

Item 3.

Public Exhibition - Economic Development Strategy 2025-2035

File No: X09982

Summary

The Economic Development Strategy 2013-2023 has guided the City of Sydney's (the City's) approach to economic development for 10 years. The strategy contained three strategic priorities - strengthen Sydney's competitiveness, improve productivity and capacity, and promote opportunity. It also set employment and growth targets for 2030 and provided the rationale for the development of related Action Plans to support priority sectors of the economy.

While delivering the strategy the City has enabled several major new projects to support economic development, from the light rail along the length of George Street that has transformed the city's central spine, to the Green Square Urban Renewal project which enabled \$22 billion in private development and 33,000 homes, through to the Central Sydney Planning review that has unlocked 2.9 million square metres of employment floor space in our central CBD.

These investments have helped to contribute to the city's strong economic performance over the past 10 years, with the total jobs in the city growing from 437,000 jobs to 520,000 jobs. There has also been a continual shift towards a more advanced, knowledge-led economy with the proportion of knowledge jobs growing from 64 to 68 per cent. The City of Sydney LGA economy has also experienced stronger than forecast long-term economic growth, with the economic output growing by more than 40 per cent, from \$101 billion to \$142 billion.

The strategy has been delivered through a period of significant change and unprecedented challenges for the economy and community. The ongoing impacts of the Covid-19 pandemic required an additional investment of over \$150 million which created new grant programs to support impacted businesses and community organisations, along with an al fresco dining program to enable trading on reallocated road space, and the introduction of the Sydney Streets program to revive local high streets after a period of restrictions and lockdowns.

The City has been regularly reviewing available data to understand patterns of economic activity. Analysis is published as a quarterly City Insights economic snapshot which points to a 'new normal' in our city with public transport usage at 85 to 95 per cent of pre pandemic levels across the week, and much higher on Saturdays and Sundays. International visitors and students are back in record numbers and there has been a 'flight to quality' in the office market, with higher vacancies in lower grade stock.

These data-led insights and feedback from the business community have been central to the development of a new strategy response for the next decade. In 2022, the City adopted a new community strategic plan Sustainable Sydney 2030-2050: Continuing the Vision. This plan outlines the community's vision for a transformed and innovative economy in Sydney. With the community strategic plan as a foundation, City staff have consulted extensively with City's Business Advisory Panel, industry and government agencies over many years to develop a new draft Economic Development Strategy to guide the City's support for our economy over the next ten years.

The new Economic Development Strategy 2025-2035 aims to reinforce Sydney's historic economic strengths while focusing on four key underlying vulnerabilities that pose a challenge to the economy's ongoing sustainability - climate change, rising inequality, slowing productivity and ongoing uncertainty about how our city is used post-pandemic, as well as cost of living and economic headwinds, presenting challenges in the transition.

The new strategy sets a vision to champion a global economy that unlocks innovation, which is sustainable and inclusive, and provides great local experiences. To drive an innovation-led economic transformation, the strategy targets 200,000 new jobs by 2036, with 70 per cent of these new jobs to be in knowledge and innovation intensive industries. It also proposes 33 high level actions and eight momentum building projects to address systemic challenges.

The new strategy provides a robust framework to support the wide diversity of investments the City makes in the quality of the city, and by extension, the vibrancy of the economy. It includes support for the extension of light rail, providing the policy basis for how this public domain and transport project enhances the economy by improving amenity, innovation and productivity. It is recommended the strategy be exhibited for two months to seek community and industry feedback and explore the proposed actions with stakeholders.

Recommendation

It is resolved that:

- (A) Council note the finalisation of the Economic Development Strategy 2013-2023 and the ten years of significant achievements under the guidance of the Tourism Action Plan, Retail Action Plan and Tech Start-Ups Action Plan, as outlined in Attachment A to the subject report;
- (B) Council approve for public exhibition the draft Economic Development Strategy 2025-2035 as shown at Attachment B to the subject report;
- (C) Council note that the Economic Development Strategy 2025-2035, including any recommended changes, will be reported to Council for adoption following the exhibition period;
- (D) authority be delegated to the Chief Executive Officer to make minor editorial amendments for clarity or correction of drafting errors prior to the exhibition of the draft Economic Development Strategy 2025-2035; and
- (E) Council note the Engagement Report summarising consultation for the development of the draft Economic Development Strategy 2025-2035, as shown at Attachment C to the subject report.

