

A woman with long blonde hair and glasses is in a recording studio, adjusting a microphone boom over a mannequin head. The background features a wall with many small black dots, typical of acoustic treatment. A man is visible in the background, working at a computer.

Supporting Enterprise and Creative Industries

Removing Barriers in Inner Melbourne

April 2021

éche|on
planning

Hodyl & Co



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*Cover image: City of Melbourne/ That Startup Show /Photographer
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EXECUTIVE SUMMARY

This project has been commissioned by the Inner Metropolitan Partnership to investigate opportunities to support commercial enterprises and creative industries in the Inner Metropolitan Region.¹

The project tests and further develops the recommendations of recent research commissioned by the Inner Metropolitan Partnership² and Creative Victoria³. It considers longer term opportunities to ensure the availability and affordability of workspace in inner Melbourne for commercial enterprises and creative industries, and it also considers options to support jobs growth, resilience and recovery in the context of the more immediate impacts of COVID-19.

This project tests the potential applicability of the recommendations of these research reports in three different settings across inner Melbourne – Gipps St Collingwood, South Melbourne and Fishermans Bend Employment Precinct.

The project has considered the input from stakeholders from each of the three precincts, and ‘opportunity plans’ have been prepared for each of the three case study locations.

These plans identify opportunities to support the future growth and enhancement of enterprise and creative industries via measures such as:

- Establishment of precinct governance (including trusts and networking bodies)
- Provision of affordable workspace
- Place-making and public realm enhancements
- Targeted support for creative industries
- The urban planning framework
- Financial/fiscal measures

These plans are not de facto strategic plans but rather they are intended to test and broadly illustrate the range of ways that the recommendations from the earlier research might be applied to different types of precinct contexts.

The case study analysis has tested options for the delivery of affordable workspace via planning tools in different types of precincts across inner Melbourne. The case study analysis has identified that these precincts could deliver in the order of the following amounts of affordable workspace over time:

- » 6,130 - 19,600m² in Gipps Street Precinct (205 - 655 workers)
- » 5,740 - 12,780m² in South Melbourne Precinct (190 - 425 workers)
- » 8,680 - 24,940m² in Fishermans Bend (290 - 830 workers)

The potential number of workers that would have access to an affordable workspace is identified above, based on an assumed average floorspace per worker of 30m².

This is a meaningful contribution, supporting significant access to affordable workspaces, and in turn, if realised would ensure the maintained presence of innovative, creative and high growth potential enterprises in successful enterprise precincts.

A ‘Practitioners Guide’ has also been prepared to assist practitioners in creating and facilitating access to affordable space for commercial and creative activities (refer Appendix 1).

Findings and Recommendations

The following is an overview of the findings and recommendations arising from this analysis.

COLLABORATION AND PARTNERSHIPS

The report identifies a range of opportunities to support new commercial enterprises and creative industries in each of these locations during the Covid-19 recovery phase and over the longer term (Chapter 5 – Precinct Opportunity Plans). These opportunities build on the ideas contained within earlier research, as well as the ideas put forward by local stakeholders in each precinct.

¹ The Inner Metropolitan Partnership is an advisory group established by the Victorian Government. The Partnership is a way for local communities to engage directly with state and local governments and advise the Victorian Government of the top priorities across the region (Department of Jobs, Precincts, and Regions, 2021).

² ‘Providing Affordable Workspace for Enterprise’ Research Paper, Echelon Planning (April 2020).

³ ‘Creative Neighbourhoods: Enhancing the Viability of Victoria’s Creative Communities’, Hodyl and Co (May 2020).

Recommendation 1 – State & local government should collaborate to finalise, adopt and implement the precinct opportunity plans.

More broadly, many opportunities exist for State and local government to collaborate together to identify and manage enterprise precincts so as to ensure that they remain accessible and affordable for startups and creative industries.

This could be achieved via the establishment of a program similar to the UK Enterprise Precincts Program (refer Practitioners Guide for further description).

Recommendation 2 – State government to establish a ‘Enterprise Precinct’ program modelled on the UK Enterprise Zone initiative

The initiatives within this program should build on the ideas and opportunities set out in the Practitioners Guide.

Recommendation 3 – State and local government to identify vacant or underutilised publicly owned buildings suitable for affordable workspace hubs in enterprise precincts.

IDENTIFICATION OF ENTERPRISE PRECINCTS

The preservation and creation of affordable workspaces for start-ups and creative industries is a particularly important issue in older industrial areas in inner Melbourne and other areas that are undergoing redevelopment pressure. Many such areas have the right characteristics to be planned and managed as enterprise precincts, and should be identified as such under local planning schemes.

Recommendation 4 – State government should adopt a Statewide definition of enterprise precincts and work with local government to identify precinct locations in local planning schemes.

PLANNING MECHANISMS

The report also tests potential urban planning mechanisms to support the retention and creation of affordable workspaces for start-ups and creative industries. For these to be implementable, it is important that such mechanisms are underpinned by sufficiently clear and robust definitions, state planning policies and guidelines on the preservation and creation of affordable workspaces for start-ups and creative industries.

Recommendation 5 – State government should include state policies into municipal planning schemes which support the protection and creation of affordable workspaces in inner Melbourne and other strategic locations.

Chapter 7 of the report explores two planning mechanisms (an ‘inclusionary’ requirement and a ‘value capture’ tool) in each of the 3 case study locations. It explores how each tool might be used (individually or together) to create affordable workspace on a series of test sites, and what the aggregate potential of such tools might be to deliver affordable workspace across each of the 3 locations.

A number of potential urban planning policy responses to preserving and creating affordable space for new enterprise and creative industries have also been tested in each of the case study locations.

The ideas and opportunities identified in this report will need to be further tested and developed by the relevant Councils and their government and industry partners.

The case study analysis confirms that the characteristics of each of the three locations lends itself to different combinations of ‘inclusionary’ and ‘value capture’ arrangements, as follows:

	Gipps St, Collingwood	South Melbourne	Fishermans Bend
Base entitlement			
Inclusionary requirement (base affordable work-space requirement)			
Value uplift			
Value capture (Additional affordable workplace contribution)			

(Green = recommended; orange = potentially consider; red = not recommended).

TERMS & DEFINITIONS

The following ‘working draft’ terms have been prepared to assist with the development of state-wide and local affordable workspace policy frameworks:

- **Affordable workspace:** Commercial floorspace that is provided on a below-market basis (20% below market of greater) on a long term basis (20 years minimum), for targeted sectors who have a demonstrated need for affordable workspace. The workspace must satisfy the minimum location, design and management specifications set out in the relevant policy prepared by local councils.
- **Base Entitlement:** The default development capacity permitted under the planning controls. It is critical that the relevant planning controls establish a definitive (ie non-discretionary) base entitlement which cannot be exceed other than via the value capture policy – the evaluation of similar schemes in the United States has confirmed that if this is not the case, then development proponents will seek to secure the value capture via the applicant of discretion under the relevant planning scheme rather than by agreeing to the parameters of the value capture policy

- **Inclusionary requirement (base affordable work space requirement) :** The amount of affordable workspace that must be provided (either on site or via cash in lieu payment) as a requirement of the granting of any planning permit
- **Value uplift:** The additional development capacity permitted on the basis of delivering nominated affordable workspace ‘public benefit’.
- **Value capture (additional affordable workplace contribution):** The amount of additional workspace that is provided as a ‘public benefit’, quantified to be at least equal to the uplift in residual land value associated with the additional development capacity above the base entitlement amount.

Recommendation 6 – State & local government should collaborate to prepare/update structure plans for each of the above 3 precincts, and implement new affordable workspace policies and planning provisions into the local planning schemes.

Recommendation 7 – The following general principles are suggested to guide when and how ‘inclusionary’ and ‘value capture’ affordable workspace policies should be considered:

Inclusionary affordable workspace policies should be considered in areas where access to affordable workspace is a pressing issue for start-ups and creative industries. The introduction of any such polices should coincide with the review of land-use & built form provisions, and where the review is expected to deliver an uplift in development rights from the present-day situation.

Affordable workspace value capture provisions could be introduced (via floor area uplift or other mechanisms) across a wider range of situations where there is scope for consideration of density and built form above what the current controls allow for.

GOVERNANCE, POLICIES AND GUIDELINES

Affordable workspace policies have been applied in different locations in North America and the United Kingdom (refer Chapter 2 and case studies for details). Recent evaluations of these policies contain a number of learnings that should be taken into account in considering the application of such policies in Inner Melbourne. The following observations are made from the precinct analysis and evaluations of international precedents:

(a) A combination of inclusionary affordable workspace requirements and value-capture mechanisms are likely to deliver the most optimal outcomes in inner Melbourne's enterprise precincts.

(b) Affordable workspace policies of this type are likely to work best where the market demand for floorspace in a given location is higher than the development capacity permitted under the planning scheme (ie the 'base entitlement'). Such policies will only be effective if there are no other mechanism by which the additional density can be achieved.

(c) Affordable workspace policies should be applied across as wider (relevant) area as possible so as to avoid creating disincentives for investment in locations where such policies apply.

(d) Affordable workspace policies should provide flexibility for any requirements to be satisfied via the direct provision of freehold (titled) commercial space, long term leasehold space or 'cash in lieu' payments for the provision of space in alternative locations within the precinct. Such policies should ensure that there is a equivalence in the present day value of each of these delivery mechanism, irrespective of which mechanism is selected.

(e) Inclusionary affordable workspace policies should be designed so as to not disadvantage the redevelopment of smaller sites. This is likely to be best achieved by setting a percentage of floor area (rather than a fixed quantum of space), and allowing such obligations to be satisfied via 'cash in lieu' payments.

(f) Value-capture mechanisms should be calibrated to create a positive residual value (including an incentive premium to developers) to maximise the likely take-up of the scheme.

(g) Affordable workspace policies should contain clear definitions of a. what constitutes an affordable workspace (tenure, size, design features, location, etc.) and b. the length of time over which the space is to remain available as affordable workspace. These must clearly established at the time of granting planning approvals, be legally enforceable and readily monitored.

(h) A governance framework should be established to enable any affordable workspace obligations under the planning scheme to be easily satisfied by the holder of the planning permit. This could take the form of a Trust or similar entity that is established to manage such spaces for the purpose of providing affordable workspace for startups and creative industries. The Trust should be governed and operated by individuals with experience in managing affordable workspaces.

As well as receiving freehold title and/or commercial leases under the affordable workspace policy, the Trust could also receive 'cash in lieu' payments under the relevant affordable workspace policy. Its operations, assets and maintenance would be funded from cash in lieu payments, together with the rents collected from tenants of spaces under its management, and grants received from government and others.

Recommendation 8 – State government should prepare a wider government policy framework to support the creation and ongoing management of 'affordable workspace', similar to the Department of Health and Human Services affordable housing framework.

Recommendation 9 – State government should adopt a definition of affordable workspace.

Recommendation 10 – State and local government to collaborate to establish an Affordable Workspace Trust – possibly managed by an entity such as, but not limited to Contemporary Arts Precincts Ltd (managers of Collingwood Yards).

Recommendation 11 – State government to finalise the Planning Practice note to provide guidance to Councils on the use of planning schemes to facilitate the retention and creation of affordable workspaces in areas of identified need.

ZONE MODIFICATIONS

There are a number of planning tools that can be used to give effect to affordable workspace policies. These include local planning policies, zones and overlays. The following should be noted in relation to each tool:

- Local planning policies - These are a discretionary tool and therefore do not guarantee that the intended policy will always be realised.
- Zoning - There are few zones that allow flexibility for introduction of bespoke controls – Activity Centre Zone (eg Chapel St), Capital City Zone (Central City, Fishermans Bend, Arts Precinct), Special Use Zone (West Melbourne).
- Overlays - The use of overlays under the Victorian Planning System is largely intended to only regulate built form and not land use.

A degree of discretion already exists to introduce and apply local policies in relation to certain land uses under the Commercial 1 and Industrial 1 zones. For example, a floorspace limit can be set in the Commercial 1 zone schedule, and an affordable workspace policy could be introduced which applies to office proposals.

However, less discretion exists under the Commercial 2 and Commercial 3 zones, and it may be necessary to amend these zones to provide flexibility for including a schedule relating to provision of affordable workspace, given that the purpose of each of these zones is to promote commercial and enterprise activities.

Recommendation 12 – The State government should amend the Commercial 2 and 3 zones and schedules to create discretion (via planning permits) for the application of affordable workspace policies in areas of identified need (alternatively, other zones such as the special Use Zone or Activity Centre Zone could be adapted for such purposes).

NEXT STEPS

The following table sets out a proposed sequencing of the recommendations contained within this report. The sequence proposes that the following groups of actions are undertaken first:

- The relevant policy frameworks, definitions and guidelines be established by the State Government
- The State government and Councils collaborate on the implementation of precinct opportunity plans, and the establishment of an Inner Melbourne Affordable Workspace Trust.

Once the above actions are in place, then the remaining recommended actions can be pursued by State and local government over the short term.

PHASE	STATE GOVERNMENT	STATE/LOCAL GOVERNMENT COLLABORATION
Phase 1 (now)	R4 R5 R8 R9 R11	R1 R10
Phase 2 (short term)	R2 R12	R3 R6 R7

1.0 INTRODUCTION

This project has been commissioned by the Inner Metropolitan Partnership to investigate opportunities to support commercial enterprises and creative industries in the Inner Metropolitan Region.¹

The project tests and further develops the recommendations of recent research commissioned by the Inner Metropolitan Partnership² and Creative Victoria³. It considers longer term opportunities to ensure the availability and affordability of work-space in inner Melbourne for commercial enterprises and creative industries, and it also considers options to support jobs growth, resilience and recovery in the context of the more immediate impacts of COVID-19.

The previous research reports identified the need to take a comprehensive approach to supporting commercial enterprise and creative industries in the inner Metropolitan region. Both research reports made a series of recommendations for changes to planning policy and regulations, as well as for establishing new governance, tax, and place-based measures to preserve, create and facilitate access to affordable space for commercial and creative activities.

These reports provide much greater detail on the need and importance of affordable workspace to support thriving innovation ecosystems, and readers interested in greater analysis of this issue are encouraged to read these background reports alongside this report's more detailed deep dive into the recommendations (select abstracts can be found in Chapter 2).

This project tests the potential applicability of the recommendations of these research reports in three different settings across inner Melbourne – Gipps St Collingwood, South Melbourne and Fishermans Bend Employment Precinct.

The project has considered the input from stakeholders from each of the three precincts, and 'opportunity plans' have been prepared for each of the three case study locations.

These plans identify opportunities to support the future growth and enhancement of enterprise and creative industries via measures such as:

- Establishment of precinct governance (including trusts and networking bodies)
- Provision of affordable workspace
- Place-making and public realm enhancements
- Targeted support for creative industries
- The urban planning framework
- Financial/fiscal measures

A number of potential urban planning policy responses to preserving and creating affordable space for new enterprise and creative industries have also been tested in each of the case study locations.

These case studies have been prepared to explore ways in which different types of precincts across inner Melbourne might be planned and managed to support the growth of start-up enterprises and creative industries. They are not de-facto strategic plans but rather they are intended to test and broadly illustrate the range of ways that the recommendations from the earlier research might be applied to different types of precinct contexts.

The ideas and opportunities identified in this report will need to be further tested and developed by the relevant Councils and their government and industry partners.

A short 'how-to' guide for supporting start-ups and creative industries through the planning and management of precincts has been developed as part of this project to support practitioners working in this field of urban planning and economic development (refer Appendix 1).

¹ The Inner Metropolitan Partnership is an advisory group established by the Victorian Government. The Partnership is a way for local communities to engage directly with state and local governments and advise the Victorian Government of the top priorities across the region (Department of Jobs, Precincts, and Regions, 2021).

² 'Providing Affordable Workspace for Enterprise' Research Paper, Echelon Planning (April 2020).

³ 'Creative Neighbourhoods: Enhancing the Viability of Victoria's Creative Communities', Hodyl and Co (May 2020).

2.0 BACKGROUND

2.1 Policy Context

This report responds to, and is set in the context of a well-established Victorian Government policy position with regards to supporting enterprise and creative industries as a foundation of strong economic development.

The Victorian Government's metropolitan strategy **Plan Melbourne 2017-2050** (DELWP 2017) seeks to ensure that Melbourne has an adequate supply of commercial and industrial land, and it supports the growth of and development of creative industries. Plan Melbourne also support the creation of mechanisms to capture value and share uplift from changes to planning controls that allow for higher value uses (Policy 2.3.4).

The Plan Melbourne Implementation Plan sets the following actions to address these policy outcomes:

- Ensure that sufficient land is zoned for employment purposes and that sensitive land uses such as housing are not permitted to be established in them.
- Promote the renewal of older industrial areas that are no longer well suited to industrial activities for alternative employment activities such as offices, creative industries and other employment-generating activities.
- Identify opportunities for emerging creative industries to access affordable spaces to pursue cultural production and expression.

The '**Unlocking Enterprise in a Changing Economy**' policy statement identifies 'enterprise areas' as playing a critical role in supporting the broader economic ecosystem by providing fertile ground for business formation and ideas development.

This policy defines 'enterprise' as 'encompassing small business but also starting and managing companies, thinking of new things and doing them'. Enterprise areas are employment locations that have the right range of characteristics that enable enterprise to flourish, and the policy defines nine specific characteristics that define such places.

The **Melbourne Industrial and Commercial Land Use Plan (MICALUP)** (DELWP, 2020) defines how much land is needed in Melbourne to support employment growth, and actions to ensure that this is achieved. Action 7 of MICALUP identifies that:

"The State Government will investigate options available to preserve and create affordable workspace in inner Melbourne and other strategic locations"¹.

The Victorian government creative industries strategy **Creative State 2016-2020** (Creative Victoria, 2016) seeks to strengthen the creative industries ecosystem, and it contains an action to activate co-working spaces and hubs across the state, which:

"leverage partnerships with councils, property owners, philanthropic supporters and other stakeholders to identify and unlock creative spaces in metropolitan and regional areas."²



Figure 1. Prior State Government strategies making up the policy context for this report.

1 'Melbourne Industrial and Commercial Land Use Plan' (2020), p.viii.

2 'Creative State: Victoria's First Creative Industries Strategy 2016-2020' (2016), p. 20.

2.2 Previous Research Projects

The Inner Metropolitan Partnership commissioned a research report on providing affordable workspace for enterprise in 2020 (Echelon, 2020).

The purpose of this research was to develop a deeper understanding about the affordability challenges facing start-ups and other types of commercial enterprises (including creative industries), and to formulate recommendations on what could be done to retain and create affordable workspace in Melbourne.

The report addressed the following:

- Defining what is meant by the term affordable commercial workspace.
- Researching why affordability of commercial floorspace matters to enterprises and to the city.
- Identifying the key commercial floorspace affordability challenges facing Melbourne.
- Identifying planning and other mechanisms for retaining and creating affordable workspace.

“To accommodate this emerging economy and changing ways of working we need locations where co-working spaces, start-ups, makers, micro-manufacturers and other enterprises can flourish. We need vibrant locations that reduce the barriers in taking a good idea and turning it into a new product or process, fit for markets around the corner or around the world.”¹

¹ ‘Unlocking Enterprise in a Changing Economy’ (2018), p. 14.



Figure 2. ‘Providing Affordable Workspace for Enterprise (Echelon Planning, 2020)

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Creative Neighbourhoods:
Enhancing the viability of Victoria's
creative communities
Prepared for Creative Victoria
May 2020



Figure 3. ‘Creative Neighbourhoods: Enhancing the viability of Victoria's creative communities (Hodyl & Co, 2020)

2.3 Setting the Scene

Creative Victoria separately commissioned a research report to establish the evidence base and knowledge required to pro-actively support, protect and enhance the viability of creative neighbourhoods across Victoria (Hodyl and Co, 2020). This project had the following objectives:

- To identify key cultural and creative neighbourhoods across Victoria.
- To report on the state of affordability for creative practitioners and for creative industry spaces within identified creative neighbourhoods.
- To recognise and consider the differences between creative practitioners working in different creative industry sectors and how this influences affordability.
- To identify a range of tools and mechanisms to enhance, protect and grow creative neighbourhoods.

Both reports made similar recommendations for intervention, albeit that the Hodyl and Co report had a specific focus on creative industries, whereas the Echelon report had a more general focus on start-ups and commercial enterprises.

The recommendations contained within both reports generally fell under the following broad categories:

- Providing direct support for creative industries
- Precinct governance and building networks
- Provision of affordable space & facilitating access to it
- Place-making and improving the public realm
- The urban planning framework – reforming policy and regulations
- Financial/fiscal measures

A summary of the recommendations from each report is contained in Appendix 1 of this report.

The purpose of this project is to test the applicability and implementability of these recommendations to a cross-section of employment (enterprise) precinct case studies in inner Melbourne, and develop further recommendations for future action.

Each employment precinct across the inner Melbourne region has its own particular characteristics reflecting how it has evolved within its local physical, social and economic context over 100 years or more.

The characteristics that make particular employment precincts within inner Melbourne attractive for start-up enterprises or creative industries vary widely, depending on the nature of the particular enterprise. However, the availability and affordability of both workspaces and places to live nearby are common and persistent issues.

The earlier research into the provision of affordable workspace described the challenges in the following way:

“Every successful city needs places for new and emerging enterprises to start up, experiment, collaborate and grow. Such places reduce the barriers to taking a good idea and turning it into a new product or process.

Enterprise precincts are places where a wide variety of enterprise activities can take place alongside one another – where businesses of all shapes and sizes benefit from the access to a breadth and depth of agglomerated human talent within such places.

They are places where creative industries, start-ups, small-scale manufacturers and larger businesses can form socio-economic ecosystems that support innovation and growth.

Enterprise precincts play a particular role in catering to the highly innovative and nimble smaller actors within the economy that are becoming increasingly relevant to the process of economic development, but when compared to more traditional larger companies, face different challenges to establishment and growth.

The best performing precincts have a number of characteristics in common, including high amenity, quality infrastructure, excellent accessibility, and access to a large pool of skilled workers....

*Having a diversity of affordable premises for enterprises to establish and flourish ... is essential to the future success of Victoria’s economy.
In Victoria, strong population and economic growth has created heated*

competition for land and rapid increases in land values. Land zoned for employment purposes has been under sustained pressure to be rezoned for housing, and emerging shortages in the supply of well-located employment land has seen the cost of commercial floorspace rise significantly.

The rising cost of commercial floorspace is emerging as a critical barrier to entry for new enterprises in some locations in inner Melbourne. This presents many risks to the economic sustainability and growth of such places.”³

In Australia, research by the Office of the Chief Economist has shown that young SMEs contribute disproportionately to job creation. SMEs aged 0–5 years made the highest contribution to net job creation in Australia (40 per cent) and start-up activity (SMEs aged 0–2 years) is responsible for most of this growth.

For new enterprises, the first few years of their existence is also the stage where they are most vulnerable due to typically highly constrained access to both capital and revenue. At this stage such businesses are either making no or minimal profit, and whatever capital they have needs to be allocated to other aspects of their business, such as research, product development, equipment purchase, etc (refer Figure 3).

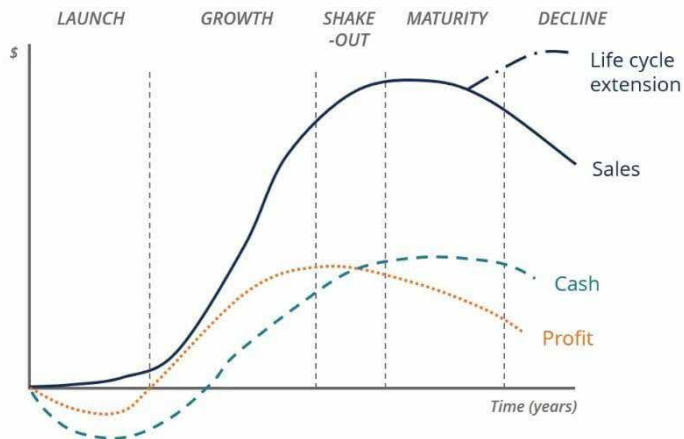


Figure 4. A typical business life-cycle, including sales, cash and profit flows (Source: Hendrickson A L, Bucifala S, Balaguera A and Hansellb D, Department of Industry & Science, ABS 2015 “The employment dynamics of Australian entrepreneurship.”).

