Submission to Draft Industrial and Commercial Land Use Plan

01 Introduction

The City of Yarra welcomes the opportunity to comment on the *Draft Industrial and Commercial Land Use Plan* (draft plan).

This submission is made on behalf of City of Yarra officers. It has not been endorsed by Council given tight timeframes and a full Council agenda in December 2019.

The submission reflects Yarra's *Spatial Economic and Employment Strategy* (SEES) adopted by Council on 4 September 2018. The SEES highlights Yarra's economic strengths and provides a framework to respond to the key trends and economic drivers over the next 10 to 15 years. It has provided the strategic direction and informed the re-write of the Yarra Planning Scheme (proposed to be placed on exhibition in early 2020)[1].

The City of Yarra considers the *Draft Industrial and Commercial Land Use Plan* an important strategic document which will help provide a strong framework for metropolitan Melbourne.

Officers recognise that the availability of commercial and industrial land in the right locations, together with targeted infrastructure investment such as public transport, is essential for the economic prosperity of Melbourne and local areas.

We strongly support the development of principles, strategies and framework maps identifying industrial and commercial opportunities for metropolitan Melbourne and consider the draft plan a good base on which to start.

This submission provides both high-level and detailed comments, important in progressing the draft plan.

02 Key issues

1. Provide clearer integration with existing policy

As a metropolitan wide strategy, the plan includes high-level analysis of supply and demand; key strategies and policies; and structural economic changes and trends. It also provides framework plans for commercial and industrial land but would be enhanced by better integrating existing policy and thinking more spatially.

As the plan moves forward, it would benefit from:

- <u>Clearer integration with existing policy</u> – For example, it would be helpful to outline how the plan forms part of a broader employment strategy. Additionally, the plan could provide broader thinking around precincts ie bringing jobs closer to people and providing policy direction on sub-regional employment clusters, particularly for health, education and business services sectors.

[1] At its ordinary Council meeting of 26 November 2019, Council resolved to request the Minister for Planning authorise the preparation and exhibition of Amendment C269 which will introduce new local planning policies into the Yarra Planning Scheme.

- Thinking spatially and strengthening of its future focus – For example, by exploring the role of the east of the city and describing how future industrial and commercial land has been identified or might be in the future (eg identifying opportunities or gaps).

2. **Better recognition of the activity mix and different industrial activities in inner areas**

The nature of higher-density employment uses in the inner city is not well reflected in the plan.

The term 'industrial land', which has been applied to the Cremorne and Gipps Street Mayor Employment Precincts in Yarra (in the Commercial 2 Zone), fails to capture the broad range of the land uses in these areas and changes over time. These precincts have seen a gradual transition from predominantly industrial uses to a wider mix of activities including professional services, creative industries, medical-related activities and small-scale manufacture.

Industrial land definition

The term 'industrial land' is better suited to outer / growth areas. The spatial arrangement of employment land across Yarra does not align with a conventional model – where retail, commercial and industrial land uses are in separate precincts. Rather, Yarra hosts a diversity of employment and economic activities in its employment areas. These are not clearly always defined but overlap with neighbouring precincts.

To address this issue, officers suggest that some 'industrial land' in the inner city, such as the Cremorne and Gipps Street Precincts, could be referred to as 'mixed employment precincts'.

Commercial land definition

It is unclear from the definition of 'commercial land' that it is linked to the Commercial 1 Zone and is focussed around activity centres.

The term 'commercial land' is also potentially confusing as commercial uses usually include office uses. Offices uses are a major land use in C2Z land in Yarra. (68% of approved office floorspace and 80% of floor space currently under assessment located on sites with a C2 zoning [2]. However, the C2Z is not included as commercial land.)

To avoid this confusion and distinguish 'commercial land' from land in the Commercial 2 Zone, it is suggested 'commercial land' is renamed (for example, to 'retail precincts') and includes a reference to the Commercial 1 Zone in the definition.

3. **Clearer guidance on managing the transition of larger industrial precincts to other uses**

Yarra's strategies for industrial and commercial land seek to provide sufficient employment land and capacity to support projected growth and minimise pressures for residential conversion of employment precincts.

