

West Melbourne Employment and Economic Study

Stage 1 Final Report

City of Melbourne

November 2016



1991-2016
25 years of
Independent
insight.



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SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au
Offices in Canberra, Hobart, Melbourne and Sydney

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SUMMARY

Project context

This study is part of a broader West Melbourne Structure Plan process being undertaken by the City of Melbourne. This study focuses on the economic and employment profile and identifies opportunities for the precinct.

The Stage 1 report (this report) provides a robust analysis of the current economic context and illustrates realistic opportunities and trade-offs to which the structure plan process will need to respond.

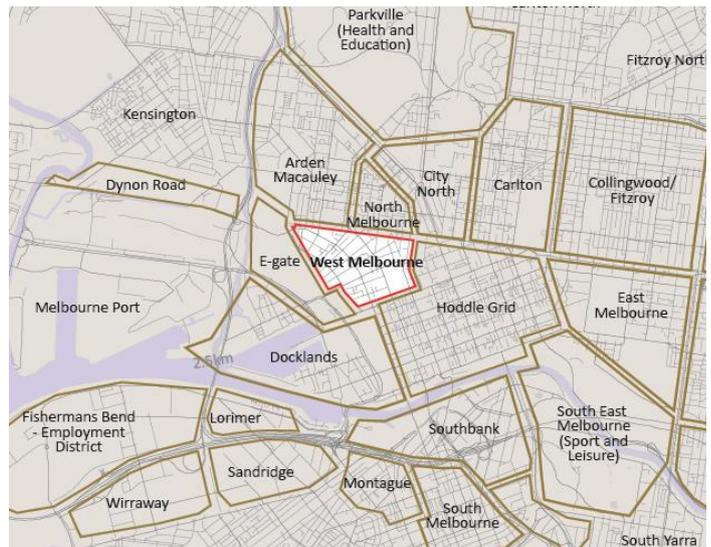
The Stage 1 report, along with other work streams will then feed into an engagement process. Stage 2 will then consider a preferred future economic pathway and the associated planning and policy tools required to support this economic pathway.

Current economic role and profile

West Melbourne at the cross roads

West Melbourne is located at the interface of a diverse range of inner city precincts:

- the growing, vibrant and thriving Central Business District (CBD) -or Hoddle Grid,
- the gentrifying neighbourhood of North Melbourne,
- major urban renewal in Docklands and City North precincts,
- Significant growth in Health and Education, centred around Parkville, to its north,
- planned urban renewal and major transport investment in Arden Macaulay precinct, and
- The Melbourne Port and industrial areas to the west.



This unique location has meant that West Melbourne has evolved into a distinctive economic place, influenced by its strategic location, its transport and logistics legacy as well as the broader forces which are shaping the overall economy.

Macro-economic change and the new knowledge economy

As Australia's economy has transitioned from one focussed on manufacturing, to one which is much more diverse and focussed on the generation of knowledge and the delivery of services, the spatial profile of the economy has also changed. This has had significant spatial impacts for Australian cities, particularly Melbourne. The CBD and inner city has become a crucial economic location, accommodating significant growth in higher order, professional services activity as well as becoming a major tourism and retail destination.

While Melbourne has significant locations to enable the growth and expansion of these activities (including Docklands and, in the longer term, Arden Macaulay) there is still demand for 'spillover'

activities including back office and administrative activities. West Melbourne is well placed to accommodate some of this.

A continued industrial role linked to good transport links and broader growth needs

Economic change has also influenced the profile of industrial activity in Melbourne, and the study area. While many other city fringe locations have seen significant loss of industrial activity, West Melbourne's locational characteristics (in particular, the limited access to the south east, and the largely industrial nature of the inner west) have meant it has retained much of its industrial heritage. The transport network which served this historic role remains, and has been improved by major freeway network improvements (eg CityLink). This has meant the area continues to be an attractive location for industrial activities, particularly those which service the central city such as food and beverage manufacturing, and construction and maintenance.

Strong renewal pressure from the residential market

The growth of employment in the inner city, along with broader forces of gentrification, has also meant that West Melbourne's profile as an amenable inner city residential location has grown. The neighbourhood is close to a number of metropolitan scale assets, including major hospitals, universities, public transport and retail and hospitality clusters.

This has generated increasing pressure for conversion of commercial areas to residential.

Challenges and perceptions of the precinct

This evolving economic profile has resulted in a number of challenges and perceived challenges which have been highlighted throughout the research, analysis and initial community consultation.

Good but, not great, transport links

The precinct has a public transport network which serves the broader area well (eg. trams along the boundaries of the precinct, but not through the precinct and a number of heavy rail stations in walking distance but not within the precinct). While the relatively fine grained street network provides good walking and cycling access, it remains somewhat less well served than comparable inner city areas.

Limited local service offer

Perceptions about limited accessibility to retail and hospitality services are reinforced by the absence of a main street environment within the precinct. This is seen to detract from the overall amenity and attractiveness of the precinct.

These issues were raised by a number of businesses and stakeholders in the precinct, as well as concerns relating to the increasing demand for and subsequent cost of commercial properties, demand for additional commercial properties and access to active transport infrastructure (cycle loops in particular).

Possible future pathways

This report provides an economic perspective on West Melbourne's evolution, presenting a range of analyses, highlighting the possible economic pathways available to the precinct and the associated trade-offs that need to be considered. The three core economic opportunities are not necessarily independent and SGS recommends that Council consider a combination of them to support a vibrant and diversified precinct.

Economics is not the only consideration when determining the future of the precinct. The final resolution of a preferred future for West Melbourne will incorporate the broader aspirations of Council, the community and local businesses. It will also need to consider the tools available to Council to influence change and development and achieve the desired outcomes.

A number of key opportunities and choices have been identified drawing on the research. These should be considered as potential points of emphasis for the future of precinct, recognising that the land use and economic activity in the precinct is likely to remain a mix of activities.

Potential Opportunities:

- **Tourism, arts and culture cultural** - leverage off the many major cultural assets nearby, and play a role in providing accommodation and local convenience facilities for visitors.
- **Health and research** – leverage the proximity to major health and education facilities and the significant growth anticipated in these sectors. This presents a number of options:
 - Student accommodation
 - Staff accommodation
 - Low rent space for students and business to collaborate
 - Other medical and research support services
- **Administration, support and new businesses** – leverage the strong growth of the CBD and attract firms which prefer to be 'close' to the key CBD precinct, but aren't prepared to pay high rents demanded in these areas or newer major precincts such as Docklands. This could comprise businesses which provide support functions to CBD activities as well as small, new firms looking to co-locate with other small firms, opportunities for collaboration or short term office space.

These present a range of decision making domains regarding the future of West Melbourne:

- The **residential role** of West Melbourne
- The **heritage and local character** implications
- The provision of **population serving services**

Planning and policy considerations

In terms of implementing these, a range of tools will be required, including:

- Appropriate zones to reflect intended use. This is a particular challenge for the mixed use zone which has largely accommodated residential development
- Design and other controls via application of relevant overlays
- Development Contribution Plans to support investment in local amenity and services
- Council investment to deliver improved streetscapes

1 INTRODUCTION

1.1 Project context and objectives

Metropolitan Melbourne’s employment, population and housing has been growing fast, and this is projected to continue. There are a range of spatial trends associated with this, and the inner city will continue to be a place which accommodates a significant proportion of growth. In turn, West Melbourne will be impacted by a number of trends and influences which sees a number of different options and choices regarding its future role.

Understanding, directing and capturing the implications of these trends and opportunities is crucial to ensure West Melbourne is a vibrant part of the City of Melbourne’s network of neighbourhoods, and reflects the aspirations of current and future residents, businesses, workers and visitors.

This study is part of a broader West Melbourne Structure Plan process (see Figure 1) being completed by the City of Melbourne. Within this process a number of streams of work are being completed and this study focuses on the **economic and employment** considerations of the precinct.

FIGURE 1 WEST MELBOURNE STRUCTURE PLAN PROCESS



The Stage 1 report (this report) provides an analysis of the current economic context and structure and illustrates realistic opportunities and trade-offs to which the structure plan process will need to respond.

The Stage 1 report, along with other work streams will then feed into an engagement process. Stage 2 will then consider a preferred future economic pathway and the associated planning and policy tools required to support this economic pathway.

1.2 Navigating the report structure

The remainder of the report is structured as follows:

1. Introduction – provides context.
2. Macro economic forces - identifies key economic trends influencing the precincts future
3. Understanding West Melbourne today – provides a spatial narrative around the long and recent history of West Melbourne.
4. Perceptions and ideas¹ – details the findings of the consultation completed as part of this study (note additional consultation is part of the broader structure plan process).
5. Baseline future of West Melbourne – documents the current City of Melbourne population and employment projections for the precinct
6. Opportunities and Trade offs – presents a number of future directions for the precinct.

1.3 West Melbourne study area

The suburb of West Melbourne accommodates both residential and industrial areas. The study area for the structure plan pertains to the entire West Melbourne residential area, bounded by Laurens, Victoria, Peel, William, La Trobe, Adderley and Dudley Streets and Railway Place (see Figure 2).

FIGURE 2 WEST MELBOURNE STUDY AREA



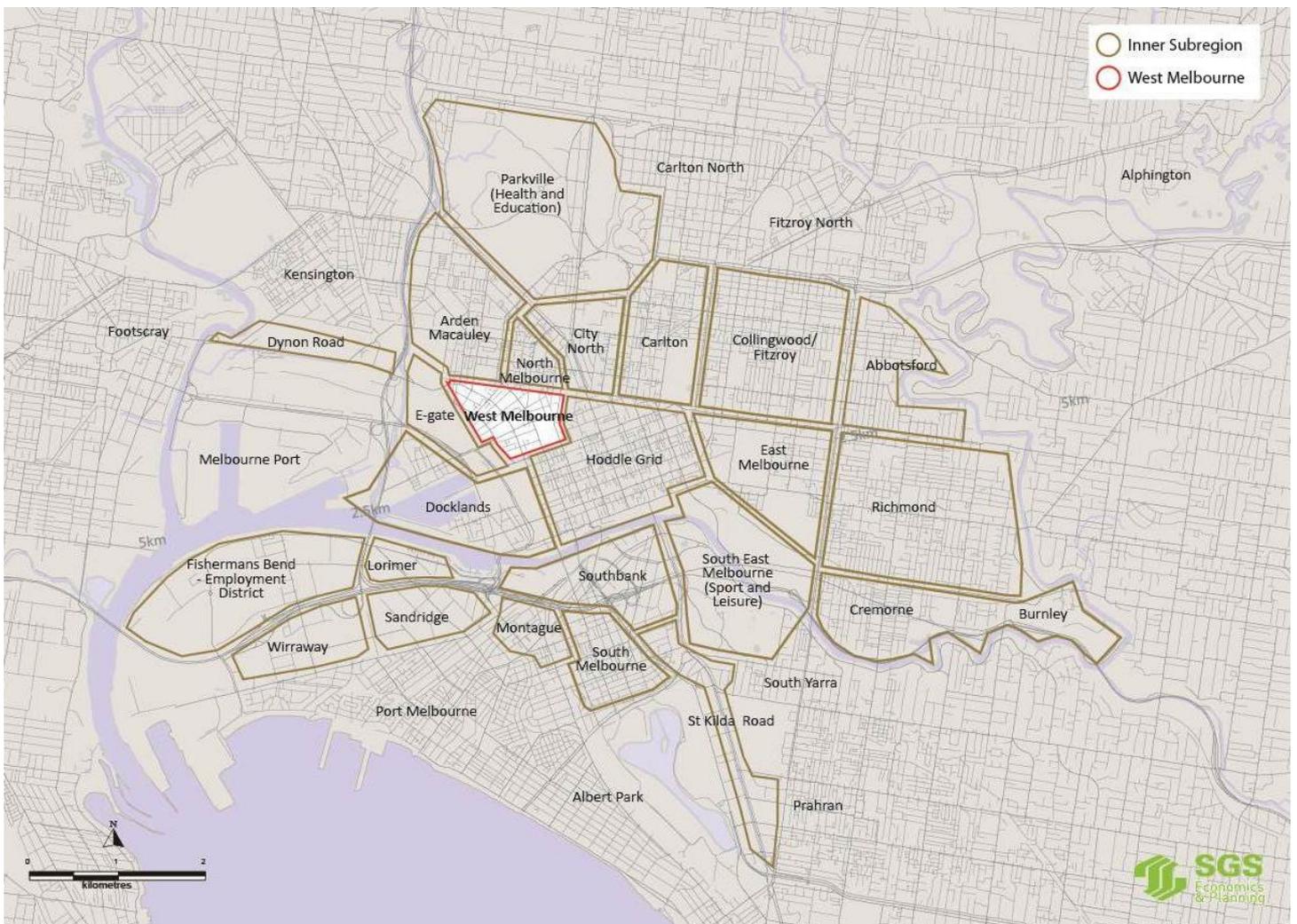
¹ Where relevant insights from the consultation has also been included alongside other parts of the report and analysis. These insights have been italicised and right justified to separate them from the evidence base.

Figure 3 shows the study area in the broader context of its Central city location. It illustrates that the study area functions as an interface location to a diverse range of places:

- the growing, vibrant and thriving Central Business District (CBD) -or Hoddle Grid,
- the gentrifying neighbourhood of North Melbourne,
- major urban renewal in Docklands and City North precincts,
- Significant growth in Health and Education, centred around Parkville, to its north,
- planned urban renewal and major transport investment in Arden Macaulay precinct, and
- The Melbourne Port and industrial to the west.

West Melbourne functions as a transition area between uses and many of the surrounding areas have undergone significant change over the last few decades; particularly as the inner city has changed in character to become a more vibrant and attractive location.

FIGURE 3 WEST MELBOURNE STUDY AREA CONTEXT



Source: SGS Economics and Planning

2 MAJOR ECONOMIC FORCES INFLUENCING WEST MELBOURNE

West Melbourne is part of a thriving inner city economy, which is rapidly transforming. A number of key major economic forces are driving this broader inner city economy and having profound effects on the profile and development occurring in West Melbourne.

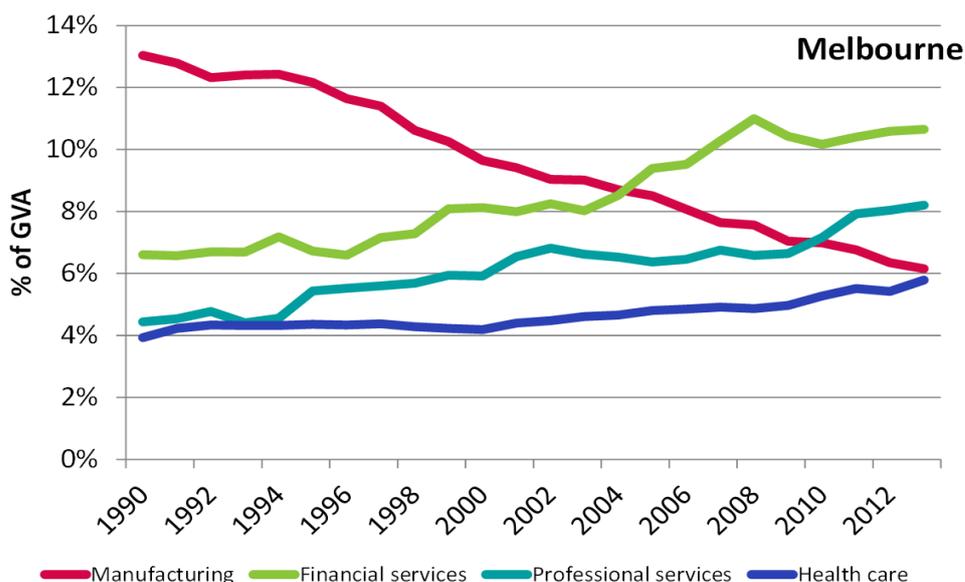
The following section identify some of the key economic forces and highlights the implications for the West Melbourne precinct.

2.1 The macro economy has structurally changed

The Australian economy has undergone significant change over the past few decades as a result of macro economic reforms and policy changes. In particular, the floating of the Australian dollar and opening up the economy to global trade has meant that the structure of the economy has changed dramatically from one based on manufacturing and agriculture to one more focused on services and knowledge intensive activities.

Figure 4 illustrates the trends over the last 25 years in four key employment sectors in Greater Melbourne. It shows the considerable decline in manufacturing and a steady increase in financial and professional services and health care. This reflects the broader trend towards service based industries. This is anticipated to continue, and is one of a number of factors expected to shape and influence the future of Australian cities.

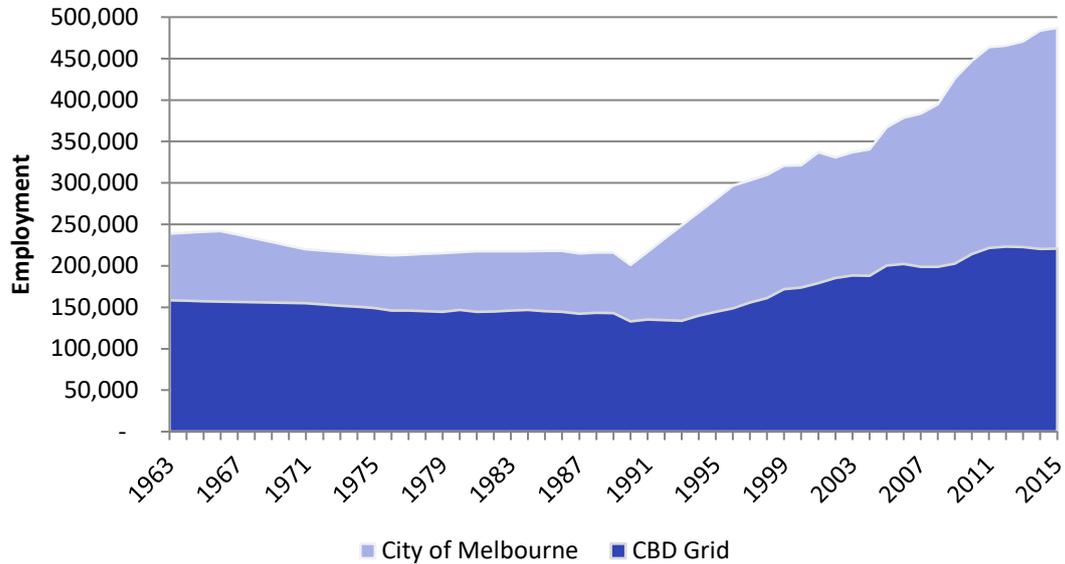
FIGURE 4 GREATER MELBOURNE'S CHANING ECONOMIC STRUCTURE, 1990-14



Source: SGS drawing on ABS datasets

This growth of central Melbourne (see Figure 5) has been enabled by land close to the centre being available for urban renewal. The redevelopment of these areas has supported the development of highly successful, specialised inner city precincts including St Kilda Road, the redevelopment of Southbank, the Education and Health Precinct (in Carlton and Parkville) and Docklands.

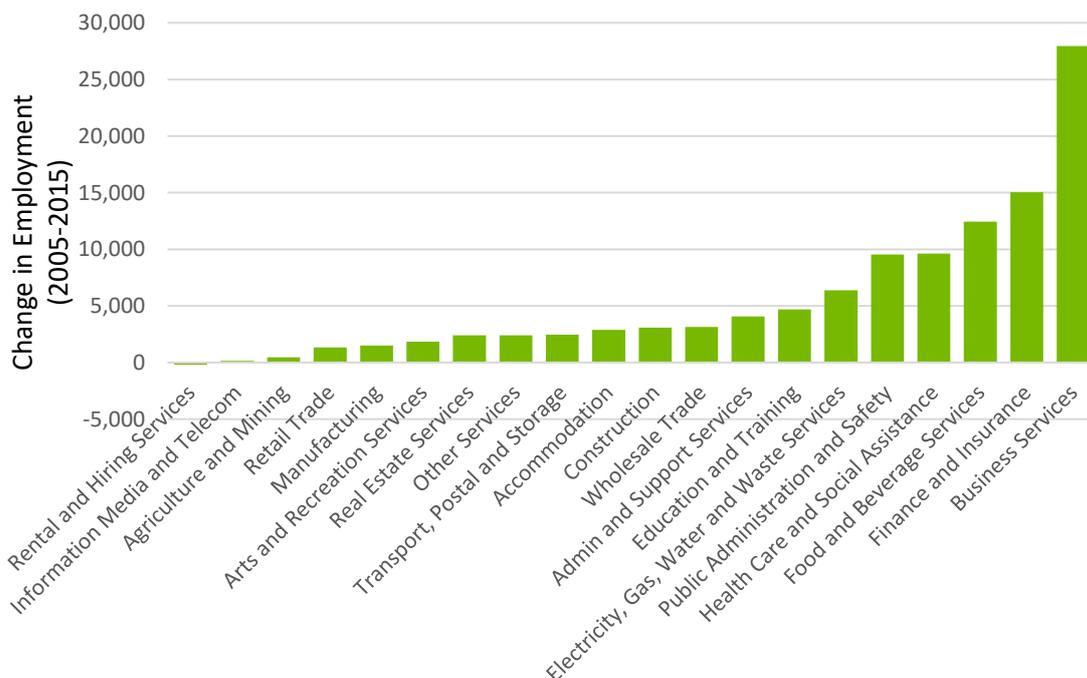
FIGURE 5 RECENT EMPLOYMENT GROWTH IN THE INNER CITY



Source: SGS drawing on several ABS historical publications

In recent years the City of Melbourne has seen strong growth in the knowledge and creative sectors. This is apparent in Figure 6 which presents the change in employment over the last decades by industry. The strong growth in the Health Care sector (fourth highest growth sector) is also evident.

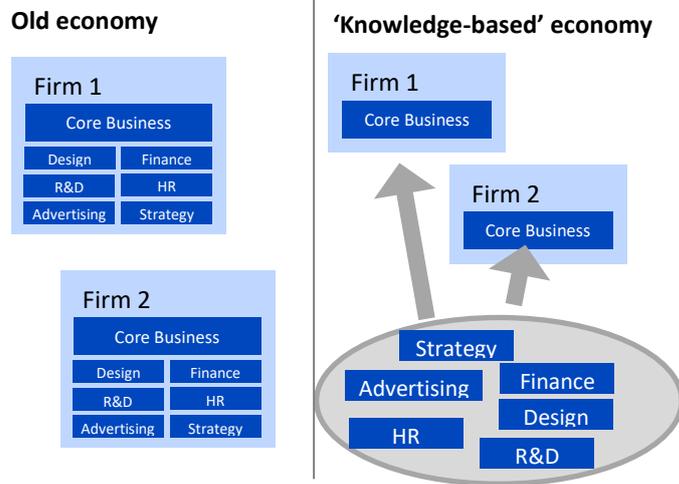
FIGURE 6 EMPLOYMENT GROWTH BY INDUSTRY (2005 TO 2015)



Source: SGS based on CLUE - City of Melbourne, 2015

2.2 Knowledge based sectors are driving the new economy

The long term competitiveness of the Australian economy is underpinned by its willingness and ability to innovate. Innovation helps to not only reshape product and service offerings for customers, but can also lead to the creation of new markets.