³ Echelon (2020), page 4.

The availability of affordable and flexible workspace to support the formation and growth of new enterprise is therefore critical to their success. Start-up enterprises need to be able to operate on the lowest possible cost base in their first few years of formation, and they need the flexibility to quickly expand as commercial opportunities arise.

In the case of the creative industries, many enterprises and workers operate on a lean basis for often indefinite period of time.

Covid-19 has resulted in a significant increase in the amount of work that is done outside of formal workspaces settings such as offices. Many are suggesting that these changes are likely to be sustained and that there will be a significant reduction in demand for office space (particularly in CBDs), and that this will result in higher commercial vacancies and lower rents. Other analysts are forecasting a significant increase in demand for commercial floorspace in non-CBD locations, including the inner suburbs, middle suburbs and regional locations.

As Melbourne recovers from the short term ‘lockdown’ effects of the pandemic, shared office operators are already reporting strong demand for their services as larger organisations seek out the flexibility that these facilities offer in meeting their workspace needs.

The pre-pandemic research on the affordability of workspace (Echelon, 2020 and Hodyl and Co, 2020) identified that commercial floorspace in inner Melbourne was highly unaffordable for many start-ups and creative industry workers, and the unavailability of affordable workspace was having an adverse effect on the ability of inner city employment precincts to function as places for start-up and creative industry formation.

The success of Melbourne’s economy has for many years created a ‘hot’ real estate market, with rapid escalation in commercial rents over the past decade in particular. In addition to this, there are broader economic impacts for employment precincts (and the city more generally) not having a vibrant mix of form types and sizes, including impacts on ideas generation, business creation and jobs growth.

Creative Enterprise Zones - City of London

These zones aim to 'deliver good, socially inclusive growth with permanent, affordable production and workspace for artists and entrepreneurs, new jobs, skills and training for the local community.' Boroughs were invited to bid for one of ten £50,000 grants to establish Creative Enterprise Zone plans. The focus was on:

- Permanent, affordable, creative workspace and live-work space.
- Programs which build entrepreneurial skills and offer business support to artists, start-ups, sole traders, micro-sized and small businesses.
- Local plans that embed pro-cultural policies in housing, business development, technology and infrastructure, and supportive business rate

policies.

- Creative production in communities, creating socially-inclusive places and strong links with education providers.

The first six areas of London to be designated 'Creative Enterprise Zones' will share in a fund to improve creative workspace and employment offerings in respective boroughs. Each has its on specific focus, e.g. music, film, fashion or furniture making.



Studio buildings in Hackney Wick.¹
1 O'Sullivan, 2016

Floor area bonuses - Portland

A number of American cities utilise density bonus schemes to deliver public benefits, including Portland, Chicago, Austin, Denver and Seattle. A review of these schemes (undertaken on behalf of the City of Portland in 2015) made the following findings in relation to these schemes:

- Density bonus schemes tended to be used in high growth, generally high-cost cities. Such schemes were utilised more frequently when market demand for development is strong.
- Density bonus schemes were most effective when:
 - » the market demand for density exceeded the base entitlement under the relevant planning instrument.
 - » the residual value of the bonus floor area is positive.
 - » the community benefit carried a degree of economic value to the development.

- Density bonus schemes were less effective where the schemes were complex, or where a wide array of public benefits were sought.
- The use of cash contributions schemes instead of on-site provision was a common and widely adopted feature of such schemes.¹

They recommended:

- A. Focusing attention on incentivising a small number of priority public benefits.
- B. The density bonus scheme should be made available across a wider area so that it is more uniform and predictable to the development community.
- C. The scheme should be calibrated to create a positive residual value (including an incentive premium to developers) to maximise the likely take-up of the scheme.
- D. There should be no other mechanisms by which development can obtain density bonuses.

¹ 'City of Portland Central City Density Bonus and Entitlement Transfer Mechanism Update' (EPS) June 2015.

Affordable Workspace Policies – the UK experience

A number of local Boroughs have adopted affordable workspace policies in the United Kingdom over the past few decades. The effectiveness of these policies has been evaluated in two research papers by Jessica Ferm in 2014 and 2016.¹

The first paper (Ferm, 2014) evaluated the effectiveness of affordable workspace policies from the perspective of developers and workspace providers in London. This research found that the perspective of the developer to the policy was a key determinant in the success of these policies – where the developer did not embrace the policy, they either used it as a tool to obtain planning permission (but ultimately found ways to not deliver the workspace in the final scheme) or they or they simply saw it as a burden and resisted any requirement being imposed on their planning permission.

In contrast, where schemes were successful, developers either saw affordable workspace as a genuine opportunity or they saw the opportunity in terms of obtaining planning permissions, but over time they came to see the wider benefits of affordable workspace in their development.

Some of the difficulties with the application of affordable workspace policies in the UK included the following:

- Development financiers were unwilling to allow developers to accept planning permit conditions which locked in affordable workspace requirements

- Councils did not have sufficient resources to work with developers, workspace providers and local businesses to facilitate affordable workspace outcomes.
- Developers have genuinely struggled to find suitable workspace providers to manage spaces
- Affordable workspace policies can have an indirect displacement effect whereby the granting of permission to convert (say) an industrial site into a mixed use development with affordable workspace results in a higher commercial value for the site, and in turn raises ‘hope values’ in adjoining areas. This in turn can discourage investment in industrial/warehouse buildings and trigger indirect displacement in these areas.

The research also found that establishing effective partnerships between developers and workspace providers was critical to success, but that this has proved challenging in the majority of cases. This was due in part due to a lack of workspace providers who were interested or able to partner with developers. Often the workspace providers sought long term leases to be able to justify the expense of space fitout, and developers (and their financiers) were unable or unwilling to lock in long-term leases based on affordable rents.

¹ Jessica Ferm (2016) Preventing the displacement of small business through commercial gentrification: are affordable workspace policies the solution?, Planning Practice & Research, 31:4, Jessica Ferm (2014) Delivering affordable workspace: Perspectives of developers and workspace providers in London. Progress in Planning 93 (2014).

2.4 Defining Affordable Workspace

Whilst Covid19 might very well result in some short term improvements in the affordability of spaces for start-ups and creative industries, this outcome is far from certain. The Australian property market has proven itself to be remarkably immune to the effects of external shocks such as the global pandemic.

In reality it is too early to know what the medium and long term impacts of the pandemic will be on the demand for commercial floorspace in inner Melbourne.

However, given the context of Melbourne's recent history of escalating commercial rents, and there being no certainty that these affordability issues will disappear as a result of pandemic-related market adjustments, it is both timely and important to continue to explore ways that the City's inner-urban enterprise precincts can be made accessible and affordable for start-ups and creative industries into the future.

The planning systems in parts of North America and the United Kingdom have been used as instruments for preserving and/or creating affordable workspaces for a number of years now. Many of the key lessons from these experiences are summarised in the following pages.

The following is a working definition of what constitutes an 'affordable workspace':

"An affordable workspace is one where the cost of accessing workspace is not too high for the enterprise to sustain in the context of its other operating costs, revenues and need to generate a fair return on the enterprise's investment of time, skills and capital."

Defining the level at which a commercial rent will become too high to sustain is not a straightforward task however, as the financial circumstances vary so widely across different types enterprises, and across time as enterprises evolve from being start-ups to established entities.

In the housing sector, there are some well accepted metrics of affordability. For example AHURI define housing as being 'affordable' when a low income household (defined below as one in the bottom 40% of the needs adjusted or equivalised disposable income distribution) pays no more than 30% of its gross household income on housing costs.⁴

There are no comparable benchmarks that can be applied to creative industries, start-ups and small businesses.

However a number of observations can be made about how an enterprise determines whether a workspace is affordable or not.

The first decision for any enterprise is to determine if it needs to rent space in order to operate. Many enterprises do not – they can operate from home, or on a mobile and virtual basis. For other enterprises however, it may be necessary to rent space in order to produce goods and services, meet suppliers, develop the products and services, supply customers, etc.

For enterprises that need to rent space, their capacity to sustain a particular rental cost is influenced by factors such as:

- The funds required to pay other operating costs (wages, research & development, equipment, supplies, marketing, etc.)
- Whether it has access to equity, capital, grants, credit, loans, etc.

⁴ AHURI, 2016 (Housing Policy and Research Issue 68 February 2006).

- Whether it has established client/customer revenues and cash flow
- The maturity of the business (is it in start-up phase, or is relatively well established)
- The likely ongoing profitability of the business, after taking account of revenues and costs

For a start-up enterprise or small-scale manufacturer, the money spent on rent will be foregone income to its directors, money that can't be spent on material or the development of their product/service. Similarly, for a social enterprise the money spent on rent is money that cannot be spent on the enterprise's mission. Such organisations need to be investing as much of their time, money and efforts in developing their product and ideas if the city is to reap the benefits of high growth that comes with successful startups.

Many workers in creative industries are highly vulnerable to rent costs. Many (but not all) are self employed and earn very modest incomes from their endeavour. Incomes can be so low for many that the ability to rent any space at all is beyond their means, and so they operate from home, temporarily rent space, or share spaces with others in warehouses and other spaces in affordable locations. These types of creative industries make a valuable contribution to the broader economy that is greater in value than the revenues that individuals receive for their work.

For these reasons there is no universal 'rule of thumb' measure of what is an affordable level of rent for start-ups and creative industry workers.

Whilst the term affordability cannot be universally quantified, there is evidence that for artists, creative industries, start-ups, small scale manufacturers and certain types of other small businesses, the cost of accessing commercial workspace in many of Melbourne's inner-city enterprise precincts is too high for them to sustain (Echelon, 2020 & Hodyl and Co 2020).

All of these types of enterprises – other than established small businesses (arguably) - are highly sensitive to rent costs.

Most of them cannot afford the rents required in the locations where they would prefer to operate from, and they therefore elect not to rent space, or they locate in places that are not optimal for their growth (thereby foregoing exposure to customers, peers, suppliers, etc.). Over the longer term, the displacement of small enterprises such as startups and creative industries can have a negative impact on the overall economic health, productivity and capability of employment precincts and the potentially to wider city as well.

If an affordable workspace definition is to be adopted in planning policy, then it will need to be one that can accommodate a sufficiently wide range of enterprises that would otherwise be 'priced out' of a location, and it will need to be easy to measure and monitor.

The simplest measure of the cost and affordability of commercial floorspace is the rent per square metre.⁵

A number of affordable workspace policies from the UK and the United States adopt a given percentage below the prevailing market rent for a given geography for the purposes of setting an 'affordable workspace' measure.

Whilst there are a number of shortcomings with this approach, it has the benefit of being simple and readily measurable. Determining what percentage below a prevailing market rent might be considered in any planning policy requires consideration of other factors such as how much floor space is likely to be required under the policy, the impact of this on development viability and whether such impacts can be sufficiently offset via value capture or other incentives. Further place-based analysis of these variables needs to be undertaken before a specific 'percentage below market' could be set under any given local planning policy.

The typical characteristics of affordable workspaces for startups and creative industries are described in Chapter 6 of this report. Chapter 7 of this report explores different potential planning mechanisms for delivering affordable workspaces in each of the 3 case study locations. It identifies how much space might be created across each precinct over time, based on different site based outcomes.

⁵ Based on net lettable area, and ideally inclusive of outgoings.

3.0 PROJECT METHODOLOGY

The following is an overview of the method used in the preparation of this report.

Setting a definition of affordable workspaces (Chapter 2.4):

Selection of case study locations (Chapter 4.1):

The recommendations from the earlier research into enterprise precincts and creative industries are to be tested in three 'case study' precincts within the inner metropolitan region.

Case study locations have been selected to represent a reasonable cross section of inner metropolitan employment precincts so that the ability to address the needs of a wide range of enterprises or creative industries can be explored.

Collection of base-line precinct data (Chapter 4.2):

The following base-line data has been collected for each case-study precinct:

- Land use mix (including existing mix of creative industries & availability of co-workspaces)
- Land use zoning
- Heritage and built form controls
- General property market indicators:
 - » Availability of spaces
 - » Typical renting and sales prices

Engagement with stakeholders (Chapter 4.2):

A series of three online 'roundtable' stakeholder forums were conducted in order to determine local views on the following topics:

- What are the key affordability challenges facing commercial enterprises and creative industries in inner Melbourne?
- What emerging impacts is COVID19 having on precincts across inner Melbourne?

- What short, medium and long-term opportunities exist to help precincts across inner Melbourne evolve into strongholds for commercial enterprises and creative industries?

Stakeholder roundtables had diverse representation, including entrepreneurs and creative industries practitioners, coworking space providers, landowners and developers, training and education providers, peak bodies, and state and local government.

Development of Precinct 'Opportunity Plans' (Chapter 5):

A 'precinct opportunity plan' has been prepared for each of the three case study locations. These plans explore ways to protect and accelerate growth and attractiveness of the case study precincts for startups and creative industries, including by using precinct-based place-making and business development programs.

The recommendations of the previous research into enterprise precincts and creative industries have been used as a framework for the preparation of these plans. The relevance of the various potential initiatives identified in this previous research was tested with local stakeholders via the online roundtable forums, and the potential initiatives were then tailored for each case study precinct based on the local characteristics of each precinct, and stakeholder feedback.

Definition of space typologies needed for commercial enterprises and creative industries (Chapter 6):

Different types of commercial enterprises and creative industries require different types of space to operate from. For instance, a technology entrepreneur might seek out shared workspaces that offer accelerator and mentor programs, whereas a visual artist may seek small flexible space that also provides sufficient space for storage of material, etc. Similarly, a small-scale manufacturer would seek a facility with space for making, storing and possible selling their products.

Six distinct types of work space typologies have been identified and used as the basis for the case-study testing. These typologies help inform understanding of the availability and affordability of space in different locations, as well as informing the policy toolkit.

Testing of potential urban planning responses (Chapter 7):

The previous research made recommendations about planning policies and regulations might be utilised to preserve and expand the availability of affordable workspace for start-ups and creative industries.

This report has tested how these recommendations might potentially be applied in each of the three case study precincts.

The purpose of this testing was to explore how much affordable work space might potentially be created (on a site by site and a precinct wide basis) under different types of affordable workspace policies. This was done by consideration of the following:

- The potential overall capacity of each precinct to accommodate additional development (based on a range of assumptions about building density)
- Setting a minimum 'affordable workspace' requirement in each precinct that would enable the establishment of long-term affordable workspace within new or redeveloped buildings via one or more of the following mechanisms:
 - » On-site development contribution
 - » On-site value capture
 - » Cash-in lieu payments for the creation of affordable workspace elsewhere within the precinct
- Determining the potential quantum of affordable workspace that might be delivered in each precinct under a range of scenarios

Conclusions & Recommendations (Chapter 8)

The report sets out a series of findings and recommendations based on the case study analysis.

Practitioner Tools

A short 'how-to' guide for supporting start-ups and creative industries through the planning and management of precincts has been developed as part of this project to support practitioners working in this field of urban planning and economic development (Appendix 1).

4.0 PRECINCT CASE STUDIES

- Case study locations
- Case study precinct profiles
- Stakeholder feedback

4.1 Case Study Locations

This report tests the recommendations from the earlier research into enterprise precincts and creative industries¹ in three 'case study' employment precincts within the inner metropolitan region.

Case study precincts were identified, discussed and agreed upon with representatives from the respective council's that make up the Inner Metropolitan Partnership area. The three case study employment precincts that have been selected represent a reasonable cross section of inner metropolitan employment precincts, so that the ability to address the needs of a wide range of enterprises or creative industries can be explored.

The following variables were considered in the selection of case study locations in order to ensure that a cross section of factors were represented in the case study analysis:

Commercial development potential:

- Employment zoning
- Potential development constraints (overlays)
- Site size mix
- Building age/condition

Site context and locational qualities:

- Availability of public land
- Access to public transport
- Proximity to activity centres
- Access to amenities

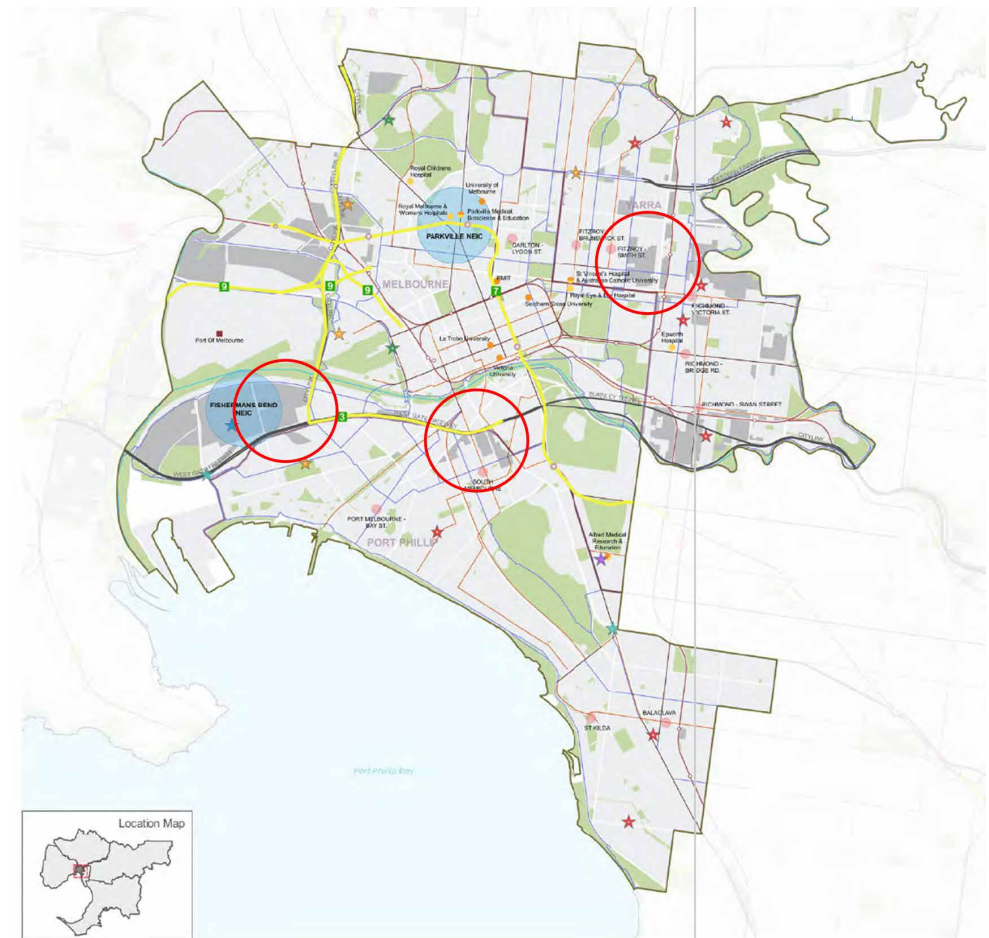


Figure 5. Precinct case study locations within inner Melbourne (municipalities of Melbourne, Yarra, and Port Phillip).

¹ Echelon (2020) and Hodyl and Co (2020).

A number of inner metropolitan employment precincts were assessed against the above criteria in order to select the three case study locations. The short-listed case study locations (and a summary of how they were assessed against the above variables) is as follows:

Table 1: Assessment of case study location characteristics

LOCATION	ZONE	COMMERCIAL DEVELOPMENT POTENTIAL	DEVELOPMENT CONSTRAINTS	SITE SIZE MIX	BUILDING AGE/ CONDITION	AVAIL. OF PUBLIC LAND	ACCESS TO PT	PROX. TO ACTIVITY CENTRE	ACCESS TO AMENITIES
		3 No residential uses allowed 2 Some residential uses in some zones 1 Residential allowed in all areas	3 No overlays 2 Some overlays 1 Significant overlays	3 Mix of size landholdings 2 Mainly large 1 Mainly small	3 Generally older stock 2 Mix of old & new stock 1 Significant new stock	3 large holdings 2 small holdings 1 minimal holdings	3 high 2 mod 1 low	3 high 2 mod 1 low	3 high 2 mod 1 low
Fishermans Bend	C2 IN1 PUZ	3	3	2	2	3	1	1	1
Gipps St Collingwood		3	2	3	3	1	3	3	3
South Melbourne	C1 C2 MUZ	2	1	3	3	2	3	3	3

4.2 Precinct Case Study Profiles and Stakeholder Views

This Chapter provides a snapshot of some of the key characteristics of each of the 3 precinct case studies. It also provides a summary of the views of local stakeholders regarding the precinct today and into the future.

Local stakeholder views were provided via a series of online ‘roundtable’ stakeholder forums in September 2020. Attendees include a cross-section of creative industries, small businesses, workspace managers, property developers/investors and government representatives.

At that time Melbourne was circa 6 months into managing the impacts of Covid19 and many businesses across the city had either closed their doors or were operating remotely, virtually or by other means.

Each of the local governments in which the 3 case study precincts are based had put in place re-activation and recovery plans but the full social and economic impacts of the pandemic were very much unknown at the time that consultation was undertaken. The stakeholders who attended the online roundtable forums were invited to discuss the following topics:

- What are the key affordability challenges facing commercial enterprises and creative industries in inner Melbourne?
- What emerging impacts is COVID19 having on precincts across inner Melbourne?
- What short, medium and long-term opportunities exist to help precincts across inner Melbourne evolve into strongholds for commercial enterprises and creative industries?

The main challenges raised by stakeholders are summarised in this Chapter. A number of ideas were put forward by Stakeholders for the reactivation, recovery and long term growth of each case study area. These have been reflected in the Precinct Opportunity Plans contained in Chapter 5 of this report.



4.2.1 Gipps Street Precinct Case Study

GIPPS STREET TODAY

The Gipps Street precinct forms part of a wider cluster of creative industries located across Collingwood. The Precinct is attractive to creative industries and startups because of its historic supply of affordable housing and work spaces, amenity and character of the neighbourhood.

There are circa 289 creative spaces located within the precinct today, as well as a wide range of professional service firms. The precinct is served by several notable creative industries anchor institutes, namely Collingwood Yards and Collarts.