While applications to rezone employment land should generally be discouraged, in some circumstances there may be a compelling case that the land is no long viable for employment uses.

[2] SEES (page 6)

The draft plan could be seen to 'lock up' regionally significant industrial areas with no opportunity to consider a transition to other uses where employment uses are genuinely no longer viable.

Strategy 4 (in Principle 3) provides guidance where mixed-use or residential uses might be considered for industrial land of local significance, however, there is no equivalent strategy for regionally-significant land.

The Abbotsford Industrial Precinct, identified as a regionally-significant industrial area in the draft plan, is an example of an area which may transition in the longer term. The SEES notes that as industrial employment continues to decline, demand for industrial zoned land is likely to contract. While the capacity analysis undertaken for the SEES suggests there is no need to reconsider the role of this and other industrial precincts at this time, a trigger to consider a change would be the departure of the major industrial land user (for example, the CUB which occupies around half the area of the Abbotsford Industrial Precinct). The SEES flags that given this, it may be prudent for Council to consider how alternative uses for these precincts might be determined.

Officers suggest that in circumstances where land is flagged as no long viable for employment uses, detailed guidance should be provided outlining the process to consider a change of use and the 'tests' that must be met, including:

- A clear set of expectations for the precincts established early via statements of objectives and intended outcomes.
- Where appropriate, joint planning with the State Government (given its critical role in the planning and infrastructure provision process).
- A requirement for precinct plans and masterplans where sites are of sufficient scale.
- Appropriate 'tests' which must be met to demonstrate net community benefit, including:
  - Maintaining a similar level of employment or economic activity on the site
  - Likely demand for shared infrastructure that might be funded via DCPs
  - The potential for a proportion of social and affordable housing to be provided via value capture or inclusionary zoning mechanisms
  - The need for education or other social infrastructure to serve the redeveloped precinct or the wider municipality and regional community
  - Opportunities to provide public infrastructure such as open space and community facilities.

4. Conflict between commercial and residential uses in 'commercial centres'

The conflict between commercial and residential uses in 'commercial centres' is identified as an issue in the draft plan. Current market conditions often result in residential uses that outbid all other uses, displacing existing employment uses.

In response to this, Strategy 3 (under Principle 2) seeks to '*Clarify and strengthen the role and function of commercial centres as primary locations for commercial development and employment, prioritising economic activity and business synergies over residential development*.'

However, this strategy potentially conflicts with *Plan Melbourne,* State and regional planning policy in the Planning Policy Framework and Council's Housing Strategy. For example, key clauses in State Policy include:

- *11.03-1S - Activity centres:*
  - *Objective - To encourage the concentration of major retail, residential, commercial, administrative, entertainment and cultural developments into activity centres that are highly accessible to the community.*
  - *Strategy - Encourage a diversity of housing types at higher densities in and around activity centres.*
- *16.01-2R - Housing opportunity areas - Metropolitan Melbourne:*
  - *Strategy- Manage the supply of new housing to meet population growth and create a sustainable city by developing housing and mixed use development opportunities in locations that are:*
    - *Metropolitan activity centres and major activity centres.*
    - *Neighbourhood activity centres - especially those with good public transport connections.*

Both Yarra's *Housing Strategy* (2018) and the SEES (and strategies in the *Yarra Planning Scheme – Rewrite of local policies*) identify Yarra's activity centres as appropriate locations for new housing and employment.

The SEES highlights the importance of identifying locations for housing that compliment (rather than disrupt) employment activity (eg. activity centres, mixed use areas and dispersed infill in residential areas). It also recognises that demonstrating sufficient capacity to accommodate housing demand in these locations will reduce pressures for ad-hoc conversion of employment lands to residential.

