



DRAFT MELBOURNE INDUSTRIAL AND COMMERCIAL LAND USE PLAN – SGS SUBMISSION

Prepared for

Department of Environment, Land, Water and Planning

Independent
insight.



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Draft Industrial and Commercial Land Use Plan

Thank you for the opportunity to provide input into this important project. SGS is committed to supporting robust research and policy, and the draft of the Metropolitan Industrial and Commercial Land Use Plan (MICLUP or the Plan) represents a significant step forward in planning policy for metropolitan Melbourne. In particular, the regional scale information regarding current precinct profiles and overall supply and demand characteristics is an excellent resource and starting point for future policy work.

Our response to the Plan is provided in two parts. The first section is our formal response to the submission questions put forward by the Department. The second section provides further considerations and suggestions for the Plan.

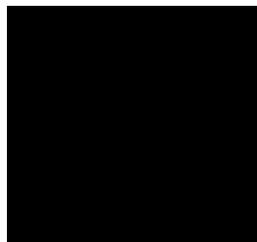
This document is an opportunity to provide a metropolitan-wide decision-making framework to protect and plan for Melbourne's existing and future industrial and commercial land supply and requirements. The Plan's purpose presents an ambitious aspiration, particularly in the context of the current policy environment on this topic, which could be characterised as patchy and limited. While progress has been made towards the objectives, we suggest there are some limitations with the approach, and some subsequent gaps in outcomes. In particular, the Plan would benefit from:

- Improved clarity and refinement of the principles and strategies
- Improvements to the classification approach
- Refinement of the criteria for regionally significant land
- Clarifying how the lack of forecast supply particularly in inner and middle areas, should be addressed. This is particularly pertinent given some areas are planned to transition for urban renewal.
- It would be useful if the Plan could set out the circumstances in which it is appropriate to consider alternate land uses, such as mixed use or residential.

SGS supports the further work that is identified in the Plan, including reviewing how commercial zones are applied and operate as well as understanding the land use requirements for future business needs.

We would be more than happy to clarify any elements of this submission. Please contact me if you would like to discuss anything further.

Yours sincerely,



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1. RESPONSE TO SUBMISSION QUESTIONS

A. Do you think the principles and strategies provide enough clarity and guidance to assist planning for industrial and commercial land?

SGS supports a principle-based approach to guide planning for industrial and commercial land.

Overall, there is potential to consolidate and simplify several of the principles and strategies. For example, the proposed list of specific strategies includes a range of items that could be further separated and defined as strategies, objectives and actions. It would be helpful to distinguish between specific things that will be done (actions), things that should be achieved through those actions (objectives) and overall approaches (strategies). Consolidation and refinement would help clarify the policy context for all users. Specific examples of this are as follows:

Principle 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.

The focus on ensuring sufficient industrial and commercial land supply over the long term is supported. Suggested minor language improvement:

“Planning for industrial and commercial land should ensure adequate long-term land supply is ~~planned for~~ identified and set aside to support future industry and business growth.”

Strategies to achieve this principle could be considered as follows:

- Develop clear understanding of the scale of future industrial and commercial land by region
- Based on recent trends and current estimates of occupied land, and taking in to account the location of planned future infrastructure and population growth and change, and the spatial variation in demand for different types of industrial land and activities/ uses, identify scale of additional land required by region
- Identify scale of over or undersupply within each region and use this to inform local government planning of commercial and industrial areas.
- Identify areas and mechanisms to accommodate additional commercial land, and existing commercial and industrial areas that could transition to other uses.

Monitoring development trends, land supply and demand is an important action that is supported.

A land use planning framework should consider regional or subregional supply-demand characteristics for different types of activity, which could then be supplemented by data collected at an LGA level (including through the CLUE for Local Government platform) to help identify precincts as being of strategic, regional or local importance (or any variation of this classification system).

Principle 2 - Key industrial and commercial areas should be recognised and retained for their economic and employment contribution to local communities, regions and the state.

The intent of Principle 2 is supported. Beyond ‘economic and employment contribution’ it may also be worth considering the role of urban services type activities which enable the city

to function. These may not have particularly significant direct economic or employment roles, but (e.g. waste transfer) are critical to enable other activities to occur.

- Strategy 1 is supported. To achieve this, the subsidiarity principle will be important to consider. There will need to be a balance between policy developed by councils with local level information reflecting local needs, and consideration of demand and supply at a regional and state-wide level.
- Strategy 2 is supported, acknowledging that the identification process needs to be transparent and appropriately consider the various roles.
- The intent of Strategy 3 is supported, acknowledging there will be variation in the application of this across metropolitan Melbourne. For example, there are some activity centres which are surrounded by neighbourhood and general residential zones. Should residential development in these centres be limited, this would result in limited sites for medium and higher density development in locations which have good access to transport, employment and other services. In such situations, it may be the case that centres can accommodate a significant proportion of residential activity. It will be important to have an overarching housing strategy that identifies how a municipality's housing growth is expected to be accommodated.