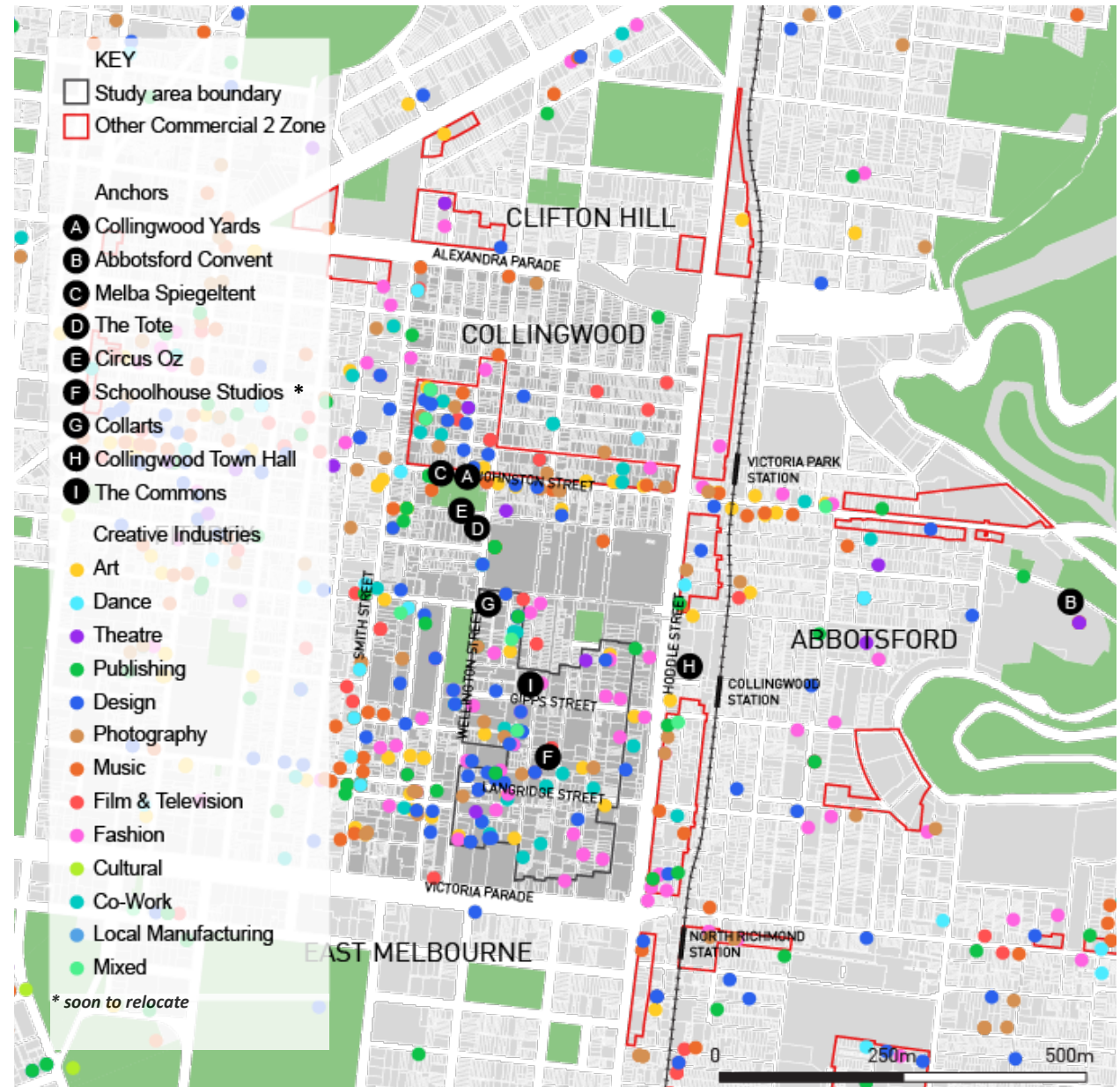
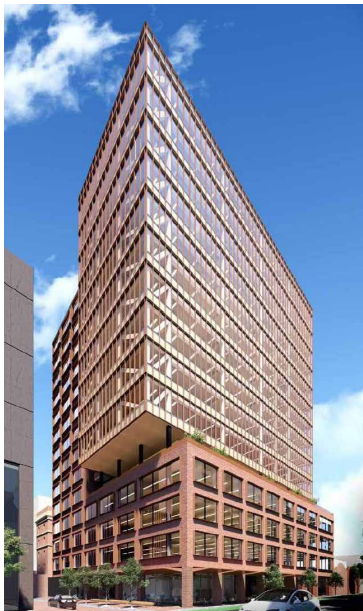


Figure 6. Gipps Street Precinct Creative Spaces.

ZONING

The zoning that applies to the precinct (Commercial 2) has prevented the encroachment of residential development within it, but the growing demand for inner city office space and other uses such as residential hotels has increased rents and the redevelopment within the precinct is displacing creative industries and workers.

The rising cost of housing in the surrounding areas has also contributed to the displacement of students and low income households (including many creative industry workers).

OVERLAYS

Design Development Overlay 11 applies to the precinct. This designates:

- A built form business and commercial environment which builds on the existing fine grain industrial nature of the area that allows for innovation and interest.
- A vibrant and safe street environment due to an increasing amount of street oriented development, particularly on Gipps and Langridge Street.
- A consistent streetscape with active street-frontages and well-articulated buildings with street facades built to a height of up to 3-4 storeys. Taller built form will be set back from property boundaries and spaced to create new interest and variety in building forms.

No upper height limit is specified for the precinct. Clause 21.05-2 (Built Form: Urban design) of the Yarra Planning Scheme however, is relevant, particularly Strategy 17.2:

Development on strategic redevelopment sites or within activity centres should generally be no more than 5-6 storeys unless it can be demonstrated that the proposal can achieve specific benefits such as:

- Significant upper level setbacks
- Architectural design excellence
- Best practice environmental sustainability objectives in design and construction
- High quality restoration and adaptive re-use of heritage buildings
- Positive contribution to the enhancement of the public domain
- Provision of affordable housing.

There are a number of heritage buildings in the area. These are designated through precinct heritage overlays that cover discrete portions of the precinct as well as nine heritage overlays on individual sites.

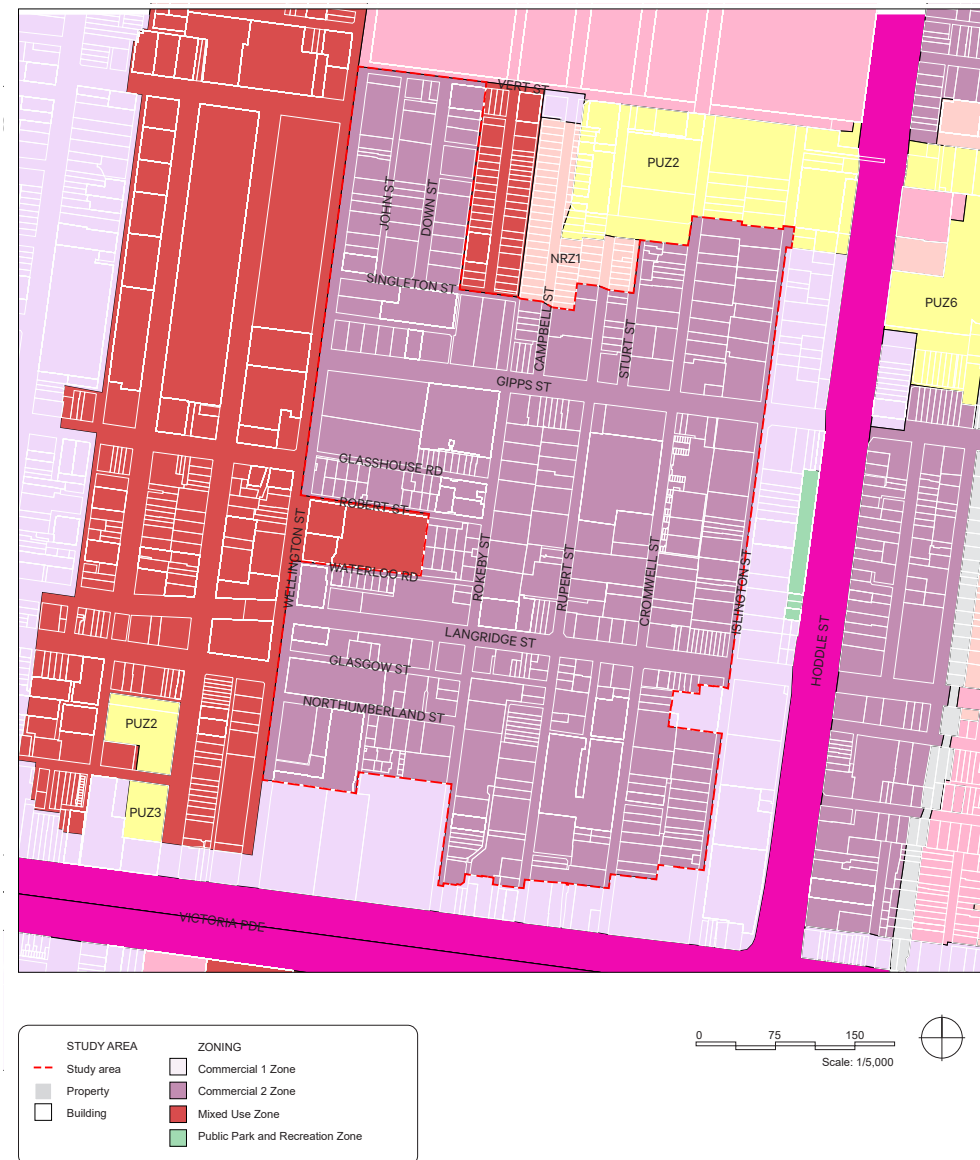


Figure 7. Gipps Street Precinct - Zoning.

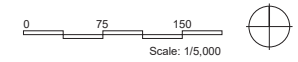
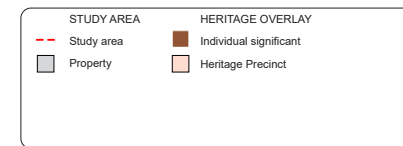
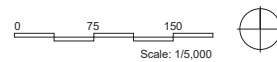
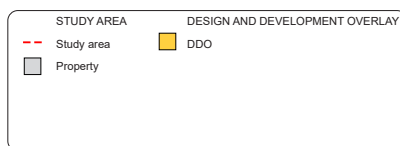
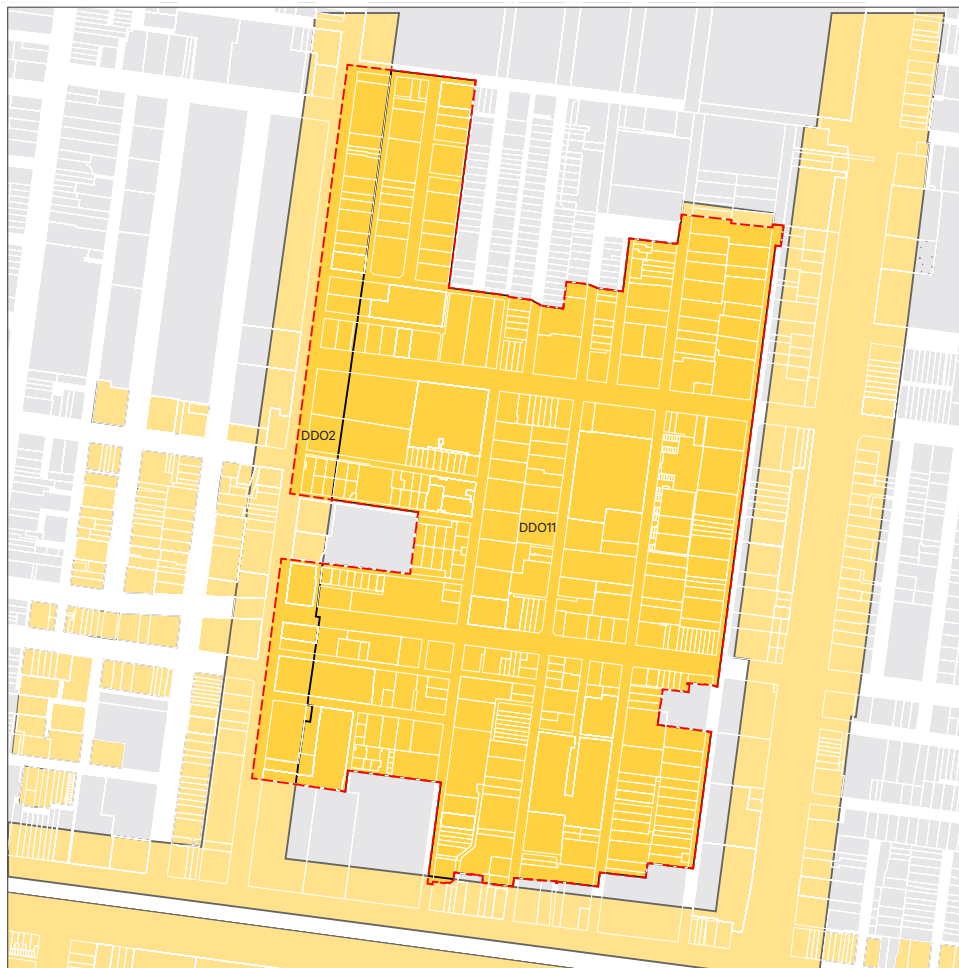


Figure 8. Gipps Street Precinct - DDO.

Figure 9. Gipps Street Precinct - HO.

EXISTING BUILDING STOCK



Low-scale buildings on narrow streets



Multi-story, former industrial heritage buildings



Multi-story, former industrial heritage buildings



Multi-storey mixed-use developments



Low-scale office buildings and small warehouses



Single-storey commercial warehousing

DEVELOPMENT ACTIVITY

There has been significant development activity within the precinct. As it is within the Commercial 2 zone, these are all for non-residential uses. The buildings are generally multi-storey developments ranging from 4 - 15 storeys.

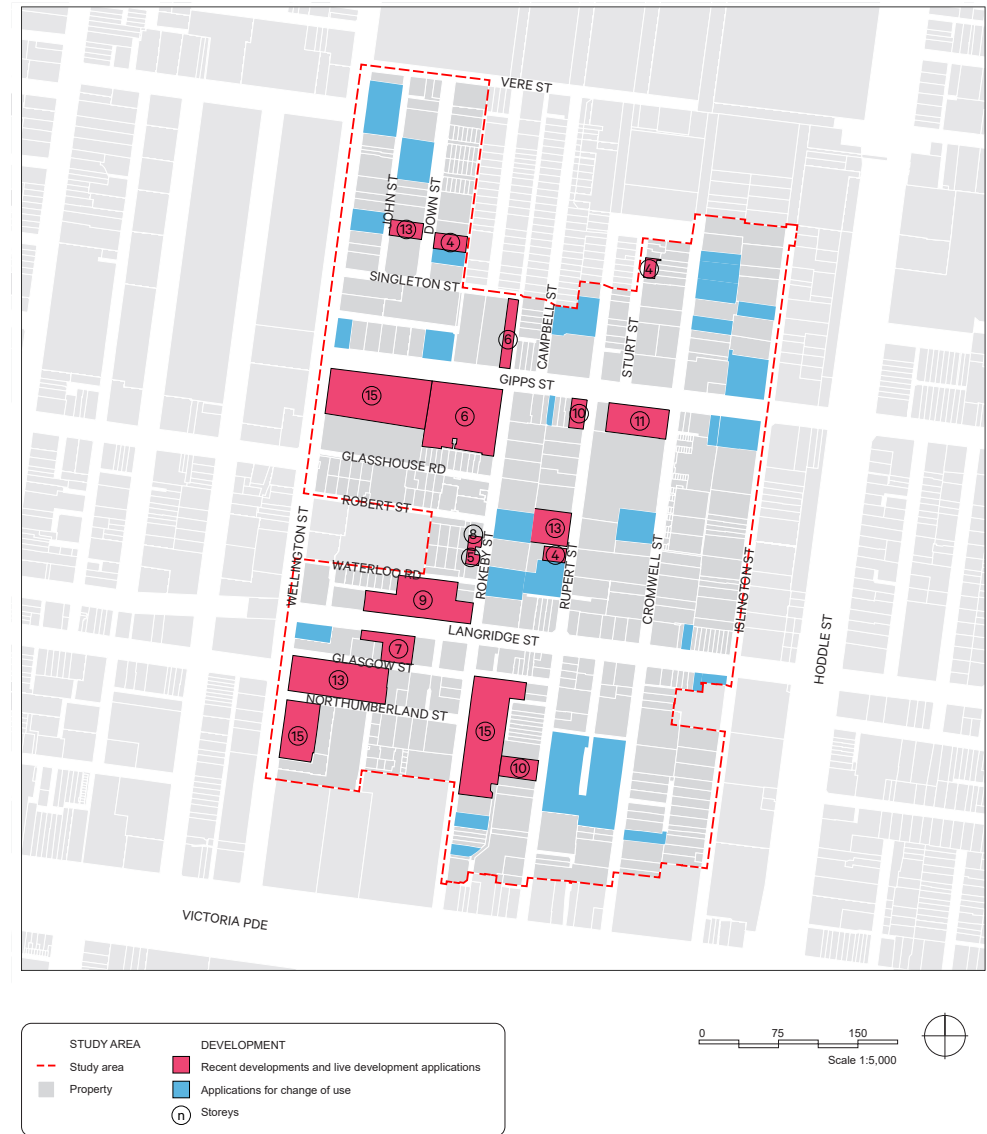


Figure 10. Gipps Street Precinct - Development Activity.

61-71 Wellington Street, Collingwood



- 100sqm
- 1 car space¹

1 <https://www.commercialrealestate.com.au/property/61-71-wellington-street-collingwood-vic-3066-12704985>

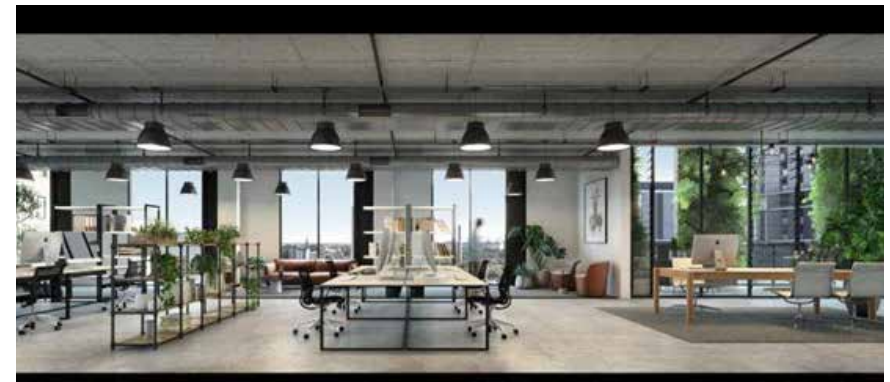


51 Langridge Street, Collingwood



- 240-360sqm¹

1 <https://www.commercialrealestate.com.au/property/51-langridge-street-collingwood-vic-3066-12224626>



N.B.: Examples are located within the study area (Commercial 2 Zone) and adjoining areas (Commercial 1 and Mixed Use Zones).

71 Gipps Street, Collingwood



- 400-8000sqm
- Rent \$455psm¹

1 <https://www.commercialrealestate.com.au/property/71-gipps-street-collingwood-vic-3066-11669368>



118 Rokeby Street, Collingwood



- 600sqm¹

1 <https://www.commercialrealestate.com.au/property/118-rokeby-street-collingwood-vic-3066-13649457>



N.B.: Examples are located within the study area (Commercial 2 Zone) and adjoining areas (Commercial 1 and Mixed Use Zones).

Case Study: Walk Up Village, 81-89 Rupert Street, Collingwood:

The Walk Up Village development is a thirteen-storey mixed use development that includes a residential hotel, retail, offices, cinema, restaurant, art and craft centre, art gallery, recreation and community meeting facilities.

Clause 21.05 of the Yarra Planning Scheme states that development in locations such as the subject site should be 5-6 storeys, unless it can be demonstrated that the proposal can achieve specific benefits such as affordable housing, high quality restoration and adaptive reuse of heritage buildings, and positive contribution to the enhancement of the public domain.

The development has a floor area of 12,000 sqm (NLA) and it proposes to deliver the following facilities:

- A publicly accessible rooftop garden (709 square metres) and 'vertical laneways'
- Circa 1,100 sqm of space for artist studios, fab labs, maker spaces, creative studios and tenancies which support the creative industries (representing circa 9.1% of the total NLA)
- End of trip facilities available to the wider community

The proponent submitted that in order to deliver these community benefits, the proposal must achieve a minimum leasable floor area of 12,000 square metres to be viable and succeed.

The nominated community benefits were estimated to have a combined value of up to \$5.5million. The community benefit assessment that accompanied the proposal compares the value of these contributions to the additional value generated by that part of the development which exceeds the 5-6 storey heights described in clause 21.05 of the Yarra Planning Scheme.

The community benefit assessment concluded that the windfall to the developer from the additional development capacity associated with a 13 storey building would be more than offset by the community benefits delivered by the development. It concluded that, provided that the community benefit features are delivered and remain in place over the life of the building, the community stands to gain from the project and that it should be supported.

The development was approved by the Minister for Planning in August 2020.



Local Stakeholder Views:

The following challenges were identified as needing to be addressed in this precinct if it is to successfully recover from the impacts of Covid19 and prosper over the longer-term from a round table engagement session with precinct stakeholders:

Short term challenges:

- A. The precinct is under significant pressure for redevelopment, which is reducing diversity and displacing affordable spaces for SMEs, creative industries and not-for-profits (the loss of Schoolhouse arts studios is a notable current example).
- B. Retail vacancy rates are rising, particularly as a consequence of COVID-19.
- C. The need for social distancing in response to COVID-19 means that space for communal activities is at a premium.
- D. Access to the precinct by public transport will be constrained because of post-Covid social distancing requirements.

Medium-longer term challenges:

- E. Large-scale redevelopments are reducing diversity and displacing affordable spaces for SMEs, creative industries and not-for-profits.
- F. Redevelopment is changing the image/character of the place.
- G. There are limited public spaces for conducting outdoor events and activities.
- H. There is limited activity at night, which creates public safety issues.
- I. There are limited opportunities for networking and collaboration - between businesses themselves, and between education providers, students, artists and creative industries.
- J. The neighbourhood is becoming unaffordable for low income households. As a result the neighbourhood is losing its socio-economic diversity, and it is becoming unaffordable for students, artists and young people.

Stakeholders identified a number of opportunities to address the above challenges and to help this precinct prosper in future. These are reflected in the Gipps Street Precinct Opportunities Plan (Chapter 5).

4.2.2 South Melbourne Precinct Case Study

SOUTH MELBOURNE TODAY

The South Melbourne Central precinct is recognised for the concentration of design, music, film, television and photography enterprises. The location, amenity, accessibility and high proportion of industrial and commercial building stock in South Melbourne have been key reasons for the precinct's attractiveness for creative businesses.

South Melbourne's relatively good accessibility via multiple modes is a competitive advantage over other inner city precincts such as Cremorne. However as redevelopment occurs, there is a risk that the precinct may become congested and harder to access.

Improving affordability, access and amenity within the precinct will be key factors in the future success of the precinct as a location for creative industries in future.

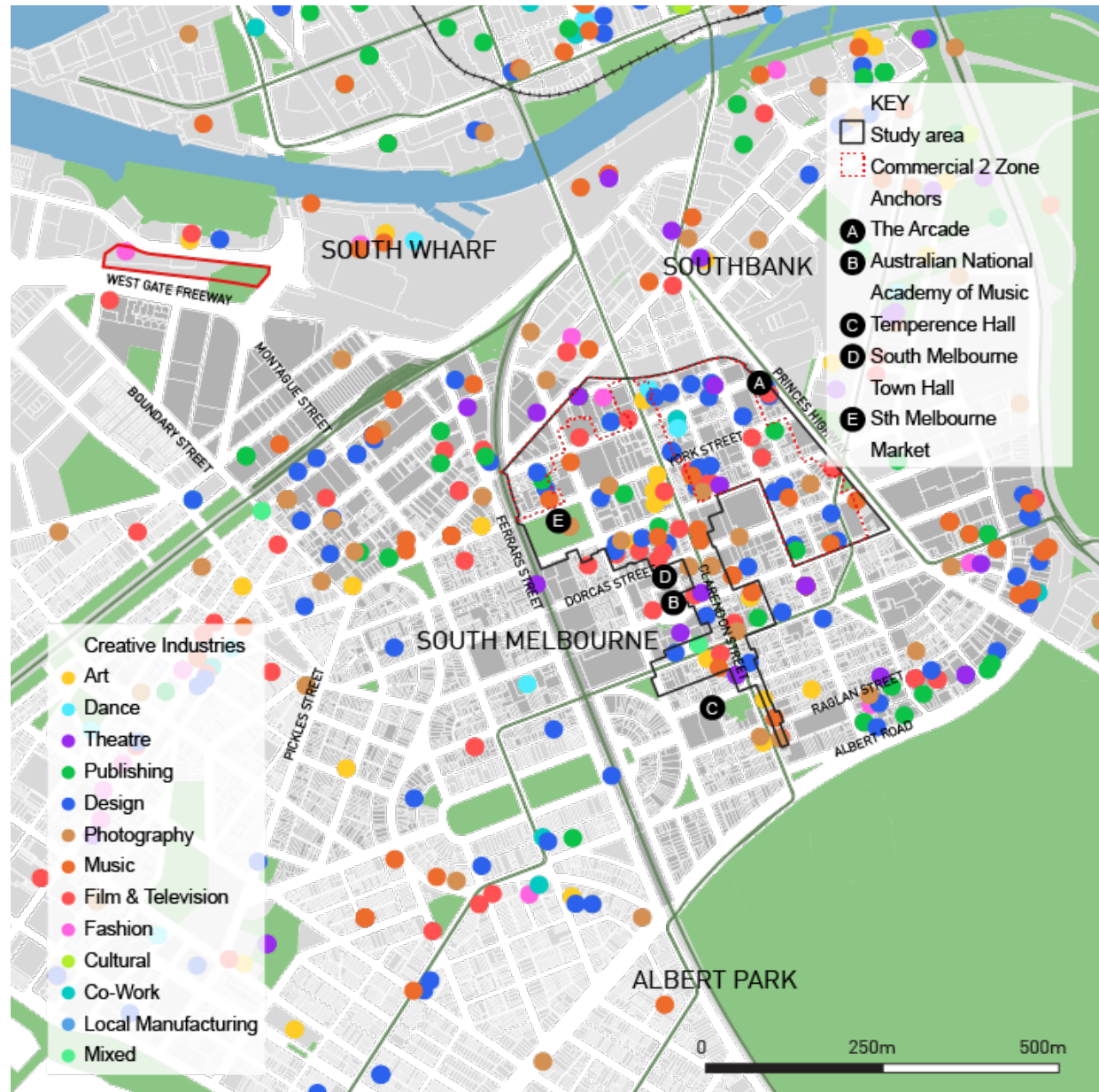


Figure 11. South Melbourne Precinct Creative Spaces.