The **knowledge economy** essentially relates to an unbundling of the value chain (or how the economy turns raw materials and ideas into goods and services – see Figure 7). As already witnessed within the professional services sector (design, technology, and the outsourcing of other activities such as accountancy), it is anticipated that the unbundling of activities within firms will continue, leading to increased specialisation.

FIGURE 7 SHIFT TO KNOWLEDGE ECONOMY

These specialist firms have become more sophisticated and leverage the skilled and diverse labour force to drive economic growth. Massing or ‘agglomeration’ of these professional services improves their capacity for innovation and therefore their ability to boost the competitiveness of their customers.

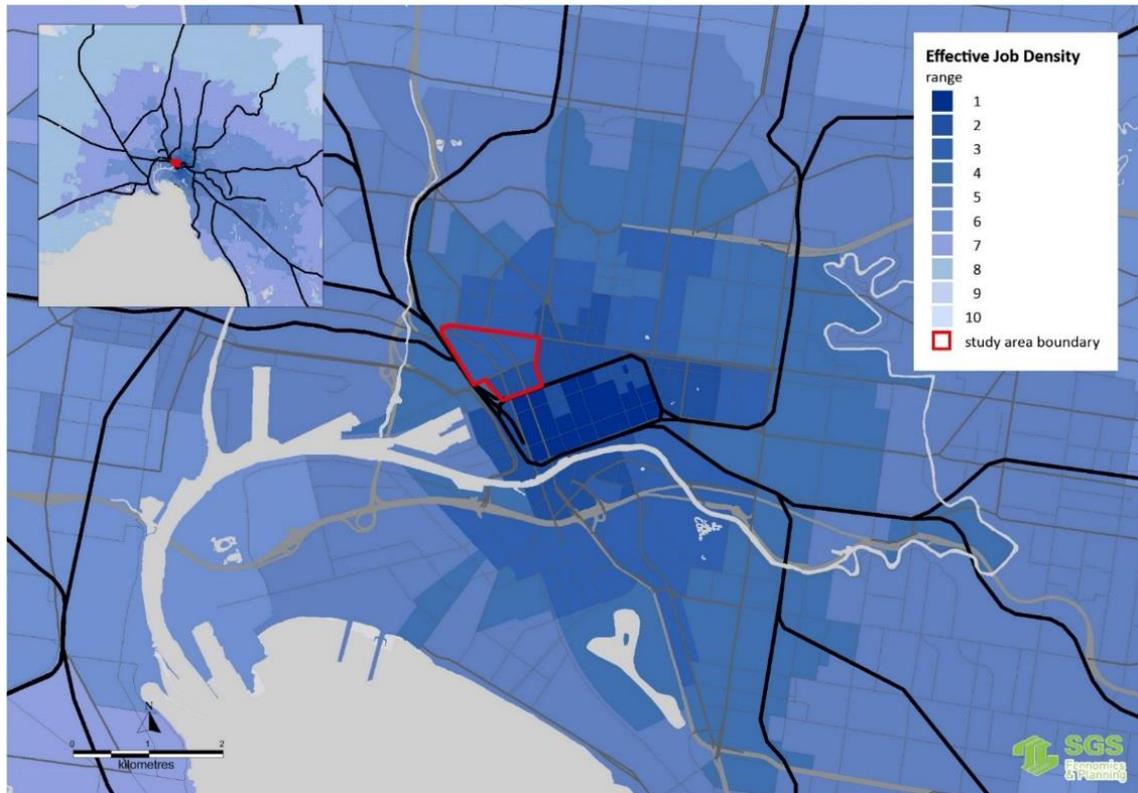
This is why we see knowledge intensive firms increasingly focused in the central core of major cities, as this location provides the best access to the skilled labour force, and proximity to clients, colleagues and opportunities for knowledge sharing.

As a monocentric city with a largely radial transport network, The City of Melbourne is by far the most desired and beneficial location to foster innovation and support the continued growth of the broader knowledge economy (Figure 8).

Effective Job Density (EJD) is a measure of economic activity, and represents how connected jobs are to each other. It reflects both the actual location of jobs and the connectivity provided by the transport network. It is a useful measure to understand the relative densities of economic activity. A high EJD index means that an area has a high number of jobs and is well connected to other employment areas.

As population growth increases to the north and west of Greater Melbourne this will further refocus the City of Melbourne at the centre of economic activity and the skilled labour pool.

FIGURE 8 EFFECTIVE JOB DENSITY



Source: SGS Economics and Planning

Implications for West Melbourne

While West Melbourne is directly adjacent to the CBD and is relatively accessible from a metropolitan context, it has a lower EJD than other directly adjacent precincts such as Docklands, Southbank or City North. These precincts have both high levels of actual job density, including major high rise office towers, and are also surrounded by, and well connected to, job dense areas.

The physical barriers that exist in West Melbourne (particularly the rail line to the south west) combined with the relatively low density of employment within the precinct, means that West Melbourne has a comparatively lower EJD than other CBD fringe precincts (This is further discussed in section 3.3.). While some changes to EJD will occur if employment grows in West Melbourne and transport improvements as a result of the Metro Tunnel Project, it is not likely to overtake these other precincts as they will also gain a benefit of both (more jobs near them, improved connections from Metro Tunnel). These other CBD fringe precincts are also projected to grow significantly themselves. Saying that West Melbourne has a higher EJD than many other inner city precincts, such as Fishermans Bend.

An example of West Melbourne acting as a 'stepping stone' to the CBD economy is NICTA (National ICT Australia). NICTA is one of the largest organisations nationally dedicated to ICT research, they are now moving to Docklands due to the lack of clustering in West Melbourne specifically.

As a result West Melbourne isn't likely to directly compete with these precincts for blue chip head offices or top tier businesses. However, **West Melbourne can play a critical support role** to this thriving economy by providing opportunities for the second tier and emerging or developing (often innovation leaders) sectors of the economy. West Melbourne could act as an incubator or testing bed for these firms before they locate in the heart of the central city economy and need to pay higher rents.

2.3 Role of industrial firms in the inner city

The future industrial uses in the inner city largely fits within one of three categories: freight and logistics, niche high value-added manufacturing or critical support services (i.e. food catering).

Freight and logistics

Major changes to the economy and in particular trade and importing of goods means **freight and logistics role** has changed from focussing on outbound trade to one which largely services inbound goods. This also has major implications for the role of the Port of Melbourne (and surrounding land), which is Australia's largest container port and in close proximity to the West Melbourne precinct.

Niche Manufacturing (or urban makers)

Manufacturing will continue to be trade exposed and it is expected the local focus will be on niche products as imports of mass produced goods continues. Much of the old inner city industrial zoned land has been significantly redeveloped or transitioned into a new diverse urban economy which straddles both the services and old industrial sectors. Many of these more 'traditional manufacturers' have moved to the outer suburbs or overseas.

This was highlighted by Wholesale food producer Morgan's Bakery as part of the stakeholder and business engagement. The Bakery has been located in the area since 1983 and is currently seeking new premises in the Heidelberg or Tullamarine area or an alternate slightly outer, less residential 'industrial location'. The move was attributed to having outgrown the current space.

However, this new *industrial* sector often comprises of young professionals, and it is believed the sector also draws on connections formed and ideas developed at tertiary education institutions. *These small manufacturers (urban makers) are also the focus of a shared research project being undertaken by the Inner Melbourne Councils and the University of Melbourne.*

This new hybrid business model has emerged out of a new economic paradigm focused heavily around innovation and getting new ideas to market rapidly. Each firm is highly specialised, yet highly integrated with other industry specialisations. As such, these firms often start as a very small business or sole operator, but often rapidly scale up if successful.

Critical support services

The third core industrial based use which will remain in inner city locations are those critical support services which need to be in close proximity to the rapidly developing central economy.

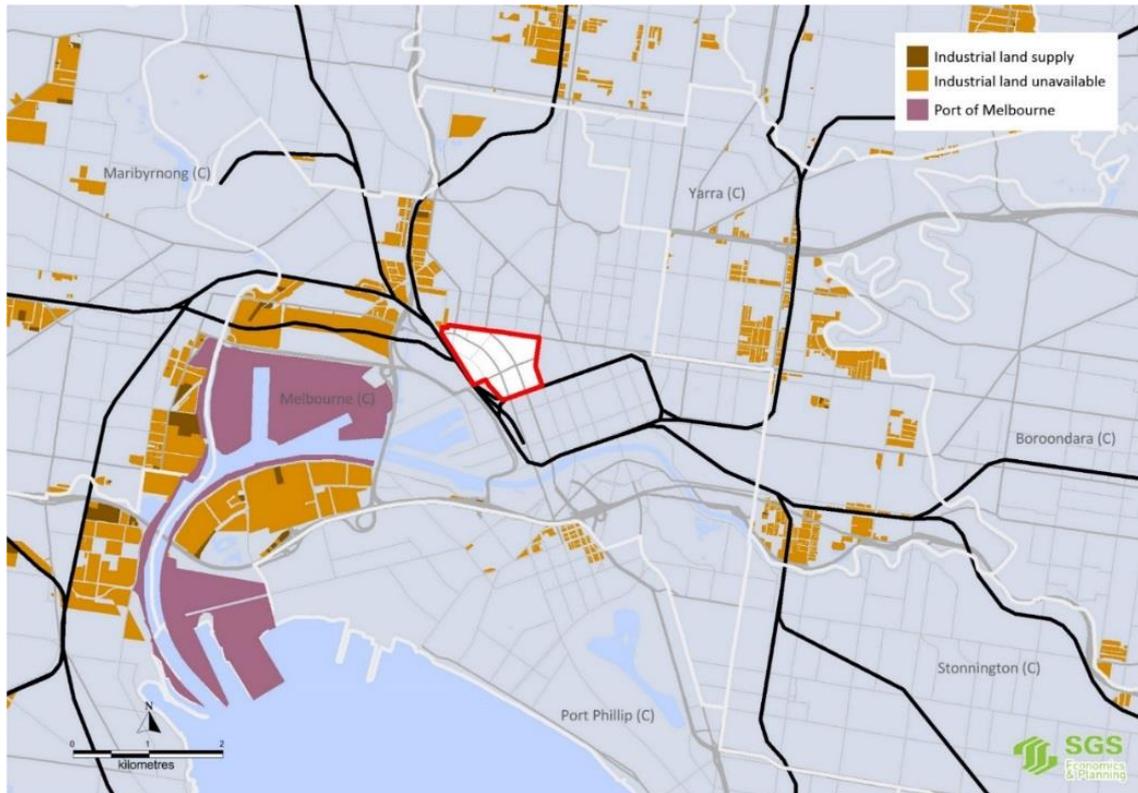
These services range from concrete batching plants required for the significant construction occurring, to catering and food services, corporate maintenance services which need to be available on short notice (such as lift maintenance).

Implications for West Melbourne

Figure 9 shows the current distribution of industrial land in the inner city. West Melbourne sits between the large amounts of industrial land associated with the Port of Melbourne and the CBD economy.

The precinct has strong historical links to the Port (e.g. container parks, part of the port itself) or are part of designated special use areas (e.g. oil refinery in Newport). As a result the study area has previously accommodated a range of transport and logistics activities. However, its smaller lots structure (discussed further in Section 3.1) and close proximity to the CBD means it is likely to gradually transition away from this and likely have a role as either providing critical support services or niche (knowledge linked) manufacturing.

FIGURE 9 INDUSTRIAL LAND SUPPLY



Source: 2015 Urban Development Program

2.4 A diverse health and research sector

The **health sector** is forecast to experience the greatest growth of any sector, projected to be between 500,000 and 600,000 jobs between now and 2036 (see Section 5.2) at a metropolitan level. Linked but also significant is the **education sector**, in particular the tertiary sector.

The diverse opportunities in the Health Sector

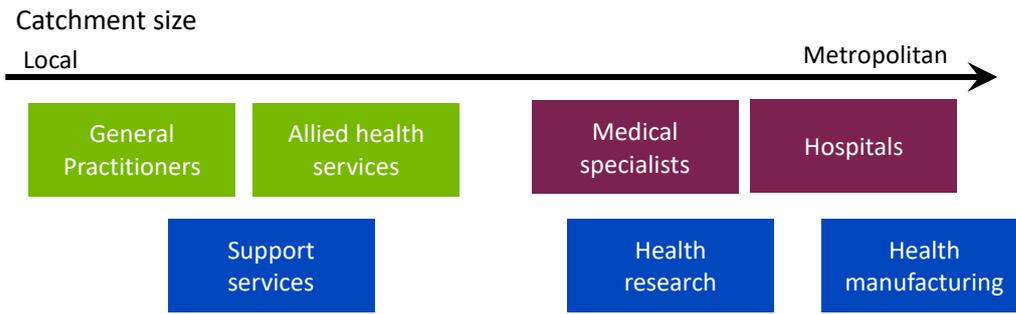
The health sector has experienced rapid growth due to a growing and ageing population and continued technological advancements in the industry. Increased wealth has also contributed to increased demand for health services as people have more discretionary income. This has created two broad subsectors which have quite different locational requirements (see Figure 10):

- **Local level services:** predominantly general practitioners (GPs) and allied health services (e.g. physiotherapists) who are largely dispersed in-line with population and employment. They do not need to be near other services and in fact tend to spread out and often co-locate with other *everyday services*, such as retail
- **Specialised services:** hospitals and medical specialists (i.e. anaesthetics, neurosurgery) who provide regional level operations. These activities drive innovation and specialisation in the health sector and as a result are increasingly concentrated around existing major health nodes.

It is, however, acknowledged that both groups sit on a spectrum, with some health services becoming highly innovative and specialised and some hospitals being quite small and providing more of a local service role.

A number of industries also have close ties with the sector including: support services (i.e. cleaning, catering), health research and health manufacturing (equipment and pharmaceuticals). In West Melbourne, the Red Cross facility is a manufacturing & distribution centre for metropolitan, regional and interstate locations.

FIGURE 10 HEALTH SECTOR STRUCTURE



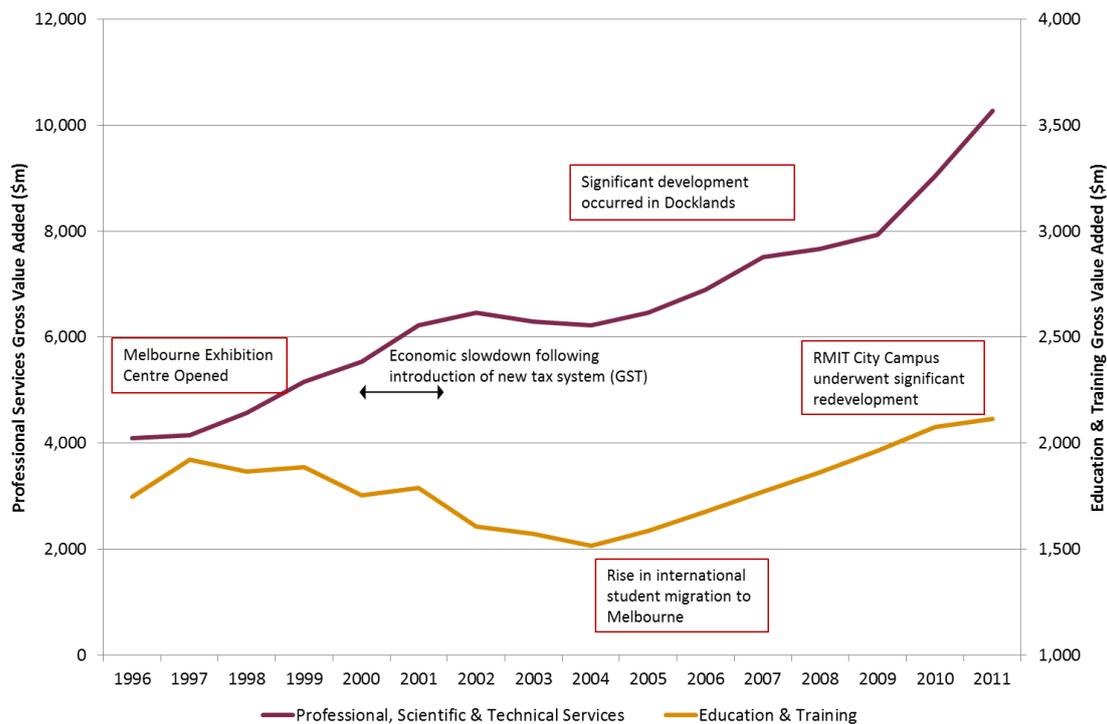
Source: SGS Economics and Planning

Education sector driving innovation and the broader inner city economy

The tertiary sector continues to expand rapidly in the inner city. This provides a number of direct and indirect opportunities to the inner economy and is inextricably linked to growth in the broader knowledge economy.

Figure 11 presents the City of Melbourne’s economic trajectory for two industries (Professional, scientific & technical services and Education & training) which are rich with knowledge sector characteristics. Some key events which are related to the economic growth in these two industries are also highlighted.

FIGURE 11 GVA IN KNOWLEDGE ECONOMY SECTORS, CITY OF MELBOURNE



Source: SGS Economics and Planning

While the major universities are significant, and present a considerable growth driver, there are also other components of the education sector. These organisations fall into one of three broad categories, based on their main orientation:

- **Pure research organisations.** These are establishments involved in research for its own sake. These are invariably publicly funded. They are typically confined to universities, and then only to particular areas within these organisations.
- **Applied research organisations.** These are funded commercially or by governments to find solutions to presenting problems. Examples include health research organisations such as those clustered in the Parkville area. They may also include organisations within universities. CSIRO and co-operative research centres fall into this category.
- **Knowledge rich service and manufacturing businesses.** These are not explicitly research organisations, but their business involves intensive re-processing of data and research generated by others, and can involve primary research in pursuit of discrete commercial objectives. Property and business services enterprises and those involved in finance and insurance may fit into this category, depending on their knowledge intensity.

The associated students linked to these institutions also represent a significant demand. They have underpinned much of the inner city apartment boom (from an occupancy perspective) and growth in a broader based retail and hospitality sector, beyond core business hours.

Implications for West Melbourne

West Melbourne's inner city location places it in close proximity to a number of health and educational institutions, in particular the Health and Education Cluster in Parkville (further detailed in Section 3.2).

Melbourne's largest Health cluster, Parkville, is one kilometre to the north. However, due to existing height controls and small lots in the north of the precinct it will be a challenge to attract major institutions to West Melbourne. However, small 'super' specialist consulting services could see West Melbourne as an attractive location.

There are a number of private education providers located in the area (for example, the Menzies Institute of Technology which has been expanding and is located across several buildings and the Haileybury College pre school). This trend of smaller private institutions is likely to continue.

Given its location on the north of the CBD, within close proximity to several major tertiary institutions it will also be increasingly seen as a location for student accommodation – discussed further under residential demand.

There was specific mention of the impact of international students during the consultation. In particular, it was noted that students are driving demand for apartment development, while it was also acknowledging that a greater local student population will provide greater demand for local retail and hospitality services.

2.5 Retail, hospitality and tourism

At present, the retail, hospitality and tourism role of West Melbourne reflects its inner city fringe location. In particular:

- The retail offer is somewhat fragmented:
 - Errol Street functions as the major local retail centre, providing various hospitality, retail and personal services but does not provide key facilities, such as a full line supermarket
 - There are significant retail facilities which are accessible from various parts of the precinct, including Spencer Street Coles, Costco and Queen Victoria Market
 - There are many small convenience style retail facilities at the ground floor of residential buildings
 - This is changing and an ALDI store has recently been approved at the Australia Post site and Arden Gardens will provide a Woolworths in the near future.
- The hospitality and tourism profile includes a number of youth hostels and hotels which provide a lower cost alternative to CBD accommodation

The implication of this profile for local residents and businesses are that there is somewhat limited access to a broad range of retail goods and services within the precinct, but beyond the precinct there are metropolitan scale diversity of goods and services available. These population driven sectors such as retail, hospitality and tourism services will increase in areas where there is significant population growth, although the diversity and complexity of these networks in the inner city may mean the pattern of delivery does not necessarily have a linear relationship with population growth. There are a number of key trends which need to be considered in relation to the delivery of retail:

- More service based retailing and less sale of goods as key segments of goods based retailing shifts online or into enclosed malls and large format retail centres.
- Increased ‘casualisation’ of the hospitality offer as people increasingly eat out more often, particularly in the inner city.
- Evolution of supermarkets, providing a more localised offers and varied floorplate sizes and formats
- Online retailing limits the appeal of stores offering generic or discounted goods, as there is a price advantage for customers to buying such goods online. Online retailing can, however, support niche and boutique stores by building an online presence and developing a loyalty base which are more likely to visit the store.

Implications for West Melbourne

As noted, West Melbourne is close to Errol Street North Melbourne which hosts a diversity of activity and there are several planned retail developments including the Australia Post site and Arden Gardens. However, like many inner city locations the offer in West Melbourne itself is influenced by its historic industrial past and does not provide the diversity of needs for the local population. As the area continues to attract more local residents it will need to ensure there are sufficient local services (i.e. daily grocery and other needs) offer for this growing residential population.

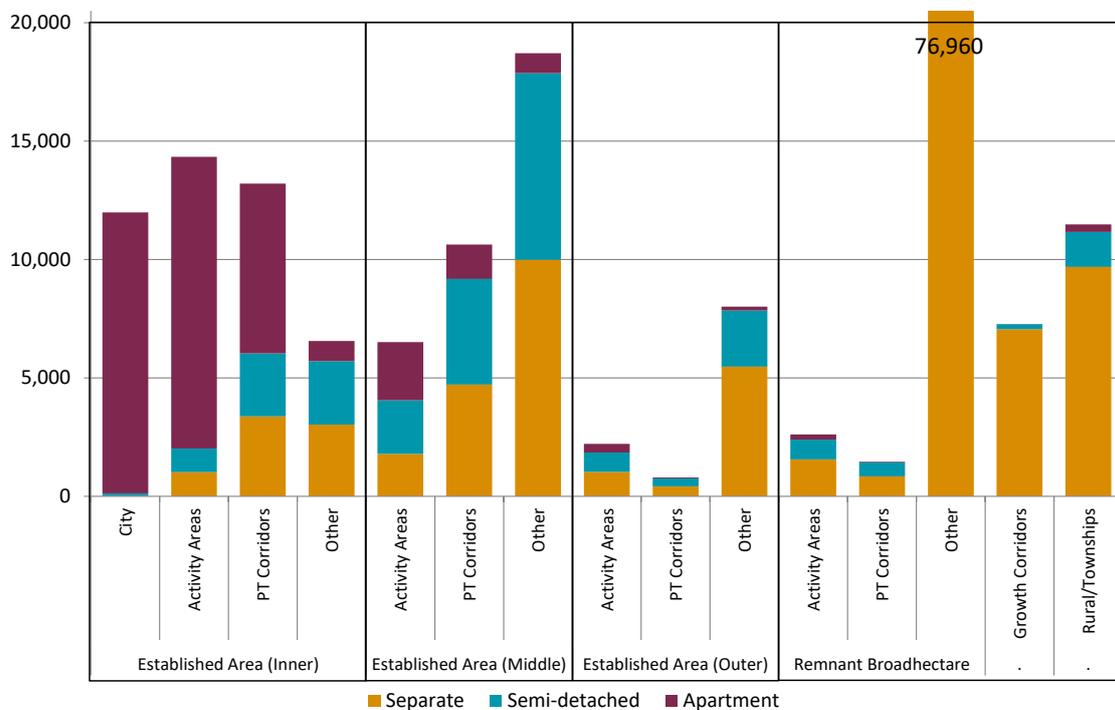
2.6 Residential development is outbidding other uses

West Melbourne has recently experienced significant residential development activity and this has been driven by a range of factors. To understand the likely future opportunities for West Melbourne, it is important to identify these trends and the forces driving them, as well as the broader context for such changes.