Further clarity could be added to the principle and strategies to ensure that future need is supported. Only if it is proven that there is sufficient supply to meet future demand should other land uses be considered. This supply-demand assessment may then over-ride the classification of 'key' industrial precincts, because if there is insufficient supply to meet future need, then by extension, all industrial lands can be considered key.

Principle 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.

It is not clear how this is different to Principle 1 in intent; achieving Principle 1 should also provide clarity and certainty regarding where industry and business can grow.

Principle 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.

This principle and associated strategies are supported.

B. Do you support the criteria developed to identify regionally significant industrial precincts?

Overall, the criteria are a useful framework for understanding the significance of various precincts. Some criteria could be condensed/ refined, and it would be useful to provide transparent metrics for each to enable key stakeholders to better understand why certain locations have been identified as regionally significant industrial precincts.

An explanation of how many criteria need to be met or if a precinct would need to meet all criteria would also be beneficial.

It is unclear whether the three-tiered classification is meant to represent a long-term aspiration for the future role of a precinct, or whether it refers to the classification of the precinct's current function. Providing additional clarity regarding this will aid the management of precincts and create certainty for landowners, businesses and developers.

The state-regional-local significance classification framework is useful in informing local government planning for precincts. It is considered important that the classification of a precinct is not limited to consideration of land size, employment scale or profile, economic output or the potential for innovation; significance can relate to the service the precinct is providing to the area, if this use is critical or unique to its surrounds.

To this end, additional classification of precincts according to their role and function could help in planning for various types of future uses. Having a standard set of classifications would

also contribute to more consistency across local government planning and a regional understanding of a precinct's role.

Categories could, for example, include: large scale/low value land, land for regional urban services, specialised, non-critical and other. Tracking 'employment value' and 'use value to the population' would also provide a consistent basis on which to compare precincts and activity across municipalities and their contribution to regional land supply.

In preparing the Land Use Framework Plans, SGS looked at the economic characteristics of an area, considered its unique characteristics and identified approaches to support and enhance those competitive advantages. Using zones to help identify the types of uses that might be of importance risks missing existing specialisations and opportunities to support agglomeration.

As an example, the MICLUP could recognise locations where new enterprises are emerging, and facilitate their agglomeration to support innovation, creativity and problem-solving businesses. It could also provide guidance about the factors that drive success of enterprise precincts¹:

- Access to infrastructure and services
- Critical mass of assets, diversity of opportunities, quality of places, collaboration opportunities
- Supply of appropriate and affordable premises, including opportunities to adapt and re-use older buildings
- How planning tools can be used to attract creative industries and flexible/adaptable workplaces where appropriate
- Localised planning tools that will retain urban services (light industrial uses such as postal services, logistics, storage or business services) where appropriate
- Quality public areas, including business services at the core of industrial areas, where appropriate
- Be protected from residential-only redevelopment.

C. Do you support the purpose developed for regionally significant industrial precincts and local industrial precincts?

The approach of clarifying the purpose of regional and local industrial precincts is supported.

The purpose could highlight that regionally significant precincts serve a catchment broader than the local population, but can also integrate local functions. Regionally significant precincts should be defined by employment and/or economic activity that supports the broader output or function of the city, including innovation or functions which benefit from scale.

D. Do you have any comments or suggestions to improve the guidance for developing local industrial land use strategies?

The proposed advice is useful in setting out the process for developing an industrial land use strategy. It could be improved by identifying how regional issues and material included in Part B should be addressed in a local strategy, and in particular, directing local government to prepare strategies which clearly outline how the anticipated growth will be accommodated in the various centres, clusters and precincts across the municipality.

Guidance regarding content that should be included would also be useful in the Industrial and Commercial Land Use Plan. For example, it could be more explicit that local government industrial land use strategies should focus on local and regionally significant precincts, and that the direction for state significant lands is outlined in State policy. The Land Use Framework Plans should outline the vision and future role for regionally significant precincts,

¹ SGS, 2018, Analysing Melbourne's Enterprise Precincts, prepared for DELWP.

and local government strategies should be consistent with, and identify ways to implement, these articulated outcomes.

E. Have the key industrial and commercial areas been adequately identified and described across the regions?

The challenge for the Plan in this regard is having a clear purpose for the descriptions of the precincts. As noted above, it is not clear the extent to which these descriptions are intended to provide information to inform local planning, or a clear direction as to what future planning should seek to achieve.

