

Final Business Case Evaluation Summary Blackwattle Bay



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About this report

This document summarises the Final Business Case (Business Case) for the renewal of Blackwattle Bay. Blackwattle Bay is part of Sydney Harbour and the home of the Sydney Fish Market. The intent of the Project is to move the Sydney Fish Market into a purpose-built facility at the head of the Bay. The existing fish market site and land along Bank Street to the Glebe Island Bridge abutment will be masterplanned and re-zoned to enable urban renewal, including the staged delivery of a 1.1-kilometre public waterfront promenade connecting Blackwattle Track (Glebe) to the Pymont foreshore promenade.

Government-owned land, including the existing fish market site, will become a vibrant mixed-use precinct that includes community and cultural facilities, open space, a public waterfront promenade, new and improved pedestrian and cycling access as well as homes, shops and office space. The actual extent of commercial and residential redevelopment will be determined by Government in consultation with stakeholders and the community.

The Business Case for Blackwattle Bay was developed by Infrastructure NSW and approved by the NSW Government in September 2019. The capital investment comprises \$750 million for the new Sydney Fish Market main works. This Business Case Summary has been prepared by Infrastructure NSW, the NSW Government's independent infrastructure advisory agency.

Strategic context

The Bays precinct

The proposed rejuvenation of the Sydney Fish Market is a key component of the Bays Transformation Plan¹ which seeks to renew 5.5 kilometres of Sydney Harbour foreshore, 95 hectares of largely government-owned land and 94 hectares of waterways. The Plan is to create new places for cultural, maritime, recreational, retail, residential, research and development, education and commercial uses.

The projects in the Bays Transformation Plan, including the renewal of Blackwattle Bay and the new Sydney Fish Market, have a sound base in established NSW Government policy, including the Greater Sydney Commission's Plan for Sydney², Future Transport Strategy 2056³ and Jobs for the Future⁴ strategy.

The economic importance of the Sydney Fish Market

Currently, the Sydney Fish Market attracts three million visitors a year and this figure is expected to double in the next 10 years.⁵ At three million visitors, the Sydney Fish Market draws more tourists than the Great Barrier Reef.⁶ Research shows that 50 percent of Chinese tourists to Sydney also visit the Sydney Fish Market. The Sydney Fish Market is also the biggest fish market in the Southern Hemisphere and the beating heart of the NSW seafood industry, supporting professional fishers and coastal fishing towns from Eden to Tweed Heads. Fishers from more than 300 communities around Australia also sell through the wholesale auction and retail outlets.⁷

¹ <https://thebayssydney.nsw.gov.au/assets/Document-Library/Reports-and-Plans-2014-/2015-Transformation-Plan.pdf>

² Greater Sydney Commission (2018), *A Metropolis of Three Cities*.

³ Transport for NSW (2018), *Future Transport Strategy*.

⁴ https://www.jobsforNSW.com.au/data/assets/pdf_file/0020/90740/Jobs-for-the-future-full-report-August-2016.pdf

⁵ Deloitte Access Economics (2016), *A redeveloped Sydney Fish Market: enhancing its wider economic and social impacts*.

⁶ Tourism Australia.

⁷ Sydney Fish Market Pty Ltd.

Project need

Blackwattle Bay Foreshore is neglected and inaccessible

Access to the foreshore at the Sydney Fish Market and the surrounding land is unsafe and limited. Visitors must negotiate forklifts and delivery trucks eager to transport fresh seafood to retailers and restaurants around Sydney. The intersections surrounding Blackwattle Bay are not pedestrian-friendly, public transport access ways are unclear, and walking and cycling routes are compromised by overly narrow footpaths, buildings and infrastructure.

What would otherwise be a scenic, continuous 15-kilometre public harbourfront walkway from Rozelle Bay to Woolloomooloo is broken by 1.1km of inaccessible waterfront land at Blackwattle Bay; land that is publicly-owned but currently leased by private industry or land in private ownership. This disconnect forces pedestrians and cyclists away from Sydney Harbour and onto the surrounding roads to bypass the bay.

The land around Blackwattle Bay is under-utilised and no longer reflects the needs and desires of the community. Furthermore, the industrial land uses are not compatible with surrounding land uses. Urban renewal has been anticipated for more than three decades, however, various previous masterplans have not come to fruition.