Melbourne has recently experienced unprecedented levels of housing development. The level of new supply has been driven by strong growth in population along with changing demographics and housing preferences.

Housing supply has been provided in a range of different forms and via a range of development types. Large private developers and private small scale (non-professional²) investors have provided supply in a wide range of locations and development forms. However, in the inner city and greenfield markets there has been development dominated by large scale developers building high rise towers in the city and large greenfield detached housing estates on the fringe of Melbourne (See Figure 12).

FIGURE 12 RECENT RESIDENTIAL DEVELOPMENT



Source: Housing Development Data

This trend has continued to accelerate and strong demand has placed pressure on all other land uses.

In the inner city, a significant amount of housing was delivered in the CBD, Docklands and Southbank (26 per cent) and more recently in the City North precinct. This significant pressure on housing development has pushed up prices in the inner city areas, increasingly creating a divided housing market in terms of development form (i.e. one bedroom apartments vs detached houses).

The inner city is an attractive location for residential development for a number of reasons including its proximity and access to a significant number of employment opportunities, major education facilities,

² Also referred to as 'mum and dad' type investors, where existing home owners seek to capitalise on their own property. Typically doing one or two opportunistic developments rather than being heavily engaged in the sector on a full time basis.

sporting, cultural and lifestyle assets including hospitality and café clusters and major infrastructure and public spaces, as well as the overall vibrancy and sense of place that exists in the central city.

The high growth in the inner city is also influenced by the relative profitability of residential compared to commercial and retail developments when competing in the same market (i.e. many commercial and mixed use zoning controls allow both types of development). The significantly higher sale or rental price available to developers for residential developments compared to commercial and industrial is a challenge in inner city renewal locations, with residential developments 'pricing out' employment and economic uses.

Implications for West Melbourne

In the past the pressure for major residential development has largely been focused outside West Melbourne, in other precincts such as CBD, City North, Docklands and South bank. As development opportunities have reduced in these other locations we have seen a dramatic increase in residential development and applications within West Melbourne in recent years.

Section 3.2 discusses recent residential development in West Melbourne in further detail.

This shift will continue to place pressure on the precinct's development future. It will be important to recognise that any zoning that allows residential is very likely to result in residential development, often to the maximum possible scale. Controls may be required to protect character and ensure a diversity of uses.

3 UNDERSTANDING WEST MELBOURNE TODAY

This section identifies the **residential** and **economic** role of the precinct, as a basis to consider future opportunities. The role of the precinct is informed by both the land use profile as well as an understanding of where the residents of West Melbourne work and in what sectors as well as the local employment which exists in West Melbourne.

3.1 West Melbourne was part of a bigger plan

Figure 13 illustrates how West Melbourne was once part of a bigger plan for Central Melbourne’s development. This accounts for the finer grain lot arrangements consistent with allocations in the CBD and still present in West Melbourne today.

FIGURE 13 1860 PLAN FOR CENTRAL MELBOURNE DEVELOPMENT



Source: Victorian State Library

This plan did not get fully realised and its future shifted with the development of the Port of Melbourne.

Located on the western edge of the CBD, in close proximity to the rail yards and the port, areas in and around West Melbourne have had a long and established industrial and manufacturing past. Ports were historically important components of outbound elements of trading economies, representing the gateway for many agricultural and other products generated in the broader metropolitan and regional area.

In the case of Melbourne, areas surrounding the port were also the less attractive areas for residential activity compared to the eastern suburbs, and hence accommodated a range of activities including cattle yards, abattoirs, tanneries, and later container parks and other logistics activities such as freight rail infrastructure. This legacy has meant that the precinct has not seen as much urban development when compared to some other parts of inner city Melbourne.

3.2 Key assets influencing West Melbourne

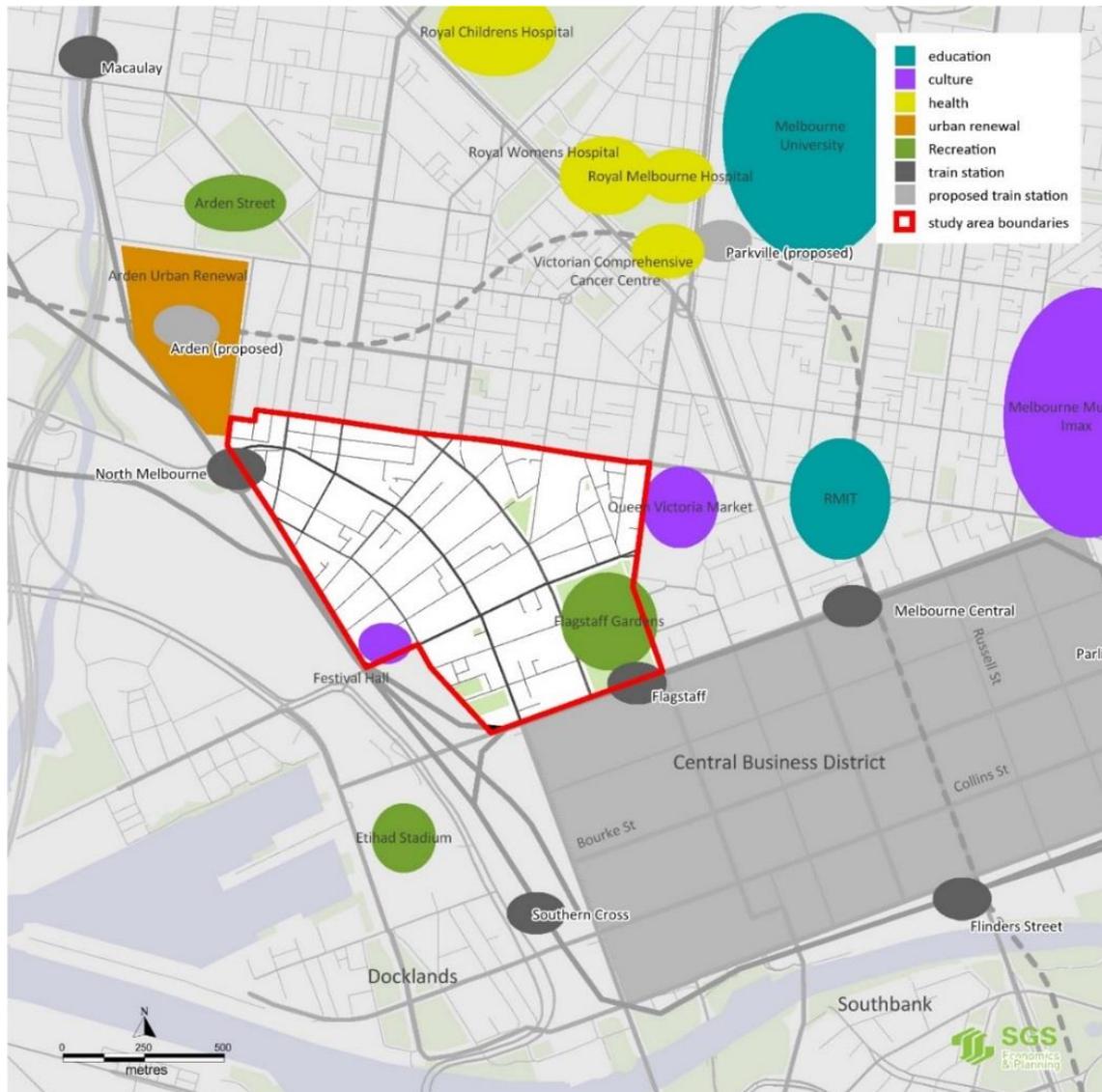
Figure 14 shows the local area context and illustrates that the study area is proximate to a range of metropolitan level institutions and activities, including The University of Melbourne, Royal Melbourne Institute of Technology (RMIT), The Royal Melbourne Hospital, The Royal Women’s Hospital, The Royal Children’s Hospital, and the Victorian Comprehensive Cancer Centre.

This level of access to Health and Education institutions, coupled with high quality open spaces (Flagstaff Gardens) and cultural amenity (Queen Victoria Market, Festival Hall and Melbourne Museum) provides a range of characteristics that generally indicate an attractive place to live and visit.

The study area is also bordered by key cultural and sporting destinations including Etihad Stadium, Queen Victoria Market, Festival Hall and Melbourne Museum. Many of these are key tourism destinations for Melbourne.

Although access is somewhat constrained, West Melbourne is situated in close proximity to the growing knowledge sector and major urban renewal activity underway in the Docklands precinct.

FIGURE 14 KEY ASSETS INFLUENCING WEST MELBOURNE



Source: SGS Economics and Planning

3.3 Transport infrastructure

In the future, the connectivity of a location will be a key component of its economic success. West Melbourne has a rich combination of private, public and active transport options which are outlined here and discussed further in the Transport and Access Study.

Private Transport

In terms of transport, West Melbourne enjoys relatively good access to the major arterial and freeway network, again a legacy of its historic role as a logistics and transport precinct. The design and proximity of these roads does however have some amenity implications.

Major arterial connections were significantly improved with the construction of the Bolte Bridge and CityLink Tollway, providing increased accessibility to the airport, northern and South-Eastern suburbs. The development of Docklands also included a city bypass, Wurundjeri way, which improved cross-town connections to West Melbourne. Other nearby major roads include Victoria Parade, Flemington Road, Royal Parade, and Dynon Road which provides key access to the west.

The outcomes of the consultation is presented in Section 4, although it is useful to note that traffic congestion was particularly highlighted as an issue impacting business operation. This is particularly the case for manufacturing businesses and those reliant on access to arterial roads and the freeway system for both the receipt of incoming goods and distribution.

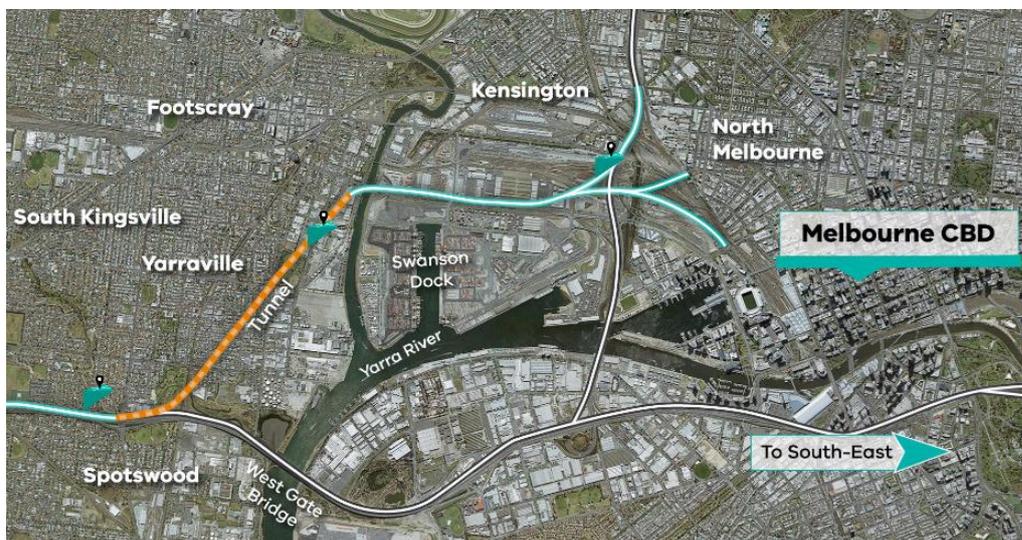
Evans and Evans digital printing, Heatcraft refrigeration and Red Cross Blood are key examples. Morgan's Bakery (currently looking to relocate) refer to traffic congestion as the biggest issue affecting business operation at present, as it increases the travel times for their fleet of 10 drivers.

Red Cross Blood are a large manufacturing and distribution hub servicing all of Metropolitan Melbourne's major trauma units and hospitals. Twenty-four hour access to major arterial roads, the airport and rail links is essential to business operation. Red Cross are already beginning to engage with Council as how best to mitigate the impacts of residential development and traffic congestion.

The unknown impact of the Western Distributor

Figure 15 shows the Western Distributor Reference Design and highlights the possibility of off ramps into West Melbourne. This is not yet confirmed. However, the project is a significant city shaping project and alignment/off ramp options will have substantial impacts on the West Melbourne area.

FIGURE 15 WESTERN DISTRIBUTOR REFERENCE DESIGN



Source: Transurban, Victorian State Government

Public Transport

Figure 16 shows public transport connections in and around the study area. While there are significant transport networks surrounding the study area, including trams and trains running along the borders, the study area itself accommodates only buses. This bus network does, however, include the high frequency 401 between the University of Melbourne and North Melbourne Station.

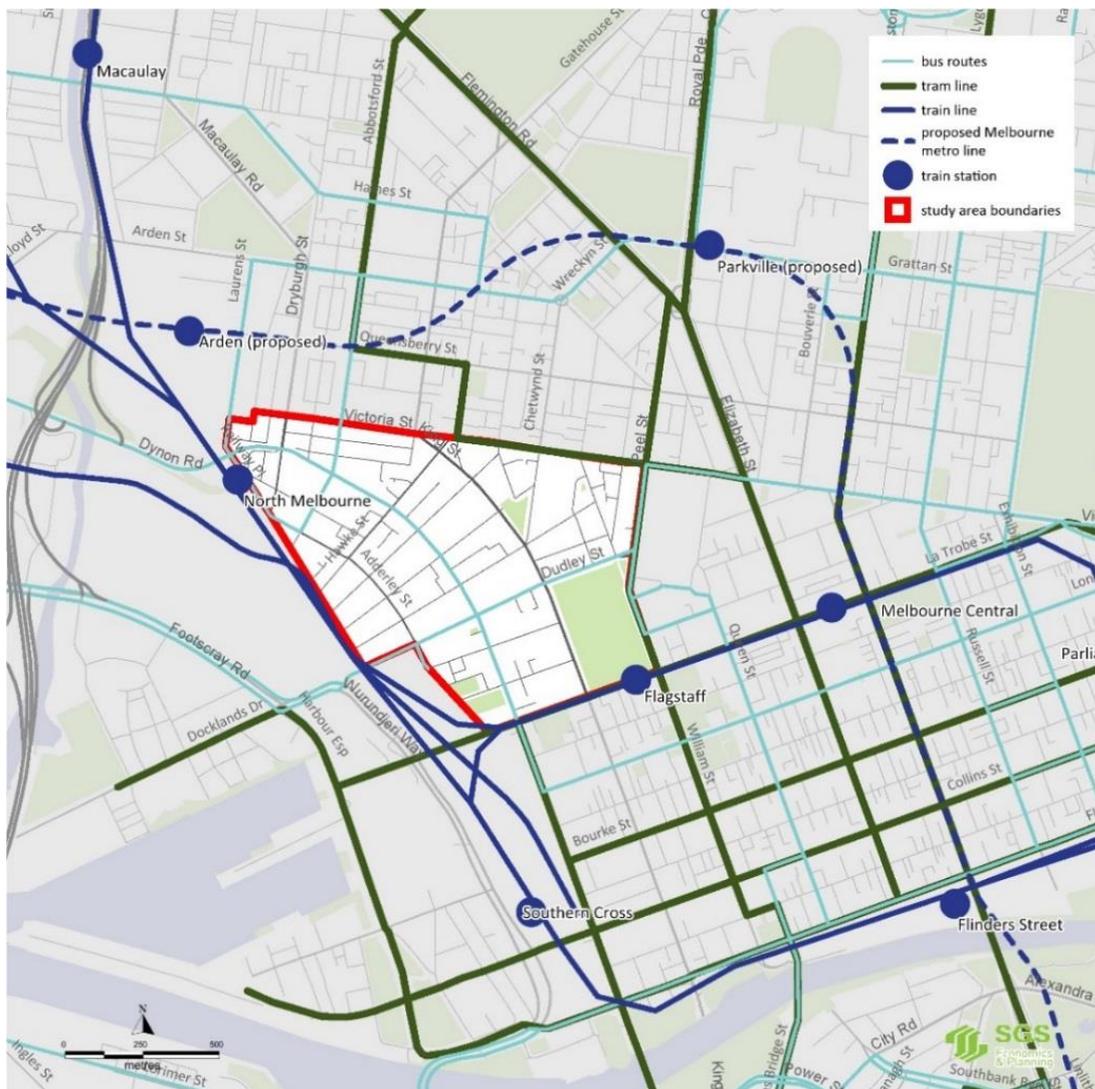
North Melbourne station is an important part of the metropolitan transport network, providing a key interchange for the Sunbury, Werribee, Craigieburn, Upfield and Williamstown lines.

Flagstaff station functions as part of the City Loop and in 2016 started operating seven days a week. This reflects, to some extent, the increased development and activity in this part of the city.

Arden Station, to the north of the precinct, and Parkville Station, to the north east, will be delivered as part of the Melbourne Metro Rail Project and will have significant implications for accessibility available from the precinct.

The study area is also close to a number of tram routes. A number service Flemington Road, and the city grid. New tram services to Docklands (via Tram 30, 70, 86) and Victor Harbour (48 and 11) are also increasing access to the City's west.

FIGURE 16 PUBLIC TRANSPORT NETWORK



Active Transport – walking and cycling

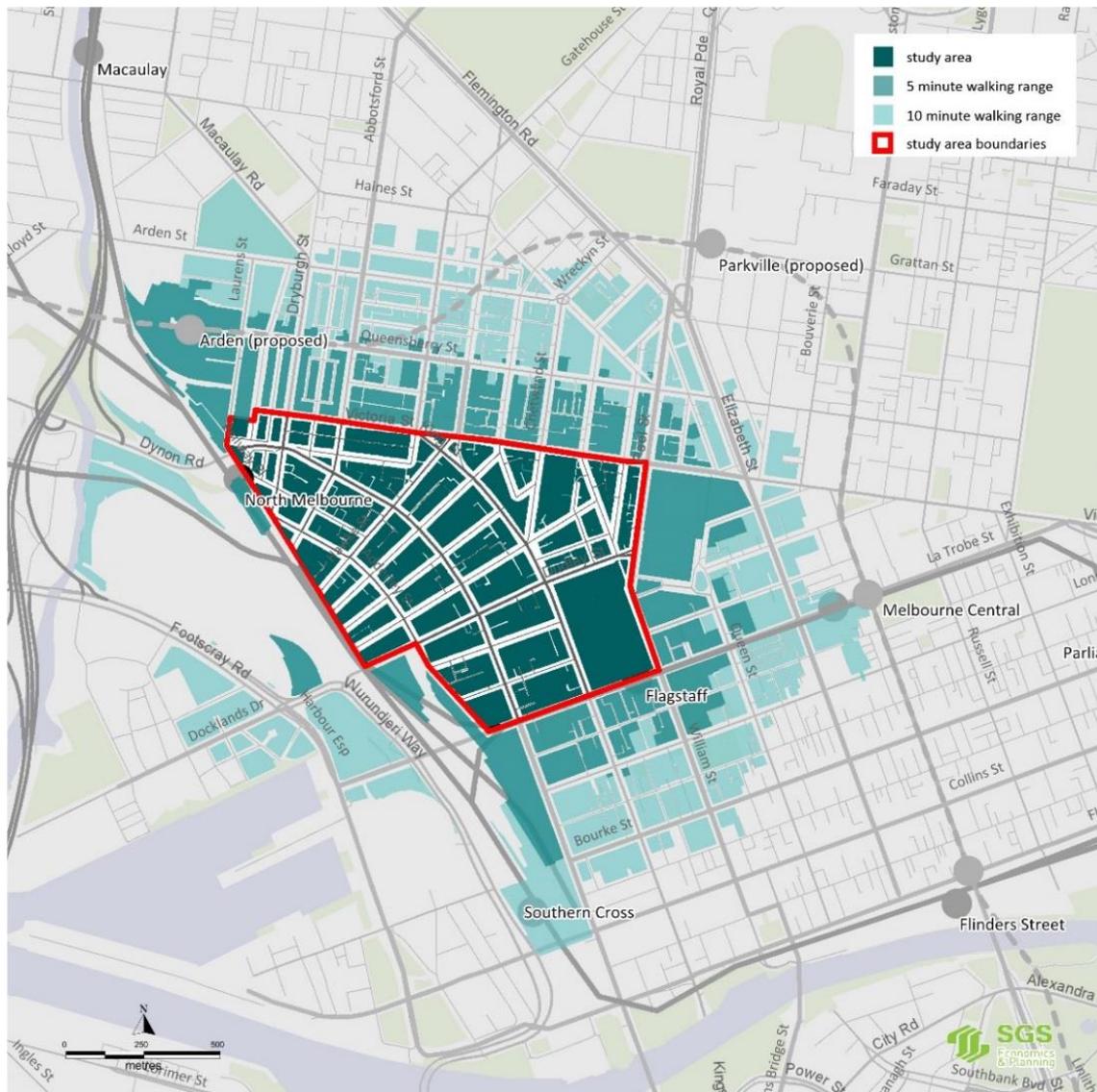
The local street network is relatively fine grained, allowing good pedestrian access throughout the precinct.

Figure 17 shows the walking catchment from the edge of the study area. This helps illustrate the overall accessibility context of West Melbourne, acknowledging that transport and access is a focus of a separate study being undertaken as part of the Structure Planning process.

The study area has good walking access to the CBD with many locations falling within the ten minute walking range. The same is true of North Melbourne. Walking access from the west of the study area is constrained by barriers to access, such as heavy rail infrastructure. Although proximate, there is a lack of walkable street network and through connections to Docklands.

It should be noted that this illustrates walking from the edge of the precinct.