Key industrial precincts in the Inner Metro, Western and Northern regions appear to generally align with SGS' work for DELWP's Land Use Framework Plans². The description of land across the regions is concise and well presented. The Plan provides a clear overview of the existing conditions, but it is not clear how, at a regional level, the future role and function of the precincts will be outlined. If this information is not provided in the Regional Land Use Framework Plans, it should be provided here.

The discussion about urban renewal precincts could be better reflected in the future direction maps. For example, Map 4 'Inner Metro Region future direction map - industrial land' marks Arden as a locally significant industrial land whereas the 'Key industrial and commercial areas' (page 42) and 'Planning for the region' (page 46) discuss the area being identified as a major urban renewal area and connected to the Parkville NEIC.

If areas already identified for urban renewal were captured separately within this Plan there would be a change in the available future supply of industrial land, and this could affect the level of protection required as land suitability and availability will be less than currently presented.

These additions would aid the clarity about the availability and future direction of land.

² SGS, 2019, Land Use Framework Plans (various metropolitan sub-regions), prepared for DEWLP.

2. ADDITIONAL POINTS

In addition to the responses to submission questions, SGS has identified several areas for further consideration in the draft Plan.

Additional work identified in the Plan is strongly supported

SGS supports the further work identified in the plan. Specifically, the MICLUP identifies the following gaps:

- *“In consultation with key stakeholders, develop a more sophisticated approach to understanding business needs and land use requirements and assessing future demand for industrial land,”* p31.
- *“Review the commercial zones to better understand how they are applied and operating. In particular consideration should be given to the role and function of dwellings as a section 1 use in the Commercial 1 Zone and the role and purpose of the Commercial 2 Zone and how it applies and operates, particularly in industrial locations,”* p31.

SGS strongly agrees that these gaps need to be addressed to successfully plan for current and future provisions of commercial and industrial land supply.

Improve clarity as to how land supply reflects future need

The Plan notes that industrial land supply will run out within 2-25 years in specified regions. The Plan should clearly determine whether there is sufficient industrial and commercial land at a metropolitan and regional scale and identify where more land is needed.

The Plan could also comment on the various land characteristics (i.e. lot sizes, location etc) that are likely to be required for future uses, and how this aligns with supply and the subsequent supply gap.

There appears to be a tension between the undersupply of future industrial and commercial land in middle and inner areas, and the likely future transition of such land for urban renewal. Acknowledging this trade off and noting that planning for these locations will need to consider newer and more intensive models of retail and commercial floorspace would be useful.

The demand for housing and its implications for the protection or conversion of industrial and commercial land should also be acknowledged. Effective housing strategies limit ‘ad hoc’ conversions of employment land and speculative land tradition, both of which can undermine the ongoing viability of employment precincts.

The information in Part B represents an excellent resource and could be further improved

The regional scale analysis in Part B is a useful resource to inform local government planning.

Local level planning and analysis could develop further information regarding the type and scale of uses on commercial land (refer response to question B, above)

It is important that information and future directions about the role of precincts should be consistent with the Land Use Framework Plans.

There would be benefits in providing additional decision-making guidance

This document presents an opportunity to provide a metropolitan-wide decision-making framework for councils and landowners regarding if and when rezoning from industrial to other uses can be considered.

Building on the regional material provided in Part B, guidance to local governments in undertaking more granular analysis and classification of industrial and commercial land supply and demand at the local level would be useful (this is also outlined in response to question B in above section). This could include the provision of a common data set or framework approach to calculate various types of commercial floorspace.

The supply-demand assessments undertaken at the regional level indicate that regions have unique characteristics, and therefore these decision-making frameworks could potentially be tailored to regional issues. Broadly, these questions could take the form of hurdles, and the failure to answer one would preclude the progression through the decision-making framework. These could consider:

- Is the proposal consistent with current strategic policy directions?
- Is there sufficient capacity across the identified region to accommodate future demand?
- Does the proposal justify that there is no reasonable prospect of the site being used for other industrial or employment related uses?
- Does the proposed use deliver a greater net community benefit compared with the existing use?

It is currently unclear how DELWP will consider local government industrial and commercial land strategies that identify state and regionally significant land different to this Plan and if there is any opportunity to incorporate it into the MICLUP once the final Plan is published. It is also not clear the process by which precincts may change classification if local planning identifies it to be more or less important than the current classification.

Provide guidance on compromised areas and identifying areas for transition

The Plan would benefit from providing further guidance for identifying areas suitable for transition. Particularly, whether the ability to transition should be linked to land that has already been compromised from encroachment or a way to move forward to reduce how an area is compromised to ensure it remains an industrial use.