ZONING

The mix of commercial zones, and heritage and height controls across the precinct explain in part why the precinct has retained its industrial/warehouse character and also why opportunities for creative industries to establish have existed.

However, escalating land prices and rents together with a scarcity of commercial space has created some significant affordability issues for startups and creative industries in recent years.

OVERLAYS

Design Development Overlay 8 applies to the precinct. The design objective is to provide for high quality, well designed new development in the precincts of South Melbourne Central (SMC) which are facing increased pressure for development or where the South Melbourne Central Structure Plan 2007 has recommended significant changes in land use.

A range of building controls apply across 10 precincts. These include street wall heights, setbacks and overall heights. In many precincts the upper levels of buildings are to be designed to minimise visual amenity or to protect the streets from overshadowing.

There are a number of heritage buildings in the area. These are designated through precinct heritage overlays that are concentrated on Clarendon and Coventry Streets as well as discrete individual site overlays across the precinct.

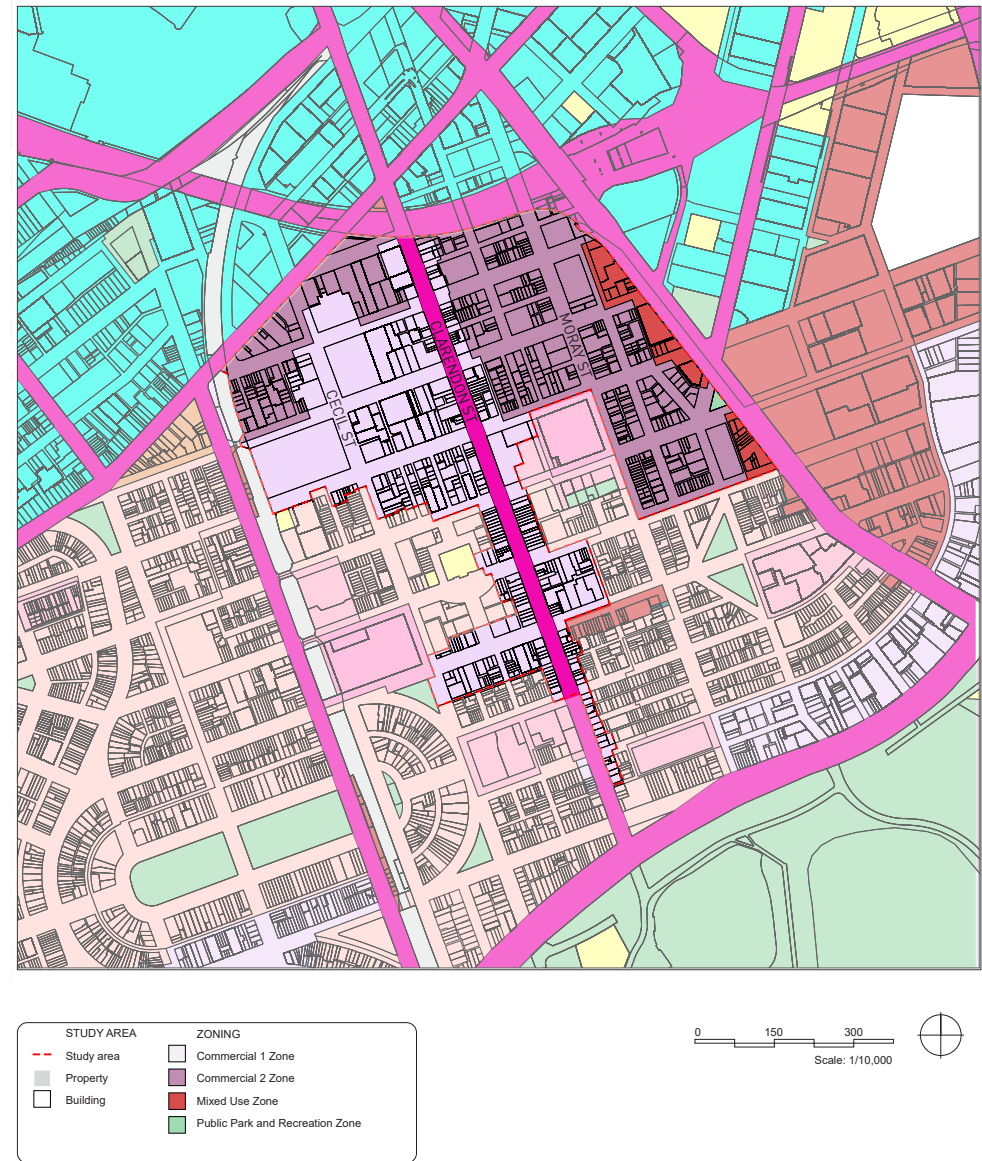


Figure 12. South Melbourne Precinct - Zoning.

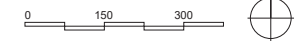
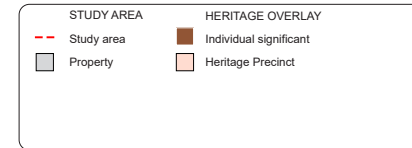
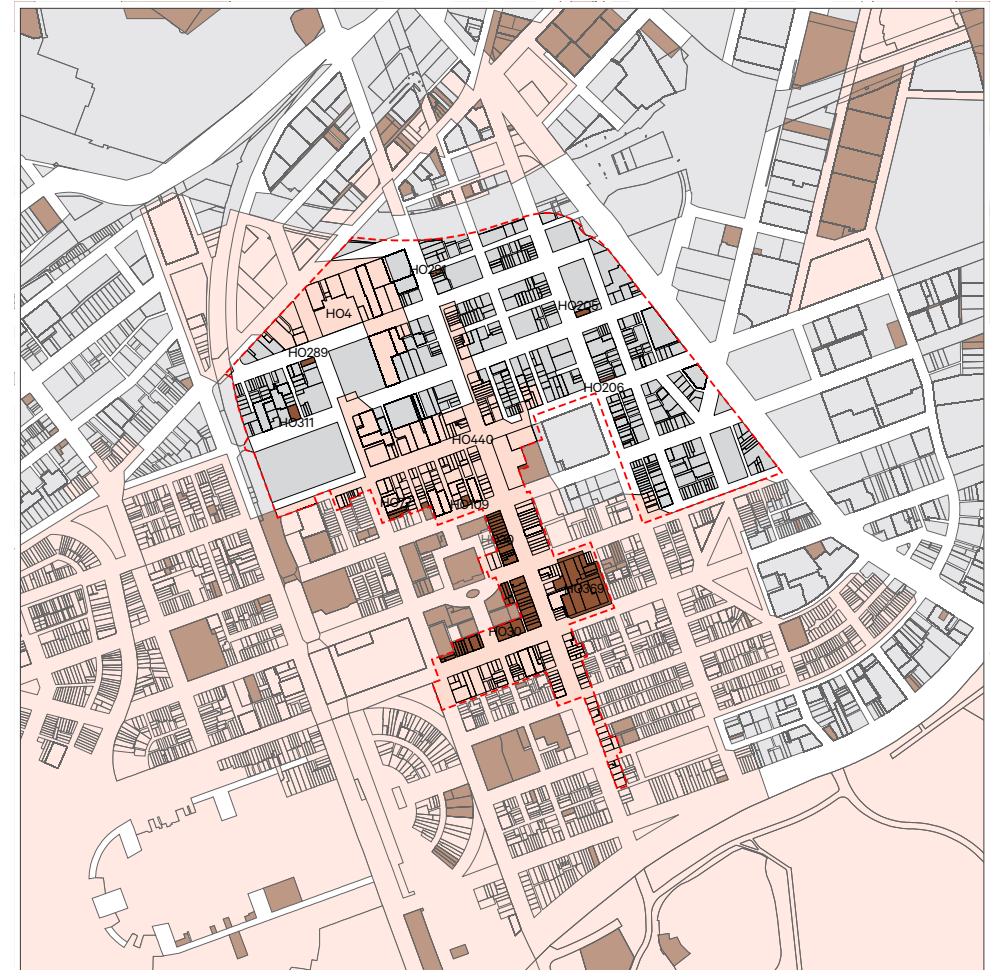
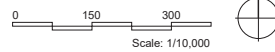
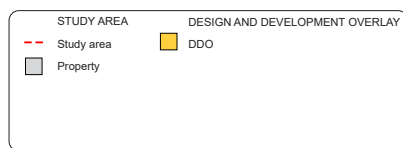
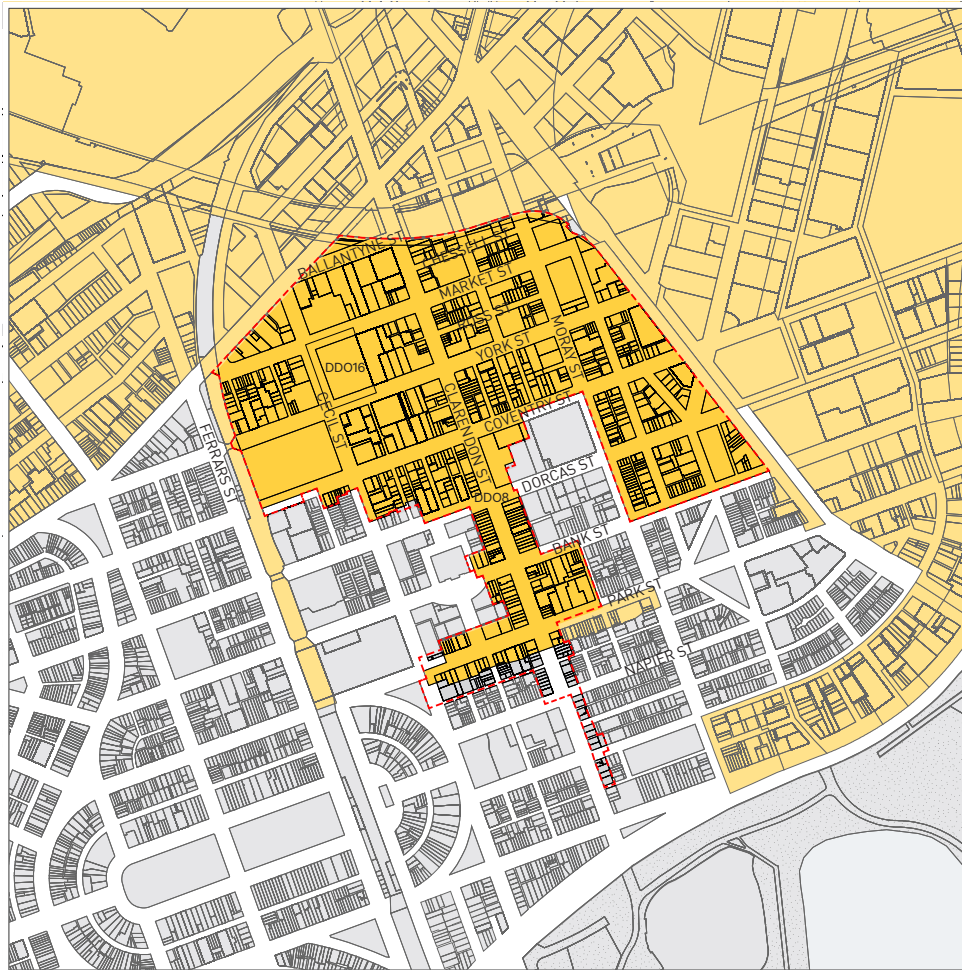


Figure 13. South Melbourne Precinct - DDO.

Figure 14. South Melbourne Precinct - HO.

EXISTING BUILDING STOCK



South Melbourne Market



Low-scale warehouses



Low-scale warehouses and multi-storey commercial



Multi-storey residential development



Multi-storey mixed-use development



Single-storey commercial buildings

105/24 York Street, South Melbourne



- 30sqm
- Rent \$897pw (\$1550/sqm)¹

¹ <https://www.commercialrealestate.com.au/property/105-72-york-street-south-melbourne-vic-3205-14518124>



133 Market Street, South Melbourne



- Shared office space
- 38sqm
- \$577pw (\$70/sqm)¹

¹ <https://www.commercialrealestate.com.au/property/cw7-133-market-street-south-melbourne-vic-3205-14477335>



143 Cecil Street, South Melbourne



- 550sqm
- \$247,000 pa (\$449/sqm)¹

1 <https://www.commercialrealestate.com.au/property/143-cecil-street-south-melbourne-vic-3205-13820176>



169 Park Street, South Melbourne



- 217 sqm
- \$59,000pa (\$272/sqm)¹

1 <https://www.commercialrealestate.com.au/property/169-park-street-south-melbourne-vic-3205-14330241>



Local Stakeholder Views:

The following challenges were identified as needing to be addressed in this precinct if it is to successfully recover from the impacts of Covid19 and prosper over the longer-term from a round table engagement session with precinct stakeholders:

Short term challenges:

- A. Urban amenity is critical for attracting creative industries and talent. However, the need for social distancing in response to COVID-19 means that space for communal activities is at a premium.
- B. COVID-19 has impacted existing businesses and also the commencement of new commercial developments and the operations of existing shared work facilities (because tenants are reluctant to commit given the uncertainty ahead).
- C. The precinct lacks a mature, well developed identity as a place for creating industries or other types of commercial activities, which is necessary to focus engagement efforts (in contrast to a precinct such as Cremorne for example).
- D. Startups and low-margin creative industries are already priced out of South Melbourne.
- E. Access to the precinct by public transport will be constrained because of post-Covid social distancing requirements.
- F. Regulatory red-tape (planning, other) is perceived as slowing down business activity.
- G. There is limited activity in the precinct at night, which creates public safety issues.

- H. Proximity to Port Phillip Bay is a central part of the precinct's attractiveness and could be better promoted to improve precinct's identity.

Medium-longer term challenges:

- I. Lack of a mature, well developed identity for the precinct to attract business investment (precinct such as Melbourne Connect and Cremorne have a stronger brand).
- J. There are limited public spaces for conducting outdoor events and activities.
- K. Improved local amenity 'anchors' are needed to attract businesses and support movement throughout the precinct.
- L. Ready access to the precinct is a critical point of difference and steps need to be taken to ensure that it doesn't become congested like Docklands or Cremorne.
- M. There is limited activity at night, which creates public safety issues.

Stakeholders identified a number of opportunities to address the above challenges and to help this precinct prosper in future. These are reflected in the South Melbourne Precinct Opportunities Plan (Chapter 5).

FISHERMANS BEND TODAY

The Case Study area forms part of the wider Fishermans Bend Urban Renewal Area. There are currently 125 businesses in the study area, which collectively employ over 3,100 workers. Businesses comprise mix of manufacturing, warehouse, distribution, construction and office activities which occupy a mixture of very larger older warehouse structure through to smaller, contemporary commercial buildings.

Many former larger-format warehousing and logistics uses have relocated to modern industrial estates in outer urban locations, and the remaining sites are candidates for redevelopment as higher density employment uses.

The location is relatively close to Docklands, the CBD and South Melbourne but access by public transport, walking and cycling is challenging, and the main means of access to the precinct is via private car. Whilst the location is on the waterfront, the present-day amenity of the precinct is relatively poor quality. Access to the river's edge is not possible as the land north of Lorimer Street forms part of the long term lease to the Port of Melbourne for port operations.

The area adjoins the former GMH site which is to be redeveloped by the Victorian Government as a centre of innovation for advanced manufacturing, engineering and design. As part of this redevelopment, the University of Melbourne has committed to building a new campus to house the School of Engineering.



Figure 15. Fishermans Bend Employment Precinct Case Studies.

ZONING

The selected precinct is within Commercial 2, Industrial 1 and Public Use Zone.

OVERLAYS

There are no design development or heritage overlays that apply to the precinct area.

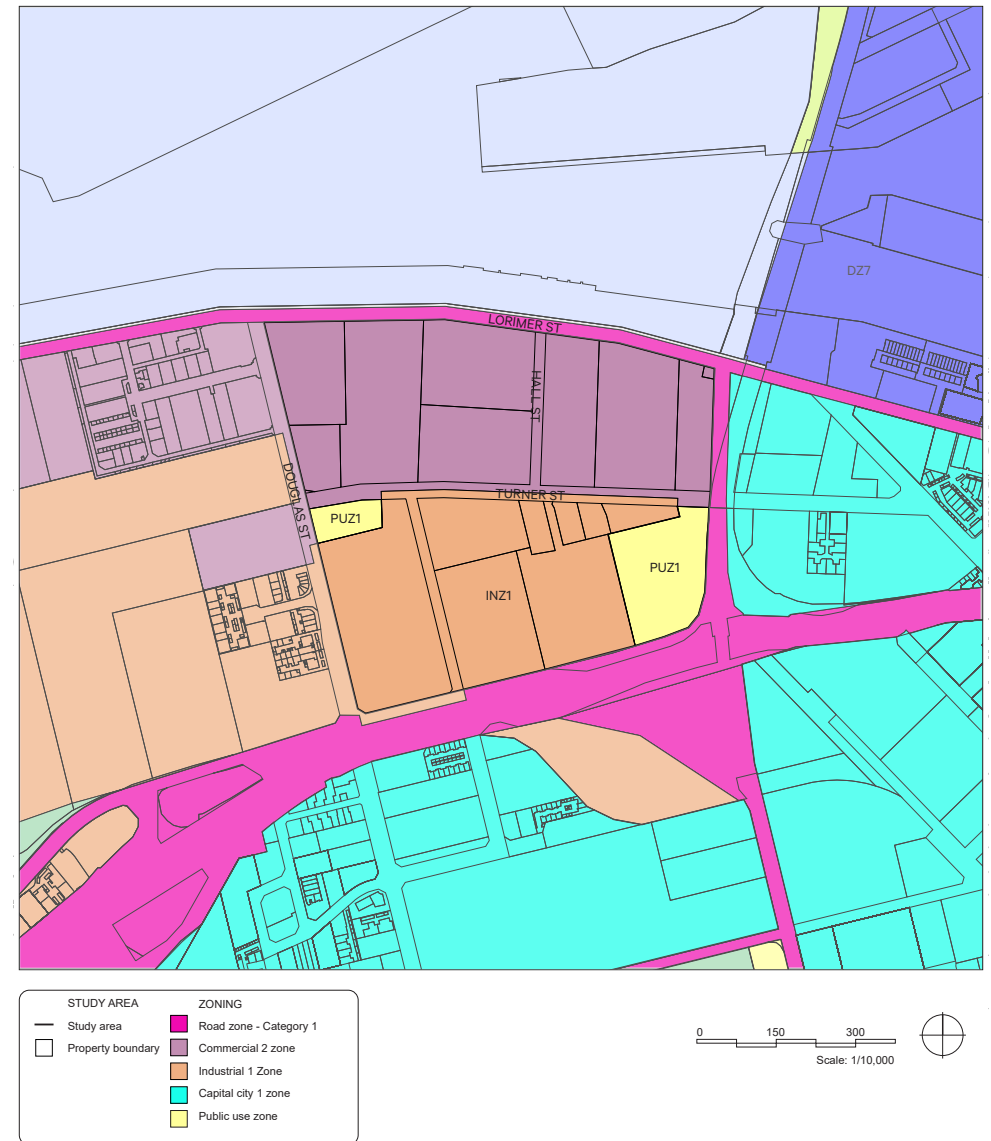


Figure 16. Fishermans Bend Employment - Zoning.

EXISTING BUILDING STOCK



Multi-storey offices buildings in business park



Multi-storey office buildings



Brick heritage buildings and structures



Low-scale large-span warehouses



Industrial silos



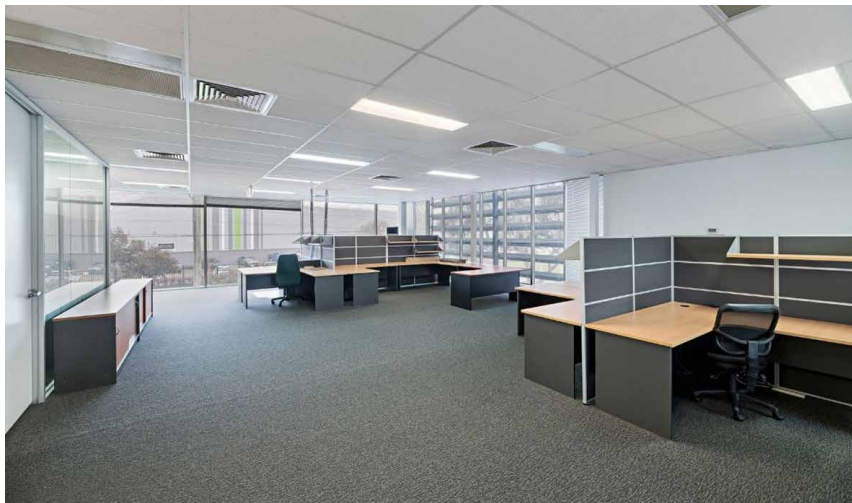
Low-scale warehouses and office buildings

116-87 Turner Street, Port Melbourne



- 190sqm¹

1 <https://www.commercialrealestate.com.au/property/116-87-turner-street-port-melbourne-vic-3207-14437874>



117-63-85 Turner Street, Port Melbourne



- 93sqm¹

1 <https://www.commercialrealestate.com.au/property/suite-m117-63-85-turner-street-port-melbourne-vic-3207-14442822>

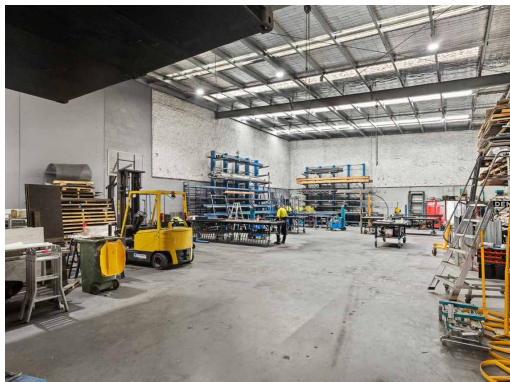


196 Turner Street, Port Melbourne



- 890 sqm¹

¹ <https://www.commercialrealestate.com.au/property/196-turner-street-port-melbourne-vic-3207-14365717>



65 Lorimer Street, Port Melbourne



- 1105sqm
- 55 parking spaces¹

¹ <https://www.commercialrealestate.com.au/property/650-lorimer-st-port-melbourne-vic-3207-14131725>



Local Stakeholder Views:

The following challenges were identified as needing to be addressed in this precinct if it is to successfully recover from the impacts of Covid19 and prosper over the longer-term from a round table engagement session with precinct stakeholders:

Short term challenges:

- A. The precinct is difficult to access by public transport, walking and cycling.
- B. There are a number of vacant spaces and large vacant buildings – these present opportunities to make interim changes that signpost the types of changes that are possible in the precinct over the longer term.
- C. The rental costs in the precinct are already too high for artists and startup makers.
- D. There is no activity in the precinct outside Mon-Fri/9-5, and the character and scale of buildings/spaces in the precinct allow for experimentation with more substantial temporary activations/interventions.