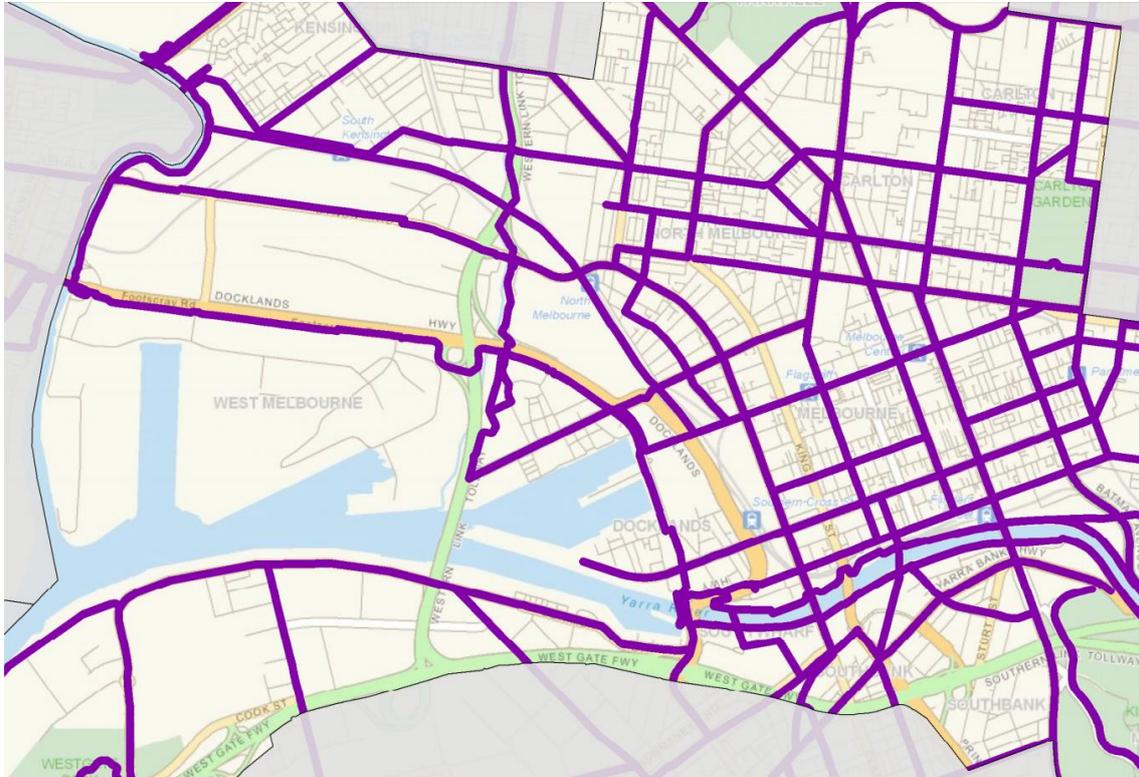
FIGURE 17 WALKING CATCHMENT FROM EDGE OF PRECINCT



Source: SGS Economics and Planning

The precinct is also well connected to the Principal Bicycle Network, which links the precinct to a number of nearby attractors. This does not necessarily reflect dedicated bike infrastructure however and this is explored further in the Transport and Access study.

FIGURE 18 PRINCIPAL BIKE NETWORK



Source: City of Melbourne

The following sections build a picture of West Melbourne and includes an overview of the land profile; the buildings on that land (floorspace); and the users (employees and residents) within these buildings.

3.4 Zoned land and lots

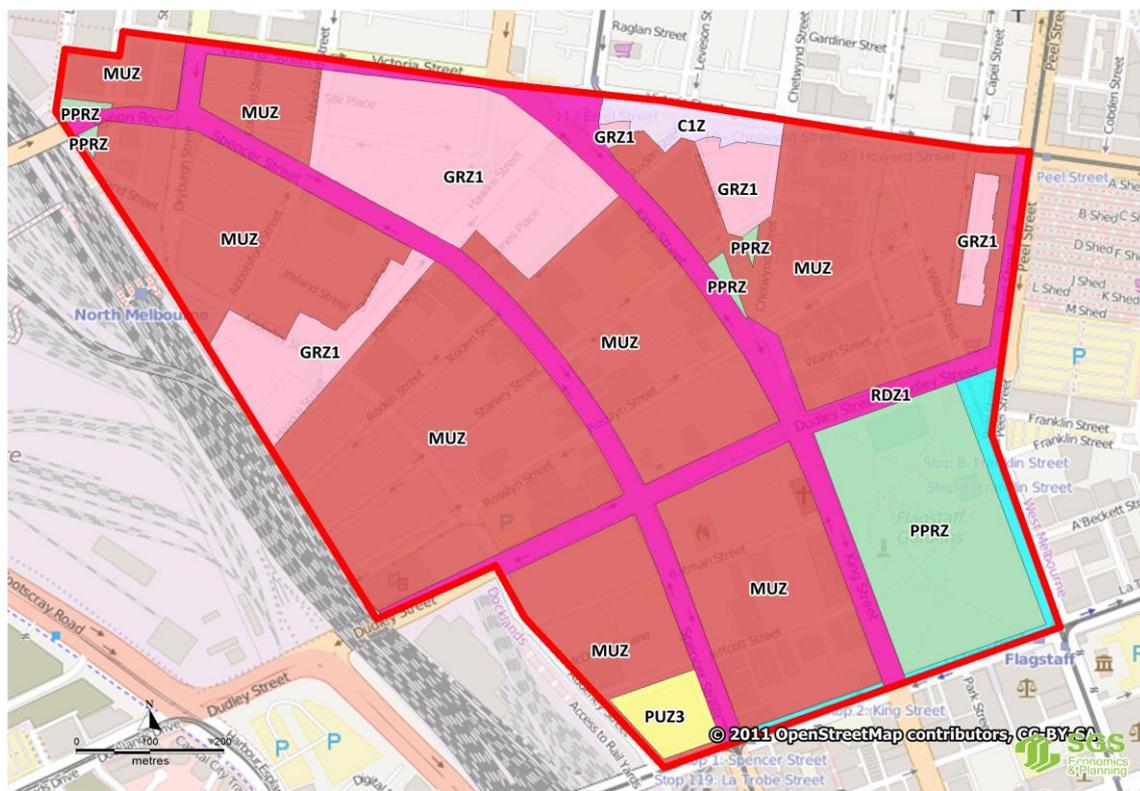
Combined, the West Melbourne precinct covers 85 hectares of land. To put this in perspective, the CBD is 240 hectares, City North is 90 hectares and Fishermans Bend is 500 hectares (including the newly defined Employment Precinct, 200 hectares).

Not all of this land is available for development and activity as much of it comprises roads, footpaths and other urban infrastructure. Figure 19 shows the total current land use zones across the West Melbourne precinct. Table 1 then presents the amount of total land and 'net land' (land remaining once urban infrastructure such as roads has been removed). Net land is therefore equivalent to lots zoned for each particular purpose.

Approximately 50 per cent of the precinct's land is (or has been) developed. Given the established fine grain nature of the urban fabric this ratio is consistent with other inner urban precincts.

The dominant zone within the precinct is Mixed Use, accounting for 80 per cent of net land.

FIGURE 19 PLANNING ZONES, WEST MELBOURNE



Source: VPP

TABLE 1 TOTAL AND NET LAND AREA, HECTARES

Zone	Total Area	Net Area	% of 'net land'
Capital City Zone	1	0	0%
Commercial 1 Zone	1	0	44%
Mixed Use Zone	52	34	65%
General Residential Zone	11	7	62%
Public Park and Recreation	8	0	0%
Public Use Zone - Health & Community*	1	1	100%
Road Zone 1	11	0	0%
Total	85	42	49%

Source: SGS Economics and Planning

*Melbourne Assessment Prison

This table indicates that while there is approximately 52 hectares of mixed use zoned land in the precinct, only 34 hectares, or 65% is potentially available for development. The 'net' area is used for the following analysis.

3.5 Current floorspace and land uses

The following details the change and composition of the West Melbourne floorspace. The City of Melbourne is briefly profiled to place West Melbourne's development in context.

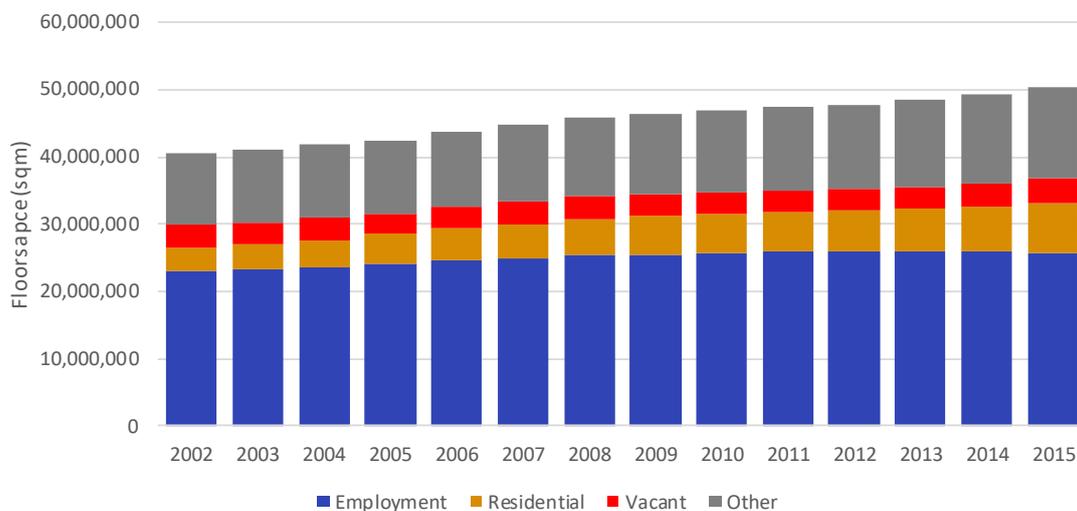
City of Melbourne

Figure 21 presents the change in employment floorspace across the City of Melbourne over the 2002 to 2015 period, drawing from the CLUE. Total floorspace across the municipality has continued to grow at 1.7 per cent per annum as the city has renewed and intensified.

Since the Global Financial Crisis (GFC) and particularly since 2012, growth in employment floorspace has slowed, except for some key precincts, such as Docklands.

Residential floorspace has continued to show strong growth. Since 2002 it has increased from 9 per cent to 15 per cent of total City of Melbourne floorspace. Vacant floorspace has remained relatively stable at 7 per cent.

FIGURE 20 FLOORSPACE GROWTH, CITY OF MELBOURNE (2002-2015)

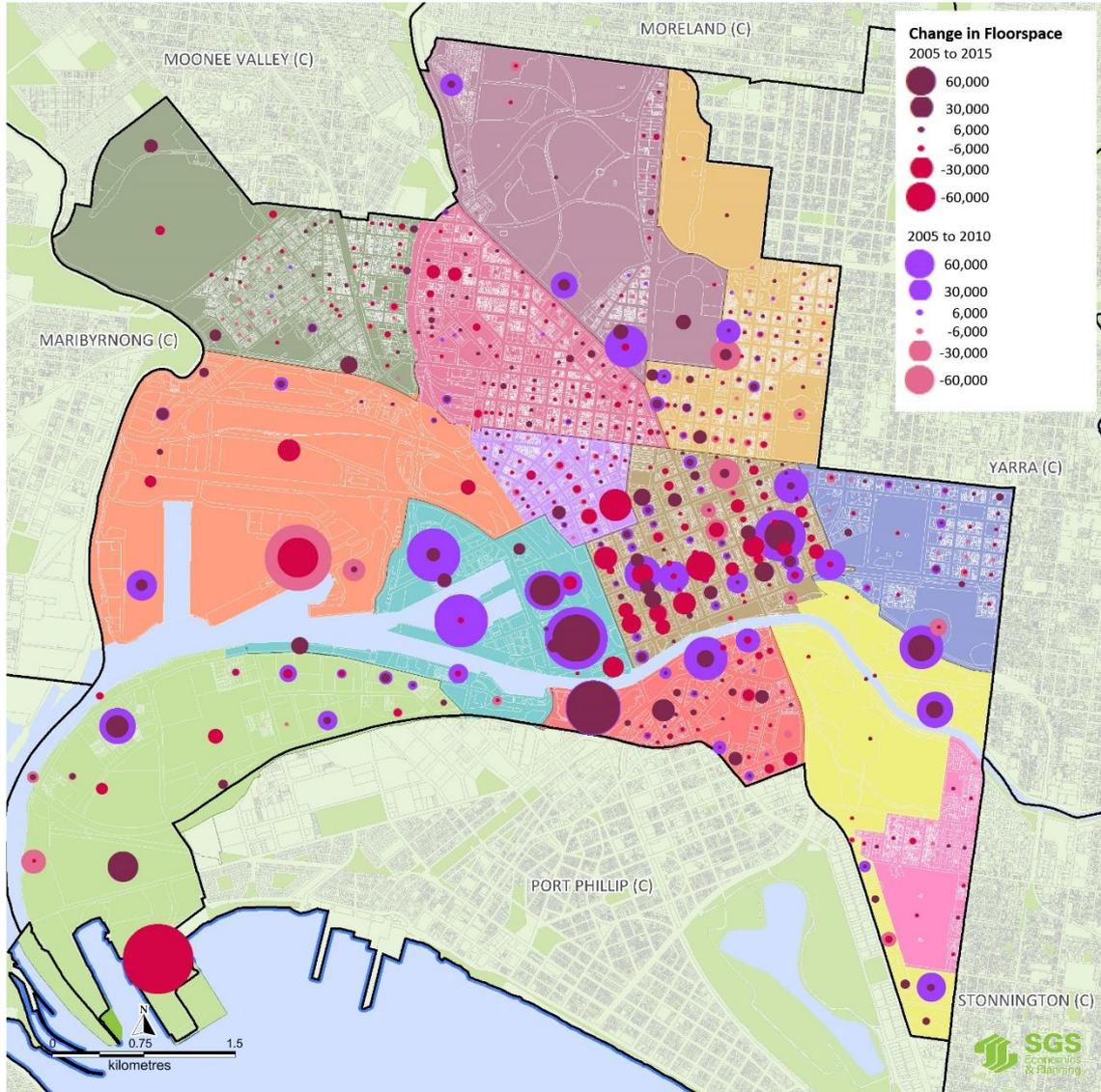


Source: SGS based on CLUE - City of Melbourne

Note: 'Other' includes common areas and open space.

Figure 21 looks at the change in employment floorspace only for the period 2005 to 2015. This shows a decline in employment floorspace in a number of precincts, including West Melbourne. Much of this decline is from the most recent two years (2014 and 2015).

FIGURE 21 EMPLOYMENT FLOORSPACE CHANGE, CITY OF MELBOURNE (2005-2015)



Source: SGS based on CLUE - City of Melbourne

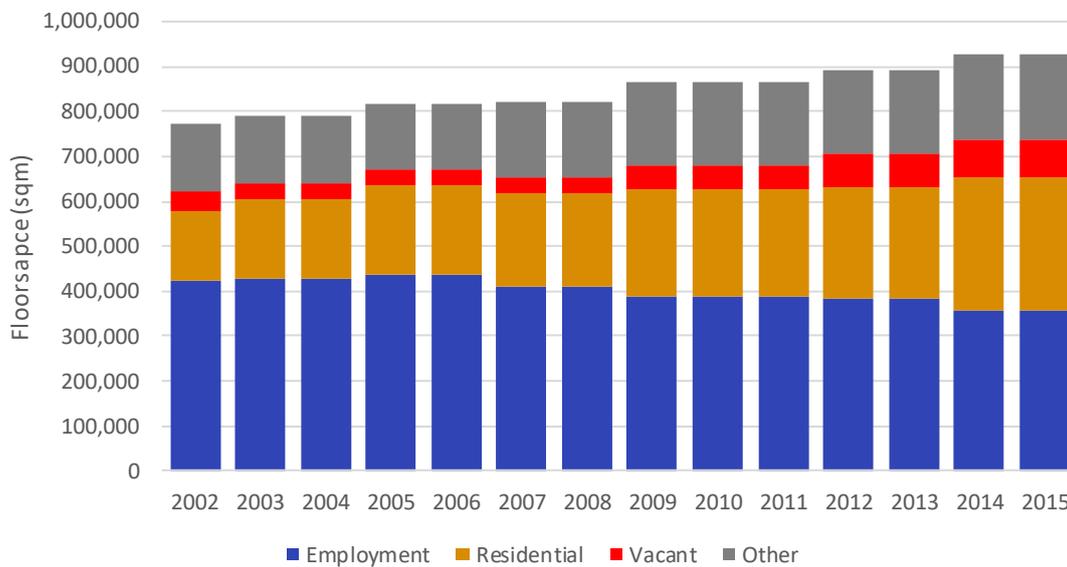
West Melbourne floorspace and uses

West Melbourne currently has 930,000 sqm metres of floorspace, 650,000 of which is employment and residential uses. It has experience floorspace growth just below the City of Melbourne average (1.4 per cent per annum compared to 1.7 per cent per annum for City of Melbourne overall). Given it is not a focused renewal area, this is expected.

Figure 22 and Figure 23 present this floorspace change by broad categories and also compares it to the City of Melbourne overall. Residential floorspace has doubled since 2002. To some extent this has been at the expense of employment uses which has decreased over the same period. As this transition has occurred sites have been intensified. The increase in residential floorspace is more than double the decrease in employment floorspace.

Vacancy rates have also increased, with 9 per cent of floorspace currently vacant. This is higher than the City of Melbourne average (7 per cent) and significantly higher than West Melbourne’s low in 2005 (4 per cent). This is likely due to the precincts ‘structural shift’ away from low value employment uses to high value residential developments and associated market speculation on surrounding sites.

FIGURE 22 CHANGE IN FLOORSAPCE, WEST MELBOURNE, (2002-2015)



Source: SGS based on CLUE - City of Melbourne

FIGURE 23 WEST MELBOURNE FLOORSPACE RELATIVE TO CITY OF MELBOURNE

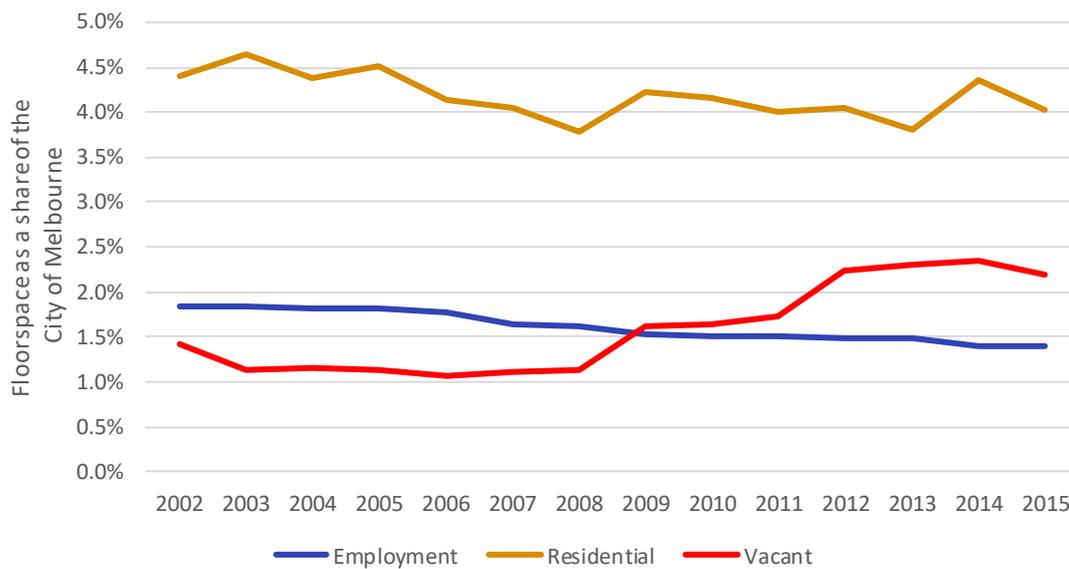


Figure 24 shows the current (2015) land uses for the study area. Figure 25 reproduces this same data split by various broad categories to help isolate clusters or patterns.

This pattern of land use reflects the mixed use nature of the precinct, and to some degree the absence of an economic ‘heart’ or focal point reflects the industrial and logistics past from which a new ‘back office’ and residential role has emerged.

Residential development is concentrated in the north west of the precinct, but residential development is also scattered across the rest of the precinct with new development rapidly occurring in the south east. Residential land uses are made up of a mix of original dwellings (small houses on small lots) as well as developments from over the last decade (warehouse conversions) and more recently high rise developments (apartments).

These residential pockets are interspersed with economic uses, as well as community and civic uses. There are also a limited number of retail and hospitality uses.

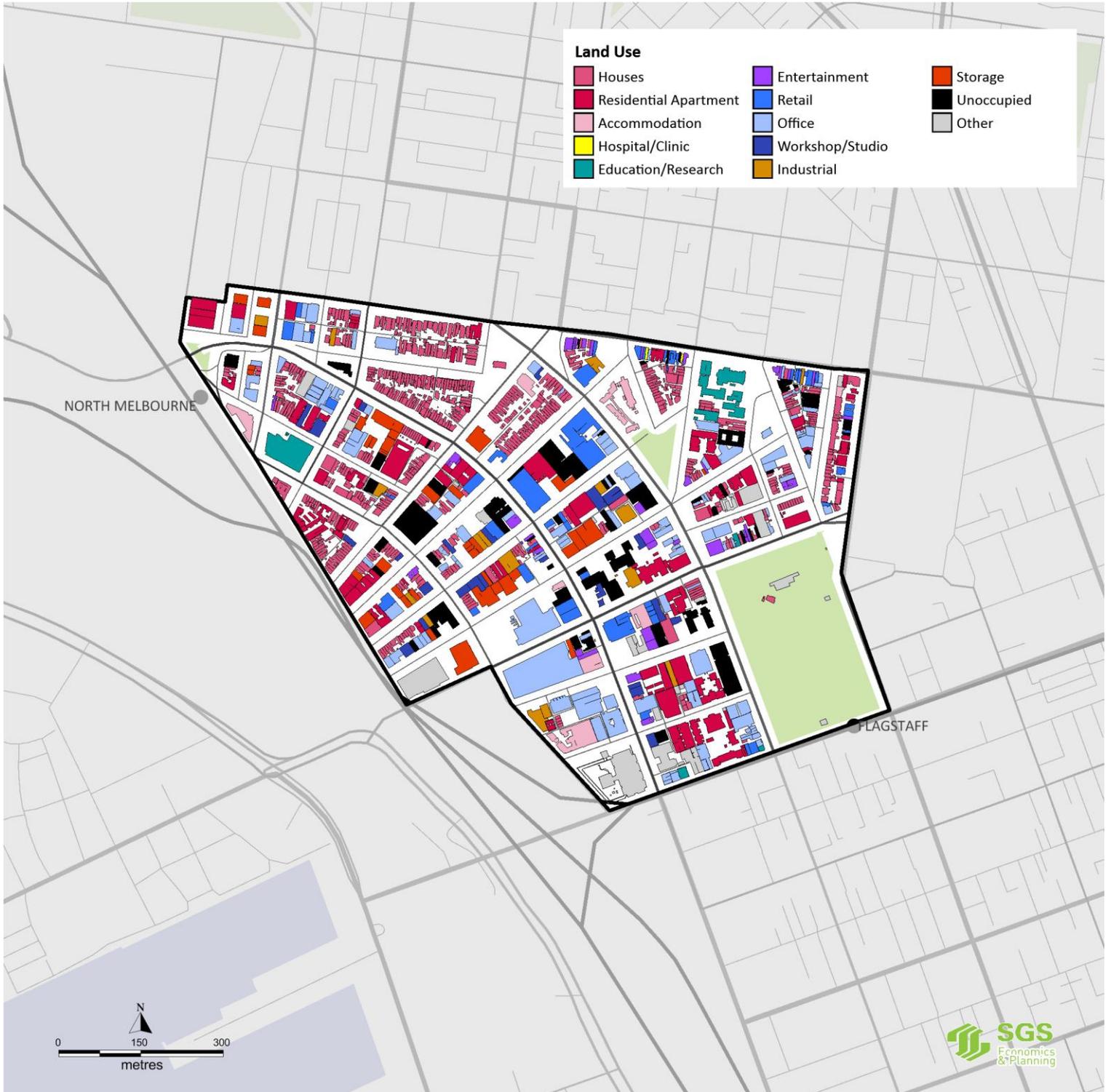
Industrial and storage activity is concentrated in the central part of the precinct with some uses to the north west.

