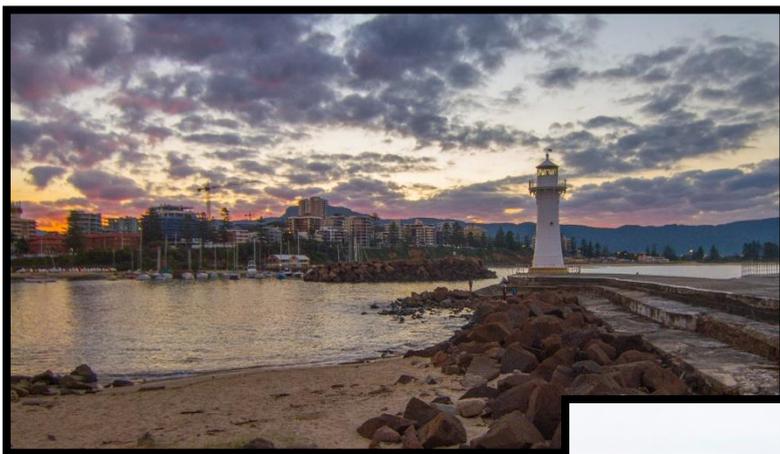


WOLLONGONG CITY COUNCIL URBAN DEVELOPMENT FRAMEWORK (DRAFT) - 2019

A Submission by Regional Development Australia
(RDA) Illawarra



Submitted by:
Debra Murphy CEO,
RDA Illawarra

Executive Summary

Regional Development Australia (RDA) Illawarra welcomes the opportunity to provide feedback on Wollongong City Council's Urban Development Framework (Draft) 2019 (UDF).

As part of its Economic Development Plan, Wollongong City Council has a goal to generate over 10,000 higher paid, full time jobs based on Wollongong's talent pool by the end of this decade. RDA Illawarra fully supports these objectives and agrees their delivery requires sufficient, suitable quality, price-competitive commercial floorspace.

Without significant change to promote the feasibility of commercial development, Wollongong City Centre could see a reduction in available commercial space over the next decade. The best-case modelling would deliver a shortfall of 86,000sqm. in the forecast requirement of commercial floorspace. This will most likely result in higher commercial rents in Wollongong City Centre and could displace jobs growth to other areas in the region, or to Sydney.

A forecast lack of commercial space makes it difficult - if not impossible - to attract larger professional and administrative services organisations to Wollongong and achieve the targets of the Economic Development Plan.

The Urban Development Framework (2019) provides one pathway to deliver the required commercial development, and RDA Illawarra strongly supports the economic objectives and eleven recommendations outlined in the Framework and its accompanying Economic Analysis.

The UDF outlines one approach to the next 20 years of infrastructure and economic development for Wollongong, though some of its recommendations – particularly the development of a commercial-only core – are not without risk and will require political courage.

RDA Illawarra proposes these recommendations:

1. Re-name the 'Commercial Services' precinct, which is too easily confused as the sole location for the proposed commercial core
2. Wollongong City Council select and endorse a recommended strategy for City Centre Development that will achieve the targets for price-competitive commercial space in the City Centre
3. Implementation of the strategy be adequately resourced and funded with experienced staff and led by a Director reporting directly to the General Manager of Wollongong City Council
4. Devote significant effort to attract A-grade employers to Wollongong – especially through the decentralisation of State and Federal government agencies. RDA Illawarra is keen to work with WCC on this initiative.
5. Implement a wholistic approach to commercial and residential development and the transport (including parking), transit and accessibility of precincts within the City Centre
6. Develop a systematic approach to engage key stakeholders to implement the strategy and provide regular updates on progress. This could be through a new Advisory Board or existing forum such as the Peak Bodies.

Introduction

Regional Development Australia (RDA) Illawarra welcomes the opportunity to provide feedback on Wollongong City Council's *Urban Development Framework (Proposed) 2019* (UDF).