Council's Housing Strategy (adopted simultaneously with the SEES) seeks to direct new housing to areas within or close to activity areas that have good access to public transport, open space, and other services and limit housing growth in established residential areas. It indicates that activity centres, alone, can supply approximately 14,300 dwellings by 2031.[3]

The SEES found that Yarra's activity centres[4], even with substantial residential development, are likely to accommodate significant growth in retail, commercial and institutional floor space. It is anticipated that an estimated 134,000 sqm of additional floor space will be added to Yarra's larger activity centres between 2016 and 2031 for commercial, retail and institutional uses (an increase of around 10%).[5]

5. Careful consideration is required as to how the plan will translate into planning policy and inform decision making

The proposed implementation process is not addressed in the draft plan. It is not clear if the draft plan will be translated into policy in the planning scheme to assist assessments and decisions by Council, VCAT or Planning Panels, or if the plan will become a background document in the scheme.

It would be helpful to provide a 'marked-up' version of the proposed policy illustrating how the proposed principles and strategies sit within existing policy.

[3] Yarra Housing Strategy (page 64)
[4] Noting this is based on entire activity centres, not solely land in the Commercial 1 Zone.
[5] The SEES assumed two floors of employment space in the Commercial 1 Zone except in the Botanica Office Park where 4 storeys were assumed. In the MUZ, 0.5-1 floor of employment space was assumed.

6. **Clarity around the role of State and Local Government**

The draft plan places emphasis on work being undertaken at a local level eg through industrial and activity centre strategies. It suggests that local government undertake studies but does not provide details of any commitment to further work at a State or regional level.

Officers consider there is a key role for State Government in ongoing monitoring, research and data gathering and funding (eg providing funding for detailed CLUE surveys and analysis of employment areas and activity centres).

04 Principles, strategies and classification of land

1. **Principles and strategies**

The intent of the four principles and their strategies (ie ensuring there is sufficient land to meet future demand for business and employment purposes, avoiding incompatible uses and promoting innovation) is generally supported.

However, both the principles and strategies could be made clearer and repetition removed. The principles and strategies (and actions) need further refinement to provide an appropriate level of detail to guide decision making.

Principles	Strategies
1. Planning for industrial and commercial land should ensure adequate long-term land supply is planned for and set aside to support future industry and business growth. Comments: Supported. Could be redrafted as *'Adequate long-term land supply is planned for and set aside to support future industry and business growth.'* Strategies under this principle should be reviewed to ensure they are better linked to the supply of land.	**1. Identify and outline how growth will be accommodated over the long term (at least 30 years).** Comments: Supported in principle. The need to consider long term growth is supported, however the ability to forecast needs 30 years into the future is challenging noting the draft plan itself only forecasts to 2031 (11-12 years from now.) It is also unclear what this means in practice eg Is it suggesting the need to identify future opportunities?
	2. Provide an overarching land use planning framework for industrial and commercial areas. Comments: Supported in principle. Strategy could be better linked to the principle of ensuring a supply of land.
	3. Provide a zoned supply of land to accommodate growth over at least a 15 year period, including sufficient stocks of large sites for strategic investment. Comments: Supported. Noting there is already a direction in the State provisions of the Planning Policy Framework which require this. Unclear what is meant by 'sufficient stocks of large sites for strategic investment'.
	4. Maintain access to an adequate supply of well-located land for industrial and commercial uses. Comments: Unclear what is meant by 'access'. Does it mean physical access eg roads, rail access?
	5. Retain and protect land identified for strategic long-term growth for its intended purpose. Comments: Unclear what 'land identified for strategic long-term growth'. Is this State Significant / regionally significant land? 'Purpose' of the area needs to be outlined for this strategy to be meaningful.