NSW Government involvement is needed to unwind complex lease agreements encumbering public land, find consensus among multiple stakeholders and entice disparate land owners to help deliver the best outcome for society. As the majority landowner around Blackwattle Bay, the NSW Government is uniquely positioned to initiate the Project.

The current Sydney Fish Market facility is no longer fit for purpose

The existing Sydney Fish Market building is not a purpose-built facility and the building is far beyond its lifespan and is deteriorating at an ever-quickening rate. The Sydney Fish Market operates in a former printing storage facility built in 1966 and was not purpose-built for handling food. For example, the auction hall of the Sydney Fish Market, where 14,500 tonnes of seafood is traded annually, is not climate-controlled and relies on tonnes of ice to keep it cool. This and other work-around practices have led to the inefficient use of water and energy. A new purpose-built facility with state-of-the-art cooling and refrigeration equipment will ensure food safety while allowing the Sydney Fish Market to operate more sustainably.

Project objectives and design

The renewal of Blackwattle Bay has three major components:

- A new Sydney Fish Market at the head of Blackwattle Bay
- A 1.1-kilometre waterfront promenade and adjoining public domain
- A mixed-use precinct of housing, commercial and retail spaces, community facilities and open space.

A new Sydney Fish Market

The new Sydney Fish Market will be relocated at the head of Blackwattle Bay. It will retain the authenticity of the market and bring commerce and the community together. The intent is to create a new world-class destination for all Sydneysiders which takes a 'local first, global best' approach.

As the anchor of the revitalised Blackwattle Bay, this new purpose-built facility will improve the operations and retail performance of the Sydney Fish Market. The new market will allow for a greater diversity of food retail and dining options to be offered to an increased number of people.

The new facility has been designed to be an iconic public building with multiple gathering areas providing direct access to the harbour foreshore. The new facility will accommodate seafood wholesale operations and auction hall, retail, fresh produce, food catering, restaurants, cafes and licenced premises. Subject to all necessary approvals, it will be a seven-days-a-week, 24 hours-a-day operation, like the existing fish market.

The new Sydney Fish Market will have several wharves. These will accommodate the local fishing fleet, provide a pick-up and drop-off wharf for visiting fishing vessels, space for recreational vessels as well as a public ferry wharf. The functional areas of the new facility are depicted in Figure 1.



Figure 1 - New Sydney Fish Market: cross-sectional view through the auction hall

Blackwattle Bay waterfront promenade and open space

One of the great opportunities with the urban renewal of Blackwattle Bay is the ability to deliver new waterfront access and green amenity. Based on preliminary investigations, the urban renewal of Blackwattle Bay could provide more than 50 per cent of the 9.4-hectare land site area as public domain with more than 30 per cent of that area being new public open space. The renewal will ensure the staged delivery of a 1.1-kilometre public waterfront promenade connecting the Blackwattle Track in Glebe to the Pyrmont foreshore promenade and encourage active healthy lifestyles by improving connections to Sydney's waterfront, local cultural destinations and the CBD.

The final arrangement, programming and design of the public domain will also be subject to future community and stakeholder engagement and will be reflected in the preferred masterplan.

Mixed use precinct

Relocating the Sydney Fish Market to the head of Blackwattle Bay will unlock the renewal opportunity and open the current fish market site for alternate uses. The new Sydney Fish Market will deliver new waterfront access and improve active and public transport connections.

Concurrent to the delivery of the new Sydney Fish Market, a masterplan will be prepared for Blackwattle Bay based on extensive community consultation undertaken from 2014. The masterplan covers the area of the new fish market at the head of the bay, the current fish market site, the land along Bank Street to the Glebe Island Bridge abutment, and the waters of Blackwattle Bay. In 2017, the NSW Government worked with the community to develop masterplanning principles that will guide the masterplanning team. Further community consultation will be undertaken on the masterplan prior to it being finalised.

