Administration's work, the strategy was led by a number of ex-management consultants. This could be said to have influenced the content of the strategy to focus on the most popular issues of the time, as listed above. Recent updates of the PlaNYC have focussed on Resilience, particularly in relation to hurricane driven

storm surges after the devastation of Hurricane Sandy in 2012. This suggests that the more traditional, long term planning approach of covering all elements of a city, equally, is not favoured in New York, which could prove problematic if the challenges of the day keep changing.

There is no commercial core zone in NYC, and all sites are mixed use 'as of right'. In this context retaining office space over residential is not possible, although the Brooklyn Tech Triangle project is recommending it be investigated to ensure there is cost effective space left in the area for new start-up firms to occupy.

Key findings

- **Downtown Brooklyn has significant capacity for new towers, commercial or residential**. Planners working on Downtown Brooklyn are not concerned with the potential of residential out-competing commercial uses. They believe the jobs coming to Brooklyn prefer warehouse style buildings left over from the port era, which are in ample supply.

- **However, the Brooklyn Tech Triangle Study suggests that some commercial only zoning should be introduced**. The Tech Triangle study suggests that even some of the larger warehouse areas and tower sites need to be protected from residential uses as there will not be enough supply of lower cost, interesting office space for creatives and start-ups, and presently residential outperforms commercial on price.

- **Good public transit, reasonable rent, and neighbourhood character are all key criteria.** The New York subway and bus system services large areas of Brooklyn with good levels of service, so it is possible for even larger tech businesses to move to out of centre locations, which reduces the pressure on the main transit stations and allows a flexible approach to zoning.

- **Long term planning focussed on latest issues rather than traditional comprehensive planning**. New York's Strategic Planning has taken a 'management consulting style' approach, focussing on areas of greatest community concern, possibly at the expense of more comprehensive planning, which allows for and helps deal with a wider array of challenges.

5.5 Planning frameworks in Australian secondary centres

The issue of balancing demand for residential and commercial development via planning controls was investigated for selected secondary centres in Melbourne, Sydney and South East Queensland. The research involved policy reviews and interviews with council staff, focussing on the following questions:

- What is the role of the centre in the metropolitan region?
- Are there specific employment or housing targets?
- Are there any areas designated solely for commercial development?
- Are there tensions between residential and employment development? How are these addressed?

Box Hill

Currently designated a Central Activities Area (CAA), Box Hill in metropolitan Melbourne is a major employment, health and education hub, and a transit city. The wider Box Hill area has a labour force of 27,000, with 18,000 jobs located in the CAA alone. While there are no areas specifically assigned for commercial-only development in Box Hill, formal office precincts are identified. While such precincts are primarily designated for office use, the City of Whitehorse actively encourages a mix of uses within these precincts as a revitalisation mechanism and to attract businesses. Residential development is occurring in Box Hill, with an additional 482 dwellings completed in the last five years, but growth in commercial development is low.

The 2007 Box Hill Transit City Activity Centre Structure Plan establishes types and locations of uses, however there are no statutory requirements or prohibitions pertaining to balancing commercial and residential development. Tensions between these land uses are addressed through the permit application process on a case-by-case basis. For redevelopment on commercially-zoned land (which in Victoria permits housing over retail), attempts are often made to at least retain the existing quantum of commercial floorspace through the development application process.

The idea of 'future proofing' commercial development has been introduced to ensure that new apartments can be converted to retail in the future. This includes prescribing greater floor-to-ceiling heights during the development application process to allow for commercial or retail uses in the future, particularly on the ground floor.

Dandenong

Central Dandenong, also designated a Central Activity Area, is Victoria's second largest retail and commercial centre. The centre was recognised by the Victorian State Government in 2006 as the 'capital city' of south east Victoria. The wider Dandenong area contains around 25,000 jobs. Key employment sectors include manufacturing and wholesale trade. In comparison, Central Dandenong has historically been a retail and service-oriented focused centre. The centre is projected to accommodate 7000 additional people by 2015, with a further 8000 at the periphery.