Principles	Strategies
	6. Monitor development trends, land supply and demand for industrial and commercial land. Comments: Supported. Further detail around who will undertake monitoring should be provided.
2. Key industrial and commercial areas should be recognised and retained for their economic and employment contribution to local communities, regions and the state. Comments: Supported but unclear if the principle is referring to 'existing' areas or all areas. Use of term 'key' is also unclear - does this refer to State-significant or regionally significant land? The strategies are missing key concepts such as: • *Creating a diverse range of business and employment opportunities throughout metropolitan Melbourne that minimises the distance travelled to work.* • *Ensuring appropriate services and infrastructure, including public transport, are planned for prior to land release to support employment areas.*	**1. Ensure that state, regional and local policies are aligned to support industrial and commercial areas.** Comments: Redundant? Cascading policy in the planning scheme means that policy should not be inconsistent.
	2. Identify industrial areas of state, regional and local significance and ensure they are appropriately planned for and protected from incompatible land uses. Comments: Supported. Could be redrafted as *'Industrial areas of state, regional and local significance are protected from incompatible land uses.'*
	3. Clarify and strengthen the role and function of commercial centres as primary locations for commercial development and employment, prioritising economic activity and business synergies over residential development. Comments: Contradicts other policy in the Planning Scheme which seeks to encourage housing in activity centres.
	4. Avoid the approval of non-industrial land uses that will prejudice the availability of land in identified industrial areas for future industrial uses. Comments: Repetitive. Appears to repeat Strategy 2 above. Unclear if it is referring to surrounding land or uses within the industrial area?
3. Planning for industrial and commercial land should provide clarity and certainty about how and where industry and business can grow over time to support and guide long term investment and locational decisions. Comments: Principle could be amalgamated with other principles. Strategies repeat strategies in Principle 2. Strategies do not clearly explain how the hierarchy of commercial and industrial land is expected to operate. Eg retain or allow sites to transition to higher-order employment activities or consider transition to other uses	**1. Provide clear direction on locations where growth should occur.** Comments: Repeats strategy above in Principle 2.
	2. Protect state-significant industrial precincts from incompatible land uses to allow for future growth. Comments: Repeats strategy above in Principle 2.
	3. Ensure that significant regional and local industrial and commercial precincts are retained through appropriate zones. Comments: Unclear what this means.
	4. Land identified as being of local significance for industrial purposes should only be considered for mixed-use or residential purposes where strategic analysis can clearly demonstrate that the land is no longer required for industry, business or employment purposes. Comments: Generally supported but unclear how this strategy operates with the new Commercial 3 Zone which allows for limited residential development. See comments on the transition of industrial land.
	5. Ensure that sensitive uses do not limit the operation of business in state or regionally-significant industrial precincts, through the provision of adequate separation and buffer areas. Comments: Repeats strategy above in Principle 2.

Principles	Strategies
4. Industry and business should be supported to innovate and operate efficiently and effectively now and into the future in areas identified for these purposes. <u>Comments:</u> Supported but strategies seem unrelated to principle. Suggest strategies could: • *Encouraging flexible spaces* • *Encouraging the development of 'green' businesses.* • *Assisting businesses to cluster in specialised activity precincts*	**1. Support the continued growth and diversification of industrial and commercial areas to provide local employment and support local economies.** <u>Comments:</u> Supported but unclear how this strategy achieves the principle.
	2. Provide for significant local employment opportunities, and where appropriate, provide for large scale industrial or regional employment generators. <u>Comments:</u> Unclear what this means and how this strategy achieves the principle.

2. Classification of Industrial land

The proposed classification of employment land into state, regionally and locally significant industrial areas provides a useful framework.

However, there is little detail about how the criteria for regionally significant industrial precincts has been applied (ie how much weight is attributed to each and what thresholds are used).

It is also noted that many of the proposed criteria seem more relevant to growth and outer areas than the inner city.

Similarly, comments (in the '*Purpose*' on page 35) around affordable land in regionally significant areas is more relevant to outer or growth areas. Affordability of land is a key issue in the inner city.

3. Classification of Commercial land

The use of the activity centres hierarchy to guide the hierarchy of commercial land is supported:

- Central Business District - State-significant commercial areas
- Major activity centres - Regionally significant commercial areas
- Neighbourhood activity centres - Local commercial area (noting the draft plan does not mention local centres yet they are included as local commercial areas in various maps.)

However, it is suggested the plan should note that activity centres are more extensive than just land in a Commercial 1 Zone. The 'Activity Centre Boundary Criteria' in *Planning Practice Note 58 - Structure planning for activity centres* includes land that provides for the commercial (retailing, office, fringe retailing and support activities such as entertainment) activities, residential areas that are integrated into the activity centre, key public land uses and public open space areas.

04 Key industrial and commercial areas in Yarra

The following comments focus on Part B of the plan.