RDA Illawarra acknowledges that the proposed UDF has been developed from a review of Wollongong City Council reports, including: *City for People (2016)*; *Community Strategic Plan 2028*; *Urban Greening Strategy (2017)* and the *Economic Development Strategy (2019)*. It has also involved discussions with internal stakeholders, economic and urban design analyses as well as significant three-dimensional (3-D) modelling.

RDA Illawarra has an active and facilitative role in the Illawarra region, with a clear focus on growing a strong and confident regional economy that harnesses competitive advantages, seizes on economic opportunities and attracts investment. The RDA Illawarra Board and staff are neutral brokers and collaborators across all levels of government, community, business and stakeholders for the growth of the Illawarra's economy (including Wollongong, Shellharbour and Kiama LGAs).

The *Urban Development Framework (Proposed) 2019* sets out an aspirational development strategy for Wollongong's City Centre but the challenge will be in its implementation.

RDA Illawarra commends Wollongong City Council for revisiting its 2007 (City Centre Revitalisation – NSW Dept. of Planning) and 2014 visions (Wollongong: Public Space, Public Life – Gehl Architects) for the City Centre and for publishing an updated framework delivered by *Architectus* and *Andrew Burns Architects*, with economic analysis provided by *SGS Economics & Planning*. The inclusion of economic modelling to inform the UDF is welcomed by RDA Illawarra, as it provides a data-driven, commercial imperative for change to the status quo. It is intended that the UDF forms the basis for a revised Planning Proposal and Development Control Plan as well as a review of affordable housing options. We are delighted that the UDF has been displayed for public review and comment, with submissions invited from peak bodies.

We note, however, that this is at least the third consultant-based, strategic review of the City Centre in the past 15 years and implementation of recommendations and strategies has been inconsistent. One of RDA Illawarra's key recommendations is to select a strategy and resource it for full implementation.

With one exception, the RDA Illawarra submission does not comment on the suitability of the proposed UDF from a planning or architectural perspective; our focus is on the UDF's impact on jobs and regional growth.

Concept Plan Comment

The UDF promotes the character of the defined city area as eight distinct precincts, with one of these labelled 'Commercial Services'. The reader could conclude that this area to the north-west of Crown & Keira Streets, along Market Street spine, is the 'commercial core' described in the proposal. However, that is

not the case; the proposed commercial core is encapsulated in a larger land area covering several of the defined precincts in what is usually referred to as the Central Business District (CBD). The commercial core areas are better defined by the location map on p. 67 (p. 83 of Council papers) of the UDF. RDA Illawarra strongly suggests re-naming of the 'Commercial Services' precinct to something more appropriate, such as 'Boutique Commercial Zone'.

Employment Context

The Illawarra has a population of 305,050 (2016) and is projected to grow to 362,000 people by 2036. Wollongong is the third largest city in New South Wales and the tenth largest in Australia.

Employment in the Wollongong City Centre is forecast to grow to 32,000 jobs by 2036 but most new jobs are predicted to be in the population-serving industries, with limited local specialisation of employment. If this forecast is realised, it is a significant impediment to Wollongong becoming a strategic employment centre and will perpetuate the loss of local University graduates to other regions and maintain the growth of the Wollongong-Sydney commuter corridor.

Wollongong City Centre is the economic and cultural hub of the Illawarra Region, the future economic prosperity of which is dependent on the ability of the City Centre to generate more employment and to establish itself as a diverse city with a unique employment and lifestyle offering.

The City Centre currently supports over 25,000 jobs, representing more than a quarter of all employment across the Wollongong LGA. As the economic hub of the Illawarra region, the Wollongong City Centre is of critical importance to the future employment capability of both the LGA and the Illawarra region.