Retail and office is mainly located in the east and central parts of the precinct.

Unoccupied premises are mainly located in the central part of the precinct, although this changes frequently.

Further, while many of the activities in the commercial areas of West Melbourne precinct could be considered ‘lower order’ (eg food manufacturing/ catering, storage, peripheral retail) compared to the more knowledge intensive professional services in the Central City, many such activities are crucial to the operation of the city. They provide access for local residents to a range of services, employment opportunities, and supply businesses in the CBD with inputs.

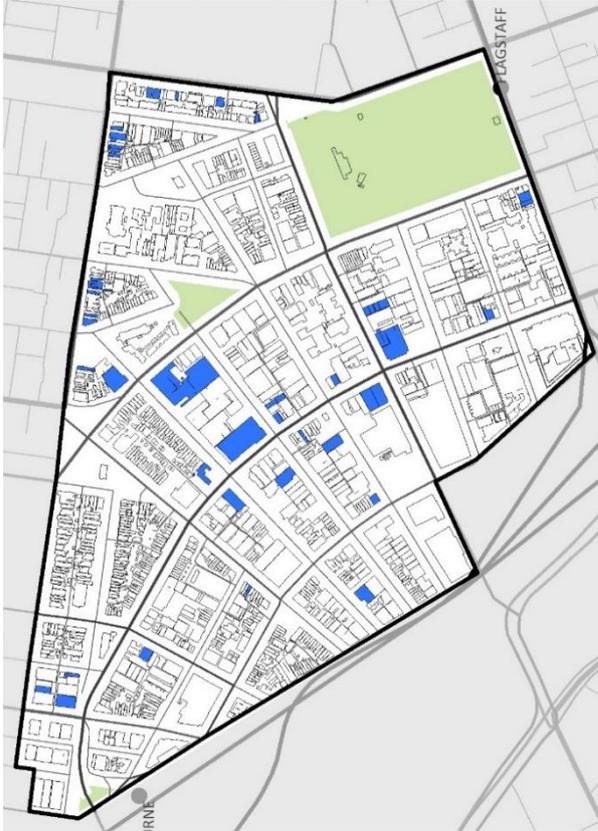
FIGURE 24 LAND USES, 2015



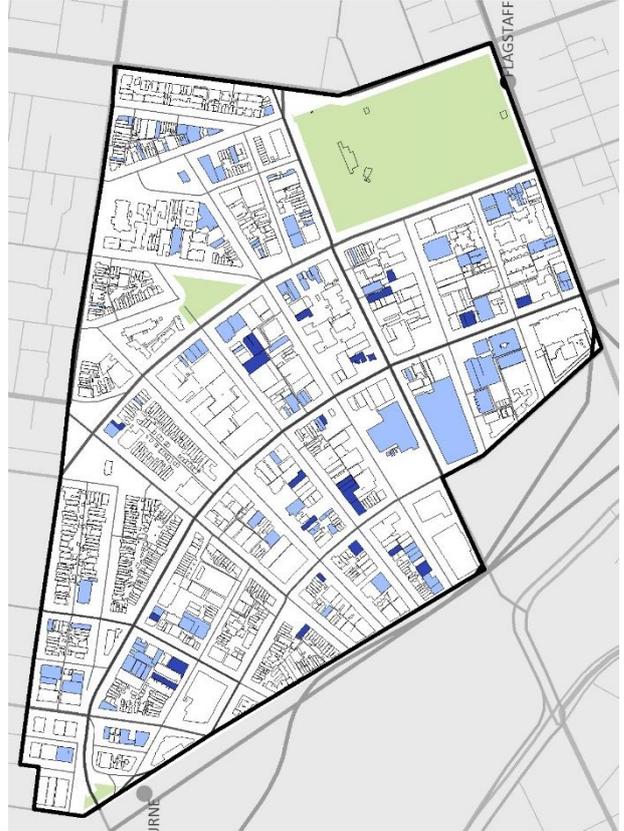
Source: CoM CLUE, 2015

FIGURE 25 LAND USES SPLIT BY BROAD CATEGORY, 2015

Retail and Hospitality



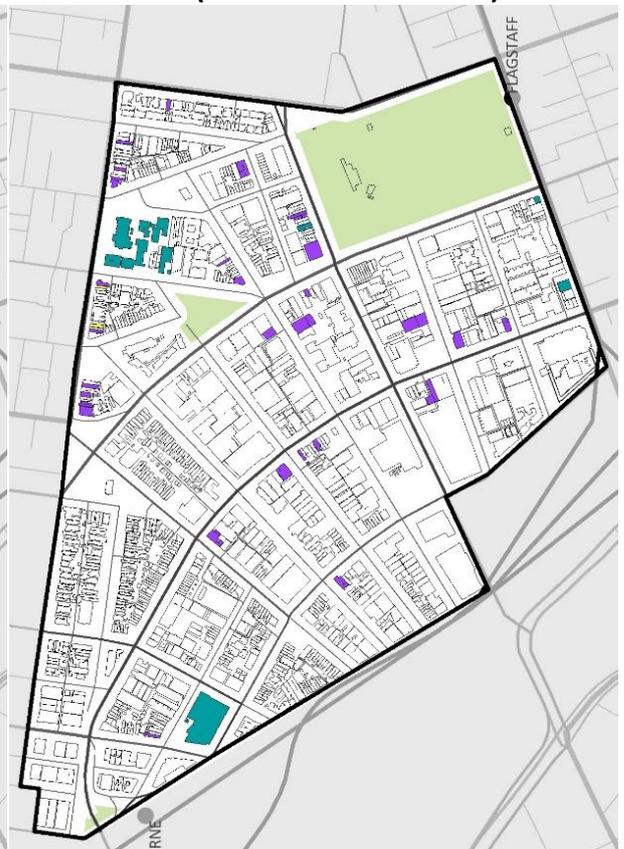
Office and Workshop/Studio



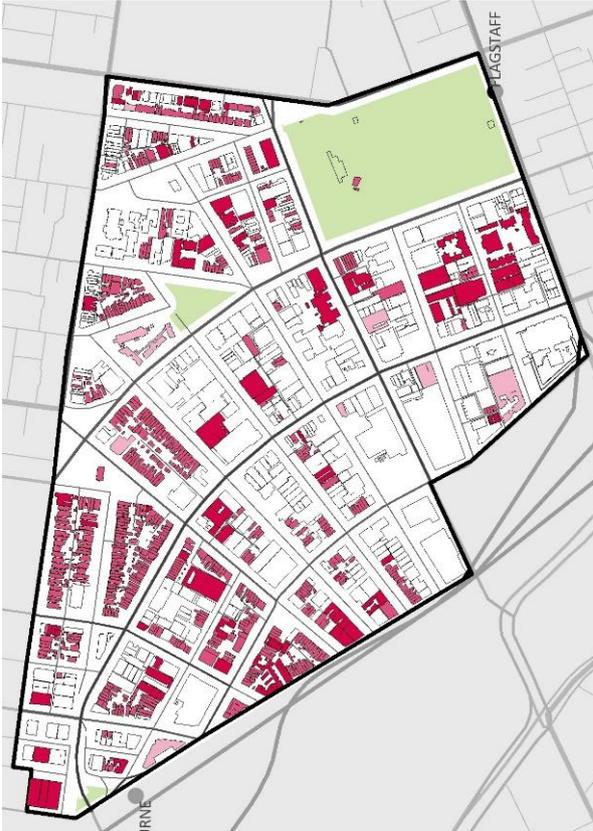
Industrial



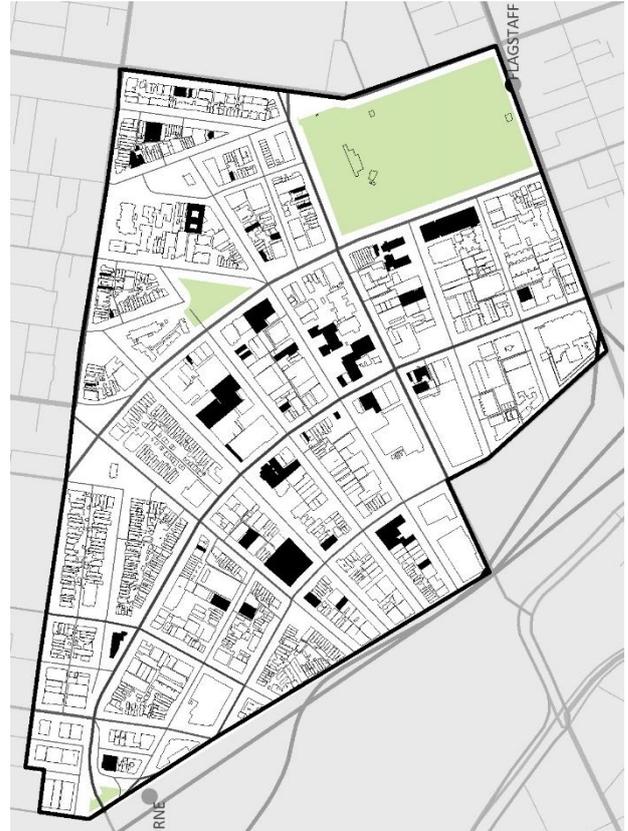
Institutional (Health and Education)



Residential



Unoccupied

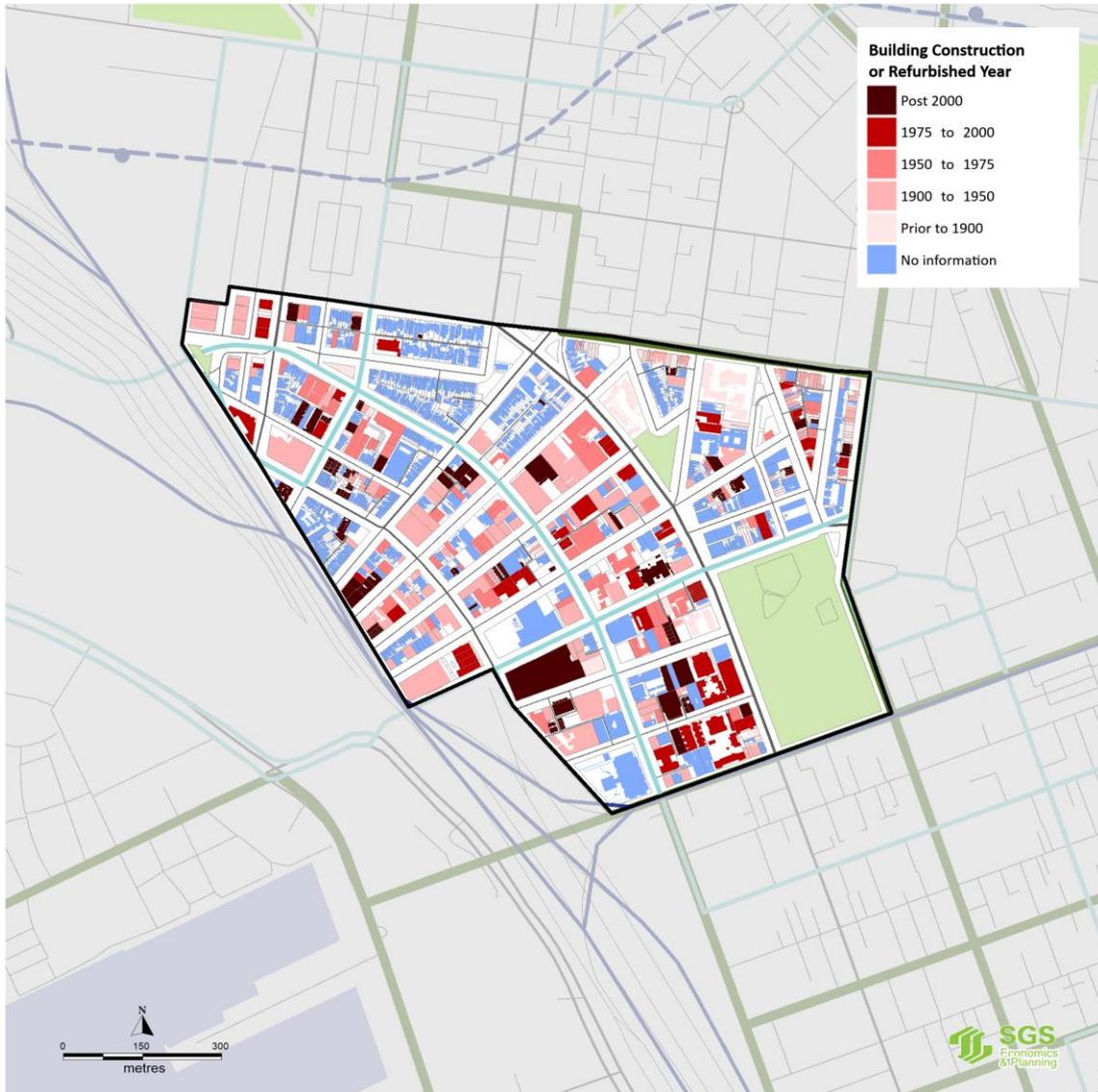


Understanding where West Melbourne stock has been renewed

Figure 26 shows the age of stock based on construction year or last major refurbishment. Areas in the north of the study area are generally older. Dwellings are often terrace style houses³. The average age of buildings closer to the Central Business District is younger. This is generally due to warehouse conversions and higher rise residential developments.

Pockets of older housing are scattered throughout the middle and southern sections of the study area. Redeveloped areas tend to cluster a little in the north.

FIGURE 26. BUILDING AGE



Source: CLUE Block Data, 2015

³ It is assumed that many of the older dwellings don't have a registered date of construction in the CoM database.

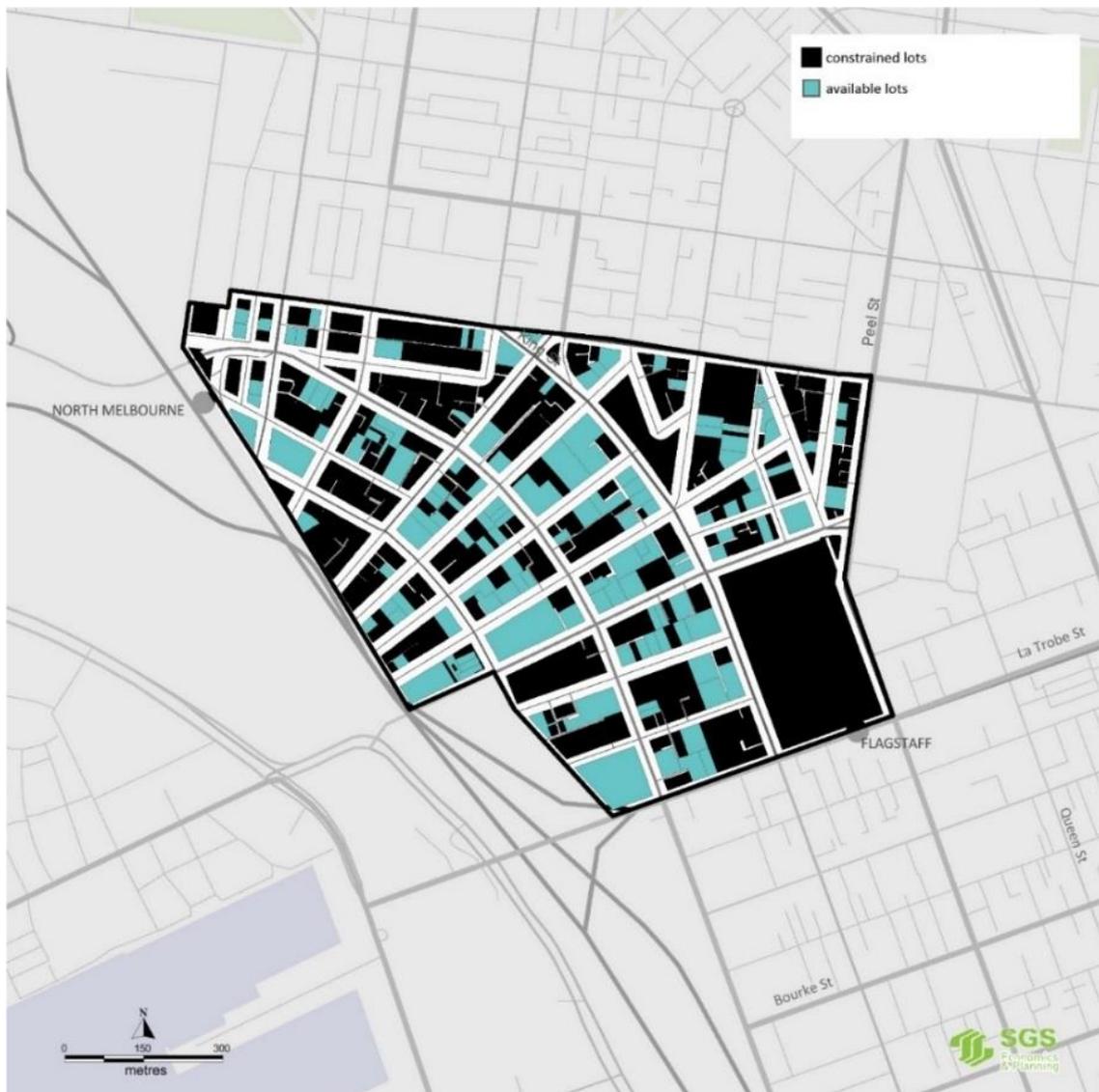
Understanding existing constraints and where opportunities exist

Significant change has started to occur in the precinct. The following sub-section highlights where some constraints or development opportunity hotspots are located. It is not, however, a certain indicator of development outcomes; a heritage site could be developed if those heritage features are managed and retained and conversely a private owner may not wish to develop their 'available site'.

The constraints include building age, heritage overlay areas, small lots and recently developed lots.

The large areas in the north may be considered constrained for future development due to a small lot size. In the central and southern parts of the study area, there are more recent developments and heritage sites. The middle band of West Melbourne has the least constraints for development, there are still a substantial number of lots in the central area which may be available for development.

FIGURE 27 CONSTRAINED & AVAILABLE LOTS



Source: SGS Economics and Planning

Figure 28 breaks down Figure 27 by the various constraints which have been considered. Approved developments have not been included as a constraint, as there is some uncertainty as to the delivery of approved developments.

FIGURE 28 BREAKDOWN OF CONSTRAINED & UNCONSTRAINED LOTS



Source: CLUE Block Data, 2015; City of Melbourne Planning Scheme 2015.

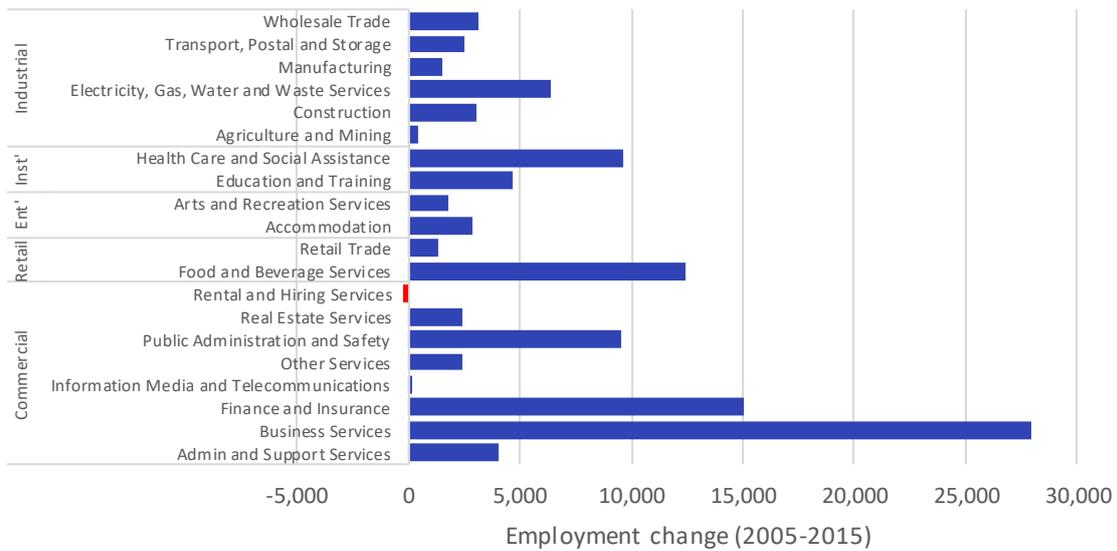
3.6 Recent employment trends

The following identifies the employment (or jobs) that occupy the relevant floorspace. Again City of Melbourne is briefly profiled to place West Melbourne in context.

City of Melbourne

In recent years the City of Melbourne has seen strong growth in the knowledge and creative sectors. This is apparent in Figure 29 which presents the change in employment over the last decades by industry.

FIGURE 29 EMPLOYMENT CHANGE, CITY OF MELBOURNE (2005-2015)



Source: SGS based on CLUE - City of Melbourne

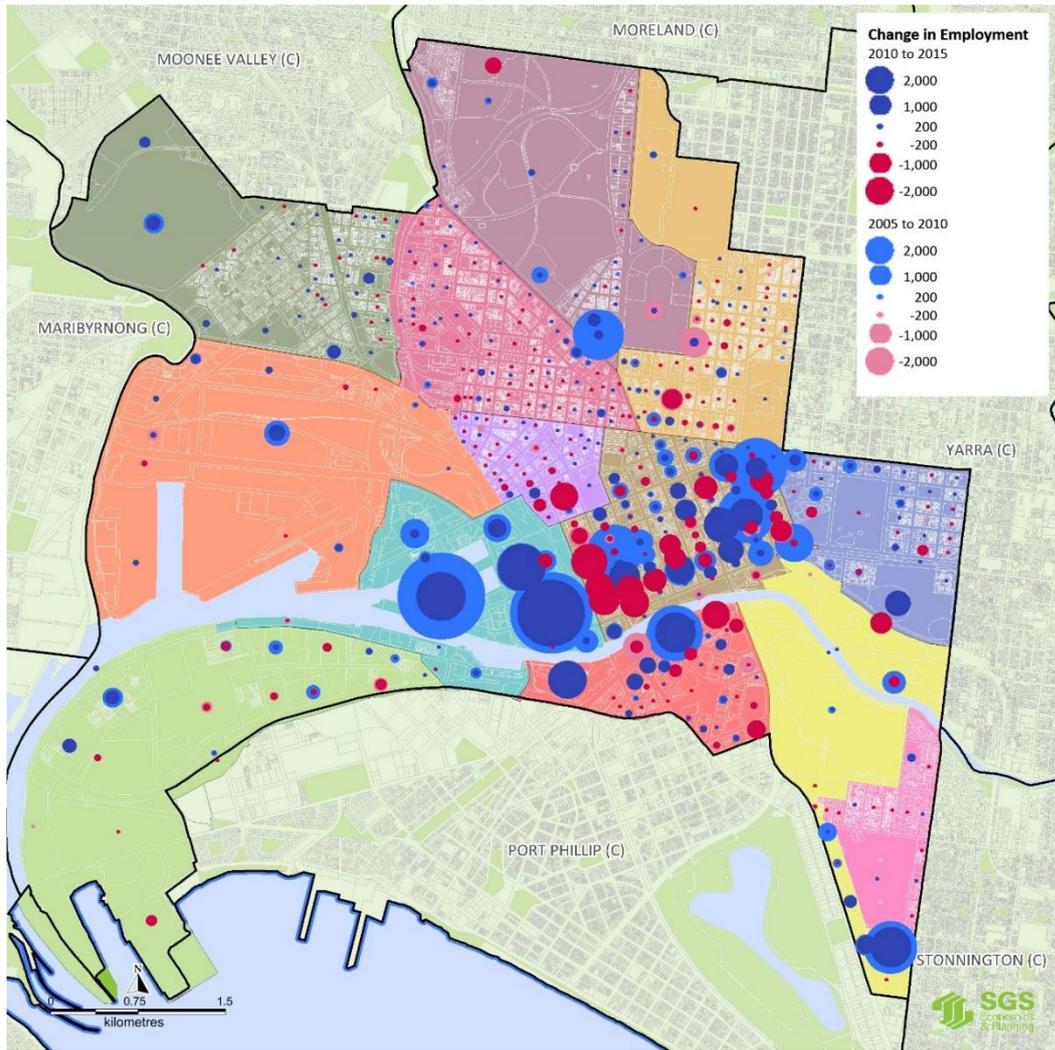
Figure 30 present the spatial distribution of the employment growth. It follows a similar pattern to the floorspace growth in Figure 21. This also includes job declines in several locations, including West Melbourne which is linked to the last two years.

