

Planning Implementation (DELWP)

From: contact@engage.vic.gov.au
Sent: Tuesday, 24 December 2019 4:43 PM
To: Planning Implementation (DELWP)
Subject: New Form submission on Planning for Melbourne's Industrial and Commercial Land



New Form submission on Planning for Melbourne's Industrial and Commercial Land

Hi planning.implementation@delwp.vic.gov.au

There has been a submission on [Planning for Melbourne's Industrial and Commercial Land](#) through Engage Victoria

A copy of the submission is provided as below:

Planning principles and strategies for employment land.

The draft Melbourne industrial and commercial land use plan includes principles and strategies to guide planning for industrial and commercial land. (page 32).

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

Yes

If no, please let us know why and how they could be improved.

Criteria to identify regionally-significant industrial precincts.

Plan Melbourne identifies state-significant industrial precincts. The draft Melbourne industrial and commercial land use plan identifies regionally-significant industrial precincts and includes criteria used as the basis to identify these locations (page 34).

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

Yes

If no, please let us know why and how they could be improved.

Purpose for regionally-significant industrial precincts and local industrial precincts.

Plan Melbourne outlines a purpose for state-significant industrial precincts. The draft Melbourne industrial and commercial land use plan identifies a purpose for regionally-significant industrial precincts and local industrial precincts (page 35).

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

Yes

If no, please let us know why and how they could be improved.

Developing local industrial land use strategies.

Appendix 2 of the draft Melbourne industrial and commercial land use plan proposes guidance for developing local industrial land use strategies.

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

refer to submission

Key industrial and commercial areas.

The draft Melbourne industrial and commercial land use plan identifies and describes key industrial and commercial areas for each of the six metropolitan regions (refer to Part B of the plan).

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

Yes

If no, please let us know which other area we should identify or how the areas can be better described.

refer to submission

The information you provide will be made available to DELWP to develop a consultation report. This report will be uploaded to the Melbourne Industrial and Commercial Land Use Plan page on the DELWP website.

The contact information you provide may be used to contact you should we need to clarify your submission or to provide you with project updates.

The submission you provide will be published on the DELWP website. To protect individual privacy, DELWP will remove your name and address from your submission when we receive it.

If you do not wish to be identified, please ensure there is no other information in your submission that could identify you or other individuals.

If you are making comment as an organisation, then your comments may be published, including the name of your organisation.

De-identified submissions may be used by DELWP, or its contracted service providers under confidentiality agreements, in preparing its recommendations to government.

Please note, if you do not provide your name/email address we will not be able to identify your submission if you wish to access it, make a correction, or require technical support.

Should you need to correct the information you provided or gain access to your submission, please contact us via email at planning.implementation@delwp.vic.gov.au

I agree to the privacy statement

yes

To view all of the form's submissions, visit:

<https://engage.vic.gov.au/index.php/dashboard/reports/forms/viewDetail/2373>

Regards,

The Engage Victoria Team

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24 December 2019

Department of Environment, Land Water and Planning

To whom it may concern

RE: Submission to Draft *Melbourne Industrial and Commercial Land Use Plan*

Introduction

Thank you for the opportunity to provide a submission in response to the *Draft Melbourne Industrial and Commercial Land Use Plan (MICLUP)*.

This submission is made by Colliers International (*Colliers*) on behalf of its client, the MaxCap Group (*MaxCap*), who has a range of direct ownership and indirect financial interests in various industrial and commercial properties and sites as well as residential greenfield land interests across Melbourne.

This submission will be particularly focused upon Casey LGA wherein *MaxCap* has an interest in a greenfield land opportunity.

Considerations

Colliers and its client both support the approach adopted by the Department of Environment, Land, Water and Planning (*DEWLP*) in its preparation of the *MICLUP* which represents an evidenced-based, and transparent, approach to policy development that is aligned with the suite of related strategic planning policy including *Plan Melbourne*. This approach of articulating a framework of clear principles about the role and significance of employment nodes within a hierarchy classifications industrial precincts and commercial centres is considered critical in facilitating orderly and proper planning of current and future employment nodes.

It is observed that the analysis to support conclusions about the current and expected future conditions of land supply adequacy for industrial and commercial land is robust with a much-improved methodology than previously utilised. Notwithstanding, there do appear to be some instances where incorrect conclusions are drawn at localised levels, relative to observations of real estate market conditions. It can be understood that this inconsistency is primarily due to the necessity of having to adopt simplifying assumptions to compensate for the absence of complete and actual data and in response to the metropolitan and regional scale of the *MICLUP's* analysis.

With respect to Casey, the *MICLUP's* conclusion that the Cranbourne West PSP industrial land should be retained in its present, rather than rezoned to Residential, is considered to be justified on the basis of evidence presented and the site's inherent location fundamentals and characteristics. Planning certainty and consistent decision based on policy rather than political contexts are critical in supporting viable investments in real estate development, and businesses as well as reducing risk to financiers, land owners and other participants in the industrial and commercial markets.

It appears that there is presently a high level of vacant industrial land across Casey, at current consumption levels this represents supply that would accommodate 55 – 67 years of demand. Demand for industrial land however is dynamic especially as other regional precincts face land exhaustion through the transfer of demand. Experience suggests that over-reliance upon localised demand and supply indicators about property markets can lead to incorrect planning outcomes as there are a wide range of considerations that influence both demand and supply.

This is particularly pronounced where the largest users (ie. tenants), who have a disproportionate effect across a market, can operate at a regional, city or national scale. Their ultimate location decisions are highly flexible and must be adaptable to changing business models industry practices, technologies and relative availability of infrastructure (transport, utilities, etc). This required flexibility is reflected by company decisions to overwhelmingly lease rather than own their premises to allow location changes, expansions or contractions over a 5 - 10 year lease cycle. This importance nuance between ownership and occupation allows flexibility for businesses yet planning (expressed through zoning) is typically much more rigid.