Medium-longer term challenges:

- E. The precinct comprises a mix of office and large-format warehouses. It does not have streetscapes and buildings that cater well (or are affordable) for creative industries and makers.
- F. The precinct lacks a specific heart or focus for innovation or business incubation.
- G. The precinct does not have an identifiable image or brand for creative industries, bespoke manufacturing etc.
- H. The lack of quality public transport, walking and cycling infrastructure is a barrier to attracting major events and activities.
- I. There is a potential conflict between existing industries (e.g. cement works) and new enterprises (offices, creative industries etc.) that needs to be managed.

Stakeholders identified a number of opportunities to address the above challenges and to help this precinct prosper in future. These are reflected in the Fishermans Bend Employment Precinct Opportunities Plan (Chapter 5).

5.0 PRECINCT OPPORTUNITY PLANS

This Chapter contains Opportunity Plans for each of case study locations.

These plans identify opportunities to support the future growth and enhancement of enterprise and creative industries via measures such as:

- Establishment of precinct governance (including trusts and networking bodies)
- Provision of affordable workspace
- Place-making and public realm enhancements
- Targeted support for creative industries
- The urban planning framework
- Financial/fiscal measures

These plans are relatively general in nature and they draw on observations and experience of the report authors, as well as the ideas put forward by local stakeholders during recent roundtable consultations.

It is important to note that these plans are not de-facto strategic plans for the 3 case study locations, but rather they are intended to test and broadly illustrate the range of ways that the recommendations from the earlier research might be applied to different types of precinct contexts across the wider inner metropolitan region.

It is expected that each of the ideas and opportunities identified in these plans will need to be further tested and developed by the relevant Council and its government/industry partners.

This report recommends that these plans be adopted by State and local government for the purpose of further testing and developing the opportunities contained within them.

5.1 Gipps Street Opportunities

Short-Term Challenges and Opportunities for Supporting Commercial Enterprise and Creative Industries

The precinct is under significant pressure for redevelopment, which is reducing diversity and displacing affordable spaces for startups, creative industry workers and not-for-profits (the loss of Schoolhouse arts studios is a notable current example):

- *Create partnerships to preserve/create permanent affordable spaces for creative industries (see also medium term opportunities below)*
- *In the context of COVID-19, explore opportunities for the short term use of vacant space by creative industries, NFPs, and startups (noting that Covid19 is likely to make public investment in spaces more affordable in the short term).*

Covid19 has heavily impacted the ability of creative industry workers to generate a living.

- *Create a support program catering to the specific needs of creative industries addressing such topics as lease negotiations, online sales and marketing.*

Retail vacancy rates in nearby high streets such as Smith and Johnson Street are rising, particularly as a consequence of COVID-19:

- *Explore temporary re-use of vacant retail space by creative industries to revitalise the neighbourhood (of particular relevance to Commercial 1 and Mixed Use zones).*

The need for social distancing in response to COVID-19 means that space for communal activities is at a premium:

- *Make better use of narrow streets and lanes for activities and events to meet social distancing requirements – introduce shared zones, public art and pedestrian amenities, and temporarily close one-way and narrow streets on weekends for markets and events, etc.*

Access to the precinct by public transport will be constrained because of post-covid social distancing requirements:

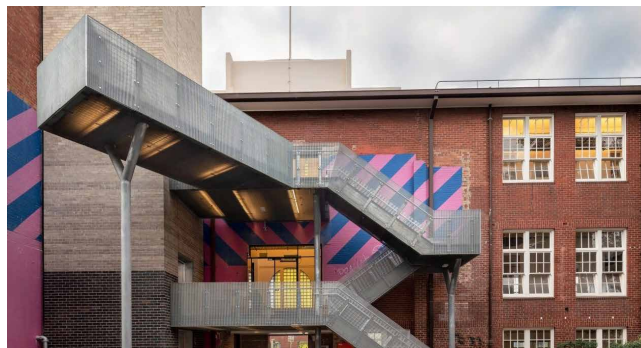
- Upgrade bicycle infrastructure – bike lanes, secure storage and centrally located communal end of trip facilities.

Medium-Term Opportunities for Supporting Startup Commercial Enterprises and Creative Industries

The following opportunities to support start-up commercial enterprises and creative industries have been identified for further consideration by State and local government to pursue:

CREATIVE INDUSTRY SUPPORT AND PRECINCT GOVERNANCE:

1. Establish a Precinct Advisory Board – comprising reps from local creative industries, startups, small businesses and institutions to provide ongoing advice to Council and State government on opportunities to retain and enhance creative industries in the precinct. The existing Yarra Arts Advisory Committee (YAARTS) could potentially fulfil this role, although additional input from other enterprises that operate within the Gipps St precinct is also recommended. The Advisory Board will play a role in delivering projects under the Creative Enterprise Zone Pilot Project (see below).



2. Establish a Creative Enterprise Zone Pilot Project (with funding) - based on the UK model where a bottom up approach is taken to enhancing the physical/operating environment for creative industries and startups. This pilot project could be pursued as a partnership between Creative Victoria and Council.

Creative Enterprise Zones in the United Kingdom are defined as areas within London where artists and creative businesses can find permanent affordable space to work; are supported to start-up and grow; and where local people are helped to learn creative sector skills and find new jobs. The program has the following four pillars:

- **Space:** *Creating permanent, affordable, creative workspace and live-work spaces at below market rents and ensuring no net loss of space.*
- **Skills and Support:** *Building entrepreneurial skills and offering business support to artists, start-ups, sole traders, micro-sized and small businesses, developing career pathways and opportunities for progression into the creative industries and supporting sectors.*
- **Policy:** *Producing Local Plans with pro-culture policies in planning, housing, business development, technology and infrastructure, and supportive business rates policies.*



- **Consortia and Community:** *Embedding creative production in communities, creating socially-inclusive places and strong links with education providers.*

3. Explore the opportunity to provide free access to fast internet within the precinct.
4. Create an annual precinct wide program for networking, professional development and collaboration amongst businesses, creative industries, students and residents, utilising existing facilities such as Collingwood Yards, Melb. Polytechnic, Collingwood Town Hall, Latrobe College of Art, and the Commons, etc.
5. Establish an annual precinct-wide program of events that provide opportunities for creative industries and startups and other SMEs to showcase their work to the wider community. This should include a program for night-time activation of buildings and public spaces, based on live music, the arts and entertainment.

SPACE PROVISION:

6. Establish an Affordable Workspace Trust – possibly managed by an entity such as Collingwood Yards – to manage affordable workspaces created via planning agreements and/or collect and allocate funds collected under planning agreements. The role of the trust will be to manage trust funds and assets, as well as brokering between owners and users of creative spaces within the precinct.
7. Explore opportunities to expand the availability of affordable workspaces and event spaces for startups, low income creative industry workers and not-for-profit operators. This should include the allocation of space in public buildings, as well consideration of leasing of commercial building using innovative models such as the UK BuyGiveWork model (<http://3spaceinternational.co.uk/buygivework>).

8. Explore opportunities to temporarily use vacant buildings for the creation and promotion of creative industry products/services.
9. Establish an online precinct map and database of key institutions and available spaces within the precinct.

PLACE-MAKING AND THE PUBLIC REALM

10. Prepare a public realm improvements plan for the precinct which identifies local opportunities for creation of permanent or temporary public spaces and facilities, including:
 - Making better use of narrow streets and lanes for pedestrian activity -widen footpaths, create permanent shared zones, close streets where practical.
 - Creation of pocket park, plazas etc.
 - Establishing a shared 'end of trip' cycling facility of the precinct.

THE PLANNING FRAMEWORK

11. Retain land in the precinct in dedicated employment zones (i.e. the Commercial 2 zone or other employment zone that does not allow residential development to occur)
12. Prepare affordable workspace provisions for inclusion in the Yarra Planning Scheme. The policy should support the preservation of affordable workspace in the precinct, as well value-capture opportunities for the creation of new affordable workspace as part of site redevelopment. It should be linked to revised built form controls such as a floor area ratio and uplift mechanism.
13. Establish urban design guidelines for the precinct which incentivise the retention and reuse of existing buildings, as well as the creation of new work space typologies that are suitable for creative industries, startups and SMEs.

14. Review planning and building regulations, and local laws to support easier adaptive reuse of buildings and utilisation of public space for activities associated with creative industries (outdoor markets, displays, etc.).
15. Establish a planning policy which supports and incentivises the provision of affordable housing for key workers and students in creative industry sectors - including build to rent and live-work rental units - in the neighbourhood surrounding the Gipps Street precinct.

FINANCIAL/FISCAL MEASURES

16. Consider offering rebates on municipal rates and land tax for buildings that utilised by startups and/or low-income creative industry workers.
17. Establish a grants program to support startups and/or low income creative industry workers. The program could be modelled on the City of Melbourne Small Business Grants Program which provides financial assistance to support market-ready products and services that enhance the City's reputation for innovation and creativity, and contribute to a thriving, sustainable business culture.



5.2 South Melbourne Precinct Opportunities

Short-Term Challenges and Opportunities for Supporting Commercial Enterprise and Creative Industries

Urban amenity is critical for attracting creative industries and talent. However, the need for social distancing in response to COVID-19 means that space for communal activities is at a premium:

- *Make better use of wide streets for activities and events to meet social distancing requirements – introduce shared zones, and temporarily close streets for parks, markets and events, etc.*
- *Consider making better use of public space on Banks St outside town hall for events and activities*
- *Explore opportunities for larger indoor spaces for physically distanced public/private events.*

COVID-19 has impacted on existing businesses and also new commercial developments and existing shared work facilities (tenants are reluctant to commit given the uncertainty ahead):

- *Government to explore if it can play a role as an intermediary between the developer/owner and the future tenant (i.e. by taking out head-leases either sub-leasing or assigning leases once tenants are secured).*
- *Government acting as a 'demand aggregator' would provide a degree of pre-commitment certainty for developers or shared workspace operators to proceed with developments/services.*
- *Government to use and promote local coworking services to residents.*

Lack of a mature, well developed identity for the precinct to focus engagement efforts:

- *Government to support initiatives that focus on building local industry networks and capacity in commercialisation of design or other IP for creatives.*
- *Consider if there are precinct-wide means of sharing resources needed by creative industry and small business (meeting rooms, training spaces, shared services (accounting, legal, marketing, deliveries, etc.).*

- *Consider creating a 'virtual community' where arts, cultural and business events and interactions are hosted online by a central governing entity established for the betterment of the wider business and creative industries sector.*

Startups and low-margin creative industries are already priced out of South Melbourne:

- *Consider options for creating subsidised spaces for startups and low-margin creative industries (noting that government should be careful not to compete with the private sector when it comes to provision of work-share spaces).*

Access to the precinct by public transport will be constrained because of post-covid social distancing requirements:

- *Upgrade bicycle infrastructure – safe & efficient bike lanes, secure storage.*
- *Provide affordable and easy on-street parking options (at least in the short term transition post-Covid)*
- *Extend free tram zone to South Melbourne*

Regulatory red-tape (planning, other) is slowing down business activity:

- *Remove regulations and provide faster approvals for certain types of planning and local laws to help facilitate small-business activity (esp. relevant for changes of use and new businesses starting up)*

There is limited activity in the precinct at night, which creates public safety issues:

- *Promote a wider range of night-time activities in buildings and public spaces – live music, arts events, etc.*
- *Increase public lighting in side streets.*

Proximity to the Bay is a central part of the precinct's attractiveness and could be better promoted to improve precinct's identity:

- *Upgrade bicycle infrastructure connections to the Bay.*

- *Identity opportunities to connect promotion of tourism and cultural events more strongly to the precinct.*

Medium-Term Opportunities for Supporting Startup Commercial Enterprises and Creative Industries

The following opportunities to support start-up commercial enterprises and creative industries have been identified for further consideration by State and local government to pursue:

CREATIVE INDUSTRY SUPPORT AND PRECINCT GOVERNANCE:

1. Establish a South Melbourne Creative Industries Advisory Board – comprising reps from local creative industries and institutions to provide ongoing advice to Council and State government on opportunities to retain and enhance creative industries in the precinct.
2. Create an annual precinct - wide program for networking, professional development and collaboration amongst businesses, creative industries and residents, utilising existing facilities such as South Melbourne Town Hall, South Melbourne Markets and The Arcade. This program should focus on building the key industry strengths of the precinct – gaming, design, marketing, etc.
3. Establish a program for night-time activation of buildings and public spaces along and around Clarendon Street and in the Commercial 2 zone, based on live music, the arts and entertainment. This could include partnerships with the Melbourne Arts Precinct to extend arts and cultural activities into the South Melbourne Precinct (Galleries, festivals, etc.).
4. Explore the potential to provide free access and high capacity internet within the precinct.

SPACE PROVISION:

5. Explore opportunities to expand the availability of affordable workspaces and event spaces for startups, low income creative industry workers and not-for-profit operators. This should include the allocation of space in the South Melbourne Town Hall, as well consideration of forming a public/private partnership to partially occupy a centrally located commercial building that supports a mix of startups, low income creative workers, not-for profits and a public entity leasing commercial building.
6. Explore opportunities to temporarily use vacant buildings (especially government owned sites) for the creation and promotion of creative industry products/services, pop-up events, etc.
7. Establish an online precinct map and database of key institutions and available spaces within the precinct.

PLACE-MAKING AND THE PUBLIC REALM:

8. Develop plans to strengthen the pedestrian amenity and destination value strong around the South Melbourne Market, Banks St/Town Hall and the side streets along Clarendon St.
9. Create a network of temporary and permanent green spaces and plazas that link key destinations across the precinct (including the South Melbourne Market, Clarendon Street Town Hall, Moray Street, the Light rail, ANZAC Station and Albert Park.
10. Redevelop the York St carpark interface with the market and improve the market interface to the light rail.
11. Undertake substantial improvements to the accessibility of the precinct, particularly by walking, cycling and public transport, including the following:

- Substantial upgrades to key walking and cycling connections to the CBD, Southbank, Fishermans Bend, Docklands, and the Southern and South-Eastern suburbs
- Improve PT links and services to the CBD and Southbank
- Create a new tram link across to ANZAC Station.
- Design new tram stops to ensure that local access and amenity of their surrounds are preserved and enhanced.
- Consider alternative means of cater for car parking within the precinct (so that parking is still available but not taking up valuable ground space for pedestrian amenity).

THE PLANNING FRAMEWORK:

12. Retain land in the precinct in dedicated employment zones (i.e. the Commercial 2 zone or other employment zone that does not allow residential development to occur)
13. Prepare an affordable workspace policy for inclusion in the Port Phillip Planning Scheme. The policy should support the preservation of affordable workspace in the precinct, as well value-capture opportunities for the creation of new affordable workspace as part of site redevelopment. It should be linked to revised built form controls such as a floor area ratio and uplift mechanism.



14. Establish urban design guidelines for the precinct which incentivise the retention and reuse of existing buildings, as well as the creation of new work space typologies that are suitable for a range of startups and creative industries.
15. Review planning and building regulations, and local laws to support easier adaptive reuse of buildings and utilisation of public space for activities associated with creative industries (outdoor markets, displays, etc.).

FINANCIAL/FISCAL MEASURES:

16. Consider offering rebates on municipal rates and land tax for buildings that are utilised by startups and/or low-income creative industry workers.
17. Establish a grants program to support startups and/or low income creative industry workers. The program could be modelled on the City of Melbourne Small Business Grants Program which provides financial assistance to support market-ready products and services that enhance the City's reputation for innovation and creativity, and contribute to a thriving, sustainable business culture.



5.3 Fishermans Bend Precinct Opportunities

Short-Term Challenges and Opportunities for Supporting Commercial Enterprise and Creative Industries

The precinct is difficult to access:

- *Explore short term opportunities to improve access via PT, walking and cycling.*

There are a number of vacant spaces and large vacant buildings – these present opportunities to make interim changes that signpost the types of changes that are possible in the precinct over the longer term:

- *Explore temporary activation by makers and creative industries, including pop-up markets, festivals and events.*
- *Explore the use of public art to reposition the image and identity of the place – could include partnering artists with landowners.*
- *Explore opportunities for larger vacant warehouses to be utilised for a series of smaller sub-tenancy activities under the one roof.*

The rental costs in the precinct are too high for artists and startup makers:

- *It is possible that Covid19 might result in reduced rental costs, and government could be pro-active in leasing space and sub-leasing it to misc. artists and makers – similar to the River Studios run by City of Melbourne. Importantly, this could assist in providing security of tenure, and would help attract users from other locations where such security does not exist.*
- *Government could explore offering financial concessions to landowners who make their spaces available for creative industries and startups.*

There is minimal activity in the precinct outside Mon-Fri/9-5, and the character and scale of buildings/spaces in the precinct allow for experimentation with more substantial temporary activations/interventions:

- *Explore art/culture based activations in evenings and weekends (events, pop-ups, large-format arts installations, etc.)*
- *Explore opportunities for running events and activities for youth – skating, extreme sports, street-art, music, etc.*
- *Make use of the fact that the precinct does not have sensitive interfaces to conduct live music events and festivals.*



Medium-Term Opportunities for Supporting Startup Commercial Enterprises and Creative Industries

The following opportunities to support start-up commercial enterprises and creative industries have been identified for further consideration by State and local government to pursue:

CREATIVE INDUSTRY SUPPORT AND PRECINCT GOVERNANCE:

1. The precinct has a long history of research and development in the defence, aviation and automotive sectors, but it does not currently have an identifiable image or brand for creative industries, bespoke manufacturing etc. However opportunities exist to utilise large facilities and transitioning industrial spaces to embed entrepreneurial and creative industries into the renewal process.

Government could work with landowners and businesses to establish a curatorial vision and then seek out businesses and activities to operate from within the precinct that align to that vision. Opportunities exist for this to be the location for a major arts/music event of the type/scale of Dark MOFO – if the right people were involved to give it a curatorial edge and attract the right international talent.

2. There is a potential conflict between existing industries (e.g. cement works) and new enterprises (offices, creative industries etc.).

Develop an amenity management plan that ensures that new uses do not locate within the buffers of established businesses, and work with existing businesses to ensure off-site impacts are minimised.

3. The presence of the of the State-owned former GMH site and the proposed development of the new University of Melbourne campus adjacent to this area presents many opportunities to support activation of the precinct and support for start ups, research, and development.

The State Government, University, Council and industry should collaborate to utilise these important assets to support the growth of business.

4. Explore opportunities to provide free access to fast internet within the precinct. Opportunities to repurpose parts of the ground floor of existing building operations should also be explored.

SPACE PROVISION:

5. Explore opportunities for the creation of local hubs or nodes of activity on key sites within the precinct. There are a number of larger underutilised warehouses that could be re-purposed as arts/creative industry hubs. This would have a significant transformational effect on the precinct. The creation of hubs would require major repurposing and curation of buildings to enable smaller tenancies to be able to establish and operate here.
6. The precinct currently comprises a mix of office and large-format warehouses. It does not have streetscapes and buildings that cater well (or are affordable) for creative industries and makers. Opportunities exist to create a wider diversity of buildings and public spaces as part of the urban renewal of the precinct, including buildings and public spaces and that are affordable and designed to cater for creative industries and urban manufacturing.
7. Explore opportunities to temporarily use vacant buildings for the creation and promotion of creative industry products/services.

PLACE-MAKING AND THE PUBLIC REALM:

8. The precinct lacks a specific heart or focus for innovation or business incubation. The opportunity exists to create a hub for collaboration, testing ideas, innovation and business incubation, either within the GMH site (including the University of Melbourne campus) or within the Lorimer precinct (or potentially both).

9. Explore how the public domain could be redesigned to reflect the change in function of the place from large-format warehousing/logistics to an edgy urban cultural/ maker precinct – including creating more pedestrianised spaces, and innovative features such as (for example) street art walls, skating/bmx/cyclocross circuits, climbing walls etc. Opportunities exist to directly involve creative industries and startups in the physical reimagining of the precinct using models such as the Toronto Artscape project where subsidised access is provided in exchange of inputting to the planning and design of the transformation.
10. The precinct is difficult to access by public and active transport and improvements need to be made to walking, cycling and PT routes (as identified in the Fishermans Bend Framework) for this precinct to be perceived as an attractive location for many businesses, including creative industries and startups.

THE PLANNING FRAMEWORK:

11. Ensure zoning in the precinct aligns with preferred land and development outcomes (i.e. prohibiting residential development) to support employment and economic development.

12. Prepare an affordable workspace policy for inclusion in the Melbourne Planning Scheme. The policy should support the preservation of affordable workspace in the precinct for not for profit creative industries and startup businesses, as well as value-capture opportunities for the creation of new affordable workspace as part of site redevelopment. It should be linked to revised built form controls such as a floor area ratio and uplift mechanism.
13. Establish urban design guidelines for the precinct which incentivise the retention and reuse of existing buildings, as well as the creation of new work space typologies that are suitable for manufacturing research and development and creative industries (particularly those requiring large format spaces).

FINANCIAL/FISCAL MEASURES:

14. Consider offering rebates on municipal rates and land tax for buildings that are utilised by startups and/or low-income creative industry workers.



6.0 TYPICAL AFFORDABLE WORKSPACE TYPOLOGIES

6.1 Introduction

There are a range of building typologies that are particularly suited to the needs of start-ups and creative businesses. These building typologies are common across the case study precincts as they have historically been associated with industrial and commercial precincts. They include:

- Large format industrial buildings
- Small industrial buildings
- Mid-rise commercial buildings
- Low-rise office, small format office buildings
- Shoptop commercial

Many of these buildings that exist in the case study precincts serve as affordable spaces already as they include a range of different building scales, building conditions, quality of fit-out and different spatial attributes (e.g. through access to daylight or vehicular access). These building are often those lost to redevelopment when it occurs.

While Chapter 7 of this report focuses on a quantitative assessment of affordable workspaces and how they can be delivered through alternate planning mechanisms, it is important not to lose site of the different spatial requirements of different businesses and organisations. These are considered in this chapter in regards to the types of uses that occupy these building types:

- Studio spaces, including generic offices, co-working, messy, workshops, and music recording and rehearsal studios.
- Gallery spaces, including large and small spaces,
- Performance spaces, including theatre, live music spaces, multi-purpose and rehearsal spaces.

6.1.1 Large format industrial building

Overview

Large format industrial buildings have a simple and robust structure, with large open space for flexible use. Typically these large warehouses have poor acoustic and thermal quality, however can be converted to be used as a performance space, exhibition space for large events, workshops and live music venues.