In 2006, $290 million was invested in the CAA by the state government as part of the Revitalising Central Dandenong Project. A core initiative for Central Dandenong has been to improve its image and condition and attract social, residential, educational and commercial activity. One key objective in this initiative is attracting new private sector and major government businesses looking to establish or relocate in the south east. Significant land acquisition and site assembly has been undertaken as a part of the project to provide connections between key destinations and create land suitable for commercial development. Emphasis has been placed on the promotion of commercial development in conjunction with residential development.

Like Box Hill, the land use strategy in Central Dandenong has been guided by the notion that commercial development will not occur without a strong residential influence. The strong interest in residential development within the CAA is not seen as a threat to the supply of commercial floorspace, but rather a mechanism to attract commercial development and employment. There are no strict commercial-only areas in the centre. A large inner area of Central Dandenong is designated for 'Street Level Activity Centre Core Land Use', encouraging commercial activity with an active street frontage and potential for residential development above.

Consultation suggested that residential development does not currently pose a 'threat' to commercial activity in Central Dandenong. The nearby location of the Hallam Business Park, along with the nomination of the nearby centres of Frankston and Fountain Gate/Narre Warren as Metropolitan Activity Centres in the metropolitan planning strategy Plan Melbourne, may result in a dilution of commercial concentration in Central Dandenong. The introduction of an infrastructure recovery charge (IRC), whereby all new commercial scale developments within Central Dandenong must contribute 5% of development value to Places Victoria, may also have an effect on commercial growth rates within the centre.

North Sydney

In North Sydney competition between residential and non-residential development has been a long standing concern. The centre has a commercial core (B3), however redevelopment of sites on mixed use zoned land (B4) often results in the displacement of employment in favour of residential development. To address this issue development on land zoned mixed use is subject to minimum non-residential floorspace requirements and in some cases maximum non-residential floorspace requirements.

Councils LEP outlines the justification for this policy in the following terms:

Clause 4.4a: Non-residential floorspace ratio ranges
(1) The objectives of this clause are as follows:
(a) to provide for development with continuous and active street frontages on certain land in Zone B1 Neighbourhood Centre, Zone B4 Mixed Use and Zone SP2 Infrastructure,
(b) to encourage an appropriate mix of residential and non-residential uses,
(c) to provide a level of flexibility in the mix of land uses to cater for market demands,
(d) to ensure that a suitable level of non-residential floorspace is provided to reflect the hierarchy of commercial centres.

An extract from the 'non-residential floorspace ratio range map' is provided below. The range of non-residential floorspace requirements by area are as follows:

- Area 1: minimum 3.1
- Area 2: minimum 0.75:1; maximum 2:1
- Area 3: minimum 3:1; maximum 4:1
- Area 4: minimum 1:1; maximum 2:1
- Area 5: minimum 0.6:1; maximum 2:1
- Area 6: minimum 0.5:1; maximum 2:1
- Area 7: minimum 0.5:1; maximum 1:1
- Area 8: minimum 3:1; maximum 4:1
- Area 9: minimum 3:1
- Area 10: minimum 0.5:1
- Area 11: minimum 1:1
- Area 12: minimum 2:1
- Area 13: minimum 1.5:1

FIGURE 30. EXTRACT FROM NON-RESIDENTIAL FLOORSPACE RATIO RANGE MAP

In general, areas that are subject to the non-residential floorspace ratio requirements are not subject to a maximum total FSR requirement. The total floorspace achievable on a site is limited by other planning controls such as building height.

Southport

Southport is the designated CBD on the Gold Coast although it faces competition from other centres including Robina and Bundall. Planning controls for the centre are set out in the Southport Development Scheme which is based on a 'template' for PDA Development Schemes provided by the Queensland State Government.

A peer review of the draft Southport Development Scheme found a relatively minimalist approach to planning regulation with the intent being to limit restrictions on land uses, building form and development density to attract new development and market-led innovation (SGS, 2014b).