Objectives and economic development alignment

Wollongong City Council's *Economic Development (ED) Strategy 2019-2029*, which was endorsed by RDA Illawarra, set three objectives for the end of the decade:

- ▶ **Generate 10,500 new jobs** – more than double the number (4,998) generated in the previous ten years
- ▶ **Lift median incomes** - attract higher-paid, full-time jobs in growing industries
- ▶ **Target job sectors** that align with Wollongong's talent pool - creating opportunities for current commuters and future UOW graduates in the local economy.

Achievement of these objectives relies on the ability to attract jobs in identified target industry sectors of:

- ▶ ICT/Tech
- ▶ Financial and Insurance Services
- ▶ Professional, Scientific and Technical Services
- ▶ Public Administration and Safety
- ▶ Electricity, Gas, Water and Waste Services.

RDA Illawarra agrees that one of the key requirements to deliver this game-changing employment shift is 'Increasing the office capacity in the Wollongong City Centre.'¹ The vision for the City Centre, advanced by the UDF, has 'prioritising jobs by promoting commercial development' as one of its desired outcomes. In this regard, **the proposed UDF supports and aligns with the economic goals of Wollongong City Council.**

The competitive advantages of Wollongong as a superior business location are well known and evidenced, and the work of Invest Wollongong on promoting these is welcomed and has resulted in some positive outcomes. However, the challenge of overcoming the perceptions of Wollongong persists. Whilst Wollongong can be proud of its desirable liveability, the fact remains that 50% of those who have moved to Wollongong City in the past five years work in Sydney and commute dailyⁱⁱ. Increasingly, new and existing residents enjoy the liveability, but their jobs are not in Wollongong.

RDA Illawarra notes that achievement of the Wollongong jobs target in the desired industry sectors will rely on attracting A-grade employers, especially State and Federal agencies, as well as private companies to Wollongong. **The success of this is primarily reliant on the availability of suitable, price competitive commercial space.**

We believe that the supply of commercial space to deliver jobs will be a key measure of success of the UDF and ED Strategies. RDA Illawarra believes delivery of the UDF strategy and recommendations will require an interventionist but collaborative, focussed and well-resourced implementation plan.

The commercial space conundrum

RDA Illawarra understands from the UDF Economic Analysis that residential is the most active property market in Wollongong City Centre, as it is the most economically feasible use of land. The analysis highlights that allowing both residential and commercial development has the potential to constrain future commercial development, reducing the potential for jobs growth.

We appreciate the role of existing planning rules that allow mixed use development in the city centre, and that the higher price extracted for residential apartments drives up land values and a preference for residential over commercial space. Further, the requirement for the ground floor of developments to be non-residential (e.g. commercial or retail) has driven the shop-top living that has become prevalent in the past decade. This has resulted in fragmentation of the retail and commercial core and precluded some types of potentially desirable residential dwelling (e.g. terraces).

An Investor Roundtable convened by Wollongong City Council in December 2018 found that A-grade commercial occupiers were attracted to 5-Star Green and NABERS (National Australian Built Environment Rating System) buildings with a floorplate of 1,000 - 1,200sqm so they can have all operations on one floor. Also, commercial tenants do not want to occupy a mixed-use building (i.e. commercial and residential). Unfortunately, current development rules make it hard to achieve 5-Star Green ratings due to parking requirements and to deliver single-use buildings with the desired floor area. RDA Illawarra believes this needs to be reviewed by Council as part of a wholistic approach to development and public transport.

Over the next 20 years (to 2036), SGS Economics & Planning has projected demand for:

- ▶ An additional 120,000 sqm (square metres) of commercial floorspace
- ▶ An additional 195,000 sqm of residential floorspace
- ▶ An additional 3,000 – 18,000 sqm of retail floorspace.

Their report concludes there is significant capacity for development within the city centre under existing planning controls, and that planning controls are not a constraint on capacity.

Commercial feasibility

Commercial development is only marginally feasible and requires cross-subsidisation from residential development. RDA Illawarra notes that modelling by SGS indicates that the current likely development outcome will result in a further **loss** of 45,000 sqm of commercial floorspace by 2036. Even the most optimistic modelling (maximum commercial yield) only shows an increase of 34,000 sqm against the forecast demand of 120,000 sqm by 2036.