There are few locations and industries where floorspace and jobs growth varied. Figure 31 which presents the floorspace to jobs ratio in 2005 and 2015 by industry help to further understand this.

Industrial based sectors have shown a significant decline in the floorspace to jobs ratios as the remaining businesses focus on high value (more labour intensive) aspects of the sector. This shift within the industrial sector was further discussed in Section 2.3.

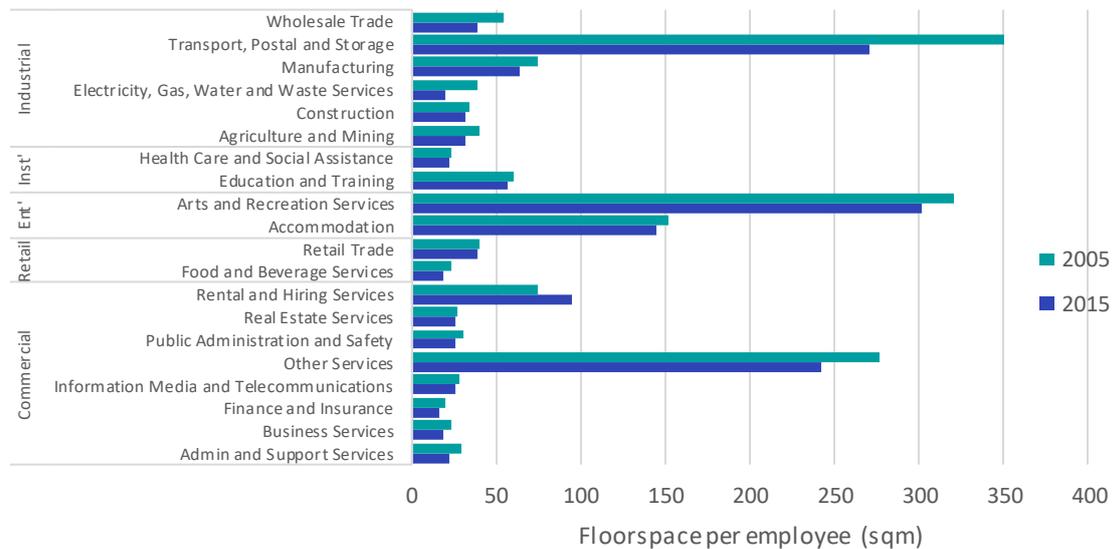
Health sector employment has also increased and concentrated at the major hospitals with employment growth exceeding floorspace growth through additional shifts (i.e. operating 24 hours) and improved efficiencies.

FIGURE 30 EMPLOYMENT GROWTH (2005-2015)



Source: SGS based on CLUE - City of Melbourne

FIGURE 31 FLOORSACE TO JOBS RATIO, CITY OF MELBOURNE



Source: SGS based on CLUE - City of Melbourne

West Melbourne employment

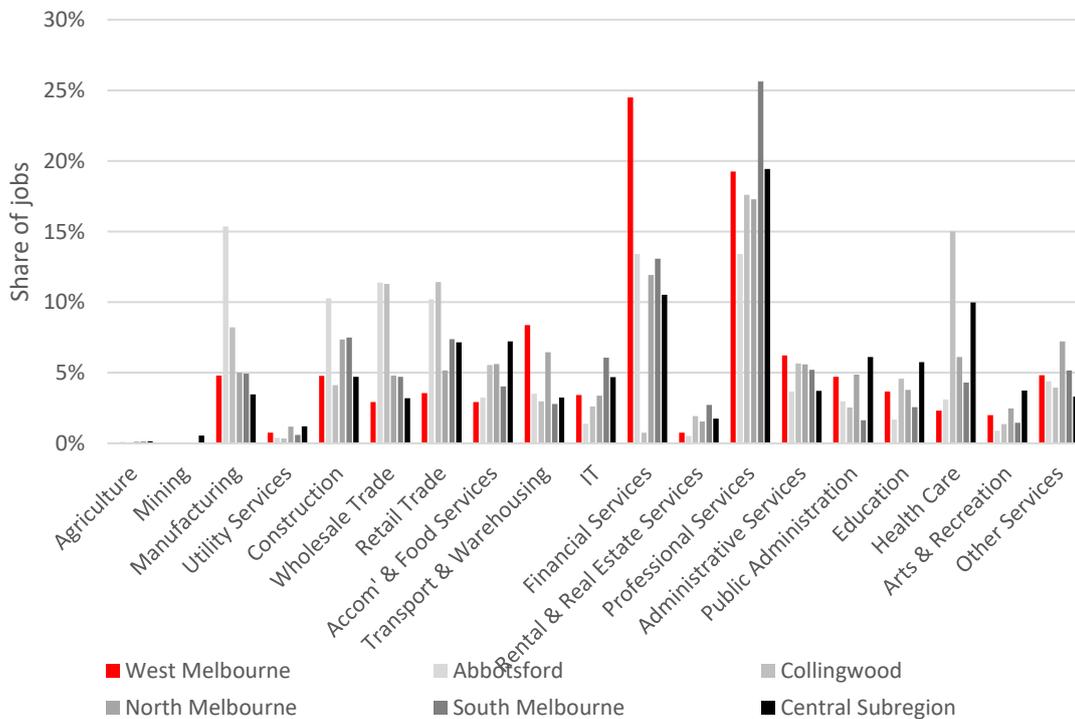
While a series of broad trends have been occurring across Greater Melbourne and the inner city in particular, West Melbourne’s unique land use mix and location has meant that it has changed in a slightly different way with regard to employment.

West Melbourne is different to other transitioning inner city ex-industrial areas

The study area is a unique industrial area and distinctly different to other inner city industrial areas. It reflects West Melbourne’s port and logistics heritage, compared to the manufacturing, (particularly textile, clothing and footwear) and associated retail activity that occurred in the inner east.

West Melbourne has not seen the same level of growth in creative or urban manufacturing as it does not have this ‘core manufacturing heritage’ to leverage. This is highlighted in Figure 32 by a comparison using ABS 2011 Census data of share of jobs by industry. While this data is somewhat old, it is useful to provide a relative indication of the profile of West Melbourne compared to other similar inner city areas. It highlights the financial and professional services role of West Melbourne, and the relatively limited role of manufacturing employment as part of the local economy.

FIGURE 32 SHARE OF JOBS BY INDUSTRY, WEST MELBOURNE AND COMPARITOR AREAS



Source: 2011 ABS Census

Table 2 presents more up to date City of Melbourne 2015 CLUE data to show the change in employment within West Melbourne over the past decade by industry of employment. This highlights that West Melbourne has lost jobs since 2005; 1890 jobs in total.

A significant portion of this change (~1000 jobs) is a direct result of an office building that was vacated in front of Flagstaff Gardens in 2014, and has since been occupied by Haileybury College. The building’s previous tenants have relocated to various locations including Port Melbourne, La Trobe Street and Carlton. The AMES tenant (educational institution) relocated to the CBD in King Street. As the school progressively expands its offer there will be an increasing number of jobs on the site, however it is not anticipated that employment number will reach the previous level.

Excluding this one off event there has still been a gradual decline in most sectors. Health Care and Education are the only sectors which have seen strong growth (11 and 7 per cent per annum respectively). This is consistent with the precinct's comparative strengths with close proximity to major universities and health facilities, while not having the highest Effective Job Density a key attractor for top-tier commercial businesses.

TABLE 2 EMPLOYMENT CHANGE, WEST MELBOURNE

		2005		2010		2015		2005-2015		
		#	%	#	%	#	%	#	%	%p.a.
Commercial	Admin and Support Services	478	6%	409	5%	365	7%	-113	6%	-3%
	Business Services	1,336	18%	1,739	22%	1,214	22%	-122	6%	-1%
	Finance and Insurance	1,308	18%	2,127	26%	138	3%	-1,170	62%	-20%
	Information Media and Telecommunications	320	4%	123	2%	158	3%	-162	9%	-7%
	Other Services	414	6%	393	5%	356	6%	-58	3%	-1%
	Public Administration and Safety	457	6%	406	5%	373	7%	-84	4%	-2%
	Real Estate Services	28	0%	36	0%	42	1%	14	-1%	4%
	Rental and Hiring Services	28	0%	37	0%	15	0%	-13	1%	-6%
Retail	Food and Beverage Services	252	3%	257	3%	296	5%	44	-2%	2%
	Retail Trade	424	6%	217	3%	200	4%	-224	12%	-7%
Entertainment	Accommodation	46	1%	26	0%	25	0%	-21	1%	-6%
	Arts and Recreation Services	382	5%	161	2%	309	6%	-73	4%	-2%
Educational	Education and Training	141	2%	378	5%	417	8%	276	-15%	11%
	Health Care and Social Assistance	310	4%	220	3%	607	11%	297	-16%	7%
Industrial	Agriculture and Mining	0	0%	0	0%	1	0%	1	0%	-
	Construction	196	3%	192	2%	166	3%	-30	2%	-2%
	Electricity, Gas, Water and Waste	10	0%	92	1%	0	0%	-10	1%	-100%
	Manufacturing	379	5%	356	4%	273	5%	-106	6%	-3%
	Transport, Postal and Storage	501	7%	462	6%	275	5%	-226	12%	-6%
	Wholesale Trade	398	5%	432	5%	288	5%	-110	6%	-3%
	Total	7,408	100%	8,063	100%	5,518	100%	-1,890	100%	-3%

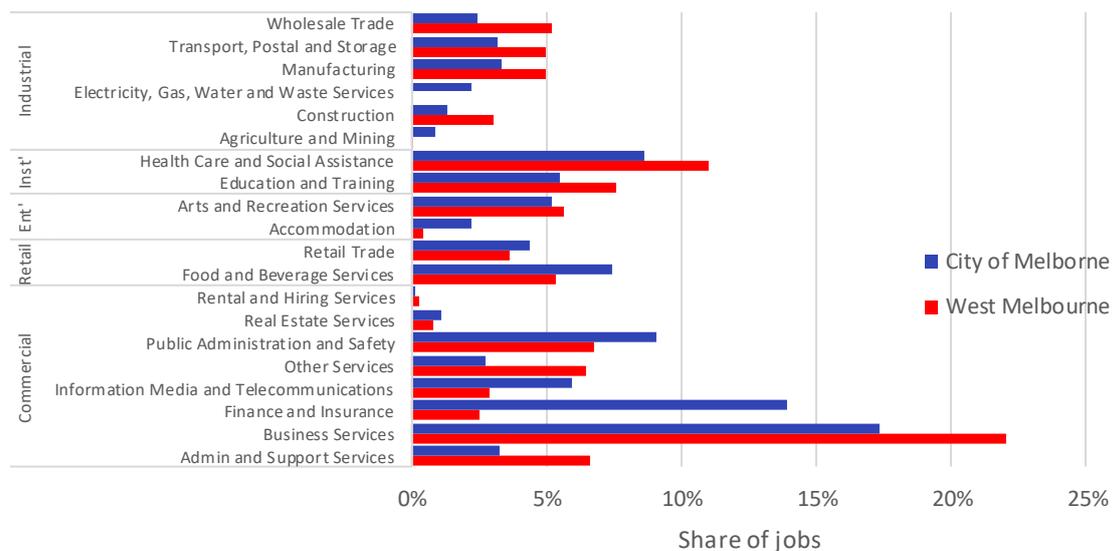
Source: SGS based on CLUE - City of Melbourne

West Melbourne’s back-of-house employment role

Figure 23 presents West Melbourne’s profile of employment compared to City of Melbourne overall. The largest difference is in the Finance and Insurance sector – 14 per cent of employment in the City of Melbourne overall, compared to 3 per cent in West Melbourne. West Melbourne does however have a higher share of Business Services and Administrative and Support Services, consistent with its back-of-house function in the broader inner city economy.

Consultation has highlighted an apparent lack of opportunities for professional and ICT businesses to cluster in West Melbourne. NICTA (National ICT Australia) are in the process of relocating to Docklands in pursuit of such opportunities.

FIGURE 33 SHARE OF JOBS, WEST MELBOURNE AND CITY OF MELBOURNE



Source: SGS based on CLUE - City of Melbourne

Population growth without the population-based employment services

In terms of the distribution of employment across industries, West Melbourne has a lower share of its employment in **Retail trade, Accommodation and Food services** compared to the Central subregion.

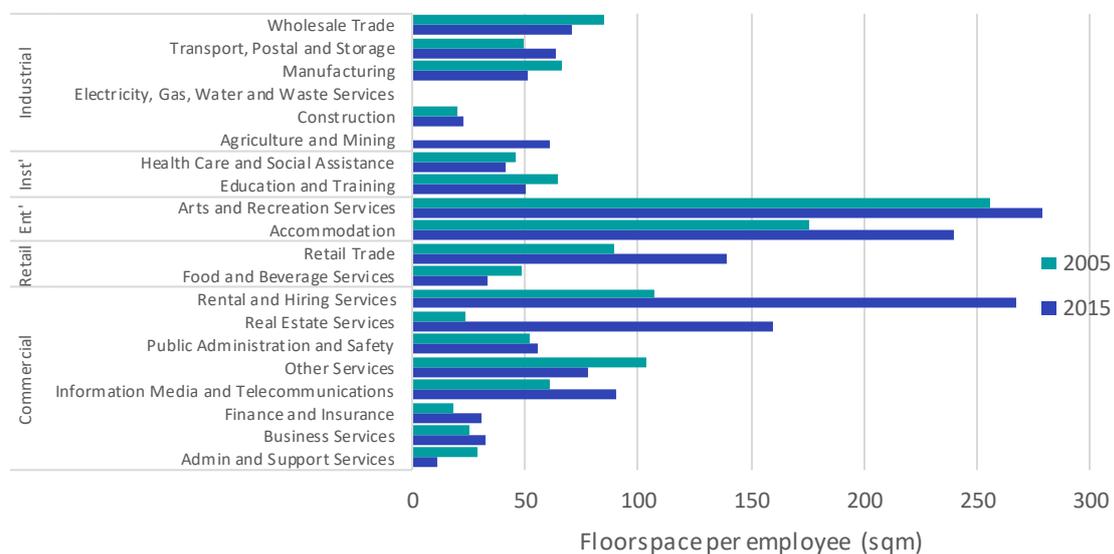
While West Melbourne’s population has been growing, this comparison would suggest that there has not been commensurate increase in the provision of key population driven services. This is likely due to a range of factors, including the proximity of the CBD (which accommodates a major concentration of retail and hospitality). While these are proximate, it may also be the case that residents in the study area are underserved with these services. It will need to be further investigated during the consultation.

This was highlighted throughout consultation by a number of businesses and institutions. The majority of respondents discussed the current lack of retail and hospitality options and their dependence on Errol Street and the neighbouring CBD. There was the perception that this was slowly changing with increased residential growth encouraging population driven services.

Unlike the City of Melbourne overall West Melbourne has actually seen an increase in the floorspace to employee ratio from 59 sqm per employee in 2005 to 65 in 2015. This is with a transition in employment toward more intensive (Service based) industries.

Figure 34 identifies the changes in floorspace to employee ratios by industry. This highlights that a number of commercial sectors saw significant increases in this ratio. Conversely ratios decreased in the industrial sectors, also in health and education. Reductions in floorspace per employee are generally expected across all sectors. The increase in floorspace per employee in the commercial sector may be due to businesses contracting but still retaining a presence in the area, however it is not clear the cause of this and this is an issue that would need to be further investigated.

FIGURE 34 FLOORSPACE TO JOBS RATIO, WEST MELBOURNE



Source: SGS based on CLUE - City of Melbourne

3.7 Recent and already planned residential development

While dwellings and population are not directly a focus of this study, they significantly impact on the local employment and economic context. This section looks at the amount and location of future residential developments which are already in the development pipeline.

Recent residential development trends

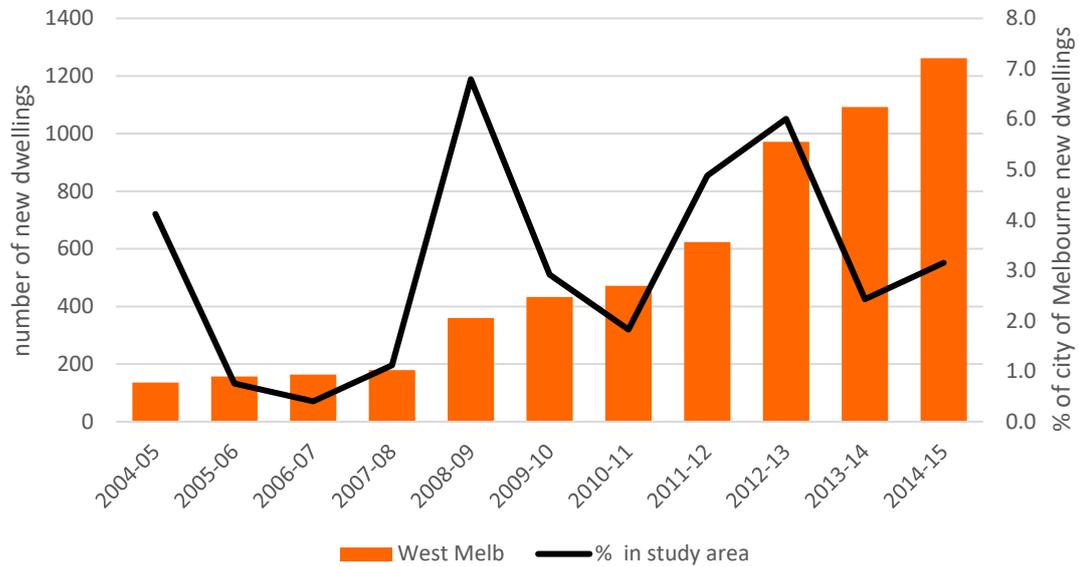
Figure 35 shows the number of new dwellings for West Melbourne and the share of the City of Melbourne's additional growth which has been accommodated in West Melbourne.

There is an overall trend downwards (i.e. a shrinking share of City of Melbourne growth in West Melbourne) however the relationship has varied from 1 per cent to almost 8 per cent between years. The past decade has also seen uneven activity in the study area (between 7 dwellings and 181 dwellings within a year), representing between 0.4 and 6.8 percent of City of Melbourne's overall growth.

While this indicates growth is not occurring faster in West Melbourne than the City of Melbourne more broadly, it is also the case that there has been significant growth in the west of the City of Melbourne. In

some cases, there has been significant development very close to the West Melbourne precinct, and this is likely to influence perceptions regarding growth in West Melbourne.

FIGURE 35. SHARE OF CITY OF MELBOURNE RESIDENTIAL DEVELOPMENT IN WEST MELBOURNE



Source: HDD Data for 2004-2014

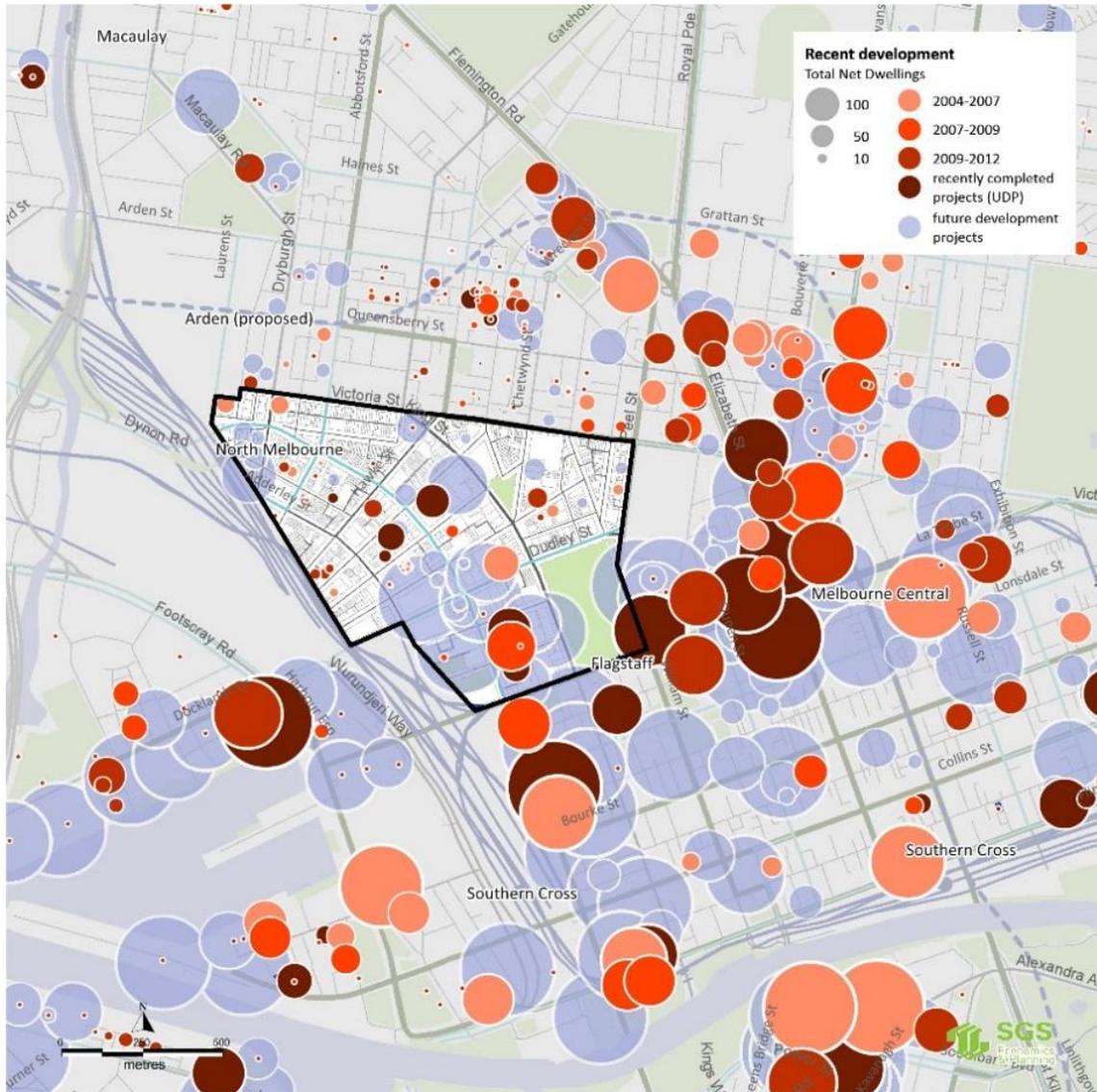
NB. Data for 2014-2015 does not include developments smaller than 10 dwellings, so the figure for new dwellings in West Melbourne is likely higher

Figure 36 shows the spatial profile of residential development for the period 2004 to 2014 along with planned residential development from the 2015 Urban Development Program.