It is understood from consultation with Council staff that subsequent iterations of the Southport Development Scheme might set out further polices to regulate development. However, a flexible approach is favoured initially, to stimulate investment and build confidence in the centre's ability to attract development. Whilst a 'permissive' approach to planning control can have its benefits, it also results in less clarity or certainty about how, why and where the centre will develop.

5.6 Summary and implications

When compared with Parramatta the international secondary centres considered here have less ambitious employment growth projections and do not appear to have land supply or capacity constraints. Most centres appear to have significant land and capacity for employment related development, and – perhaps as a direct result – none exclude residential development as a means of protecting land for employment only. In Brooklyn there were mixed messages about land supply and the need to retain land for employment. That said, it is understood that strata laws in many states of the United States have relatively low thresholds for 'buy outs' and strata-titled residential development is not seen as an insurmountable barrier to future redevelopment.

Parramatta has a relatively high employment density compared to most of the secondary centres considered. This suggests the task of increasing employment densities will be more difficult. Whilst it is relatively easy to redevelop land that supports low employment densities, it is much more difficult when the existing employment density (and therefore capital investment) is significant. (This is not to say that planning for increased employment densities in Parramatta should not be pursued, in line with its roles as Sydney second CBD. Increasing employment in Parramatta will provide significant productivity benefits as a result of agglomeration effects.)

Although there is apparently less tension between residential and employment land uses in the centres studied, it was noted that in downtown Vancouver a commercial only zone has been reinstated due to concerns that residential development was displacing employment from the centre. Analysis of centres where land is in short supply might provide additional insights for the development of the planning framework at Parramatta.

In terms of governance, the Croydon and North York case studies demonstrate a high level of support from metropolitan or regional levels of government for both planning and transportation. This appears to have facilitated greater connectivity and better strategic planning outcomes for the centres. Greater coordination at a metropolitan scale is likely to better facilitate the role of Parramatta in the context of Greater Sydney.

The key message to emerge from the case studies is that, despite some broad similarities between Parramatta and the case study centres, Parramatta is unique and faces its own particular set of challenges; primarily land supply for development, transport access, and competition from other centres. These unique characteristics suggest the planning strategies employed in the case studies centres are likely to be of limited relevance.

Transport connectivity as a key driver for demand for both residential and employment uses within the secondary centres. In comparison to international examples of secondary centres – in particular Croydon, Surrey and Brooklyn – Parramatta, despite its geographic centrality, can improve its accessibility to both businesses and labour markets. Local and regional transport links appear to be crucial to prospects for the growth of secondary centres (e.g. Surrey, Croydon, North York, and Brooklyn).

The findings also highlight that there are a number of differences in the role and function of Parramatta, compared to these other secondary centres, which relate to their broader strategic metropolitan context within these cities.

Turning to the domestic case studies, there is limited evidence of other secondary centres in Australia having had to address the same capacity and competition issues that Parramatta is experiencing. Controls have been introduced in North Sydney mandating non-residential floorspace on mixed use zoned land. This precedent might be followed in parts of Parramatta using similar justifications and with a view to boosting the employment capacity on mixed use zoned land.

6 CONCLUSION

6.1 Discussion

The challenge of attracting employment to Parramatta is unlikely to be resolved by simply increasing the capacity for development in the commercial core, or other areas of the CBD. There is sufficient capacity in the short term to grow the CBD. There is also a considerable supply in the development pipeline: consents for commercial development in the order of 115,000 square metres are yet to be acted on. Broad capacity analysis suggests there is potential for a further 200,000 square metres of non-residential floorspace on land zoned Commercial Core and, based on current trends, around 50,000 square metres of non-residential floorspace on mixed use zoned land.

A major limitation is the manner in which the market for new commercial office development operates.

There are two issues here. The first is that in order to construct a new commercial building a significant pre-commitment is required, typically in the order of 50% or more of the total floorspace of the building. Under these conditions developers will not propose large-scale, speculative office developments: they will build to a scale that can be readily absorbed by the market. Despite low vacancy rates for A-grade office space, it will probably require a pre-commitment by a significant tenant(s) (requiring say 10,000 square metres or more) to catalyse and stimulate the development of multiple large commercial buildings in Parramatta's commercial core.