1. **Regional snapshot**

The SEES notes that retail trade, professional services and health care sectors are projected to grow most rapidly in Yarra. This generally aligns with data presented in Figure 11[6] (page 39). However the draft plan does not identify that stagnant or negative employment growth in the manufacturing and wholesale trade sectors is projected to continue in Yarra (and the inner region).

2. **Supply and demand for industrial and commercial land across the region**

Industrial land

The draft plan highlights the impacts of the rezoning of Fishermans Bend to the Capital City Zone but does not quantify other rezonings (page 43). Figures which exclude Fishermans Bend would enable a better understanding of the extent of change and the specific circumstances behind the rezonings.

Officers also question the use of vacant land as a measure in the inner region (Table 9 - page 43). The nature of the inner region means that very little land is unoccupied. This does not take account of unoccupied / partly occupied buildings or buildings which have a low occupancy rate.

Commercial land

The methodology to explain how existing capacity and future demand have been calculated has not been included (page 45).

A clear methodology should be provided in an appendix to the plan to outline assumptions and the background to each table / calculation to enable comparison with other work (eg Council strategies).

It is also unclear if commercial floorspace in Tables 11 and 12 and Figure 13 (Page 45) aligns with commercial land or if it is commercial floorspace throughout metropolitan Melbourne.

Officers also note that different language has been used through this section including commercial centres and areas. It is unclear if these are the same thing.

3. **Planning framework for industrial and commercial land across the region**

The discussion on the challenges / issues specific to the inner region (page 46) is high level and would be enhanced by noting key issues, such as:

- The impacts of the rising cost of land and floorspace which has meant some industrial land uses have become unviable in inner-city locations. This trend will continue as these businesses shift to more appropriate locations in Greater Melbourne or beyond.
- The decline of employment densities within the broad industrial sector, leading to significant reductions in demand for floorspace associated with industrial land uses.
- The agglomeration of knowledge-based service sector businesses which gain significant benefits from clustering in job-rich, inner-city areas with the direct access to Melbourne's labour markets and other businesses.

[6] Noting in *Figure 11: Projected employment growth, Inner Metro Region, 2016 to 2031* – the key industries listed for each local government area do not align with the graphs.

- Changes in office development outside the CBD such as the location of some commercial tenancies Yarra, notably, Carsales and realsestate.com and David Jones.

Yarra documents to be considered in the draft plan

The draft plan references out of date strategies in the draft plan's Bibliography, including the *City of Yarra Housing Strategy 2010-2013* (2010) and the *Yarra Business and Industrial Land Strategy* (2012).[7]

Council's most recent strategies, the SEES and Housing Strategy (adopted in 2018) are not referenced.

Industrial land in Yarra

The three regionally significant industrial areas identified in Yarra - the Abbotsford Industrial Precinct, Gipps Street Precinct and Cremorne Precinct. (Remaining land in the Industrial Zone and C2Z is identified as local industrial land.)

Yarra's SEES and the *Yarra Planning Scheme - Rewrite of local policies* identifies the Gipps Street Precinct and Cremorne Precincts as Major Employment Precincts and Abbotsford as the biggest of three large industrial precincts.

Officers generally support the proposed application of hierarchy of industrial land to Yarra. However, the description and roles of these precincts in 'Key industrial and commercial areas' (page 41) and 'Planning for the Region' (page 46) should be reviewed to reflect recent policy:

Precinct	Comments
Abbotsford Industrial Precinct	• Support Abbotsford Industrial Precinct as employment land, retaining employment uses such as manufacturing, offices and urban services. • Remove the reference to the Abbotsford West Industrial Precinct. This was a sub-precinct which exists in the BILS but is not a specific sub-precinct in the more recently adopted SEES.
Yarra's Major Employment Precincts:[8]	• Support the economic primacy of Yarra's Major Employment Precincts - Gipps Street Precinct and Cremorne Precinct. • Gipps Street Precinct and Cremorne Precinct include a diverse mix of offices, creative industries and specialised manufacturing businesses. • Their proximity to the CBD, other parts of the inner Melbourne and good access to Melbourne's transport network makes them attractive for businesses seeking a location close to workers, customers, clients and other firms.
Gipps Street Precinct	– Update text to acknowledge the Gipps Street Precinct as an emerging precinct attracting creative services such as architecture and design, software and interface design and visual arts.
Cremorne Precinct	– Update text to recognise the Cremorne Precinct, as an enterprise precinct which is emerging as one of Melbourne's premier destinations for creative design, particularly tech and digital design. – It is home to global companies which sit side by side with small to medium sized firms, start-ups and co-working spaces. – It is one of Melbourne's fastest growing employment areas adding 4,000 jobs between 2011 – 2016 and providing a total commercial floor space of 288,394 sqm.[9]