It confirms that while there has not necessarily been increasing rates of development in West Melbourne alone, there has been significant development on the boundaries of the study area also. Development has also occurred within the study area to the west of Flagstaff gardens, and a number of smaller projects have sprung up along the western edge.

When this is combined with future development projects it is clear that there is a substantial quantum of development proposed for areas in and around West Melbourne. In addition projects currently in the pipeline are anticipated to be larger than previous developments within the study area.

FIGURE 36 RECENT AND PLANNED RESIDENTIAL DEVELOPMENTS

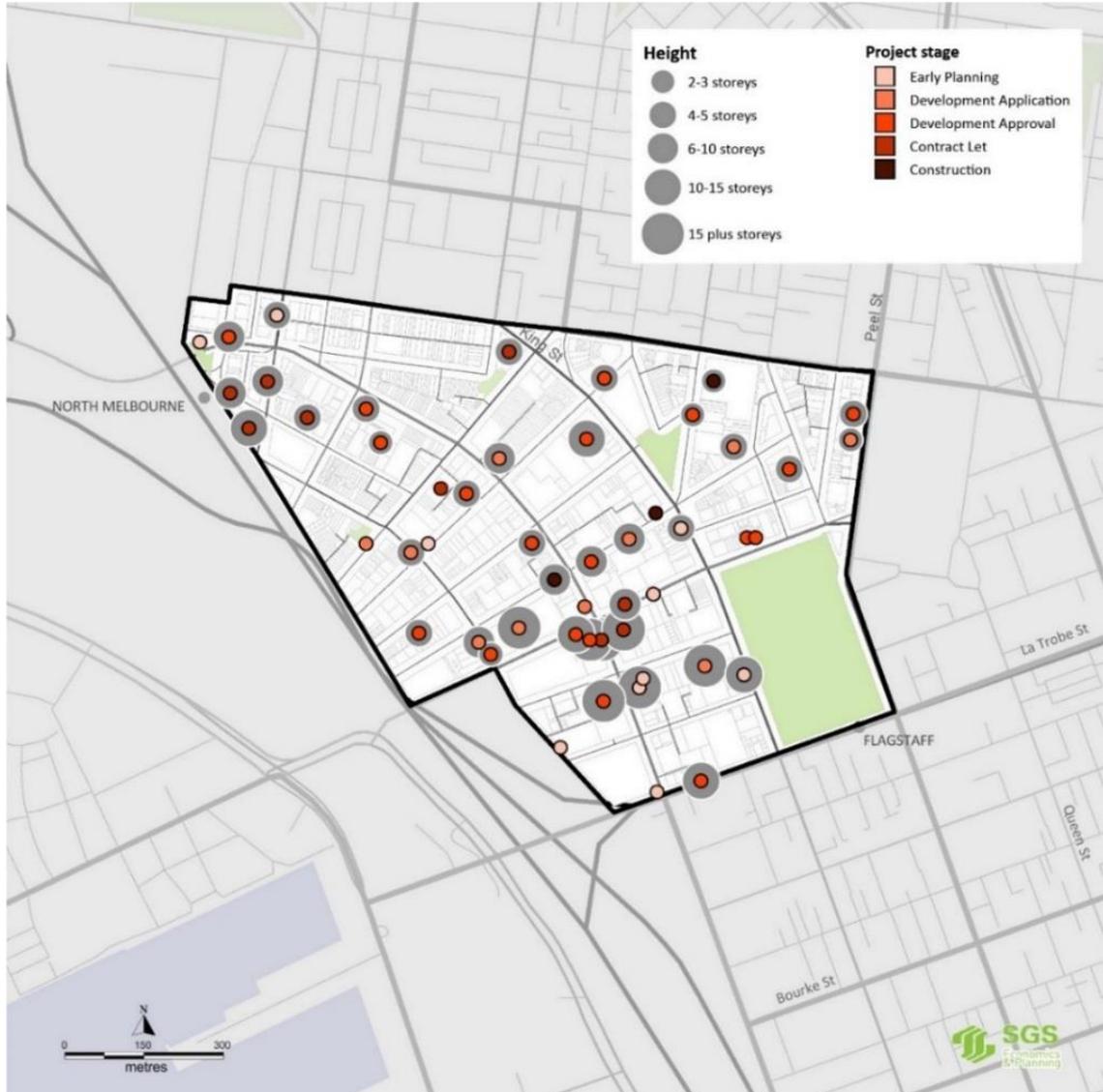


Source: HDD Data for 2004-2014, UDP Data 2015, CLUE data, 2015

Figure 36 shows there are a number of projects in the study area of West Melbourne that are in the final stages of the development pipeline. These developments are of a substantial scale (ten storey plus) and tend to be clustered around the middle and southern area.

In the northern areas, developments in the pipeline are generally of a smaller scale.

FIGURE 37 DEVELOPMENT PIPELINE



Source: Development Activity Monitor, 2016

West Melbourne has a range of sites that are likely to be developed as well as a number of sites where development capacity is more limited or unlikely.

In terms of likely future development, the demand side factors are likely to be particularly strong and many sites are likely to be developed. It will be important for planning frameworks to consider the most effective way to guide this development in a way which delivers benefits to the community including providing retail and other services, while also maintaining its important economic role.

3.8 Resident workers and labour market catchments

The employment profile of West Melbourne’s residents helps to understand how the area relates to the CBD and other areas across Melbourne, as well as the economic role of West Melbourne.

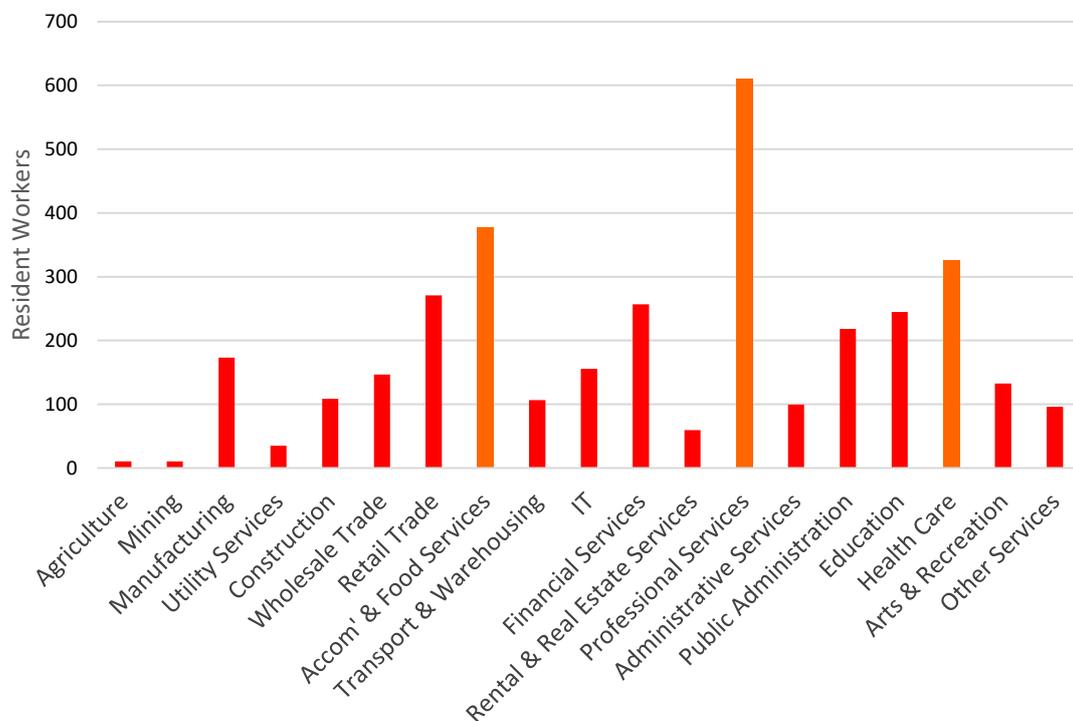
Resident workforce

Figure 38 shows the study area’s resident workforce by industry. It indicates that the largest industry for West Melbourne residents is professional services, followed by Accommodation and Food Services.

There are also a large number of residents working in healthcare, retail trade, education and financial services. This is likely due to West Melbourne’s proximity to the Central Business District and a number of large anchor health and education institutions.

This indicates that West Melbourne functions as an important location for the CBD workforce as well as for the local workforce and the Parkville health and education precinct.

FIGURE 38. WEST MELBOURNE RESIDENT WORKFORCE BY INDUSTRY



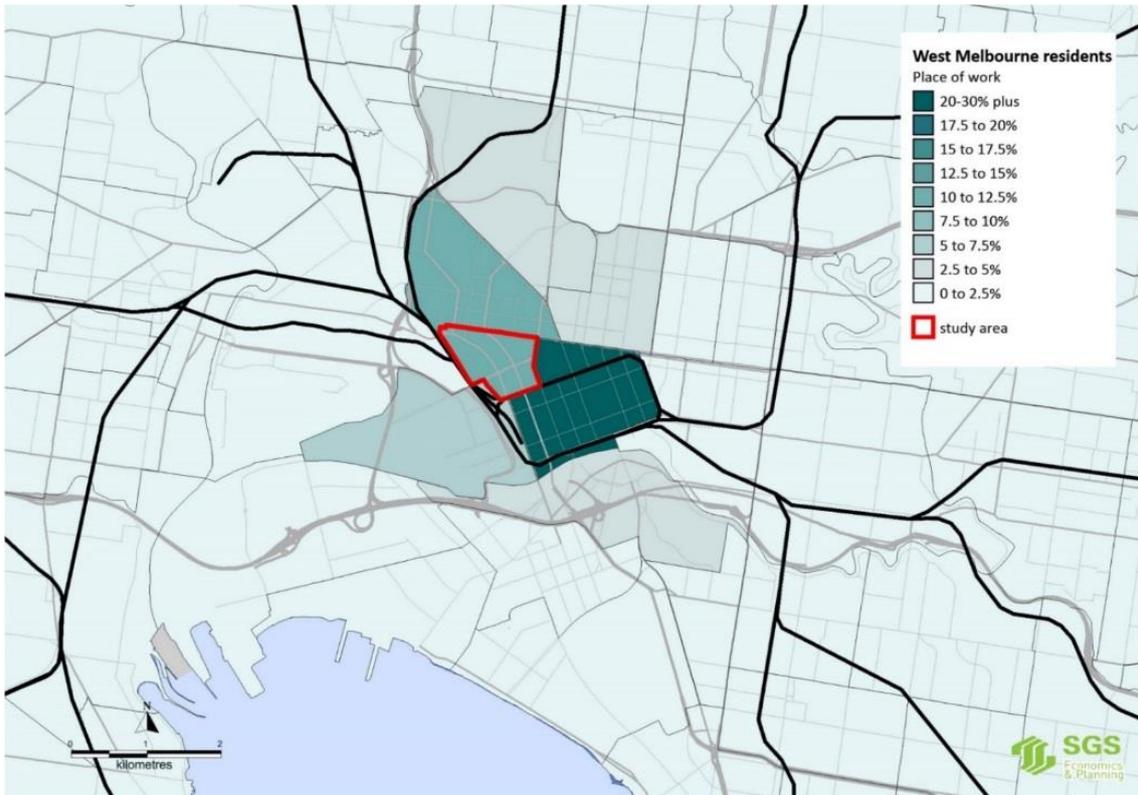
Source: SGS, 2016 drawing on ABS Census and other datasets

Labour force catchments

Figure 39 show West Melbourne residents’ place of work. The figures show the strong trend of West Melbourne residents working in the local area; 56 per cent of residents who live in West Melbourne work in directly adjacent suburbs. Beyond the immediate local area, residents work in a wide range of locations across greater Melbourne.

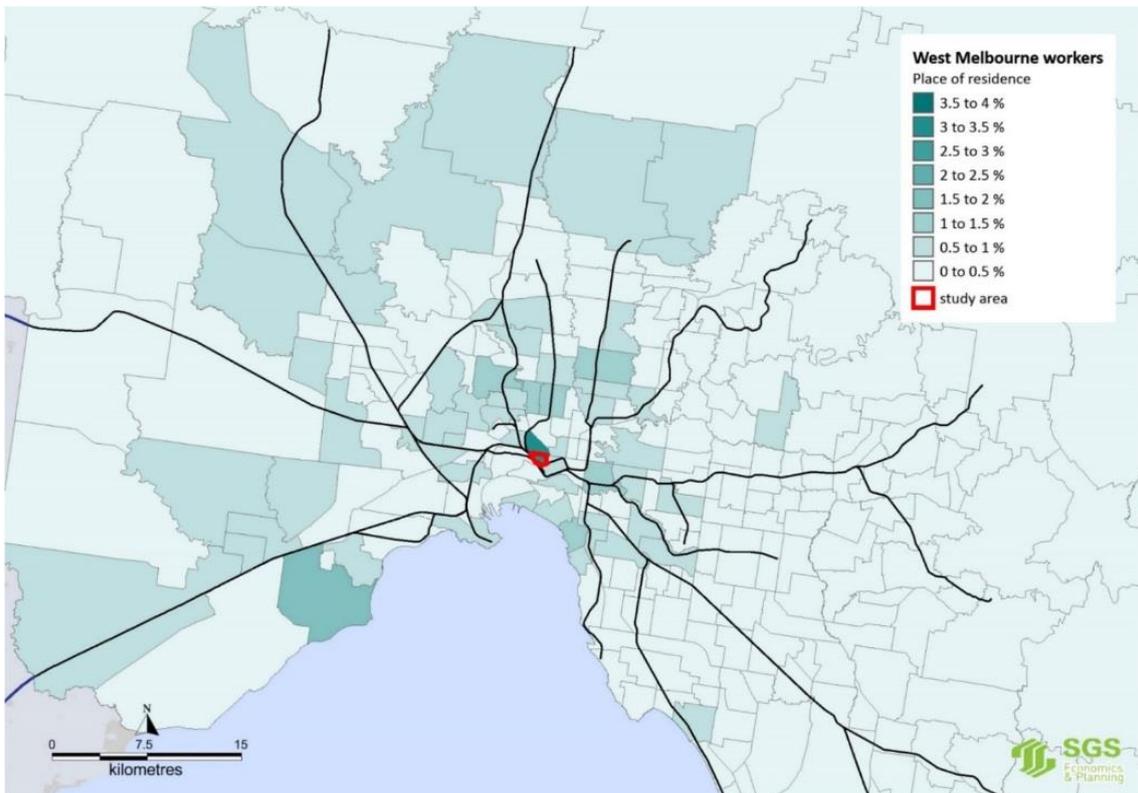
Figure 40 shows origin of people who work in West Melbourne. It illustrates that West Melbourne’s workers come from Western Melbourne as well as across inner Melbourne, particularly the Cities of Maribyrnong, Darebin, Moreland, Port Philip and other inner south eastern suburbs. This reflects the mixed nature of the local economy and the highlights accessible nature of the location.

FIGURE 39: WEST MELBOURNE RESIDENTS, PLACE OF WORK



Source: ABS Census data, 2011

FIGURE 40. WEST MELBOURNE WORKERS, PLACE OF RESIDENCE



Source: ABS Census data, 2011

3.9 Summary and implications

West Melbourne's economy reflects its history as a predominantly industrial area with strong links to the Port of Melbourne and the CBD. The range of changes that have occurred in Melbourne's economy have influenced changes in West Melbourne, in particular:

- A shift away from large scale manufacturing to more niche and smaller scale production
- An increase in service oriented economic activity and in particular finance and professional services.
- The growth in the health and education sectors as a key employment
- Increasing attractiveness of inner city residential areas

A number of economic trends are evident:

- Manufacturing is still viable for servicing inner city activities, but specialised (i.e. Red Cross Blood, bakeries).
- The growing CBD likely to result in additional demand. Although this needs to be considered in the context of Docklands and other relatively more attractive locations.
- Logistics activity will continue but may not be able to afford rents as land becomes more desirable for residential and other uses. What remains will be higher value and locations dependent.
- There is a perception from businesses that there are gaps in terms of retail and population serving activity. This somewhat evident in the data but will need to be discussed further during consultation to understand the nuances and sub-sectors where this is an issue.
- The section of Health care which is not so closely related to population may present some opportunities given proximity of major cluster and growth opportunities
- Education - There are a number of private education providers in the area including the Menzies Institute of Technology which have been expanding and are located across several buildings. There may be opportunities to further develop this sector in West Melbourne.

Transport and land use challenges/shifts

As parking and access for private vehicles becomes more challenging due to congestion, uses in the precinct that draw on the active and public travel infrastructure within the precinct will become increasingly important.

This may include additional education infrastructure – particularly high school and tertiary – which are likely to have a high proportion of users (students) able to use public and active transport.

As the residential population in the inner city continues to grow, there is likely to be growing demand for all forms of education infrastructure and West Melbourne could seek to accommodate some of this.

4.2 Local Businesses

The consultations highlighted the presence of a number of critical welfare, outreach and health services based in the West Melbourne study area, which service the central city and the Western suburbs. These included the Salvation Army Crisis Housing, Red Cross Blood, Wire Women's Services and Open Families Australia. All four of these key providers were invested and committed to their spaces rating their location highly as complementing business operation and were **keen to stay**, voicing no plans in the near to distant future for relocating. The Red Cross Blood for example built its centre and facilities with a 20 year plan in mind. The location was strategically chosen based on the need to operate on a 24 hour basis with proximity to the CBD as well as access to major arterial roads, airport and regional rail links.

There were a number of institutions **looking to expand** their premises should an appropriate site become available. These included educational institutions Simonds College and Haileybury College and the Islamic Council of Australia.

There were also those businesses either **looking to relocate** or settled on a new premises elsewhere. Digital research foundation NICTA has plans to relocate to Docklands as to take advantage of clustering opportunities with other ICT firms. This perhaps indicates a lack of opportunity in the study area for industry clustering and knowledge exchange, which often requires not only a critical mass of firms but high quality urban spaces for meeting and knowledge exchange. The slow departure of a number of automotive and manufacturing businesses from the area over the past five to ten years was noted by a number of participants. Wholesale food producer Morgan's Bakery, located in the area since 1983 are currently seeking new premises in the Heidelberg or Tullamarine area or an alternate slightly outer less residential 'industrial location'. Morgan's Bakery refer to traffic congestion as the biggest issue affecting the business at present, as it increases the travel times for their fleet of 10 drivers.

4.3 Growth in Residential Development

All participants were quick to point out the recent residential growth and development over the past five to ten years as the largest change experienced by the study area. Recognition of the **changing demographics**, with an increase in **young professionals, international students** and a slight increase in the number of **young families** was a predominant response throughout the interviews. **Increasing costs** in terms of **commercial and residential rents** were also highlighted by responses.

Participants linked a number of observations of the study area to the recent residential growth and development, which may be summarized as follows;

- Increasing population of young professionals, international students and young families
- Decline in light commercial and manufacturing businesses and leases
- Mix of residential and commercial land uses
- Traffic congestion and interruptions
- Increasing number of food and coffee shops
- Improved Street life
- Increased education and schools

Recommendations from participants on how future residential growth and development should be managed included the **improved sequencing and co-ordination of developments** and a **linking of developer contributions to local precinct open spaces and amenity**.

4.4 Central location and accessibility

Locating in the study area was seen by participants to deliver a number of benefits. The central location and accessibility of the study area, for both workers and clients, rated highly as the primary reason for locating in West Melbourne. The central location was seen by a number of participants, particularly in health services, to facilitate access to and retain a highly skilled workforce. For many of the health and existing manufacturing institutions large floor plate availability was seen as attractive.

Workers of the businesses operating in the study area were said to commute to and from the workplace via a range of transport options, including active transport, tram, train and car. As a result participants highly valued public transport accessibility, arterial road, airport and rail link accessibility, and appreciated the recent station upgrades and increased Flagstaff access. However, consultation also highlighted a number of perceived 'negative' impacts, including the constrained on-site and on-street parking availability and increased traffic congestion. In many instances, participants linked this to the recent residential development.

Recommendations from participants on how the study area may be improved included improving disability access and the number of disability parking spaces and the further provision of cycling infrastructure, including cycle loops for parking, which were seen to be at capacity.

4.5 Cost and affordability

As mentioned previously, a number of participants highlighted the increased cost of residential and commercial rents. Also prevalent was the displacement of worker groups due to increasing rents. This was particularly prevalent in interviews with the health and welfare sector, or those on middle income wages.

A recommendation resulting from the interviews and supported by a number of participants was for future residential developments to support a mix of accommodation types locally.

5 BASELINE FUTURE OF WEST MELBOURNE

The City of Melbourne has current population and employment projections for the whole municipality and individual suburbs. This balances various growth drivers between locations and provides a baseline future for the whole of the City of Melbourne.

The following sections summarises this baseline future with respect to West Melbourne. The Structure Plan process may seek to challenge or shift these trends through various policy or planning changes.

5.1 Baseline projected dwellings and population

Metropolitan trends and demographic drivers

The *Victoria in Future* population projections suggest an additional 1.8 million people living in Greater Melbourne in 2031 compared with 2011. By 2051, there are projected to be an additional 3.7 million people living in Greater Melbourne compared with 2011.

The factors which have driven demand in the central city are likely to continue. As such, over the coming decades there is likely to be high demand for additional jobs and people to locate within the established core of the Central City. Particularly additional space for higher order commercial activity, as well as residential space to enable people to live close to the central city.

City of Melbourne and West Melbourne

Table 3 presents the baseline dwelling and populations projections for West Melbourne and the City of Melbourne for comparison. This indicates under a baseline scenario West Melbourne will double the number of dwellings within the precinct from 2,600 in 2016 to 5,100 by 2036.

With a sharp decline in the household size also projected in the baseline projects there will only be a 50 per cent increase in population associated with this growth. This would suggest the vast majority of this new stock would be very small apartment stock.

This level of growth will be slightly below that of the City of Melbourne overall and we will see West Melbourne slightly decline as share of the greater city. A steep decline in household size is also projected for the City of Melbourne overall.