The second issue is the limited number of potential tenants for larger commercial tenancies. They will look at the range of office locations currently available, which includes Parramatta's main 'competitors', Macquarie Park, Norwest and SOPA/Homebush. Compared to these competitor locations, Parramatta has some clear advantages: good public transport access, a historic town centre environment, and proximity to open space (Parramatta Park and the riverfront). However it also has some disadvantages: difficulty in finding large sites for campus style or large floor plate buildings, congested roads around the centre (although Macquarie Park also experiences this issues), and public transport access that is limited to specific parts of the broader metropolitan region.

Despite the obvious geographic advantage of being located at the centre of the Sydney metropolitan region, the existing transport networks only provide fast and regular access to selected areas of the broader metropolis. Location alone is insufficient – there must be the means of taking advantage of the location. In this regard, key transport projects such as the proposed transit connection to Epping, a faster rail connection to the CBD, and the proposed light rail network, are more likely to be 'game changers' for Parramatta's prospects to attract employment, rather than changes to the CBD planning controls.

In the longer term, land supply is likely to be an issue for Parramatta CBD to accommodate the projected level of employment and housing growth. The potential for other locations in the 'Greater Central Parramatta' (e.g. Westmead, Camellia, Rydalmere, etc.) to accommodate employment growth, and better connecting these clusters, requires further consideration.

6.2 Recommendations to achieve employment outcomes

Despite changes to the planning regime in Parramatta, there has been a long standing policy with regard to the designation of a commercial only CBD core. This framework has provided a clear and consistent signal to the market that this area will continue to be a focal area for future employment growth. In the face of pressure for residential development it is important that Council takes a clear position to either 'hold the line' on its policy to retain land for employment uses, or, to change policy and accept a mix of uses. Retaining this policy is likely to:

- Provide policy consistency
- Protect an area for future employment uses and thereby contributing to the achievement of metropolitan strategic planning goals
- Maximise employment capacity
- Potentially 'supress' land values relative to mixed use zoned areas (due to greater demand for residential development over commercial development in the current market)
- Potentially result in a slower pace of renewal, and
- Result in lower levels of activation of the CBD core outside of business hours.

A change to this policy is likely to:

- Reduce the longer term employment capacity of the Parramatta centre
- Increase land values closer to those of mixed use areas (depending on the zone or policies put in place)
- Stimulate more new development (predominantly residential but potentially more genuinely mixed use) in the short to medium term, and
- Provide greater activation of the CBD core outside of business hours.

On the balance of evidence it is recommended to continue to exclude residential development from the Commercial Core zoned areas of the CBD. The justification for this position is:

- There is limited capacity in the core given the longer term aspiration for employment growth and it will be much more difficult for Parramatta to perform its second CBD role in the absence of employment opportunities
- There is already capacity for residential development in mixed-use zoned areas of the CBD.

A slightly riskier but relatively conservative approach would be to allow 'multiple use developments' in the Commercial Core, but implement a very high threshold requirement for non-residential floorspace (e.g. a minimum of 20,000 or 30,000 square metres) before residential development might be added to the development proposition.

Mechanisms and/or incentives for providing commercial floorspace in mixed use zoned areas should be contemplated to maximise the capacity for employment. These might include:

- Requirements for a minimum of proportion of commercial floorspace as, say, a proportion of the maximum FSR or proportion of total gross floor area of the building (see Figure 31).
- Incentives to provide retail and commercial floorspace such as FSR exceptions, reduced parking requirements, rate rebates for commercial floorspace, or other financial inducements.

Consideration should be given to the potential to accommodate employment growth in other locations in the Greater Central Parramatta. In particular the potential for the AutoAlley precinct to host significant future employment should be guaranteed. This issue was foreshadowed in previous studies undertaken by SGS (2012) for that precinct. A Planning and Transport Strategy for a connected cluster of employment lands in Grater Parramatta (including Westmead, Rydalmere, Camellia and Granville) should be prepared.