SITE SIZE	800m ² +
BUILDING FLOORPLATES	500m ²
BUILDING HEIGHTS	4.5m+
ACCESS TO DAYLIGHT	low
TYPICAL USERS	warehouse, retail display & sales, manufacturing, creative space

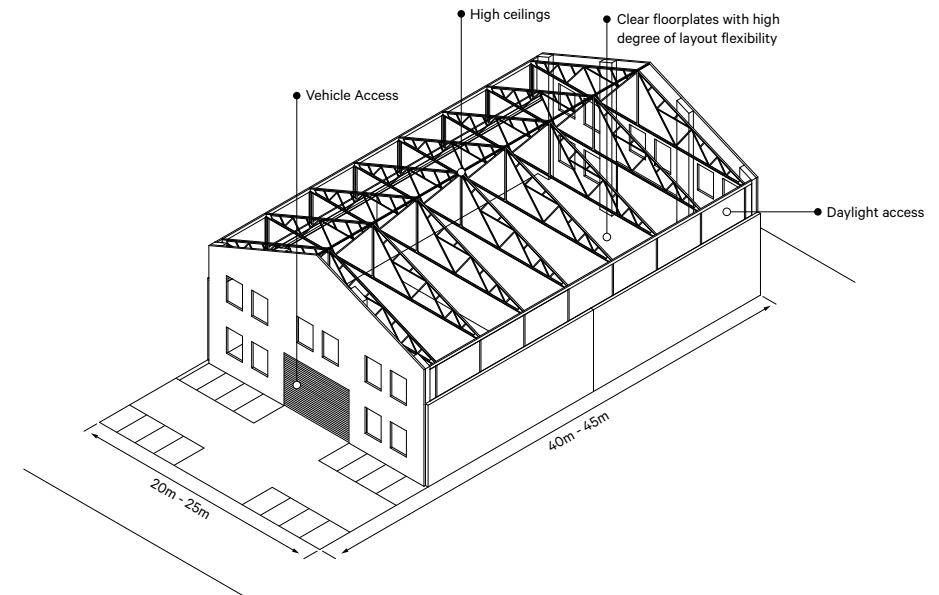
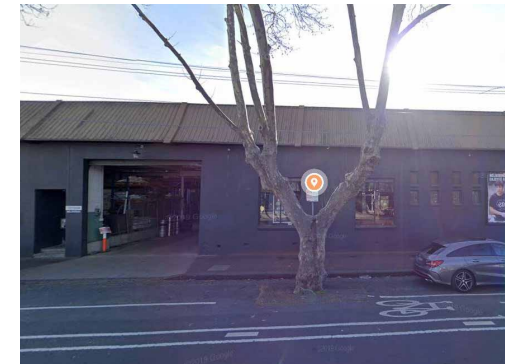


Figure 17. Large format industrial building.

Performance Spaces			Gallery Spaces			Studio Spaces			Live Music Spaces	
Theatre	Multi-purpose	Rehearsal	Large Exhibition	Small Exhibition	Co-working	Generic	Messy	Workshop	Live Music Spaces	
●	●	●	●	●		●	●	●	●	



6.1.2 Small industrial buildings

Overview

Small industrial buildings are typically simple robust structures that can be converted into workshops, studio spaces and retail. St Ali coffee roasters (see image at bottom far left below) is located in a converted warehouse in South Melbourne. The warehouse has been adapted to increase comfort with plywood interior cladding.

SITE SIZE	100m ² - 600m ²
BUILDING FLOORPLATES	50m ² - 500m ²
BUILDING HEIGHTS	4.5m+
ACCESS TO DAYLIGHT	low
TYPICAL USERS	warehouse, retail display & sales, small scale manufacturing, professional services, creative space

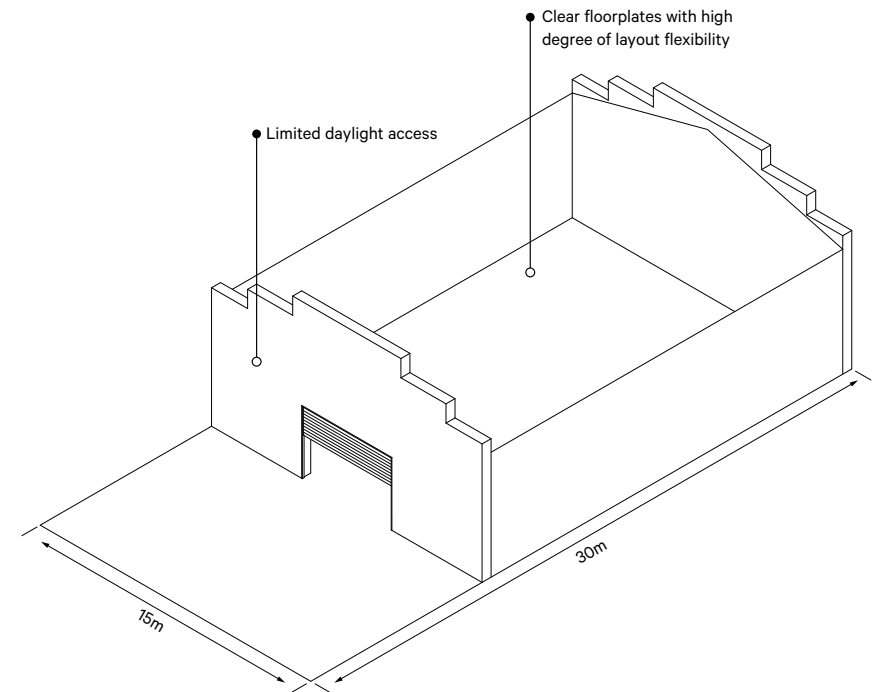


Figure 18. Small industrial building.

Performance Spaces			Gallery Spaces			Studio Spaces			Live Music Spaces	
Theatre	Multi-purpose	Rehearsal	Large Exhibition	Small Exhibition	Co-working	Generic	Messy	Workshop	Live Music Spaces	
	●	●		●	●	●	●	●	●	



6.1.3 Mid-rise commercial

Overview

Mid-rise commercial buildings typically have central circulation with varying standard size office spaces. The ground floor usually accommodates for commercial use such as cafes and retail.

SITE SIZE	Up to 2500m ²
BUILDING FLOORPLATES	Up to 2500m ²
BUILDING HEIGHTS	10.2m - 40m
ACCESS TO DAYLIGHT	high
TYPICAL USERS	professional services, ground floor retail, cafes etc.

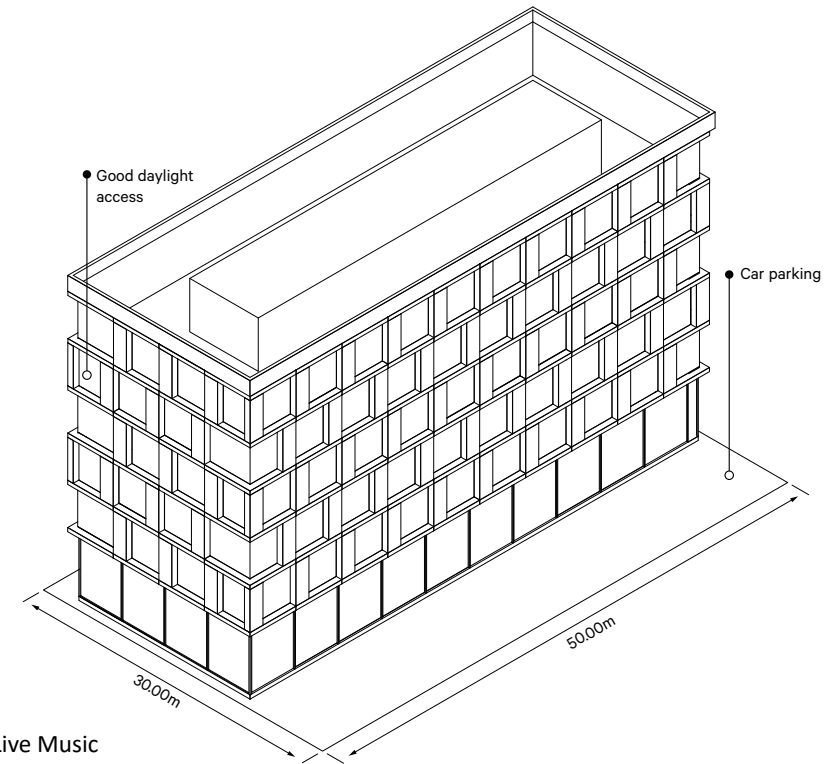


Figure 19. Mid-rise commercial building.

Performance Spaces			Gallery Spaces			Studio Spaces				
Theatre	Multi-purpose	Rehearsal	Large Exhibition	Small Exhibition	Co-working	Generic	Messy	Workshop	Live Music Spaces	



6.1.4 1 - 3 Storey office building smaller than 200m²

Overview

Low rise office developments are typically either conversions of older warehouse buildings, or office developments constructed in the 1950's-1970's.

SITE SIZE	<200m ²
BUILDING FLOORPLATES	150m ² - 200m ²
BUILDING HEIGHTS	4m - 10.4m
ACCESS TO DAYLIGHT	high
TYPICAL USERS	professional services

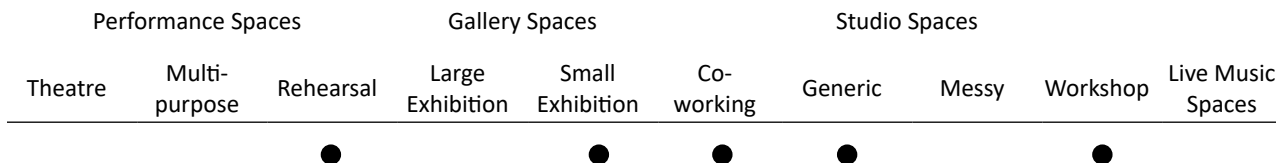
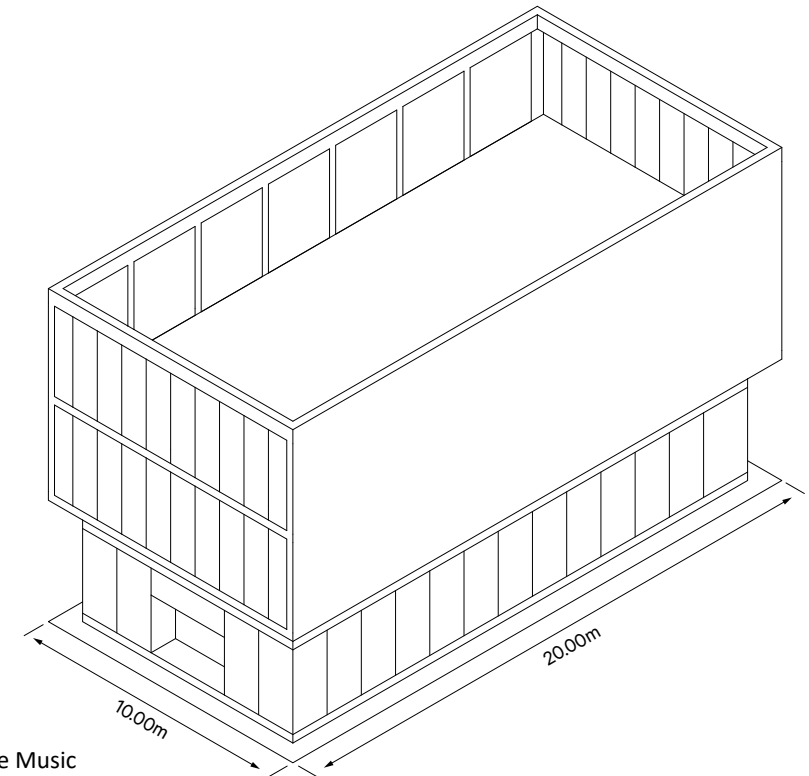
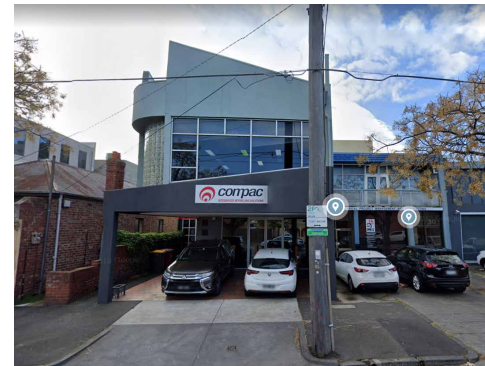
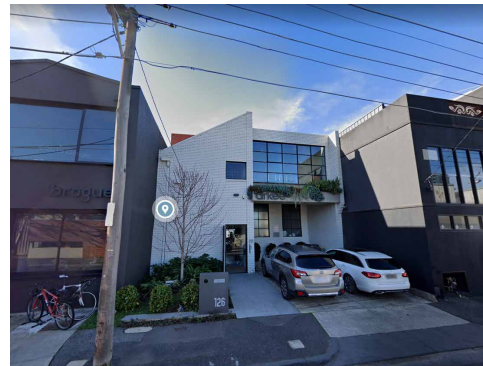


Figure 20. 1-3 storey office building smaller than 200m².



6.1.5 1 - 3 Storey office building 200m² - 500m²

Overview

Low rise office developments are typically either conversions of older warehouse buildings, or office developments constructed in the 1950's-1970's. Newer office developments are more typically taller buildings.

SITE SIZE	200m ² - 500m ²
BUILDING FLOORPLATES	150m ² - 400m ²
BUILDING HEIGHTS	4m - 10.4m
ACCESS TO DAYLIGHT	high
TYPICAL USERS	professional services

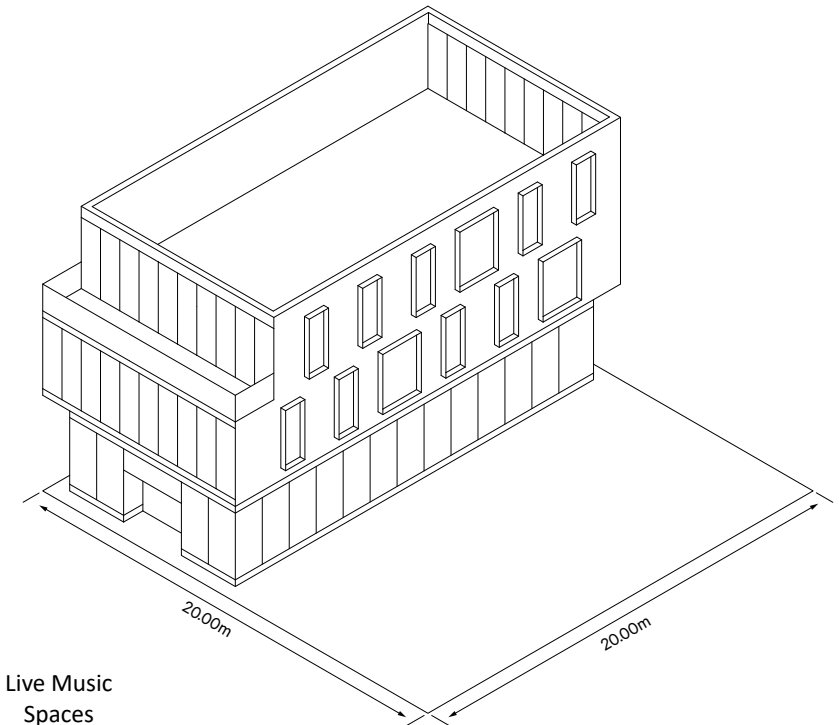


Figure 21. 1-3 storey office building 200m² - 500m².



6.1.6 1 - 3 Storey office building larger than 500m²

Overview

Low rise office developments are typically either conversions of older warehouse buildings, or office developments constructed in the 1950's-1970's. They commonly include a mixture of office, warehouse and display spaces, newer office developments are more typically taller buildings.

SITE SIZE	>500m ²
BUILDING FLOORPLATES	400m ² - 2000m ²
BUILDING HEIGHTS	4m - 10.4m
ACCESS TO DAYLIGHT	high
TYPICAL USERS	professional services

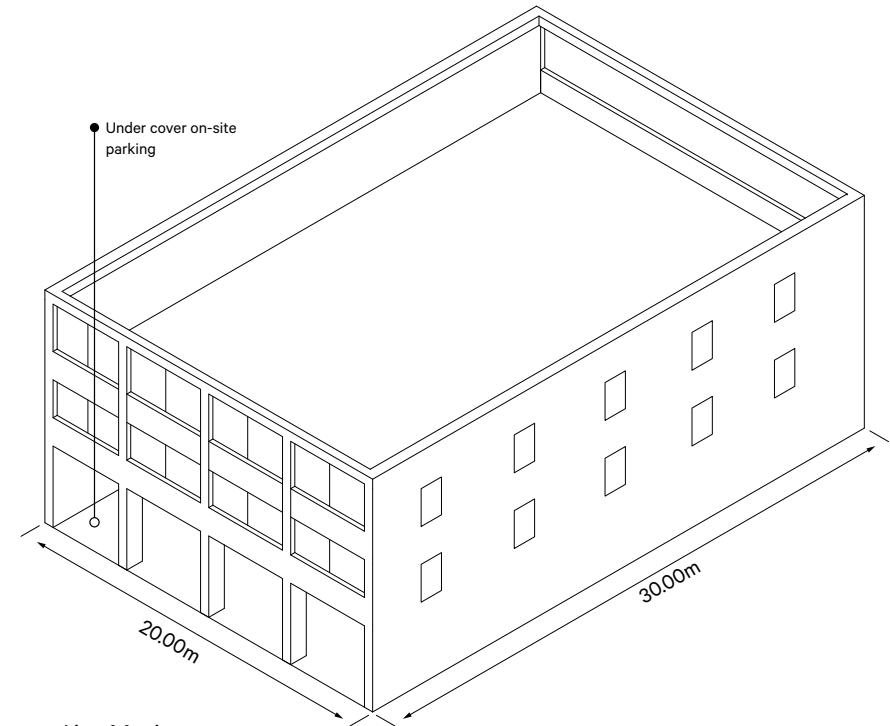


Figure 22. 1-3 storey office building larger than 500m².



6.1.7 Shoptop commercial

Overview

Shoptop commercial buildings are typically small converted warehouses or Victorian era commercial buildings. Usually the ground floor is used for commercial retail, while the top floor is a more private space for a workshop, office, or rehearsal space.

SITE SIZE	70m ² - 180m ²
BUILDING FLOORPLATES	90m ² - 180m ²
BUILDING HEIGHTS	4m - 10.4m
ACCESS TO DAYLIGHT	moderate
TYPICAL USERS	accommodation, workshops, galleries, offices

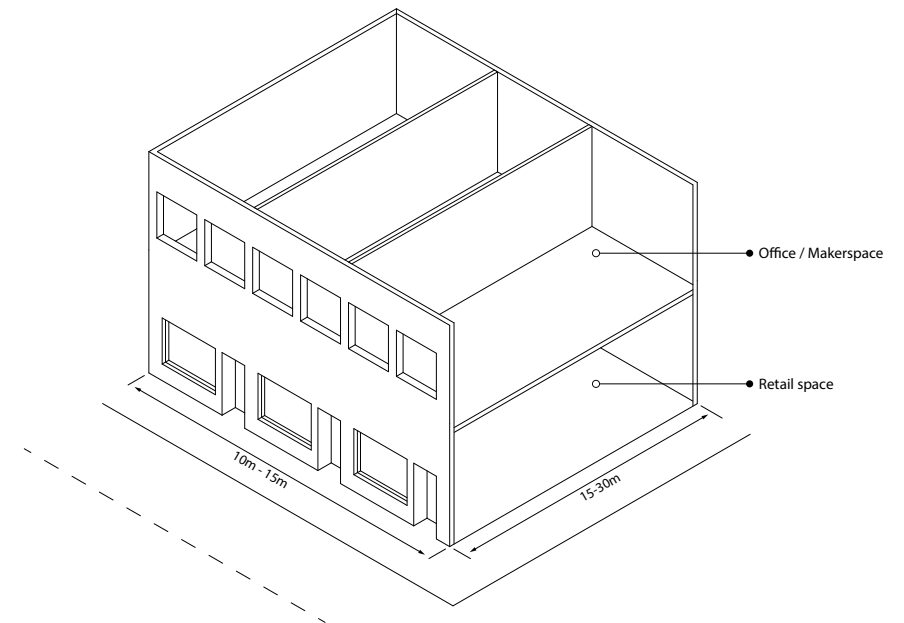
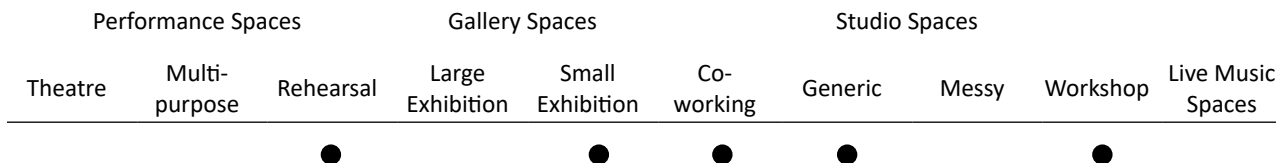


Figure 23. Shoptop commercial building.



7.0 TESTING POTENTIAL URBAN PLANNING RESPONSES

7.1 Overview of potential urban planning tools

The previous research reports (Echelon, 2020 & Hodyl & Co, 2020) made a number of recommendations for the use of urban planning tools to preserve and create affordable workspaces for start-ups and creative industries.

The urban planning recommendations from the previous research reports included the following:

- A. Introducing a definition of ‘affordable commercial space’ in the Planning and Environment Act.
- B. Identifying the protection/creation of affordable workspace as a legitimate planning outcome in the Victorian Planning Policy Framework.
- C. Developing a framework to support the ongoing management of ‘affordable commercial space’, equivalent to the Department of Health and Human Services affordable housing frameworks.
- D. Identifying the specific employment precincts (‘enterprise precincts’) and creative neighbourhoods where the protection and creation of affordable workspace is a priority.
- E. Encouraging local councils to prepare affordable workspace policies and planning provisions where this is justified.
- F. Developing guidelines to direct Planning Authorities on how to prepare affordable workspace policies and planning provisions.
- G. Ensuring that areas where the protection and creation of affordable workspace is a priority are retained in employment-only zones.
- H. Considering the use of ‘place-based’ built form controls as mechanisms for the delivery of the following:
 - I. Retention and reuse of existing commercial buildings
 - II. Setting ‘inclusionary’ affordable workspace requirements
 - III. Creating affordable workspace value capture opportunities via value capture.

The purpose of this Chapter is to test how the ‘place-based’ urban planning tools identified in H-II and H-III above might potentially be applied to a cross-section of employment (enterprise) precinct case studies in inner Melbourne.

For the purpose of testing these ‘place-based’ urban planning tools, this assessment has assumed the following:

- A. That state and local policies support the use of the planning scheme as a mechanism for protecting and creating affordable workspaces.
- B. That each of the three Case Study precincts will remain in an employment zone.
- C. That each of the three Case Study precinct are identified as ‘enterprise areas’ where the protection and creation of affordable workspace is an agreed priority.

The assessment in this Chapter explores options for introducing ‘inclusionary’ affordable workspace requirements, value capture via value capture, and a combination of these two tools.

The purpose of this assessment is to consider how such tools might potentially work at a site level (for a range of different sites and building scales) and at a precinct level as a means of retaining and creating affordable workspace over time.

7.2 Why should urban planning tools be considered?

The rationale and evidence for considering the use of urban planning tools as a mechanism for preserving and creating affordable workspace is set out in the previous research reports (Echelon, 2020 & Hodyl & Co, 2020).

The following extract from the Echelon Report summarises the case for considering using the planning system for such purposes:

“A common feature amongst successful cities such as London, New York and Portland is their commitment to the use of zoning and other planning regulations to support the provision of affordable workspaces. These cities have recognised that their local urban planning regimes play an important role in counterbalancing the negative effects of sustained property prices on the health and diversity of their local economies.

The urban planning responses of these Cities range from setting planning policies to preserve and create affordable workspaces, through to coordinating urban renewal via spatial plans and capturing and reinvesting land value uplifts into affordable workspaces. For example:

- *A number of boroughs within City of London have adopted affordable workspace policies which mandate the preservation or replacement of such spaces in urban renewal areas. The Greater City of London is proposing to apply similar such policies across the wider greater London area.*
- *The Portland Central Eastside district utilises Floor Area Ratio (FAR) and Floor Area Uplift (FAU) mechanisms to facilitate the creation of industrial office and manufacturing activities.*
- *The Chicago Neighbourhood Opportunity Bonus system generates funding for the purchase and upgrade of small-scale commercial buildings by allowing floor area ratio (FAR) bonuses for new construction within the city’s downtown districts.*

In Victoria, our system of zoning and policies are tools for regulating land uses and development in such a way as to achieve wider community interests, including ‘the fair, orderly, economic and sustainable use of land’.

Sometimes, facilitating the transition of land use from low-yield to higher-yield uses (‘highest and best uses’) is the best means of achieving these outcomes, but there are instances where this is not the case.

In the case of employment precincts, there is an argument for intervention to ensure that fair, orderly and sustainable economic outcomes are achieved.

Strategic justification exists to introduce planning policies and controls which support retention of low yielding enterprise in locations which are subject to pressure from higher yielding enterprise and rising land values.