TABLE 3 BASELINE POPULATION GROWTH, (2016 TO 2036)

	2016	2021	2026	2031	2036	2016-36	
						#	% pa
West Melbourne							
Dwellings	2,631	4,301	4,953	5,117	5,143	2,512	3.4%
Occupied	2,530	4,135	4,765	4,945	5,014	2,484	3.5%
Occupancy Rate	96%	96%	96%	97%	97%		
People	5,013	5,942	6,209	6,488	7,767	2,754	2.2%
Household Size	2.0	1.4	1.3	1.3	1.5		
City of Melbourne							
Dwellings	75,551	113,084	145,927	162,473	173,325	97,774	4.2%
Occupied	70,863	104,584	132,971	147,709	157,378	86,515	4.1%
Occupancy Rate	94%	92%	91%	91%	91%		
People	137,889	181,528	217,599	237,651	262,972	125,083	3.3%
Household Size	1.9	1.7	1.6	1.6	1.7		
West Melbourne as share of City of Melbourne							
Dwellings	3.5%	3.8%	3.4%	3.1%	3.0%	2.6%	
Occupied	3.6%	4.0%	3.6%	3.3%	3.2%	2.9%	
People	3.6%	3.3%	2.9%	2.7%	3.0%	2.2%	

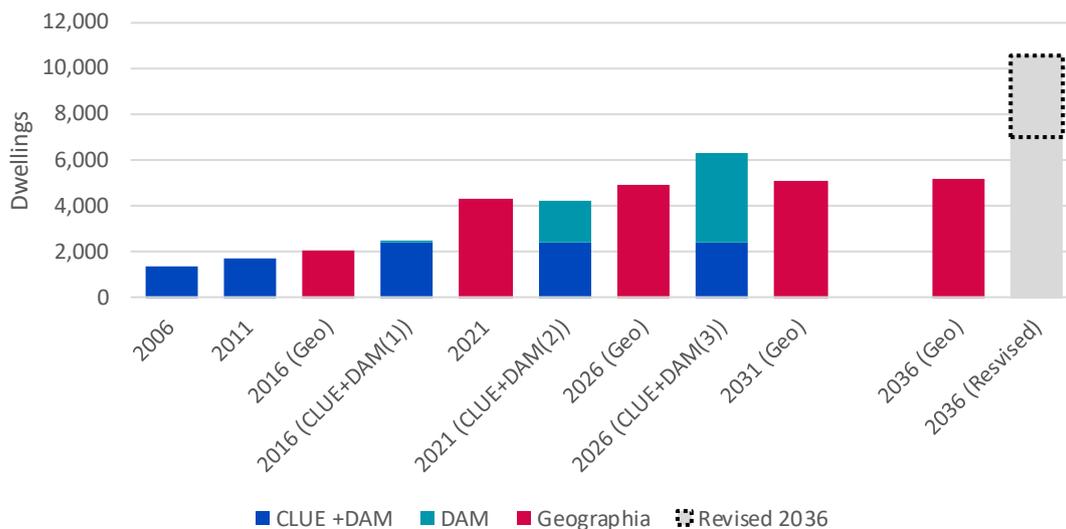
Source: City of Melbourne Population Forecasts (Geografia 2015)

Review of current population projections

It should be noted that this set of projections do not take in to account the significant number of recently approved dwellings and the potential for significantly more residential developments to continue to occur. Figure 42 compares the baseline City of Melbourne dwelling projections for West Melbourne to the latest CLUE and DAM information. From this it is evident that Under Construction, Approved and Applied residential development equal more dwellings than what is estimated at 2036.

A more realistic dwelling estimate for the precinct would be 7,000 to 10,500 dwellings by 2036.

FIGURE 42 BASELINE PROJECTIONS AND RECENT DEVELOPMENT ACTIVITY



Source: City of Melbourne Population Forecasts (Geografia 2015), CLUE and DAM

Note: DAM(1) = 2015 constructed DAM dwellings

DAM(2) = 2015, 2016, Under Constructed and Approved DAM dwellings

DAM(3) = 2015, 2016, Under Constructed, Approved and Applied DAM dwellings

In addition, the baseline projections include a significant decline in household size. This decline in household size is significant and represents not only the new dwelling stock to be predominately one person households but most of the existing stock (even small townhouses) would shift to be one person households.

This is inconsistent with the latest 2016 Victoria in Future population forecasts which projects household size across the City of Melbourne holding at 2.0 people per occupied dwelling. The City of Sydney Household Size, usually seen as a precursor to City of Melbourne, has also plateaued at around 2.0 for the last decade.

Using a household size of 2.0 a more realistic population estimate for the precinct would be 14,000 to 21,000 people by 2036.

5.2 Baseline projected Employment

Metropolitan trends and demographic drivers

The next 20 years is projected to see an additional 1.2 million jobs in Victoria. Of these, one million are projected to be in Metropolitan Melbourne. By 2036, there are projected to be 3.3 million jobs within the metropolitan area.

The structure of the economy will alter over time, with a move towards professional services and health care. Over the past decade, professional services in metropolitan Melbourne has provided the city with a clear competitive advantage, with an increasing share of employment primarily in the professional, scientific and technical services sector. These trends will continue, with professional services increasing total share of employment from 10.9 to 13.5 percent.

These changing macro trends have significant implications for the City of Melbourne, particularly the competitive advantages offered by the growth industries.

City of Melbourne

Over the next 20 years the City of Melbourne is projected to see an increase of approximately 241,000 jobs. 53.2 per cent of these are projected to be in the commercial sector, while 23.8 per cent are projected to be in the institutional (Health and Education) sector (see Table 4).

TABLE 4. EMPLOYMENT BY BROAD INDUSTRY, BASE CASE

Broad Industry	2003	2015	2026	2036	2015-36
Commercial	175,199	237,651	297,755	372,267	135,000
Institutional	45,293	63,495	96,430	121,336	57,641
Retail	34,727	53,299	66,284	82,723	29,393
Entertainment	26,623	33,381	37,031	41,072	9,918
Industrial	44,222	59,725	68,732	78,728	16,622
Total	326,064	447,551	566,233	696,126	248,575

Source: SGS Economics and Planning, 2016

Geographically, Melbourne CBD is expected to not only continue to accommodate the largest number of jobs, but also see the largest increase in employment with over 130,000 additional jobs (see Table 5). Docklands and Southbank are also projected to remain key employment areas in 2036.

While employment growth in West Melbourne (industrial) and Port Melbourne is projected to be relatively modest in comparison to the major employment hubs across the municipality, the ongoing supply of land for redevelopment in these areas as a result of relocated industry ensures that they will continue to grow.

TABLE 5. EMPLOYMENT BY COM SMALL AREA, BASE CASE (2003-2036)

Small Areas	2003	2015	2021	2026	2031	2036	2015-36
Carlton	17,724	16,464	18,154	20,848	24,076	27,604	11,140
Docklands	7,432	53,252	66,309	74,774	80,411	83,930	30,678
East Melbourne	19,051	23,206	25,812	27,035	28,358	29,826	6,620
Kensington	4,765	7,569	8,712	9,753	10,449	10,945	3,376
Melbourne (CBD)	175,916	216,262	248,480	275,421	308,881	348,819	132,557
Melbourne (Remainder)	16,221	25,817	30,403	32,247	33,319	34,510	8,693
North Melbourne	8,820	9,691	11,578	13,431	18,955	24,994	15,303
Parkville	18,995	24,999	29,849	33,900	37,566	41,477	16,478
Port Melbourne	11,580	13,416	13,529	13,983	14,458	15,434	2,018
South Yarra	642	896	1,037	1,162	1,304	1,470	574
Southbank	31,751	41,827	45,255	48,959	53,291	58,280	16,453
West Melbourne (Industrial)	6,055	8,634	5,517	6,850	7,810	8,871	237
West Melbourne (Residential)	7,112	5,518	6,974	7,870	8,843	9,965	4,447
Total	326,064	447,551	511,610	566,233	627,720	696,126	248,575

Source: SGS Economics and Planning, 2016

West Melbourne

West Melbourne is anticipated to see continued employment growth. This is projected to be largely focused in the commercial and institutional (Health and Education) sectors. There is also modest levels of growth in retail and entertainment related sectors projected. Industrial employment is anticipated to continue to decline, and is likely to comprise a limited role in the local economy by 2036.

TABLE 6 EMPLOYMENT PROJECTIONS, WEST MELBOURNE (2003-2036)

Broad Industry	2003	2016	2021	2026	2031	2036	2015-36
Commercial	4,039	2,742	3,291	3,822	4,506	5,280	2,619
Institutional	442	1,071	1,575	2,017	2,391	2,777	1,753
Retail	645	498	511	524	541	559	63
Entertainment	450	374	540	668	793	973	639
Industrial	1,536	1,201	1,058	839	611	376	-627
Total	7,112	5,886	6,974	7,870	8,843	9,965	4,447

Source: SGS Economics and Planning, 2016

5.3 Implications to floorspace and form

The following sections draw on the land and floorspace analysis in Section 3.4/3.5 and combines it with the baseline projections to identify the baseline level of growth means for the West Melbourne precinct.

Table 7 presents a summary of this high level analysis. Dwelling floorspace has assumed to decline at a rate of 3 per cent per annum from current levels based on a shift to smaller scale (apartment) forms.

This assessment suggests there will be a need for 93,000 of additional square metres of employment floorspace and 230,000 of additional square metres of residential floorspace by 2036. Within five years residential floorspace will overtake employment uses as the dominant floorspace type.

Based on the 'net land area' available in the precinct, this represents a shift from an average floorspace ratio (FSR) of 1.5 to 2.2 across the whole precinct. This will vary significantly in places, but indicates that the *average* built form will be over two stories.

TABLE 7 FLOORSPACE REQUIRMENTS FROM BASELINE PROJECTIONS

	2016	2021	2026	2031	2036	2016-36
Jobs	5,886	6,974	7,870	8,843	9,965	4,079
Floorspace (sqm)	307,112	345,676	357,209	376,617	400,129	93,017
Ratio	52	50	45	43	40	
Dwellings	2,631	4,301	4,953	5,117	5,143	2,512
Floorspace(sqm)	302,565	481,712	539,877	542,402	529,729	227,164
Ratio	115	112	109	106	103	
Floorspace(sqm)	609,677	827,388	897,086	919,019	929,858	320,181
Net land (sqm)	420,000					
Floorspace ratio	1.5	2.0	2.1	2.2	2.2	0.8

6 OPPORTUNITIES AND TRADE OFFS

The opportunities and trade offs (or choices) for West Melbourne have been developed based on the emerging trends detailed in previous sections of this report, in particular:

- The strategic location of West Melbourne, in particular its proximity to a number of major metropolitan assets
- The current transport network which includes the major freeway network
- The planned investment in major transport (particularly Melbourne Metro Rail Project) which will transform accessibility in area in and around West Melbourne.
- Demand for additional retail and commercial activity generated by the residential and visitor population
- Opportunities to leverage off the nearby major medical and education precinct
- back office support for the fast growing CBD economy
- residential and tourism development opportunities

In terms of implementing these, a range of tools will be required, including:

- Appropriate zones to reflect intended use. This is a particular challenge for the mixed use zone which has largely accommodated residential development
- Design and other controls via application of relevant overlays
- Development Contribution Plans to support investment in local amenity and services
- Council investment to deliver improved streetscapes

A framework to develop these tools is further discussed in Section 7.

6.1 Opportunities

This section outlines some of the development opportunities for West Melbourne. These should be considered as potential points of emphasis for the precinct, recognising that the land use and economic activity in the precinct is likely to remain a mix of activities. This includes the remaining industrial activity, which, although broadly likely to decline over time, is likely to retain a presence in some form for the foreseeable future.

Tourism

As has been described, West Melbourne is strategically located in close proximity to a number of lifestyle and liveability assets that are of metropolitan scale. These include the Queen Victoria Market, Docklands and Etihad Stadium, CBD shopping, cafes and nightlife precincts as well as the Zoo, Royal Exhibition buildings and Melbourne Museum.

These assets also function as key tourism destinations, attracting both domestic and international visitors. The planned redevelopment of the Queen Victoria Market will further enhance the tourism and hospitality offer accessible from West Melbourne.

There is an opportunity for West Melbourne to leverage off these assets, and to play a role in providing a location for accommodation and local convenience facilities for visitors. There are several hostels and budget hotels in the West Melbourne precinct currently, and there is an opportunity to improve the accommodation offer. To an extent this is underway with a number of major redevelopment projects

including a hotel element. Further tourism infrastructure development, including amenity/ streetscape improvements and wayfinding signage would further support this outcome.

Health and Research

West Melbourne also has an opportunity to leverage its proximity to the major health and education activity located in Parkville. This existing National Employment Cluster (as designated in Plan Melbourne) is recognised as making a 'major contribution to the national economy and Melbourne's position as a global city' and accommodates a major concentration of 'education, research, health, professional and technical industries' (*Plan Melbourne 2014*). Recent development in the cluster include the soon-to-be completed Victorian Comprehensive Cancer Centre and improvements to nearby parkland (Gatehouse St).

This nationally significant cluster is, due to forces of agglomeration and specialisation, likely to continue to expand. Precincts of this scale will continue to attract additional medical specialists as well as further investment in research and innovation. The scale of growth anticipated in the health sector overall, will also drive continued investment in the Parkville precinct as it seeks to deliver a wide range of specialist services.

The presence of the University of Melbourne, and other educational institutions in Parkville will also continue to drive visitation to the precinct.

The delivery of the Parkville Station as part of the Melbourne Metro Rail Project will further contribute to the accessibility and attractiveness of the location for students, businesses and investment.

There is an opportunity for West Melbourne to provide a range of supporting activities for this growing precinct, including

- Student accommodation particularly for the University of Melbourne
- Staff accommodation for both the education and health components. This may include some key worker housing as well as professional medical staff who would find it convenient to locate near emergency facilities at the hospitals. This may include semi-permanent or temporary accommodation.
- Low rent space for student and business collaboration and start up ventures emerging from the education precinct. This could potentially leverage off the remaining industrial buildings in the area.
- Other medical support services such as cleaning and catering businesses that service the medical precinct
- Some overflow medical services, including lower order pathology or dental, imaging and other specialised health services

This would require appropriate built form and planning controls, as well as improvements to accessibility to Parkville from West Melbourne. It will be particularly important to ensure that cycling access remains high quality, and access to the new station is clear.

Administration, support and new businesses

As Victoria's most significant economic concentration, Melbourne's CBD continues to grow, accommodating growth in professional services, finance, property as well as public administration and information media. These sectors are part of the broader knowledge economy, which, as previously outlined, is likely to continue to grow. The spatial preferences of these businesses mean that central and inner Melbourne will continue to be key locations for the sector.

While Melbourne has a relatively good range of urban renewal opportunities (particularly Docklands and, as Melbourne Metro is delivered, Arden) there will also be demand for alternative commercial locations. This includes space for businesses which prefer to be 'close' to the key CBD precinct, but aren't prepared to pay high rents demanded in these areas. Examples of such businesses include finance/ banking processing and other administrative functions. While blue chip and top tier head offices will continue to locate in the CBD and major urban renewal areas, some second and third tier

head office functions may also preference these locations, as indicated by the presence of Netball Victoria on King Street. The relative accessibility of the precinct via the freeway network supports this function. This will be further reinforced by the delivery of Melbourne Metro Rail project, which will effectively mean that West Melbourne is located between these two highly accessible and growing precincts, as well as the CBD, meaning it is well placed to serve this function.

A second element of this is the opportunity for West Melbourne to accommodate new, particularly small businesses. While West Melbourne doesn't currently accommodate a significant 'creative' sector (such as that which exists in Collingwood, Cremorne or Abbotsford) new, small businesses in other sectors could be attracted to the relative affordability that West Melbourne offers.

There is an opportunity for West Melbourne to accommodate additional development of this nature, particularly along the main roads in the precinct. Appropriate built form and planning controls would be required as well as improvements to local amenity and facilities.

Note about the potential impacts of the Western Distributor

As noted earlier (see Section 3.3) there is still uncertainty regarding the specific impacts that the Western Distributor will have for West Melbourne. It is possible that the ultimate format of off ramps in to West Melbourne will impact the choices, opportunities and tradeoffs for the precinct. At this stage, however, it is not known what form they will take.

6.2 Choices for West Melbourne

These opportunities present a range of choices regarding the future of West Melbourne.

These choices broadly cover:

- The residential role of West Melbourne
- The heritage and local character implications
- The provision of population serving services

The implications of each as a result of each of the opportunities are presented below.

FIGURE 43 CHOICES FOR THE FUTURE OF WEST MELBOURNE

	Tourism development	Health and research	Administration and support
Residential role	May result in further residential activity as hotels/ accommodation is provided as part of dual development proposals	Increased residential role to support staff and student accommodation. Demand likely to be in northern parts of the precinct and areas of high amenity for residential and supporting medical service	No direct implications, although administration and support activity likely to be focussed along main roads so supporting areas could transition to residential
Heritage and local character	Demand for hotel and residential activity, particularly in the east of the precinct likely to be in the form of higher rise built form. Development in other parts of the precinct likely to be lower scale; planning controls will need to manage built form outcomes	As with tourism development, residential in the east of the precinct likely to be in the form of higher rise built form. Development in other parts of the precinct likely to be lower scale; planning controls will need to manage built form outcomes. Medical services will generally prefer mid rise buildings or occupying residential buildings	Main Road development of commercial buildings likely to be mid rise.
Population serving services	Will generate demand for additional population serving activities primarily hospitality and convenience retail	Will generate demand for additional population serving activities including hospitality as well as retail (particularly food and groceries)	Will generate some limited demand for additional population serving activities such as hospitality and some convenience retail

As indicated, the various development opportunities present tradeoffs for West Melbourne. It may be the case that a combination of the various outcomes can be delivered; for example administration and support along main roads supported by some residential areas in the other parts of the precinct.

7 NEXT STEPS

This report has provided a detailed baseline of the West Melbourne's economy, and identified a range of possible futures for the precinct. The key next steps in the study are to undertake further community consultation and to then use this information to finalise the Structure Plan.

Planning and Policy considerations will be a key part of the implementation program for the Structure Plan; the following sections provide a high level outline of possible tools that may be utilised as part of implementation. The use of these tools in West Melbourne will be the focus of the next stage of work.

7.1 Planning and Policy considerations

This report provides an economic perspective on West Melbourne's evolution, presenting a range of analyses, highlighting the possible economic pathways available to the precinct and the associated trade-offs that need to be considered. The three core economic opportunities are not necessarily independent and SGS recommends that Council consider a combination of them to support a vibrant and diversified precinct.

Economics is not the only consideration when determining the future of the precinct. The final resolution of a preferred future for West Melbourne will incorporate the broader aspirations of Council, the community and local businesses. It will also need to consider the tools available to Council to influence change and development and achieve the desired outcomes.

At this early stage, this section provides some high level concepts and principals to guide that process.

7.2 Principles to support implementation

The success of the West Melbourne precinct will hinge upon its ability to leverage the areas core strengths to achieve improved outcomes over the short, medium and long term. In order to identify planning and policy changes to further improve the precinct we believe two lens should be considered:

- First, the Three Horizons approach to identify the type and breadth of opportunities.
- A, second framework identifies Local Governments potential roles. This should be driven by Council recognising their internal functions and leveraging existing programs and broader policies.

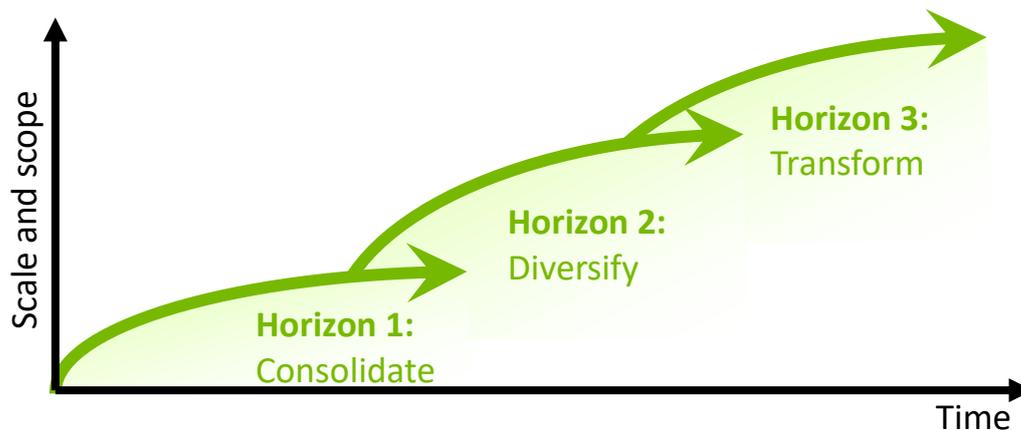
Three horizons approach to planning

While it may be appropriate that Council is ambitious in their policy making, local planning and economic development also requires a practical focus. Tensions between the 'visionary' and the 'pragmatic' can be resolved by applying a Three Horizons framework⁴.

This framework was formulated in the context of commercial business planning, but is highly adaptable to planning endeavours in public policy. It is premised on the assertion that truly robust and sustainable enterprises (here we can read local communities) must simultaneously plan to three horizons.

⁴ devised by Baghai, Coley and White (1999)

FIGURE 44 THREE HORIZONS APPROACH TO STRATEGIC PLANNING



Source: Constructed from ideas set out in Baghai, Coley and White (1999).

The **first horizon** is concerned with protection of existing strengths. That is, making sure we support and strengthen those aspects of West Melbourne which is already successful. This would also include interim controls or other immediate action required to protect longer term objectives.

The **second horizon**, looks for ways to incrementally expand, or diversify, by leveraging existing capabilities. These improvements can be thought of as ‘building on what we know we do well’.

The **third horizon** requires planners to lift their sights to contemplate new opportunities which might be quite distant from current activities. This is where West Melbourne can look to ‘reinvent itself’ or think about its ‘ultimate state’.

Councils must simultaneously maintain a focus on all three horizons for a plan to be successful.

Four roles of government

Within this process it’s important to consider **what tools Council has available to influence land use and economic outcomes.**

There are four basic ‘roles’ that Local Government can adopt to encourage better outcomes. The best outcomes are achieved with a mix of activities that cut across all of these.

Stimulator/Promoter

This is where Council could take specific action to induce housing creation or expansion. This can be undertaken through a branding and marketing role or by direct intervention to protect or support particular market segments.

Facilitator

This can take the form of providing an ‘enabling’ environment for local development by delivering a streamlined development approval process and by providing a clear policy statement focusing the Council’s development objectives.

Co-ordinator

Council takes the role of co-ordinating the provision of infrastructure or services for which it is not directly responsible but which are required for new housing development. This co-ordinating role would generally be undertaken in partnership with other government agencies, private sector representatives and / or community interest groups.

Entrepreneur/Developer

Sometimes Council can become directly involved in development activities, either as a sole operator or in partnership arrangements with the private or public sector. This *could* involve joint ventures with other organisations.

Contact us

CANBERRA

Level 6, 39 London Circuit
Canberra ACT 2601
+61 2 6263 5940
sgsact@sgsep.com.au

HOBART

PO Box 123
Franklin TAS 7113
+61 421 372 940
sgstas@sgsep.com.au

MELBOURNE

Level 14, 222 Exhibition Street
Melbourne VIC 3000
+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY

209/50 Holt Street
Surry Hills NSW 2010
+61 2 8307 0121
sgsnew@sgsep.com.au