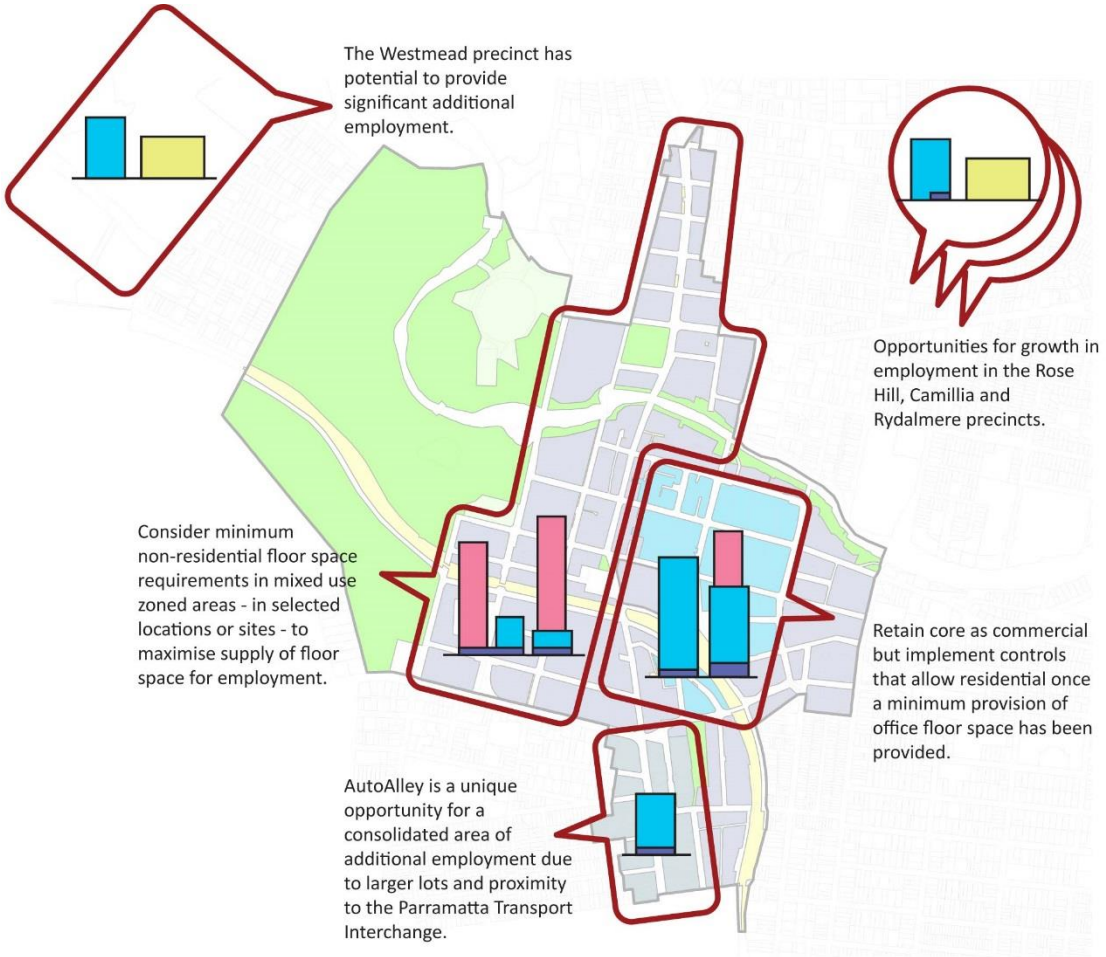
Improved transport links will improve access to potential labour market relative to other centres and enhance the prospects of attracting additional employment to the Parramatta CBD. Both metropolitan and local scale interventions are relevant. Advocating for and, where necessary, facilitating transport

improvements should be a priority for Council to enhance the centre's prospects of attracting employment both in the short and longer term. (It has been noted that the State Government's commitment to undertake further investigations regarding the feasibility of a light rail network centred on Parramatta are encouraging.) Maximising capacity and minimising congestion requires a focus on all 'sustainable transport' options such as mass transit, walking and cycling.