Attachments

- Attachment A.** Economic Development Strategy 2013-2023 Close Out Report
- Attachment B.** Draft Economic Development Strategy 2025-2035
- Attachment C.** Engagement Report - Sector Consultation for a Draft Economic Development Strategy 2025-2035

Background

1. The Economic Development Strategy 2013-2023 was adopted in December 2013 and has guided the City's approach to economic development for ten years.
2. The Strategy contained three strategic priorities - strengthen Sydney's competitiveness, improve productivity and capacity, and promote opportunity. It also set employment and growth targets until 2030.
3. Importantly, it provided the rationale for the development of related action plans to support priority sectors of our economy. This included the Tourism Action Plan, Retail Action Plan and Tech Start Ups Action Plan which all provided detailed guidance on how to implement the ambitions in the overarching strategy.
4. The 2013 Economic Development Strategy targeted 460,000 jobs in the city by 2030. There are now more than 520,000 jobs in the city, reflective of a decade of strong employment growth. Key projects flagged in the 2013 strategy, most notably George Street's revitalisation and light rail, have helped grow the city economy to over \$142 billion per year, a 40 per cent increase from the \$101 billion noted in the 2013 strategy.

Conclusion of the Economic Development Strategy 2013-2023, Tourism Action Plan, Retail Action Plan and Tech Startups Action Plan

5. The action plans to support the Tourism, Retail and Tech Start-up sectors have achieved their ambitions with almost all actions now completed across the three plans, with support for these sectors now firmly embedded in City activities and programs.
6. For the Tourism Action Plan, of the 87 Actions, 97 per cent are completed or in-progress and three were discontinued (3 per cent).
7. For the Retail Action Plan, of the 67 actions, 97 per cent are completed or in-progress and two were discontinued (3 per cent).
8. For the Tech Start-ups Action Plan, of the 40 actions, 93 per cent are completed or in-progress, two not started (5 per cent) and one discontinued (2 per cent).
9. A small number of actions were discontinued as they were no longer contextually relevant, or their execution relied on State or Federal government programs which have since been discontinued.
10. A high-level update on how the actions were addressed across the action plans and their significant achievements and investments is included in Attachment A.
11. As these strategies have come to the end and almost all actions implemented, the 2013 Economic Development Strategy and the Tourism, Retail and Tech Startups Action Plans will be closed out at this time.

Draft Economic Development Strategy 2025-2035

12. The new Economic Development Strategy 2025-2035 builds from the success of the 2013 Economic Development Strategy and the supporting sector-specific action plans, with key actions from these strategies rolled into the new strategy.
13. It provides the implementation pathway for Sustainable Sydney 2030-2050 Continuing the Vision Direction 9 – a transformed and innovative economy.
14. Data-led insights and an understanding of the ‘new normal’ of our city and its economy in a post-pandemic environment are central to the strategy response. Insights on the city’s change have been regularly communicated to the public via the City Insights quarterly economic snapshot.
15. The data reveals there has been a broad economic recovery but that it has been uneven across industries and with economic headwinds:
 - (a) public transport patterns to CBD to 85 to 95 per cent of pre-pandemic across the week;
 - (b) spend above pre-pandemic, particularly on weekends, reflecting higher spend from visitors;
 - (c) return of international visitors, but from different markets, driving different experiences;
 - (d) return of international students in record numbers but with potential challenges from visa changes; and
 - (e) “flight to quality” in the office market, with higher vacancy in lower grade stock.
16. The new strategy was developed in close collaboration with the City of Sydney’s Business, Economic Development and Covid Recovery Advisory Panel which has CEO-level representation from (amongst others) Committee for Sydney, Business Sydney, Property Council of Australia, University of Sydney, Supply Nation, Canva and Greenhouse and 4 Pillars Gin.
17. The new strategy also incorporates extensive community engagement undertaken on the draft Economic Development Strategy Discussion Paper (2022-2023) and via the bi-annual Lord Mayor Business Chamber Roundtables.
18. The key findings from the consultation with the business community were:
 - (a) strong support for innovation as the primary driver of our economic future and a recognition post-pandemic that the city economy cannot continue to rely on its traditional strengths in professional and finance services and on the visitor economy;
 - (b) there is a significant leadership role for the City to promote and accelerate the green economy transition, aligned with recent announcements from Federal government as part of the 2024/25 budget;
 - (c) the importance of fairness and ensuring equitable access to work, living, and housing – particularly with the current challenges with cost of living;