The demand for commercial floorspace significantly exceeds feasible capacity under current market and planning conditions. RDA Illawarra supports the conclusion that this will likely result in higher commercial rents in Wollongong City Centre. We also believe this will potentially displace jobs growth to other areas in the region, or to Sydney. We believe a forecast lack of commercial space makes it difficult - if not impossible - to attract larger professional and administrative services organisations to Wollongong.

The feasible capacity for residential development is significantly higher than projected demand and its profitability makes this the likely outcome; RDA Illawarra believes this could 'crowd out' commercial use. Commercial development needs to be more feasible if demands for local commercial floorspace are to be met, and contribute to the economic growth of the city.

We support the need to improve the feasibility of commercial development. The establishment of a commercial core (or zones within the CBD) where residential development is subject to tight control, or proscribed, is one option to achieve that outcome - but other incentives or mechanisms may also exist.

Given these findings, RDA Illawarra believes a new direction for the city centre is required if Wollongong is not to become a dormitory city for Sydney and Western Sydney.

Does Wollongong have the foundations for success?

RDA Illawarra agrees with the report's finding that Wollongong has the foundations of a successful regional city. Our proximity to Sydney and Western Sydney, significant jobs-base and supply of skilled labour form a key part. These are supported by our external transport links and Port Kembla are critical components of our national supply chain. Finally, Wollongong is a liveable city with access to ocean and lake waterfronts as well as emerging links between the city and civic or cultural life.

We believe that improvements are required to internal transport and transit links, and that further support is required from local business as well as State and Federal Government – especially in the area of decentralisation - if commercial growth is to become a reality. Whatever strategy is chosen, effective implementation will be key to success.

What changes are required?

Feasibility of construction is a major barrier to commercial growth in the City Centre and RDA Illawarra believes it is important that any future opportunities for commercial developments are protected and encouraged. Feasibility can be improved by improving or increasing the market for commercial development or reducing the cost.

RDA Illawarra understands that Council influence extends to planning controls, car parking requirements, development contributions as well as the simplicity and speed of the planning process, and to providing certainty to the market by clear policy and planning controls. The SGS analysis indicates that adjustments to the provision of parking within a development can have a **significant** impact on its feasibility but any action (by Council) would require consideration of the broader implications for transport, built form and property values. Reducing the allowance for developers' profit and risk has a **moderate** impact on development feasibility and would need to be facilitated by changes to the DA process that reduce risk. A reduction in development contributions levy provides only a **marginal** increase to development feasibility and would reduce the funds available to Council for improvements in the public domain.

However, RDA Illawarra appreciates that none of these measures in isolation will have the desired impact on commercial feasibility, and that a sustained, wholistic approach to planning regulation and controls is required to implement the vision. In its report, SGS identified eleven recommendations to increase the feasibility of commercial development in the city centre, which were also incorporated into the UDF report. The recommendations are as follows:

1. Develop an economic vision for the City Centre enshrined in the Economic Development Strategy
2. Continue development of bike lanes and expand the Wollongong Shuttle network
3. Continue public domain investment projects that increase amenity in the City Centre
4. Advocate for improvements to Wollongong Railway Station and improve connectivity to the commercial core
5. Assess the value that existing and target industries place on public domain improvements and prioritise investment based on valued improvements
6. Investigate alternative development contribution rates and methods to fund public domain investment (incentivise commercial)
7. Introduce commercial core zones where residential development is prohibited near the Railway Station, Crown Street Mall and open space
8. Market test reduced on-site parking rates with developers and prospective commercial tenants (i.e. do we need all the car spaces, or all on site?)
9. Test the feasibility of developing a multi-storey car park against the contribution rate for offsite provision of parking for development

10. Reduce risk for developers through improved, consistent, clearer and faster development approval processes
11. Update the retail centres study for retail demand last done in 2004 to give a better view of retail space demand.