Parramatta has relative specialisations such as education and health care, social services, education, training and public administration. Understanding the needs of these industries and employers should also influence future planning for the CBD and adjacent precincts.

Finally, if the development potential in the Parramatta CBD is increased as a result of changes to planning controls (rezoning and/or increases in permissible densities or heights) **Council would be justified in seeking to capture part of the value uplift created by these changes, and to use the proceeds of this value capture for broader public benefit** (for example: upgrades to the public domain, public transport improvements, affordable housing, open space provision, public art, and so on). The value capture 'rates' would ideally be pre-scheduled to promote efficiency and transparency (as opposed to being negotiated on a case-by-case basis which adds uncertainty and cost for all parties). Differential value capture rates should be applied to different land uses as they create differential value uplift. (An expansion of this discussion is contained in the appendix: value capture.)

FIGURE 31.STRATEGIES FOR MAXIMISING THE EMPLOYMENT CAPACITY OF THE PARRAMATTA CBD AND GREATER CENTRAL PARRAMATTA AREA



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Individuals consulted for case studies:

North York, Toronto:
- Robert Patrick, Gold Coast City Council (formerly planner in Toronto).
- Adrian Litavski, Principal, Johnston Litavski Ltd, Toronto, Ontario.

Croydon:
- Steve Dennington, Team Leader Plan Making, Spatial Planning, Borough of Croydon
- Dominique Barnett, Project Officer Plan Making, Spatial Planning, Borough of Croydon

Surrey Central, Vancouver:
- Don Luymes, Manager, Community Planning, Planning and Development Department
- Nicholas Lai, Manager, Area Planning and Development, South Division. Planning and Development

Brooklyn:
- Winston Von Engel, AICP, Deputy Director, NYC Department of Planning, Brooklyn Office
- Justin Moore AICP, Senior Urban Designer, NYC Department of Planning, Brooklyn Office

Australian case studies:
- Dana Mizrachi, Strategic Planner, City of Greater Dandenong
- Daniel Vincent-Smith, Box Hill Activity Centre Manager, Whitehorse City Council
- Claire Baker, Coordinator Strategic Planning, Maribyrnong City Council

APPENDIX: VALUE CAPTURE

Introduction

Proponents of development cannot build what they like where they like whenever the like: they must demonstrate compliance with policy and development rules. These policies and rules reflect the 'planned' or 'regulated' distributions of land uses that are allocated with the aim of improving urban functionality and amenity. Regulation (through the planning system) limits access to development rights and this 'scarcity' makes them valuable. Access to development rights – and their inherent value – is bestowed by the broader community, they are not intrinsic to land ownership. Therefore, it can be argued that some of the proceeds of the value uplift created by regulation should be 'captured' by the community. This is, in essence, the justification for applying value capture mechanisms to new development.

The principle of value capture can be applied to all development or, alternatively (and more commonly in the Sydney context), it can be limited to the additional development that is allowable as a result of upzoning or granting of development approval that exceeds the existing planning limits. The remainder of this discussion will focus on the latter case.

(There is a sound economic argument for applying the principle of value capture to *all* new development: up-zoning or permission to exceed existing planning controls are not a pre-requisite. However, because this approach is not commonly applied in NSW at present, it would be ambitious to put forward a 'broadly-based' value capture framework for the Parramatta CBD.)

Potential application of value capture to the Parramatta CBD

Where development potential is increased as a result of changes to planning controls (such as a rezoning to a 'higher and better' land use and/or an increase in the permissible density or permissible height) Council would be justified in seeking to capture part of the value created by the changes. For example if Council were to increase the maximum FSR on a site from 5:1 to 8:1 it could seek to capture a portion of the value resulting from the additional 3:1 of floorspace, to the extent that the additional development potential is taken up.