Based on preliminary investigations, urban renewal of Blackwattle Bay could generate approximately 225,000 square metres of Gross Floor Area (GFA). This GFA will be comprised of a variety of different land uses ranging from residential to commercial, retail and other non-residential uses. The non-residential space could include opportunities for community, cultural, health and educational facilities to service the new residents and workers on the site. The final composition of the GFA, land uses and resulting built form will be subject to future community engagement. The preferred masterplan will support a request to the Department for Planning Industry and Environment for re-zoning.



Figure 2 – Blackwattle Bay masterplanning area

Rejuvenation of the fish market options identification and assessment

The options analysed in the Business Case represent outcomes developed through an iterative process over several years. The options allow Government to make informed decisions while setting the framework of expectations for future decisions.

In early 2016, after evaluating several rejuvenation options and taking into consideration community feedback from engagement sessions including the Call for Great Ideas and the Sydney Siders Summit, the Strategic Business Case recommended that a new fish market be built at the head of Blackwattle Bay. Other rejuvenation options considered at this time included a staged redevelopment of the fish market on the current site and a temporary relocation out of Blackwattle Bay while a new fish market is built on the existing site. The latter two options were vigorously opposed by the shareholders and tenants of the Sydney Fish Market which meant those options unlikely to be successful, as have numerous previous attempts to renew the Sydney Fish Market on the existing site.

The preferred option, a new Sydney Fish Market at the head of the bay, will allow the fish market to continue to operate while the new facility is built. The Sydney Fish Market will then vacate the existing site, allowing it to undergo urban renewal. This preferred option set the parameters within which three key variables were then considered:

- The appropriate size of the new fish market
- The pathway to a lease for the new fish market
- The scale and nature of the development on the site of the existing fish market.

Expert advice and stakeholder consultation, which included shareholders and tenants of the Sydney Fish Market, were used to present options for a new fish market. The intent was to balance cost with economic benefit and design excellence. A similar process of design and urban planning analysis was undertaken to inform the urban renewal of Blackwattle Bay.

The Business Case describes the Base Case and three project options.

Base Case

The Base Case assumes that the Sydney Fish Market will remain in place for the period of its lease (to 2044) and will need to upgrade its operational equipment to meet Australian Standards. Under the Base Case, there would be no urban renewal on the current fish market site and the wharves at Blackwattle Bay would continue to be used for marine and industrial purposes.

Recurrent expenditures for Government Property NSW and RMS would continue for the duration of the lease.

Option 1

Option 1 includes the construction of a new fish market to be owned by Government and leased to the Sydney Fish Market until 2044 with approximately 24,500 square metres of gross lettable area⁸, consistent with the concept design⁹. Under Option 1, the Sydney Fish Market and its sub-tenants will continue to operate on the current site before transferring to the new fish market building when it is completed. During construction, re-zoning will be sought for mixed use development on the current fish market site and the broader Blackwattle Bay masterplanning area. Once the current fish market site is vacated and rezoned, it will be offered to the market.

Option 2

Option 2 delivers the same built form as Option 1 but assumes that the new fish market is offered for lease through a competitive process to the open market.

Option 3

Option 3 includes a larger version of the fish market facility with approximately 29,000 square metres of gross floor space. The size and amenity of this building responds to a functional brief prepared by the Sydney Fish Market. It represents the maximum-scale development of the facility. Option 3, like Option 1, assumes that the Sydney Fish Market and its sub-tenants will transfer to the new fish market building when it is completed.

Options 1, 2 and 3

All options assume that the existing Sydney Fish Market site will become a mixed-use development. All options include at a minimum five per cent affordable housing in line with The Greater Sydney Region Plan (2018). Sensitivities have also been run on the options considering different proportions of residential and non-residential gross floor area. All options include a 1.1-kilometre waterfront promenade.

⁸ This is approximately 40% larger than the current fish market.

⁹ A concept design delivering the same space as the current fish market was also developed but assessed as sub-optimal from a functional and technical perspective. It was not carried forward as an option for consideration.

Economic evaluation

A full economic cost-benefit analysis of the Project was undertaken in accordance with NSW Treasury guidelines. A standard discount rate of 7 per cent was used¹⁰ to express all costs and benefits in 2019 values and discounted over a 30-year period.

Costs

The costs of the Project are the capital costs of:

- developing a new Sydney fish market facility
- enabling urban renewal
- developing the foreshore promenade.