Achieving this necessitates that planning policy direct employment uses to areas that will deliver the best productivity and community benefit, and thereafter protect these areas from residential and other uses that push up rents and displace lower yielding activities.

It also necessitates the creation of practical planning mechanisms to preserve and create affordable workspace in these employment precincts. Such mechanisms could include planning tools which will deliver ‘market-based’ affordable workspaces, and to also capture and reinvest land value uplifts to create affordable workspace in certain instances.

The basic planning tools needed to achieve these outcomes already exist . What is needed is for State and local governments to set out a clear policy commitment to preserve and create affordable workspaces in designated locations, and to implement a program of actions (both regulatory and non-regulatory) to achieve the desired policy aims.”¹

¹ Echelon Planning (2020), page 11.

7.3 Methodology

The following methodology has been adopted for each of the precincts:

- Step 1 - Site selection

Identification of testing sites that are representative of the range of development sites within each precinct. For example, a mixture of small and large sites, sites that are located within different zones or overlays, and sites that include heritage buildings.

- Step 2 - Model development potential

Nomination of different development scales for the selected sites to assess the potential development yield. These have been determined through an analysis of recent permits, the current development controls or, in the case of Fishermans Bend, the aspirations for the long-term future of the area.

- Step 3 - Calculation of potential affordable workspace within each site

The potential planning mechanisms for the delivery of affordable workspaces within each development scale have been applied as follows:

- » Inclusionary requirement, nominated as a fixed area of 150m² for sites within Gipps Street and South Melbourne and at 500m² for sites in Fishermans Bend (responding to the significantly larger site sizes)
- » A value capture requirement, such as a Floor Area Uplift
- » A combination of an Inclusionary requirement and a value capture requirement.

Applying these potential mechanisms to each scenario led to an understanding of the range of potential affordable workspace (as a percentage of total net lettable area) that could be delivered within the tested sites.

- Step 4 - Assessment of potential affordable workspace across the precinct

The potential capacity of the whole precinct has been assessed. The range of potential affordable workspace provision, as determined through the site testing, has been extrapolated across all identified development sites for each precinct.

7.4 Key findings from the testing

SITE SCALE

The amount of affordable workspace that could be delivered (as a percentage of net lettable area) in each precinct through these mechanisms was:

- 2.5 - 8% in Gipps Street Precinct
- 2.3 - 4.9% in South Melbourne Precinct
- 2.4 - 6.9% in Fishermans Bend.

The combination of an inclusionary requirement and the Floor Area Uplift always delivered the highest amount of affordable workspace. This is logical as it incorporates a 'base' requirement for affordable workspace, together with an incentivised requirement.

As the inclusionary requirement was set as a fixed amount (rather than a percentage) there was no direct relationship between the percentage of affordable space delivered and the building scale. That is, as developments increased in scale, the amount of affordable workspace did not increase. Setting the inclusionary requirement as a percentage should be pursued, rather than a fixed amount. This will result in a more equitable outcome as all development would be required to contribute the same percentage of floorspace, regardless of the development scale. This ensures that small sites are unnecessarily penalised, and the large sites contribute their equitable share.

PRECINCT SCALE

The amount of affordable workspace that could be delivered across each precinct, assuming that all developable sites redevelop is:

- 30,650 - 98,000m² in Gipps Street Precinct
- 28,700 - 63,900m² in South Melbourne Precinct
- 43,400 - 124,700m² in Fishermans Bend.

This is a significant amount of affordable workspace in each precinct. It is highly unlikely, however, that all sites will turnover in even long-term outlooks for each precinct.

ANTICIPATED IMPACT

Assuming 20% of sites are redeveloped in the short term, this could deliver the following amount of space. The potential number of workers that would have access to an affordable workspace is included (assuming an average floorspace per worker of 30m²).

- » 6,130 - 19,600m² in Gipps Street Precinct (205 - 655 workers)
- » 5,740 - 12,780m² in South Melbourne Precinct (190 - 425 workers)
- » 8,680 - 24,940m² in Fishermans Bend (290 - 830 workers)

This is a meaningful contribution, supporting significant access to affordable workspaces.

7.4.1 Gipps St Precinct Case Study

Step 1. SITE SELECTION

The following sites were tested:

- 1 - 67 Rupert Street: A single storey warehouse on large site (>1000m²)
- 2 - 114-118 Langridge Street: A low-rise building (2-3 storeys) on small site (200-500m²)
- 3 - 92 Rokeby Street: A heritage building on a large site

These sites are clustered together and co-located with the recent development approval for a 14 storey building at 81 Rupert Street.

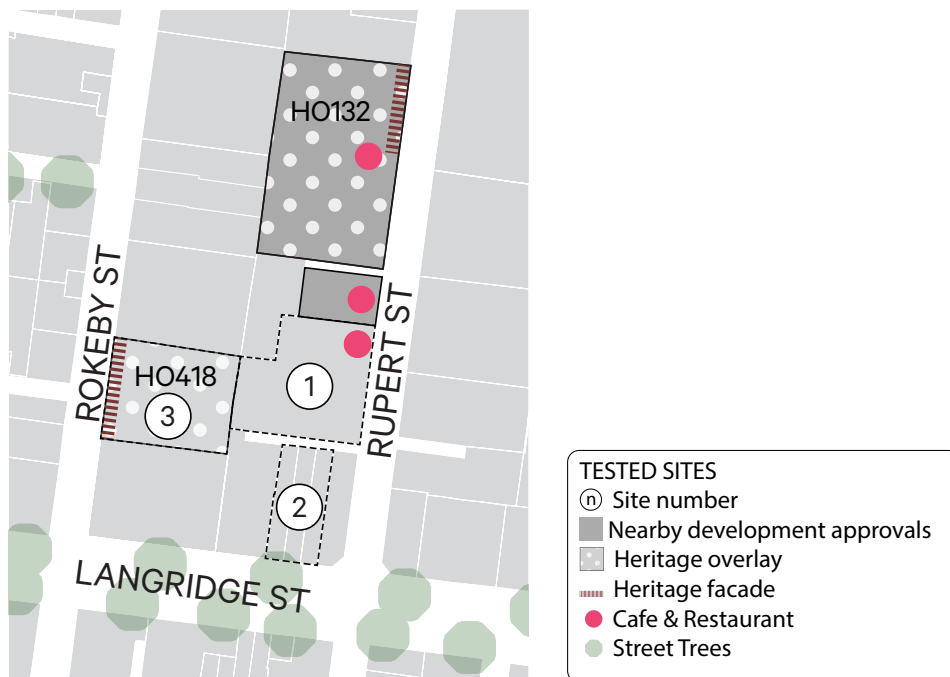


Figure 24. Gipps Street Precinct – Tested sites

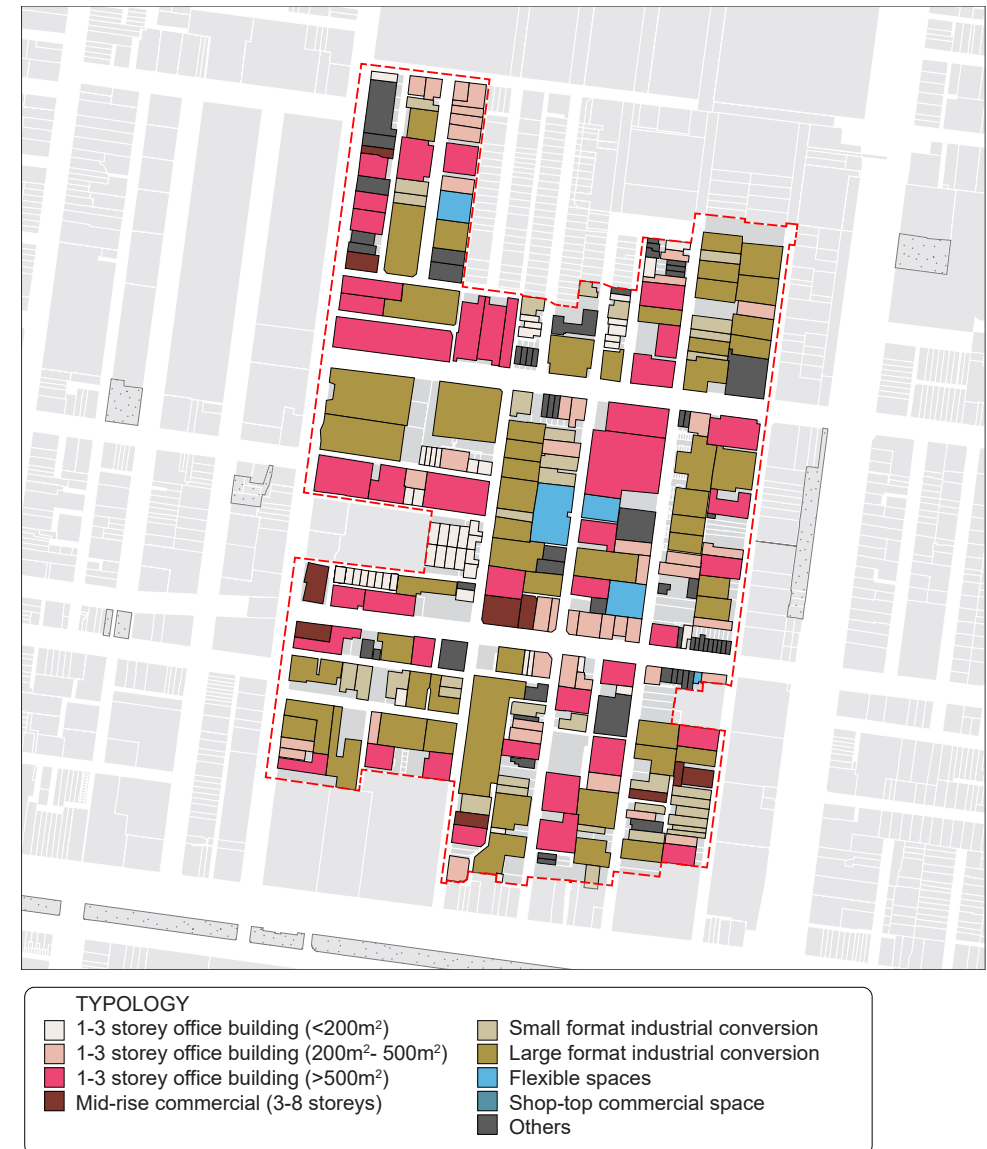


Figure 25. Gipps Street Precinct – Building typologies.

Step 2. MODEL DEVELOPMENT POTENTIAL

The mid-rise typology was selected for testing as this is aligned with the current development trends and market demand for commercial space in new developments. The potential capacity was therefore assessed by adopting three different scenarios for growth:

- Development Scenario 1: 6 storey development that is aligned with the City of Yarra's local policy that nominates a maximum building height of 5-6 storeys outside of activity centres.
- Development Scenario 2: 10 storey development - aligned with current development trends for multi-story office buildings.
- Development Scenario 3: 14 storey development - aligned with the tallest examples of recent approvals.

This is demonstrated in the modelling shown below. Site 2 is retained at 6 storeys for all development scenarios as the site area is too small to support a taller building.

For each scenario the potential yield that can be delivered has been calculated as the 'base case' that assumes that no affordable workspace is delivered.

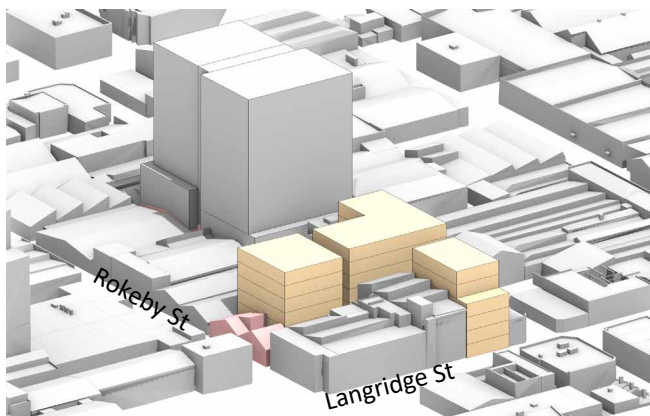
ALL SITES COMBINED: BASE CASE - NO AFFORDABLE WORKSPACE

	Scenario 1: Maximum of 6 storeys	Scenario 2: Maximum of 10 storeys	Scenario 3: Maximum of 14 storey
SITE AREA	2451	2451	2451
# OF BUILDING STOREYS	6	6-10	6-14
TOTAL GFA ¹ (m2)	11,646	13,394	18,098
TOTAL NLA ² (m2)	9,318	11,898	14,479
RESULTANT FAR ³	4.8:1	5.5:1	7.4:1

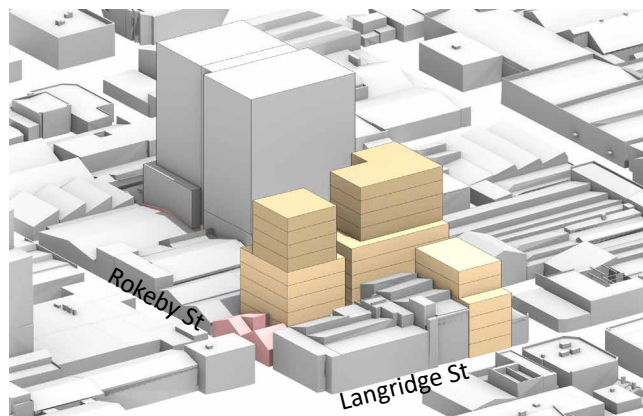
1 Calculated from the 3d model

2 Assumes 80% of GFA is NLA

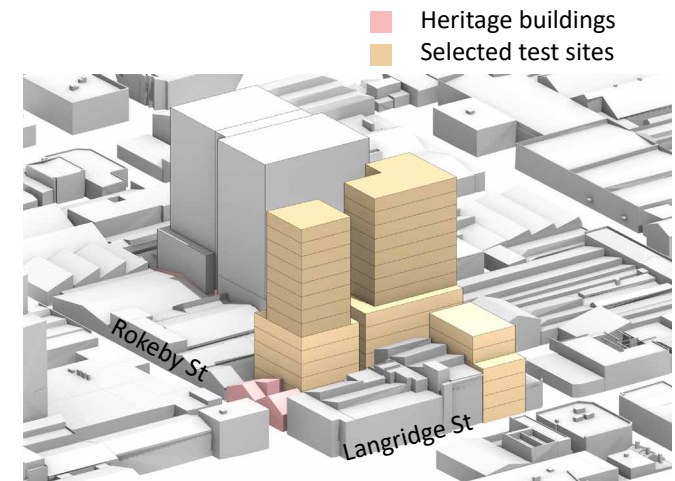
3 The resultant FAR has been calculated as a result of the modelling only (i.e. calculating the total GFA modelled divided by the site area). A FAR has not been used to derive the potential floor area.



Scenario 1: 6 storey developments



Scenario 2: 10 storey developments (Site 2 remains at 6 storeys as accommodating upper level setbacks would result in an unrealistic building floorplate)



Scenario 3: 14 storey developments (Site 2 remains at 6 storeys as accommodating upper level setbacks would result in an unrealistic building floorplate)

Figure 26. Gipps Street Precinct – Model Development Potential.

Step 3. POTENTIAL AFFORDABLE WORKSPACE

Two potential mechanisms for the delivery of affordable workspace have been assessed as follows for each scenario.

Mechanism	Development Scenario 1	Development Scenario 2	Development Scenario 3 - Option A	Development Scenario 3 - Option B
Inclusionary requirement of 150m ²	Yes	Yes	-	Yes
Floor Area Uplift	-	-	Yes	Yes

The Floor Area Uplift has been applied for any floor area above 6 storeys in Scenario 3. In these cases, it has been assumed that 10% of any floorspace above the 6th floor is provided as affordable commercial workspace as per the approach that currently applies in Melbourne's CBD and Southbank. Two options were assessed for Scenario 3 - one with the FAU only and one with the FAU as well as the inclusionary requirement.

The potential affordable workspace on each site is:

- Site 1 - Between 2.5 - 7.5% of the net lettable floor area.
- Site 2 - 8% of the net lettable floor area.
- Site 3 - Between 3.5 - 7.3% of the net lettable floor area.

A summary of the calculations for all sites is included on the following table.

ALL COMBINED SITES: POTENTIAL AFFORDABLE WORKSPACE

	Scenario 1	Scenario 2	Scenario 3A	Scenario 3B
MECHANISM	Inclusionary requirement of 150m ²	Inclusionary requirement of 150m ²	FAU applied above 6 storeys	Inclusionary up to 6 storeys + FAU above 6 storeys
SITE AREA	2451	2451	2451	2451
# OF BUILDING STOREYS	6	6-10	6-14	6-14
TOTAL GFA (m2)	11,646	13,394	18,098	18,098
TOTAL NLA (m2)	9,318	11,898	14,479	14,479
FAU (m2)			6,452	6,452
AFFORDABLE WORKSPACE (m2)	450	450	645	1,095 (450 Inclusionary + 645 FAU)
% OF TOTAL NLA	4.8%	3.7%	4.4%	7.5%

Step 4. POTENTIAL AFFORDABLE WORKSPACE ACROSS THE PRECINCT

In order to understand the potential capacity of the study area, we need to first understand which sites have potential for redevelopment. Sites have been excluded from the capacity analysis that are unlikely to be redeveloped as follows:

- Recent development approvals and sites with developments currently under construction (since 2000)¹, and
- Individual heritage sites.

The total potential development capacity calculated through this method would be approximately 1,226,000m² (see table below).

Total site area (m ²)	Sites removed from capacity analysis		Remaining developable sites (m ²)	% of total site area	Building heights (average)	Total GFA (m ²)	Total NLA ² (m ²)
	Individual heritage sites (m ²)	Recent development approvals (m ²)					
190,228	9,474	27,506	153,248	81%	10 Storeys	1,532,480	1,225,984

Based on the alternate scenarios developed through the testing, the range of potential affordable commercial floorspace would be between 2.5 to 8%. This equates to approximately 30,650 - 98,000m² of affordable commercial floorspace if all available sites in the precinct were redeveloped.

NET LETTABLE FLOOR AREA	% OF TOTAL NLA	AFFORDABLE WORKSPACE
1,225,984 m ²	2.5%	30,650 m ²
	4%	49,040 m ²
	5%	61,300 m ²
	8%	98,080 m ²

¹ Dataset provided by the City of Yarra

² Assuming 80% of GFA is NLA

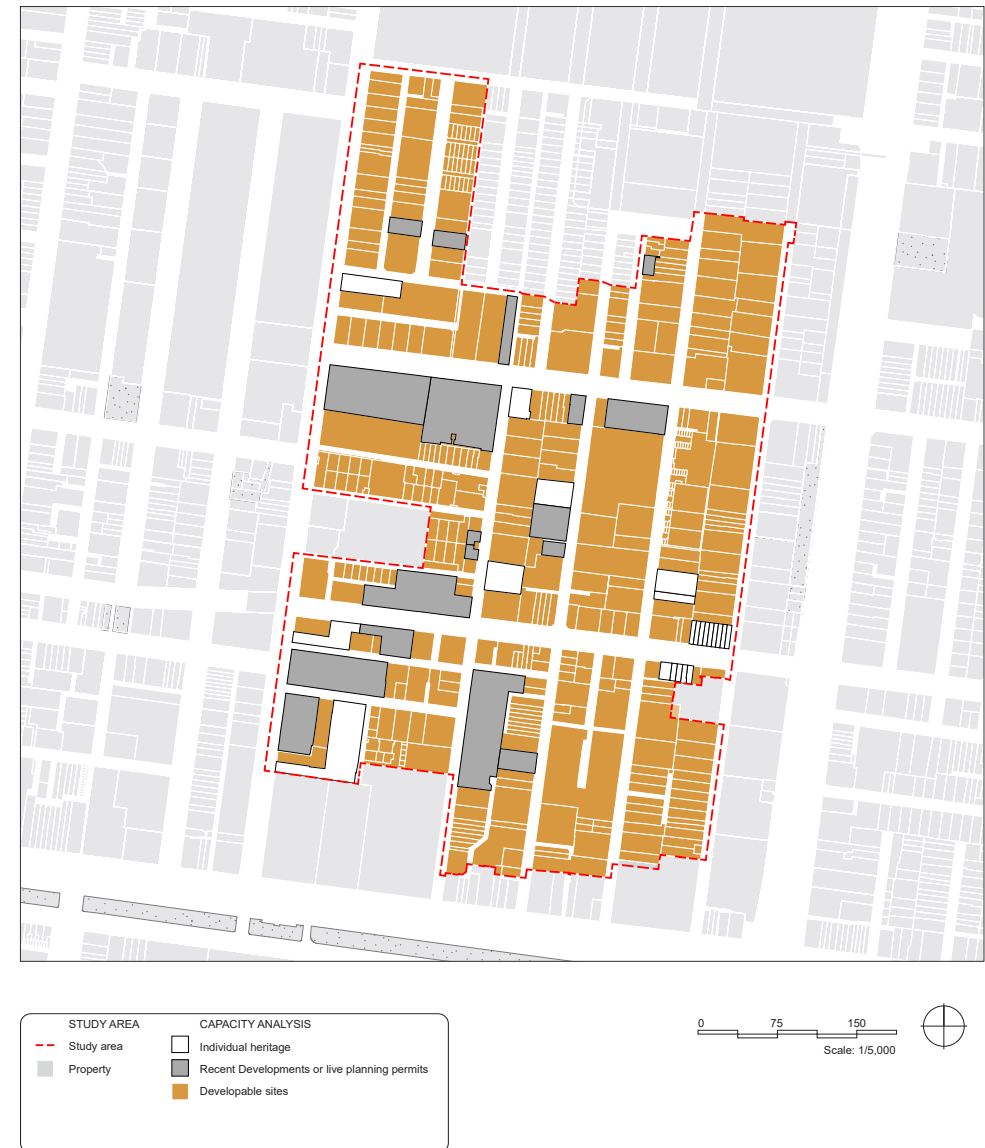


Figure 27. Gipps Street Precinct - Developable Sites.

7.4.2 South Melbourne Precinct Case Study

Step 1. SITE SELECTION

The following sites were tested:

- 1 - 72 York Street: A site fronting Clarendon Street in the Commercial 1 Zone and within DDO8 and a heritage overlay.
- 2 - 32 - 48 York Street: A large site within DDO8 with three street frontages.
- 3 - 65 York Street: A small corner site within DDO8

These sites are clustered together along York Street.