Key issues to be considered in developing a value capture mechanism for the Parramatta CBD include the following:

- Charges should be a proportion of the value uplift not the full amount. Capturing the full amount removes the incentive to undertake additional development.
- Value capture 'rates' should be pre-scheduled, that is, they should be published in advance so that proponents of development and landowners can factor these costs into investment decisions. A pre-scheduled approach is preferred as this promotes efficiency and transparency. This approach differs from some current practices where the rate or total amount is negotiated on a case-by-case basis adding uncertainty and costs.
- Differential value capture rates should be applied to different land uses as they will create differential value uplift. For example, different rates might apply to retail, commercial and residential floorspace.
- Exemptions or rebates might be applied to selected land uses (floorspace types) to create additional incentives for particular types of development.
- Charges should be levied when development takes place, not at the rezoning or approval stages. In this way the value is captured when it is actually realised or sometime after.

- The proceeds of value capture might be used for a range of tasks including upgrades to the public domain, public transport improvements, affordable housing, open space provision, public art and so on. The intended use of the proceeds could be 'pre-notified' to provide transparency and confidence that broader community benefit will be derived from their expenditure.

Calculating value uplift and charges

The increase in value can be calculated by multiplying the area of additional floorspace (that is, above the previous planned limits) by the average or typical residual land value (RLV) per square metre of floorspace for that type of development within each precinct in the CBD. These rates would be pre-determined through valuer studies of typical projects and updated annually.

For example, if a development approval for a site in North Parramatta provides 10,000 square metres of *additional* square metres of residential floorspace that is above the previous planning limit, the value capture amount would be: 10,000 x X x Y, where:

- X is the average RLV per square metre of residential floorspace in North Parramatta
- Y is the proportion of the uplift value to be 'captured'.

The proportion of land value uplift that is captured is typically between 30% and 50%. Figures of around 30% to 40% are commonly applied in the ACT context, and 50% has been applied in Green Square, Macquarie Park and has been posited as being acceptable in Lane Cove (see below).

This approach to value capture is sensitive to variations in land value uplift that correspond to different categories of land use and different locations within the CBD. It also removes the need for site-by-site assessments of land value uplift.

Precedent: VPAs and value capture at Lane Cove Council

Through the voluntary planning agreement (VPA) mechanism, Lane Cove Council has sought to capture part of the land value increase that would result from the approval of developments that breach existing planning limits in St Leonards. In this case Council was advised to capture 50% of the increase. The increase in RLV for residential development was estimated at be $2,600 per square metre of development in June 2014. For two specific proposals for mixed use development of over 20 storeys in scale, the contributions were estimated to be in the order of $20 million per building. Under the terms of the VPA the proponents proposed to provide 50% of this contribution as affordable or key worker housing, presumably handed to Council or a community housing provider on the completion of the project. (Source: Lane Cove Council, 2014.)

Implementing value capture in Parramatta's CBD

To progress a value capture scheme for the Parramatta CBD the following steps should be pursued:

- Consider potential areas where up-zoning (increases in density and height) might be warranted.
- Specify FSR threshold at which value capture scheme applies.
- Estimate land value uplift by land use, and model the impact of value capture on development feasibility.
- Consider potential for exemptions or rebates from value capture as a means of ensuring the value capture mechanism does not discourage desirable forms of development (e.g. for commercial floorspace in mixed use zones.
- Develop into appropriate planning policy mechanism (LEP, DCP and/or 'standardised' VPA).

Contact us

CANBERRA

Level 1, 55 Woolley Street
Dickson ACT 2602

+61 2 6262 7603
sgsact@sgsep.com.au

HOBART

Unit 2, 5 King Street
Bellerive TAS 7018

+61 (0)439 941 934
sgstas@sgsep.com.au

MELBOURNE

Level 5, 171 La Trobe Street
Melbourne VIC 3000

+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY

209/50 Holt Street
Surry Hills NSW 2010

+61 2 8307 0121
sgsnsw@sgsep.com.au

SGS Economics & Planning