The cost of the new fish market was calculated using expert quantity surveying advice¹¹ and benchmarks for the cost of key elements of the building.¹² The cost of Options 1 and 2 is similar. The significantly higher cost of Option 3 reflects the larger size of the proposed new fish market in this option.

Benefits

The Project is expected to deliver direct and indirect benefits which were analysed over a project period of 30 years.

The main direct benefits of the Project flow from:

- More people using the market and having an enhanced experience – the Use Value benefit. The enhanced user experience can be captured by increased consumer spending, leading to incremental lease revenue. The residual value of the facility at the end of the 30-year project period is also included in the Use Value benefit and assumes the fish market has a useful economic life of 60 years.
- Rezoning the current fish market site and some surrounding sites from industrial to mixed use. This change in use delivers an economic benefit that is estimated through revenue received for the sale of the site of the existing fish market, the increase in the value of privately-owned land in Blackwattle Bay and the increase in property values in the area immediately around Blackwattle Bay.

¹⁰ With sensitivity testing at 3% and 10%, consistent with NSW Treasury guidelines.

¹¹ From Rider Levett Bucknell

¹² Carparking, structure, façade, finishes and building services.

- Other benefits such as delivering affordable housing (quantified according to the subsidy provided to residents) and the enjoyment of the improved public domain by the public.¹³

The main indirect benefits include:

- The increased densities in the Project area which mean that the cost of providing infrastructure such as utilities and road upgrades is less than in lower density developments.
- There will be more people living and working in a well-located inner-city precinct. This is expected to reduce the need for car travel and to increase active transport such as cycling and walking, delivering transport and health benefits. Infill development such as that proposed at Blackwattle Bay maximises the potential for a well-designed urban renewal opportunity, avoiding development on greenfield sites. This preserves the environmental values of greenfield areas.
- The ability of an expanded and improved fish market to attract more tourists. Including the fish market on their itineraries will increase tourist spend in Sydney with benefits to the State's visitor economy.
- The project is also expected to deliver "wider economic benefits". These reflect the relationship between the density of a city and the productivity of the economic activity taking place there, described as the 'effective density' of a location. Two elements of wider economic benefits are included in the indirect benefits calculated for renewal of Blackwattle Bay. These are the benefits of businesses being located close together (the agglomeration benefit) and the labour productivity benefits of jobs shifting to a productive location.

The outcomes of the analysis

The outcome of the economic analysis is summarised in Table 2. The outcome calculates, for each option, the Net Present Value (NPV - the present value of benefits less the present value of costs) using just the direct benefits of the Project, and then using all project benefits.

¹³ The benefit of improved amenity to tenants and residents is reflected elsewhere and not included here.

Table 2: Benefits and costs (\$ million, PV)

	Option 1	Option 2	Option 3
Total direct benefits	\$637	\$557	\$701
Total indirect benefits	\$159	\$166	\$161
Total benefits	\$796	\$723	\$862
Total costs	\$616	\$624	\$1,060
Economic performance			
Results - direct benefits			
Net present value	\$22	-\$66	-\$359
Benefit cost ratio	1.03	0.89	0.66
Results all benefits			
Net present value	\$181	\$100	-\$197
Benefit cost ratio	1.29	1.16	0.81

Source: EY

Benefits are highest for option 3 (\$862 million), reflecting the scale of the proposed new fish market. The benefits are outweighed, however, by the higher cost of developing the facility (\$1,060 million). The NPV of Option 3 is negative and the BCR less than 1 (between 0.66 and 0.81, when including direct benefits only and all benefits, respectively).

Option 1 has the highest BCR at between 1.03 (direct benefits only) and 1.29 (including all benefits) and is the option preferred by Government.

Sensitivity testing

The most significant benefit, representing 63 per cent of total benefits, is higher value land use which reflects rezoning the current fish market site and surrounding sites for urban renewal. The actual extent of redevelopment will be determined by Government in consultation with stakeholders and the community. To account for this uncertainty, additional analysis was undertaken to consider a reduced yield from the precinct.

A range of commercial considerations, costs and revenues were then adjusted and tested against the initial assumption and again, assuming a reduced yield from the precinct.

Economic indicators remained positive under each sensitivity analysis, suggesting that reasonably conservative assumptions underpin the calculation of the benefits expected from the preferred project option.

