

The Hon A Roberts MP
Minister for Planning and Environment
State Government of NSW

Dear Sir

Rezoning proposal for Sydney Metro Crows Nest Station

I object to the current re-zoning proposal for the Crows Nest Metro Station and the associated proposed Over Station Development.

I have based my objection on the following public information sources:

- St Leonards and Crows Nest Draft Character Statement
- St Leonards and Crows Nest 2036 Draft Plan – Dept of Planning and Environment
- Crows Nest Sydney Metro Site Rezoning Proposal
- SSD Application Materials provided in respect of the Crows Nest Metro Over Station Development

The reasons for my objection are set out below:

1. St Leonards and Crows Nest Draft Character Statement

This document sets the background tone for the entire precinct draft plan.

Based on community feedback it emphasises:

- A coordinated plan for the future
- The articulation of community values to guide planning for the future
- The community supports low rise development, trees and preservation of the Village feel of the St Leonards Crows Nest area
- Clear concern for the future of the designated St Leonards South residential plan that will be subject to a separate Independent Planning Commission hearing
- The importance of open space
- Traffic and parking issues – associated with development

Whilst the draft Character Statement focusses on the aspirations of residents WITHIN the designated boundaries of the St Leonards Crows Nest 2036 Plan area it fails to specifically consider those in NEARBY areas will also be directly affected by the planning proposals.

This is specifically so in respect of open space availability, traffic flow assumptions, school availability and other social infrastructure.

These specific aspects will be dealt with in a separate submission re the St Leonards Crows Nest 2036 Draft Plan due 8th February 2019.

For the purposes of my objection to the Metro Rezoning proposal comments in this submission will be confined to those specific aspects directly relevant to it.

2. St Leonards and Crows Nest 2036 Draft Plan 2018– Dept of Planning and Environment (Draft 2036 Plan)

The Plan highlights five key elements:

- Place
- Movement
- Built Form
- Land Use
- Landscape

My specific objection focusses on the Land Use and Landscape elements as they relate to the Crows Nest Metro rezoning proposal.

These aspects are dealt with below.

The Draft 2036 Plan highlights the St Leonards Crows Nest area as an “employment hub” – with 16,500 new jobs targeted over the next 20 years.

It is my contention that without State led funding initiatives to create jobs through investment in say health and education, or value capture surrender on government owned property (including the Metro site) there is little evidence that these jobs will materialise.

This is further reinforced by the fact that all current major new buildings and refurbishments in the precinct are for overwhelmingly residential purposes, despite their having mixed use – B4 zoning.

The evidence to support these positions is contained in the **St Leonards Crows Nest Economic Feasibility Review** prepared by **SGS Economics and Planning** for the Dept. of Planning and their sample analysis of some available sites for significant commercial development.

The following extracts from the **SGS report’s Executive Summary** are relevant:

Market Dynamics

“Critically there is a crowding out phenomenon in the current market whereby residential development, by virtue of its relatively strong returns, displaces existing and future employment floor space”

Development Feasibility

“Pure commercial office buildings (*in the precinct Ed.*) are **judged to be unfeasible** (*emphasis Ed*) given the land acquisition, construction and transactional costs associated with redevelopment”

The evidence for these propositions is contained further in the report and is detailed below.

In respect of the various “sub precincts” the following telling comments are made:

St Leonards

Within the St Leonards core the report suggests keeping B3 zoning rather than B4 - mixed use – to assist achievement of objectives.

The evidence is this is not happening. Witness Lane Cove Council rezoning from B3 commercial to B4 to allow the following developments:

- Mirvac – 472-486 Pacific Highway - 539 units
- Landmark – 500 Pacific Highway – 429 units
- JQZ – 88 Christie St – 654 units

Other nearby non-commercial, residential developments proposed or being constructed are

- Embassy Tower – 1 Marshall Ave – 269 units
- 601 Pacific Highway – Stockland – 64 stories residential – unit numbers not stated – say 500
- St Leonards South zone – 2400 units

This is in addition to other completed residential towers in Albany St and many smaller residential developments through to Willoughby Rd and in Aitchison St.

Crows Nest Sub Precinct

SGS Executive Summary page vii refers, inter alia, to the following Key directions and Implications in terms of this sub-precinct:

“Create a modern mixed business environment and a low traffic impact with high amenity”

“Catalyse employment floor space with residential in genuine mixed-use redevelopment”

The Government’s first opportunity to introduce office space for employment is at Crows Nest Metro.

However, out of total space in the Over Station Development (OSD) buildings only 2,700 sqm of non- residential or non-hotel space¹is allocated from 55,400 sqm of space proposed. The rest is 350 units in two residential towers with 175 car parking places.

Based on 18 sqm per employee this 2,700 sqm translates to only 150 new jobs.