[7] It also references the *Yarra City Council Economic Development Strategy 2015-2020 which is currently being reviewed.*
[8] Amendment C269 - Yarra Planning Scheme - Rewrite of local policies (26 November 2019 Council Report)
[9] *Cremorne – Creating a future vision, Issues and Opportunities*, VPA, City of Yarra and Victoria State Government, November 2019

Commercial land in Yarra

Review *Map 5: Inner Metro Region future direction map - commercial land* and change small commercial 1 pockets in Cremorne and Richmond to the other commercial land category as these are not part of the Bridge Road, Victoria Street or Swan Street Major Activity Centres, noting they form part of the study area for each.

05 Other issues

1. Enterprise precincts

The draft plan only mentions the concept of 'Enterprise Precincts' (identified as hubs for the emerging economy in Victorian Government policy, *Unlocking Enterprise in a Changing Economy* - 2018) in relation to Cremorne.[10]

It is unclear how the concept of enterprise precincts fits into the hierarchy of commercial / industrial uses.

2. Role of the Commercial 3 Zone

There is little mention of the role of the Commercial 3 Zone and when it could be applied, except in 'Planning for Industrial Precincts' (page 35). This table identifies that the Commercial 3 Zone could be applied in Regionally Significant and Local Industrial Precincts '*in limited circumstances and following an assessment of the role and function of employment land in the municipality and wider region'*. Noting it is unclear how this works with guidance on the transition of industrial land to other uses.

Health and education precincts

The draft report references *Victoria's Health and Medical Research Strategy 2016-2020* but does not specifically mention the role of health and/or education precincts *(*in line with *Policy 1.1.4* in *Plan Melbourne*).

Proposed strategies in the *Yarra Planning Scheme - Rewrite of local policies* support the expansion of health-related employment and services in Yarra's health precincts. It notes health related employment is projected to grow substantially, and proximity to established hospitals is an important factor for the location of a large proportion of these jobs.

The SEES notes Yarra's health precincts will be under pressure to accommodate considerable growth to 2031. An additional 70,000 sqm of additional floor space would be required across Victoria Parade and Bridge Road to accommodate projected growth (a 45% increase). A total of 206,000 sqm of additional institutional floor space is projected to 2031.[11]

3. Changes in the retail and commercial (office) sectors

The draft plan does not discuss changes in the retail sector and how this might affect demand for floorspace.

---

[10] Airport West is referred to as a 'Technology and Enterprise Precinct' in the plan.
[11] SEES, page 66

Similarly, trends in office space are not explored (eg the declining average amount of floor space per job due to shared workspaces; increases in home-based businesses; and higher occupancy rates as a cost savings measure or the surge in office development in C2 zoned land in Yarra[12].)

4. Demand for industrial land

The draft plan (page 24) highlights recent consumption rates and demand but makes no future projections in relation to industrial land requirements. Noting that floorspace projections are provided for commercial land (page 29).

It is unclear what type of land will be required, what locational attributes are sought, lot sizes and building footprint requirements, and how inter-relationships and dependencies between industries might be supported.

5. Monitoring

'*Approach to planning for industrial and commercial land'* (page 31) suggests consideration be given to '*Develop and put in place a process for ongoing monitoring of commercial land use and development*'.

This proposal is strongly supported and officers consider that development of a comprehensive monitoring regime would be a useful outcome of this plan.

Officers note Yarra has begun its own monitoring of office uses to understand changes in this specific land use.

December 2019

[12] Yarra is currently experiencing a surge in planning applications for office developments, with a total of over 190,000sqm of office space under assessment. (SEES, page 6)