Deliverability

The proposed delivery strategy separates the Project into two components:

- Delivering the new Sydney Fish Market at the head of Blackwattle Bay
- Developing public domain, including the foreshore promenade and converting the existing fish market site into a vibrant mixed-use urban renewal site.

Procurement and timeframe

New Sydney Fish Market

A contractor will be sought to design and construct the facility. A concept design has been developed and will be novated to the contractor as part of the procurement process.

Subject to planning consent, early works on site are expected to commence by late 2020. Main construction work on the new fish market is scheduled to begin in early 2021 and be completed in late 2024.

Mixed use urban development

A key principle of the New Fish Market design is to operate as a connective agent, linking the pedestrian promenades developed on either side and linking the park with the water for the benefit of both visitors and the local communities.

Infrastructure NSW will deliver the masterplanning of Blackwattle Bay and seek re-zoning of the site of the existing Sydney Fish Market and the land along Bank Street to the Glebe Island Bridge abutment to ensure that the renewal of the site meets the objectives of NSW Governments and the Project delivers sufficient benefits to the community. It is expected that the site of the current market will then be offered to the private sector, through a competitive tender process, who will undertake the renewal. This is scheduled to occur once the new Sydney Fish Market is operational. The sale of the site for development will offset a significant proportion of the cost to Government of delivering a new Sydney Fish Market.

Key risks and mitigations

The Blackwattle Bay Project involves a complex precinct that currently supports a diverse mix of industrial, commercial and recreational activities, based on a range of leasing and licencing arrangements. Infrastructure NSW has a risk management framework¹⁴ which it has used to identify, assess, evaluate and prepare treatments for project risks.

¹⁴ Consistent with NSW Treasury Guidelines

Priority is being given to addressing the construction, operational and commercial risks of moving the Sydney Fish Market, achieving community and stakeholder support and timely planning consent, realising the anticipated revenues from the Project, ensuring a competitive response from the market and responding to any latent site conditions during the Project.

The Infrastructure NSW view

Consistent with the NSW Government's Infrastructure Investor Assurance Framework¹⁵, Infrastructure NSW routinely assesses business cases and provides advice to Government on the efficacy of their findings. Infrastructure NSW undertook assessments prior to the Project being transferred and future assurance reviews will be undertaken by NSW Treasury under the Infrastructure Investor Assurance Framework to ensure independence of the assurance process is maintained.

Infrastructure NSW agrees that the Project requires Government leadership given the site is fragmented with a range of private and Government owners and diverse lease arrangement and uses. The case for change for the Blackwattle Bay district is well made, with the existing fish market facility run down, providing poor amenity and no longer considered to be "fit for purpose". Early urban renewal analysis of the overall masterplanning area and a concept design analysis for the new Sydney Fish Market building reflect a high level of stakeholder and technical input. Both studies indicate compelling solutions for the redevelopment and modernisation of the precinct.

The NSW Government has consulted with stakeholders and the community about the renewal of Blackwattle Bay over several years. There is strong support for the redevelopment of the fish market, the Blackwattle Bay foreshore and the surrounding public domain. Noting that the outcome of the residential and commercial development will not be clear until planning processes have been concluded, the Business Case considers the impact of reduced yields on the economic strength of the Project, amenity, and traffic and transport outcomes.

The approach to procurement and delivery is well-developed: the risks have been identified, lines of communication established with the contractor market, delivery plans are being refined and there is a direct link to the ongoing process of cost plan refinement.

Providing continuous access to the waterfront around Blackwattle Bay is a key component of the Project. The completion of the foreshore promenade relies, in part, on private landowners upgrading the foreshore adjacent to their land to the design and standards required, as their holdings are redeveloped. The timing of each of these associated developments is a decision for the private land-owner. The delivery of the foreshore public domain is therefore, likely to be iterative. Infrastructure NSW notes that contingency designs have been developed to ensure that the foreshore promenade can be delivered to the public in a timely fashion if a section of the foreshore works is delayed.

Infrastructure NSW considers that this Final Business Case provides a sound base for the investment decision.

¹⁵ Infrastructure NSW (2016), *Infrastructure Investor Assurance Framework*.