¹ Whether this hotel materialises is a moot point. It conceivably may emerge as studio apartments.

At a lesser space per employee of 14 sqm this translates to 192 new jobs.

As a % of the total OSD space of 55,400 sqm the employment element of the development is less than 5% of floor space. (Note whilst the heights for the Crows Nest Metro buildings were suggested by SJB Architects the land use mix proposed came direct from Sydney Metro, ie they sought to capture maximum development land value by maximising residential component and minimising the less valuable commercial space).

This has directly frustrated the Dept of Planning's vision of an employment hub.

Other evidence that the primary objective of creating an employment hub via the Metro development will fail is evidenced as follows:

On Pg. 18 of the SGS report it is stated:

"Approximately 17,000 of office floor space was permanently withdrawn between July 2016 and January 2017 with the total reduction across the whole of 2016 being 30,000 sqm – a decline of 8.6% of total office stock (Knight Frank 2017)"

In summary, every action by Sydney Metro further contributes to the ongoing crowding out of opportunities for commercial space and employment and adds to the already congested residential area. All it achieves is a further densification of population requiring further detailed analysis of the associated hard and social infrastructure requirements that my further submission on before February 2019 will focus on.

Development Feasibility

This section of the SGS Economics and Planning Report provides further evidence, using conservative development assumptions, why commercial space will not occur in the St Leonards Core and Crows Nest sub-precinct areas in the absence of government action.

SGS Economics and Planning tested 7 potential B3 commercial development sites in the St Leonards area to assess their economics for development as office – employment – buildings.

The results are telling- ***"without planning intervention and changes to existing planning controls B3 zoned sites are generally unlikely to redevelop in the near future."*** (As commercial sites Ed)

The report (Pg. 54) states that modelling yield uplift due to infrastructure enhancements is a difficult exercise. Using a goal seek methodology it shows that from the existing \$550 pa per sqm rents being paid for A and B grade stock in the area rents would have to rise to over \$810 per sqm for pure commercial developments to be notionally feasible.

To accommodate this, buildings of 30,000 sqm would be required with major tenant pre-commitments.

The report goes on to say, "It is difficult to predict how the precinct could reach \$810 per sqm in commercial rent...by 2024."

It further says that rents the same as North Sydney would have to be achieved to attract pure commercial office development in the subject area.

Using residual land value methodology only 1 of the 7 sites got close to being feasible under their modelling assumptions and current planning controls – and that was 55-89 Chandos St. where 193 dwellings are in place.

The same 7 sites were then tested using a built form outcome identified in the SJB Urban Design draft Report.

The conclusions are the same, in that unless there is a substantial residential element in all buildings (ie mixed use), then economic feasibility will not be achieved. In fact, using the SJB Urban Project Case only 2 of the seven projects was considered financially feasible, and these have very small commercial floorspace areas.

Conclusion

The plan submitted by Sydney Metro and the **evidence provided above by the Department's own consultants** highlights why the Rezoning proposal for the Crows Nest Metro site should be reconfigured.

As it will be impossible to attract commercial only tenants to any development – **without a surrender in value capture** – it is suggested that the Metro site be developed to accord more fully with the **St Leonards and Crows Nest Draft Character Statement**. This would suggest smaller scale, less over shadowing, open space and amenity for residents.

Alternatively, if the Metro site proceeds with the proposed size, St Leonards South should be developed with small units (3-5 storeys) to maintain open space/green area.

The hope for nearby “sub – precinct” employment uplift through the Metro is misplaced – only residential projects “stack up” for developers.

As noted above, that LCC rezoned three (3) B3 commercial sites on the highway to B4 mixed use – to attract developer interest - and the overwhelmingly residential element in each property bears this reality out. Without direct planning intervention (and reduced value capture), or specific State Government project funding the increase in employment targeted will not be achieved in the St Leonards Crows Nest area. It can only come from strict planning objectives and sizeable job creating initiatives in areas where land capacity for commercial uses is evident.

In this regard both the North Shore Hospital precinct and the Gore Hill business park precinct offer the best hope for significant employment growth, but regrettably they are not near the Crows Nest Metro station.

The Crows Nest Metro will therefore only service new residents, existing employees and hotel guests (if the hotel project proceeds). No substantial medium-term uplift in employment is likely for the reasons and analysis mentioned herein, unless substantial value capture is surrendered.

Accordingly, I request the Minister to decline the current Sydney Metro planning proposal and seek one that mandates office space in the OSD through reduced value capture to the owner **and** is re-configured to accord with the planning objectives set out in the St Leonards Crows Nest Plan 2036, as guided by the Draft Character Statement.

As a minimum, it does not seem unreasonable for a state government authority to be required to propose developments that support, rather than detract, from the Government's principal planning objectives.