- (d) the role of the City in creating more opportunities to support Aboriginal and Torres Strait Islander enterprises and ensuring community wealth building principles are embedded throughout the new strategy; and
 - (e) the heightened importance placed on the city 'experience' and the need to further Sydney as a 24-hour economy.
19. The new economic development strategy aims to reinforce Sydney's historic economic strengths while focusing on four key underlying vulnerabilities that pose a challenge to the economy's ongoing sustainability.
20. The four underlying vulnerabilities the strategy seeks to address are as follows:
- (a) Climate change threatens key sectors like tourism but also presents an economic opportunity if Sydney positions itself as a global hub for net zero innovation.
 - (b) Rising inequality, and particularly affordability issues and cost of living pressures, have the potential to stifle our economy and erode our society's sense of fairness and opportunity.
 - (c) Slowing productivity and an uncoordinated approach to innovation are leading to lower commercialisation and impacting Sydney's attractiveness to talent.
 - (d) Economic headwinds, cost of living and broader uncertainty are changing how our city is used post-pandemic, presenting challenges in the transition.
21. The new strategy provides a robust framework to support a wide diversity of investments the City of Sydney makes in the quality of the city, and by extension the vibrancy of the economy. It includes support for the extension of light rail, providing the policy basis for how this public domain and transport project enhances the economy by improving amenity, innovation and productivity.
22. It also highlights over \$540 million of other flagship approved forward commitments that directly support economic development outcomes – from ongoing work on the pedestrianisation of George Street, Greenhouse Climate Tech Hub, Haymarket revitalisation, economic grants, cycling infrastructure and works on Crown Street to extend outdoor dining and widen footpaths.
23. The strategy sets a new vision to champion a global economy that unlocks innovation, which is sustainable and inclusive, and provides great local experiences.
24. The four outcome areas for the strategy are an economy that is sustainable, inclusive, innovative and experiential. Against each of these outcomes, two measures of success are listed in the strategy and will be reported on an annual basis, or as the data becomes available.
25. To drive an innovation-led economic transformation, the strategy targets 200,000 new jobs by 2036, with 70 per cent of these new jobs to be in knowledge and innovation intensive industries.

26. Adopting a place-based approach, the strategy illustrates the role and reach of our economy and the City of Sydney at four different scales:
 - (a) Global Sydney promoting our city internationally as one of the best places to live, work, study, play, visit, create and invest.
 - (b) Australia's economic heart progressing economic, environmental and cultural outcomes across Greater Sydney, NSW and Australia.
 - (c) City of distinct precincts connecting a diversity of specialised industry clusters to drive innovation and productivity.
 - (d) Strong local neighbourhoods supporting inclusive local opportunities, fostering authentic experiences and a vibrant street life.
27. Ensuring a holistic approach to economic development, 33 actions are proposed across the four outcome areas and the four different scales of our economy from grassroots to global..
28. In addition, the strategy proposes eight momentum building projects where partnership is required to provide immediate focus to complex challenges:
 - (a) unlocking Tech Central via Broadway by supporting the revitalisation of Broadway through public domain, light rail, activation and governance;
 - (b) accelerating the green economy transformation by leveraging Greenhouse to position Sydney as a global sustainable finance destination;
 - (c) exploring localised circular economies with small business collectives to find precinct-wide sustainability measures and promote local innovations;
 - (d) supporting Indigenous enterprise through the full business life-cycle, from seed funding to securing affordable space, working with the City, and scaling;
 - (e) putting vacancy to creative use, working with the property and cultural sectors to match underutilised commercial space with creatives displaced from the city;
 - (f) retaining international student talent by welcoming students into the Sydney community and providing pathways into employment and filling critical skills gaps;
 - (g) evolving the visitor economy by reviewing visitor needs post-pandemic, partnering with Destination NSW to better design and coordinate services; and
 - (h) promoting vibrant streets by developing more effective and efficient ways to activate local streets in partnership with small business collectives.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

29. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This plan is aligned with the following strategic directions and objectives:
 - (a) Direction 9 - A transformed and innovative economy - the new strategy proposes a range of actions and projects to support economic development in the local government area.

Organisational Impact

30. The draft Strategy does not propose an expansion of the City's ongoing economic programs and services or changes to the composition of the business units responsible for delivering support for economic development and implementing the Strategy. Rather the approach to designing business support program and services will be informed and shaped by the new Strategy, with particular focus on areas of highest need as evidenced by the Strategy.

Risks

31. The draft Strategy is an evidence-based approach to delivering the community's aspirations and vision. Risk has been managed by ensuring the City's investments respond to current issues facing the city's economy, drawing upon the most current available data and analysis and community consultation.

Financial Implications

32. The draft Economic Development Strategy 2025-2035 proposes a new Indigenous Enterprise Support momentum building project which will require an additional investment of \$1 million over five years. If the Strategy is adopted \$1 million will be funded for this new project from within, and included in future iterations of, the City's overall operational budget for each financial year from 2025/26 to 2029/30, subject to Council approval.

Critical Dates / Time Frames

33. If approved, the draft Strategy will be placed on public exhibition for two months. It is anticipated a post-exhibition draft will be reported to Council in late 2024. The Strategy is intended to commence in 2025.

Public Consultation

- 34. City staff have developed the draft Strategy and an engagement plan in consultation with the City's Business, Economic Development and Covid Recovery Advisory Panel.
- 35. The new strategy also incorporates extensive community engagement undertaken on the draft Economic Development Strategy Discussion Paper (2022-2023) and via the bi-annual Lord Mayor Business Chamber Roundtables.
- 36. An engagement report has been prepared outlining the outcomes of these consultations.
- 37. If approved, the draft Strategy will be placed on exhibition for two months. The community will be able to provide feedback through a Sydney Your Say survey and written submissions. City staff will conduct further consultation sessions with the business community.

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