It is observed that Casey's industrial land supply is primarily serving regional and local needs rather than State Significant functions given the relatively immature nature of local businesses and the less strategic transport linkages of its precincts relative to the transport-benefits accruing to the established Dandenong SSIP or Pakenham SSIP. The presence of Western Port Highway and Princes Highway / Freeway are considered to represent the most important spines that should support intensive industrial and employment development opportunities.

Accordingly, land use planning ought to have a strong consideration to the inherent characteristics of locations, particularly its suitability to meet different needs as indicated by transport infrastructure. *Colliers* concludes that Casey has ample supply for local and regional needs but does not have the capacity of inherent location characteristics to support a SSIP given historic land use frameworks and land fragmentation that has not allowed (or driven) a critical mass of contiguous industrial land to evolve. The reality is that with the rapid pace of urban development that has already occurred across Casey this opportunity is no longer available and therefore the localised demand supply indicators should not be misinterpreted to suggest that it will ultimately accommodate the transfer of industrial demand from larger uses from areas here land supply is becoming exhausted.

Colliers further highlights that it is important to acknowledge that demand across the market is not restricted to being solely expressed through the development of vacant land. There is ample recent evidence within established industrial precincts of redundant large buildings, often vacant or significantly underutilised despite the underlying land being considered "occupied" for the purpose of constructing demand and supply indicators, being demolished to allow for new alternative development.

Arguably the *MICLUP's* analysis and findings does not make enough allowance for the rational response by the development industry, and land owners themselves, to redevelop obsolete industrial sites with redundant facilities and buildings in order to secure maximum financial returns from establishing the site's highest and best use.

The analysis presented in the *MICLUP* indicates that the overall Southern Region theoretical has approximately 32 years of total available greenfield industrial land supply and 13 – 14 years of zoned land. This implied future shortage of zoned land typically becomes manifest in local real estate markets through higher land values which has the result of encouraging redundant, underutilised and under-developed industrial sites to be redeveloped at a greater density. This process captures some of the latent demand that may otherwise be redirected to vacant greenfield sites. Accordingly, it can be anticipated that the ultimate level of land exhaustion may be delayed somewhat from this theoretical calculation.

On this basis, *Colliers* concludes that there will be sufficient industrial and commercial land supply across Casey into the long term to comfortably meet the State's requirement for at least 15 years of supply. Accordingly, *Colliers* does not support or envisage the justification for additional land, beyond what has been already identified in the Growth Corridor Plan and other local policies, to be reserved for major future industrial zones within Casey.

Furthermore, the role of Casey must be understood within the metropolitan context with respect to its function within the housing market. Whilst the *MICLUP* has identified that the Southern industrial region has a pending shortage of industrial land it must be equally recognised that the Southern and Eastern regions of Melbourne have a shortage of greenfield land suitable for residential development given both the rapid absorption of available land and constraints to further expansion due to existence of natural and geographic features.

It is therefore recognised that Casey's new housing and land markets play an important role in servicing the housing need and demand from the existing concentration of households in the city's south-east region. Therefore, any land use allocation decision in Casey for currently unzoned land within the UGB (or within future PSPs) must contemplate residential as being an important and potentially more economically productive use of that scarce land particularly given inherent location characteristics relative to its suitability to the needs of employment uses.

The *MICLUP* does not contemplate, or analyse, the important interaction between the competing needs for both industrial / employment as well as residential land uses. Whilst these are distinct uses from a planning perspective, they are often competing for the same unzoned land resources. Accordingly, this issue ought to be referenced or contemplated in a strategic policy such as the *MICLUP*.

Given the evidence-led approach to planning exemplified by the Draft *MICLUP*, it is important to highlight that past strategic planning which failed to understand changing needs of industries and businesses has arguably led to incorrect land use outcomes. *Colliers*, on behalf of its client, wishes to highlight that users of land change over time and that historic practices of businesses and industries are being increasingly disrupted. Accordingly, land which was once suitable to a particular use may no longer be appropriate to that use continuing due to changes in industry practices or transport infrastructure or other economic factors which may imply that alternative locations are better suited.

This point is demonstrated with respect to extractive industries wherein licenses or works authorities for quarrying may still exist over land in which operations have become redundant through material depletion or because market prices for the material no longer justifies the extraction of that material particularly if it less abundant than when the initial operations began and therefore it is much more expensive to extract. Planning however may not fully recognise these factors and unknowingly and incorrectly designate land uses for nearby sites, say within a buffer of the redundant quarry, to a function that does not represent its inherent highest and best use because of the perceived off-site encumbrance of a redundant quarry. Surrounding land within an urban growth zone that is proximate to a historic use (and now redundant and incompatible use) can become unnecessarily sterilised and unproductive by such planning decisions.

This same point may be further exemplified by the changing economics of agricultural businesses that are affected by market dynamics, economies of scale, changing regulations and other factors that will influence the relative suitability of land for these activities. Many of today's poultry farms across the growth areas were established when these locations were ostensibly rural in nature. Whilst planning must consider the protection of existing use rights for these businesses it ought to similarly also contemplate a land use future when it is uneconomic for these agricultural uses are no longer feasible in such locations. There is a risk that short-term planning may sterilise surrounding land for the long-term detriment of the economy and society.

Conclusion

Colliers and *MaxCap* appreciate the opportunity to provide feedback to the draft *MICLUP* and will be pleased to elaborate and further discuss this brief submission at the appropriate time and to confirm support for the direction taken by the *MICLUP*.

Should you have any questions in the meantime please do not hesitate to contact the undersigned on behalf of the *MaxCap* Group.