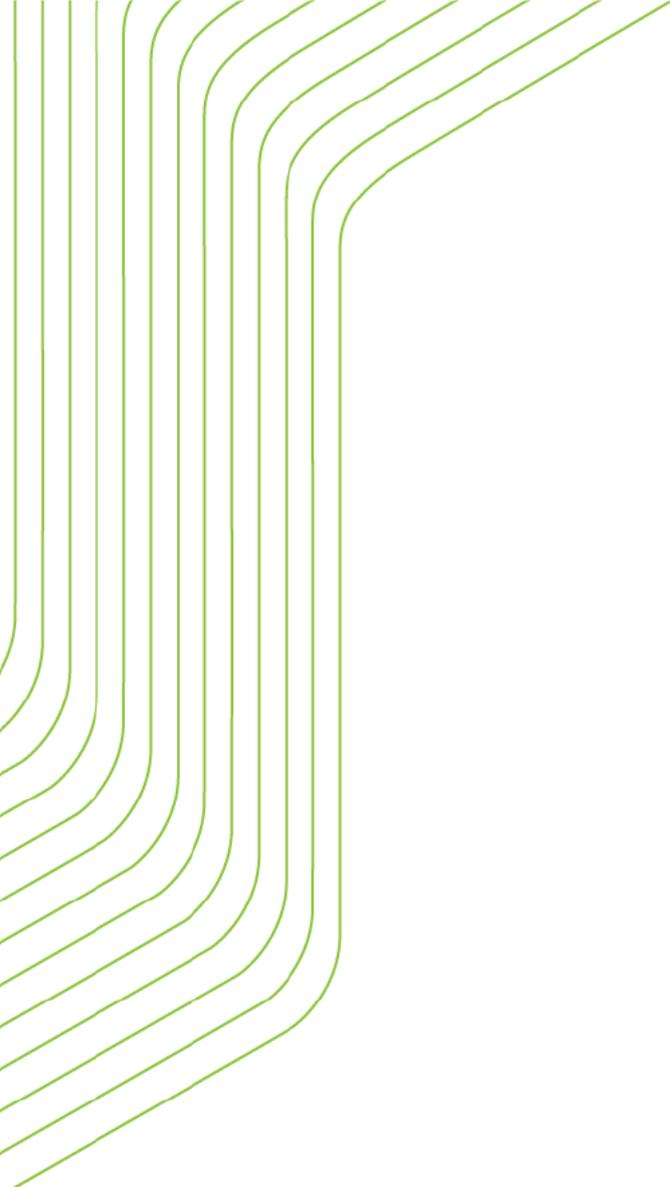
Measuring performance in meeting Plan Melbourne Actions 8 and 12

SGS strongly supports the intentions of Actions 8 and 12 of Plan Melbourne. While the MICLUP is a positive first step, it would be bolstered by providing further details identified for the Plan Melbourne Actions, as shown below.

TABLE 1 PERFORMANCE IN MEETING ACTIONS 8 AND 12 OF PLAN MELBOURNE

Action 8 – Significant industrial precincts	
Work with local government to strengthen regionally significant industrial precincts in established urban areas for employment generating activities by:	
Details:	MICLUP:
Ensuring that sufficient land is zoned for employment purposes and that sensitive land uses such as housing are not permitted to be established in them	Recognised, although not clear the specific mechanism which will ensure residential does not encroach
Retaining larger industrial precincts for local manufacturing, service industries, warehousing and distribution	Recognised as important and some precincts identified in ‘planning for the region’ sections

Promoting the renewal of older industrial areas that are no longer well suited to industrial activities for alternative employment activities such as offices, creative industries and other employment-generating activities	Promotes this outcome although additional locations where this could occur, and next steps, could be provided.
Facilitating improved information and communications technology infrastructure, access and amenity within these areas	Not clear how this is to be addressed
Reviewing planning, building and environmental regulations to ensure that these are not barriers to the affordable conversion of designated industrial areas for alternative employment-generating activities	Identified as future work
Identifying areas no longer required for employment activities	Not addressed and there is also a gap in understanding how current supply aligns with need
Action 12 – Planning for future employment growth. Assist councils to plan for future employment needs by:	
Details:	MICLUP:
Addressing how metropolitan and regional employment demand forecasts can be translated into floorspace requirements, land-use and zoning frameworks	Part 2 identifies scale of future floorspace needs by municipality.
Providing direction for assessing the ongoing suitability of established industrial and commercial areas for different types of employment purposes	Would benefit from additional information regarding decision making about areas considered for transition.
Providing direction about when such areas should be retained for employment purposes and when they should be considered for rezoning to mixed-use or residential	Firmer policy direction around how local government planning should consider state and regionally significant precincts would be useful. This could also be provided in the LUFFP.



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