Several of these initiatives align with current RDA Illawarra strategic advocacy projects and we are keen to work with Wollongong City Council and support their progress. RDA Illawarra concedes that no single action will be able to improve commercial development feasibility and a suite of actions will be required.

Creating the commercial core

The UDF recommendation to introduce a commercial core (or commercial zones within the CBD) where residential development is prohibited is a long-term strategy and has risks. The commercial zones will need to be located appropriately, large enough to be coherent and recognisable but also align with demand so that they don't become stagnant. Commercial core areas will need to accommodate up to 120,000 sqm of floorspace and could be achieved through the establishment of a transition area that keeps the long-term intention of greater commercial focus without jeopardising activity in the short-term; this includes temporary use.

RDA Illawarra believes that the decentralisation of State and Federal Government agencies to the Wollongong City Centre would not only provide the 'seed' required for further commercial development, it would also deliver significant local employment opportunities and help attract and retain locally-developed skills.

The experience of Geelong is that attracting government agencies into the city centre enticed allied professional, technical and administrative organisations to relocate into adjacent accommodation. We believe this strategy is one way to deliver the transformative transition required to promote development in a commercial core.

RDA Illawarra would be pleased to work with Wollongong City Council on any direct initiatives in targeting Decentralisation of private or public sector jobs, especially those in relation to the Federal Government. The [RDA Charter](#) by the federal Minister for Regional Development specifically requests that RDA's facilitate Decentralisation.

We are keen to collaborate for the success of the Illawarra region's long-term economic growth. The Decentralisation approach is just one way in which RDA Illawarra can collaborate with Wollongong City Council to achieve optimal outcomes for our region.

RDA Illawarra believes that strong, immediate action is required to promote commercial development and employment in the city centre for Wollongong to achieve its economic vision for the City Centre as well as its role as **the** regional city of the Illawarra.

Whilst the UDF supports Wollongong's Economic Development Strategy, it is less clear how its architectural and planning recommendations and strategies will be implemented to achieve the desired outcomes.

Regardless, sustained effort and leadership, coupled with defined responsibility and authority to act will be required to effectively implement any chosen strategy. The elevation of the City Strategy Manager role to Director level, reporting directly to the General Manager is one way that this goal could be achieved.

In addition, regular, effective communication and engagement with key stakeholders – who can assist with and promote implementation – will be critical to success. RDA Illawarra already convenes an existing forum of Peak Bodies that could be used for the required communication and engagement, without the need to establish a new Advisory Board. RDA Illawarra would be willing to work with Council to establish and sustain the required communication.

Recommendations

RDA Illawarra strongly supports the economic objectives, eleven recommendations and the economic modelling outlined in the Urban Development Framework (UDF) and its accompanying Economic Analysis.

The UDF outlines one approach to the next 20 years of infrastructure and economic development for Wollongong. Critics will say that other approaches are available and may work better, but at some stage **Wollongong City Council need to select a strategy and implement it; the continual search for a perfect strategy is paralysing implementation of any strategy.**

RDA Illawarra proposes these recommendations:

1. Re-naming of the 'Commercial Services' precinct to something more appropriate, such as 'Boutique Commercial Zone'. The Commercial Services Precinct is too easily confused as the location for the proposed commercial core
2. Wollongong City Council select and endorse a recommended strategy for City Centre Development that will achieve the targets for price-competitive commercial space in the City Centre
3. Implementation of the strategy be adequately resourced and funded with experienced staff and led by a Director reporting directly to the General Manager of Wollongong City Council
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Debra Murphy
Chief Executive Officer
RDA Illawarra

ⁱ Economic Development Strategy 2019-2029, Wollongong City Council, p7

ⁱⁱ Urban Development Framework 2019, SGS Economic Analysis, p15