Figure 28. South Melbourne Precinct – Tested sites

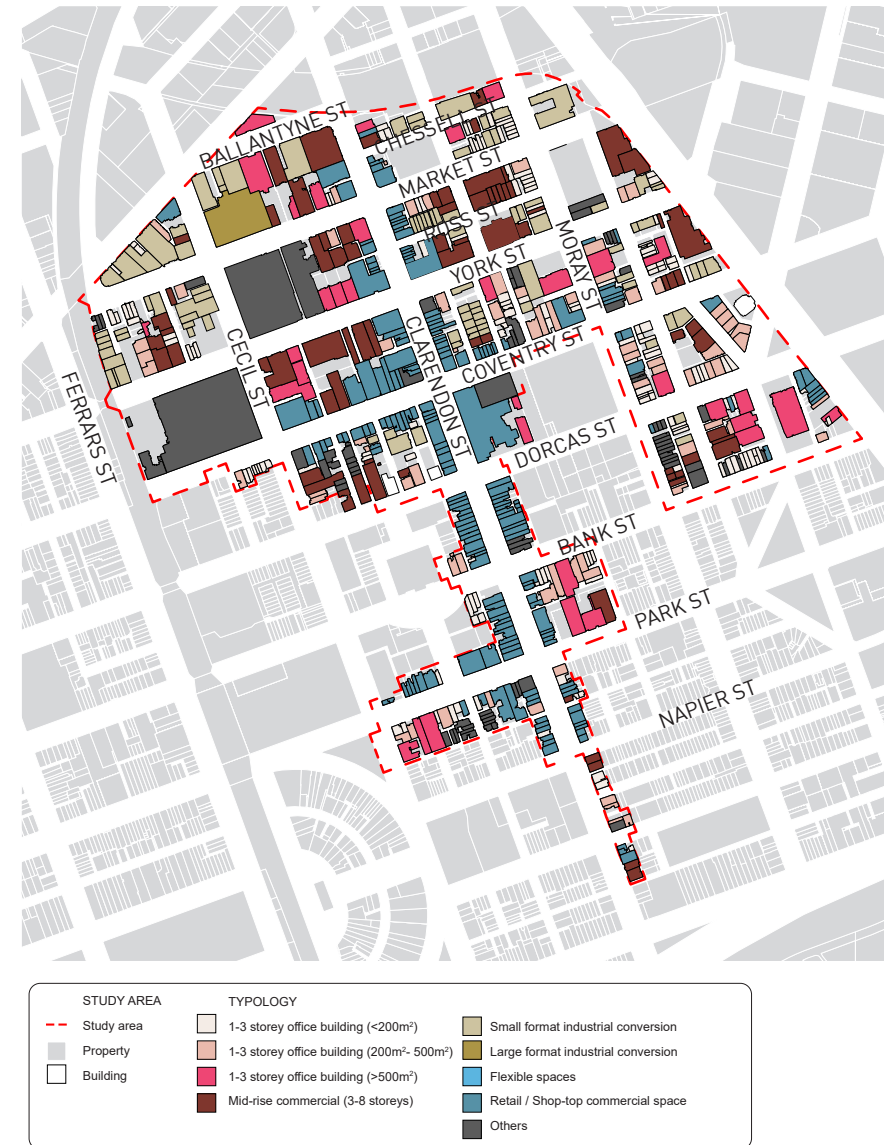


Figure 29. South Melbourne Precinct – Building typologies.

Step 2. MODEL DEVELOPMENT POTENTIAL

The mid-rise typology was selected for testing as this is aligned with the current development trends and market demand for commercial space in new developments. The potential capacity was assessed by adopting two different scenarios for growth:

- Development Scenario 1: 4-6 storey developments that are aligned with the preferred development outcomes as outlined in DDO8
- Development Scenario 2: 6-9 storey developments that are aligned with recent development trends in the immediate local area.

This is demonstrated in the modelling shown below.

For each scenario the potential yield that can be delivered has been calculated as the 'base case' that assumes that no affordable workspace is delivered.

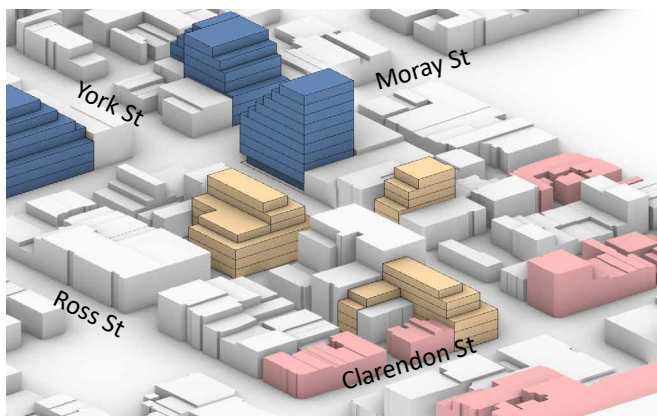
ALL SITES COMBINED: BASE CASE - NO AFFORDABLE WORKSPACE

	Scenario 1: 4-6 storeys	Scenario 2: 6-9 storeys
SITE AREA	3,500	3,500
# OF BUILDING STOREYS	4-6	6-9
TOTAL GFA ¹ (m2)	17,163	20,834
TOTAL NLA ² (m2)	13,730	16,667
RESULTANT FAR ³	4.9:1	6:1

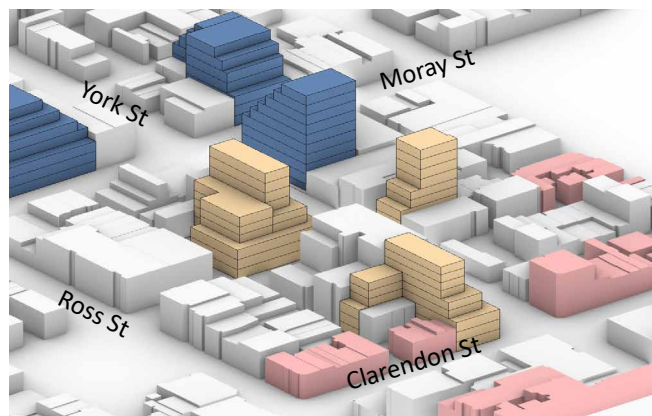
1 Calculated from the 3d model

2 Assumes 80% of GFA is NLA

3 The resultant FAR has been calculated as a result of the modelling only (i.e. calculating the total GFA modelled divided by the site area). A FAR has not been used to derive the potential floor area.



Scenario 1: 4-6 storeys



Scenario 2: 6-9 storeys

- Heritage buildings
- Recent developments and current permits
- Selected test sites

Figure 30. South Melbourne Precinct – Model Development Potential.

Step 3. POTENTIAL AFFORDABLE WORKSPACE

Two potential mechanisms for the delivery of affordable workspace have been assessed as follows for each scenario.

Mechanism	Development Scenario 1	Development Scenario 2 - Option A	Development Scenario 2 - Option B
Inclusionary requirement of 150m ² per site	Yes	-	Yes
Floor Area Uplift	-	Yes	Yes

The Floor Area Uplift has been applied for all additional floors in Scenario 2 above that provided in Scenario 1. In these cases, it has been assumed that 10% of any additional floorspace is provided as affordable commercial workspace as per the approach that currently applies in Melbourne's CBD and Southbank. Two options were assessed for Scenario 2 - one with the FAU only and one with the FAU as well as the inclusionary requirement.

The potential affordable workspace across the three sites is 2.2 - 4.9% of net lettable area.

The calculations are included in the following table.

SITE 1: POTENTIAL AFFORDABLE WORKSPACE

	Scenario 1	Scenario 2A	Scenario 2B
MECHANISM	Inclusionary requirement of 150m ²	FAU applied for all additional yield above Scenario 1	Inclusionary requirement + FAU
SITE AREA	3,500	3,500	3,500
# OF BUILDING STOREYS	4-6	6-9	6-9
TOTAL GFA ¹ (m2)	17,163	20,834	20,834
TOTAL NLA ² (m2)	13,730	16,667	16,667
FAU (m2)		3,671	3,671
AFFORDABLE WORKSPACE (m2)	450	367	817 (450 Inclusionary + 367 FAU)
% OF TOTAL NLA	3.2%	2.2%	4.9%

¹ Calculated from the 3d model

² Assumes 80% of GFA is NLA

Step 4. POTENTIAL AFFORDABLE WORKSPACE ACROSS THE PRECINCT

In order to understand the potential capacity of the study area, we need to first understand which sites have potential for redevelopment. Sites have been excluded from the capacity analysis that are unlikely to be redeveloped as follows:

- Recent development approvals and sites with developments currently under construction (since 2000)¹, and
- Individual heritage sites.

The total potential development capacity calculated through this method would be approximately 1,303,000m² (see table below).

Total site area (m ²)	Sites removed from capacity analysis		Remaining developable sites (m ²)	% of total site area	Building heights (average)	Total GFA (m ²)	Total NLA ² (m ²)
	Individual heritage sites (m ²)	Recent development approvals (m ²)					
264,080	19,539	11,798	232,743	88%	7 Storeys	1,629,201	1,303,360

Based on the alternate scenarios developed through the testing, the range of potential affordable commercial floorspace would be between 2.2 to 4.9%. This equates to approximately 28,700 - 63,900m² of affordable commercial floorspace if all available sites were redeveloped.

NET LETTABLE FLOOR AREA	% OF TOTAL NLA	AFFORDABLE WORKSPACE
	2.2%	28,673 m ²
	3%	39,100 m ²
1,225,984 m ²	4%	52,134 m ²
	4.9%	63,864 m ²

¹ Dataset provided by the City of Yarra

² Assuming 80% of GFA is NLA

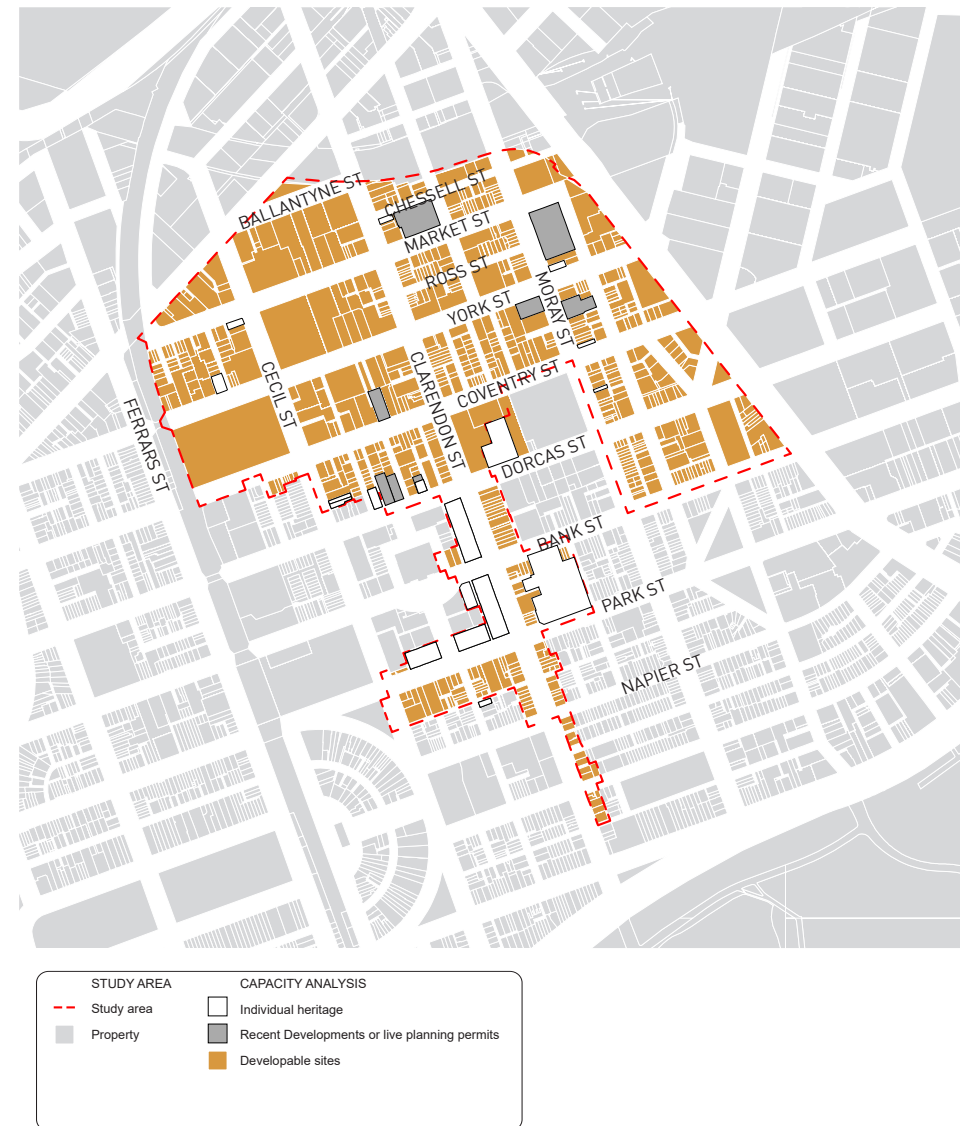


Figure 31. South Melbourne Precinct – Developable sites.

7.4.3 Fishermans Bend Employment Precinct Case Study

Step 1. SITE SELECTION

The following sites were tested:

- 1 - 90 Turner Street (40,280m² site)
- 2 - 92-100 Turner Street (3,457m² site)
- 3 - 102-106 Turner Street (3,142m² site)
- 4 - 120-130 Turner Street (5,272² site)

These sites are all located to the immediate south of the Turner Street spine which is the key link between Melbourne's CBD and the catalyst former General Motors Holden site to the west.

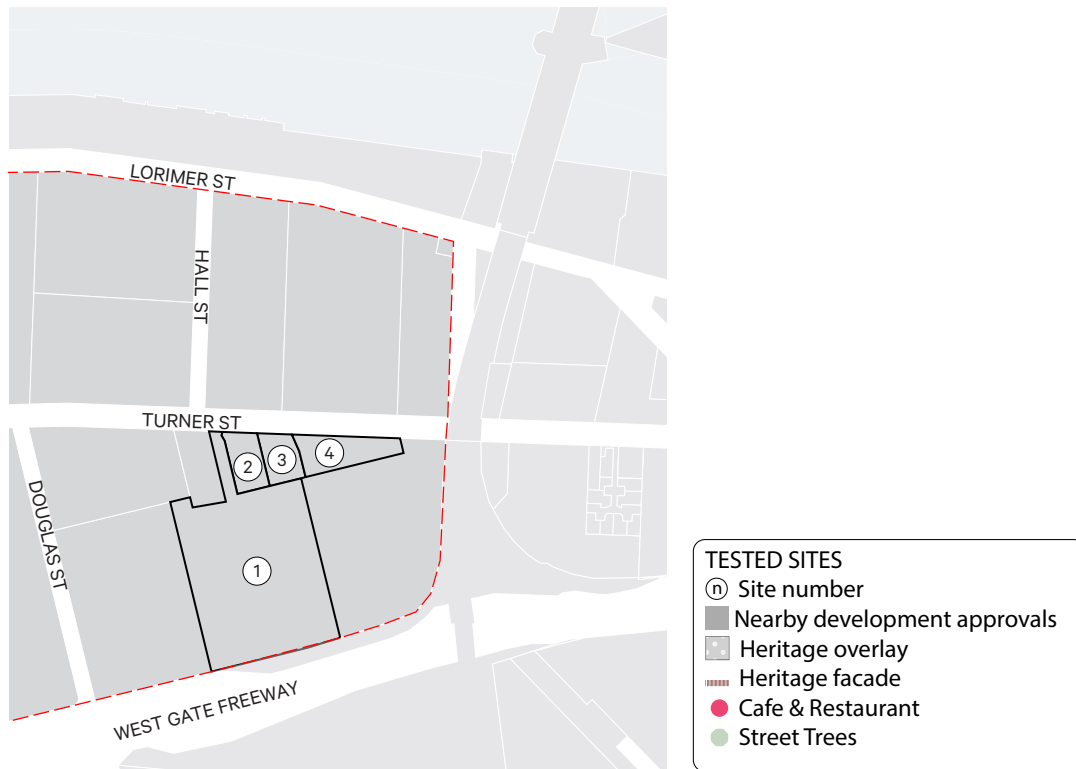


Figure 32. Fishermans Bend Employment Precinct – Tested sites.

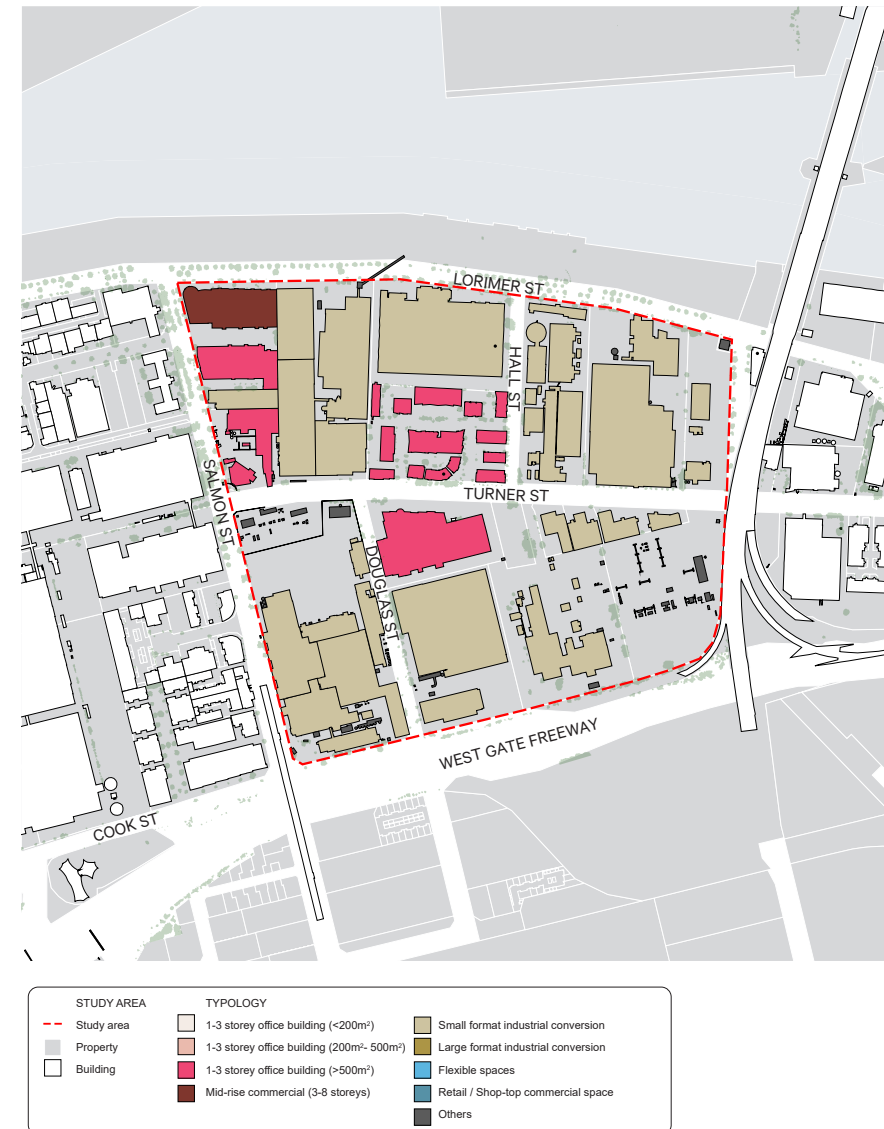


Figure 33. Fishermans Bend Employment Precinct – Building typologies.

Step 2. MODEL DEVELOPMENT POTENTIAL

A range of low-medium scale development was modelled in this testing as this aligns with global precedents for innovation districts. The buildings include a mix of large and smaller floorplates. The potential capacity was assessed by adopting two different scenarios for growth:

- Development Scenario 1: 3-4 storey developments
- Development Scenario 2: 4-8 storey developments

This is demonstrated in the modelling shown below.

For each scenario the potential yield that can be delivered has been calculated as the 'base case' that assumes that no affordable workspace is delivered.

Note: Turner Street includes high capacity power lines (with easement requirements) which have not been taken into account.

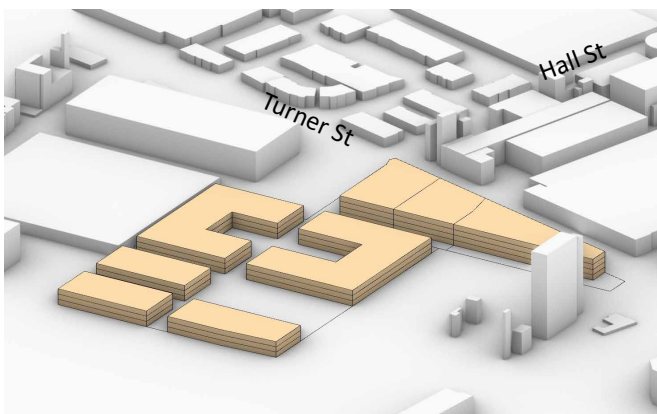
ALL SITES COMBINED: BASE CASE - NO AFFORDABLE WORKSPACE

	Scenario 1: 3-4 storeys	Scenario 2: 4-8 storeys
SITE AREA	48,690	48,690
# OF BUILDING STOREYS	3-4	4-8
TOTAL GFA ¹ (m2)	102,227	186,290
TOTAL NLA ² (m2)	81,782	149,032
RESULTANT FAR ³	2	4

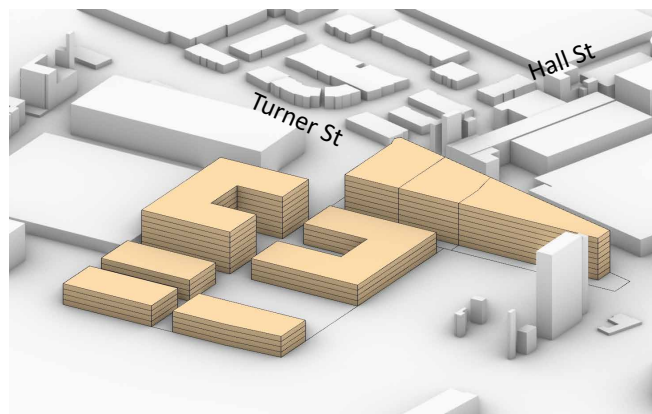
1 Calculated from the 3d model

2 Assumes 80% of GFA is NLA

3 The resultant FAR has been calculated as a result of the modelling only (i.e. calculating the total GFA modelled divided by the site area). A FAR has not been used to derive the potential floor area.



Scenario 1: 3-4 storeys



Scenario 2: 4-8 storeys

Selected test sites

Figure 34. Fishermans Bend Employment Precinct – Model development potential.

Step 3. POTENTIAL AFFORDABLE WORKSPACE

Two potential mechanisms for the delivery of affordable workspace have been assessed as follows for each scenario.

Mechanism	Development Scenario 1	Development Scenario 2 - Option A	Development Scenario 2 - Option B
Inclusionary requirement of 500m ² per site	Yes	-	Yes
Floor Area Uplift	-	Yes	Yes

The Floor Area Uplift has been applied for all additional floors in Scenario 2 above that provided in Scenario 1. In these cases, it has been assumed that 10% of any additional floorspace is provided as affordable commercial workspace as per the approach that currently applies in Melbourne's CBD and Southbank. Two options were assessed for Scenario 2 - one with the FAU only and one with the FAU as well as the inclusionary requirement.

The potential affordable workspace across the three sites is 2.4-6.9% of net lettable area.

The calculations are included in the following table.

SITE 1: POTENTIAL AFFORDABLE WORKSPACE

	Scenario 1	Scenario 2A	Scenario 2B
MECHANISM	Inclusionary requirement of 500m ²	FAU applied for all additional yield above Scenario 1	Inclusionary requirement + FAU
SITE AREA	48,690	48,690	48,690
# OF BUILDING STOREYS	3-4	4-8	4-8
TOTAL GFA ¹ (m2)	102,227	186,290	186,290
TOTAL NLA ² (m2)	81,782	149,032	149,032
FAU (m2)		84,063	84,063
AFFORDABLE WORKSPACE (m2)	2,000	8,406	10,406 (2,000 Inclusionary + 8,406 FAU)
% OF TOTAL NLA	2.4%	5.6%	6.9%

¹ Calculated from the 3d model

² Assumes 80% of GFA is NLA

Step 4. POTENTIAL AFFORDABLE WORKSPACE ACROSS THE PRECINCT

All sites within the precinct are considered development sites in that they are not subject to recent development approvals or individual heritage overlays.

The total potential development capacity calculated through this method would be approximately 1,807,000m² (see table below).

Total site area (m ²)	Sites removed from capacity analysis		Remaining developable sites (m ²)	% of total site area	Building heights (average)	Total GFA (m ²)	Total NLA ¹ (m ²)
	Individual heritage sites (m ²)	Recent development approvals (m ²)					
451,854	0	0	451,854	100%	5 Storeys	2,259,270	1,807,416

Based on the alternate scenarios developed through the testing, the range of potential affordable commercial floorspace would be between 2.5 to 8%. This equates to approximately 43,400 - 124,700m² of affordable commercial floorspace.

NET LETTABLE FLOOR AREA	% OF TOTAL NLA	AFFORDABLE WORKSPACE
1,225,984 m ²	2.4%	43,377 m ²
	3%	54,222 m ²
	5%	90,370 m ²
	6.9%	124,711 m ²

¹ Assuming 80% of GFA is NLA

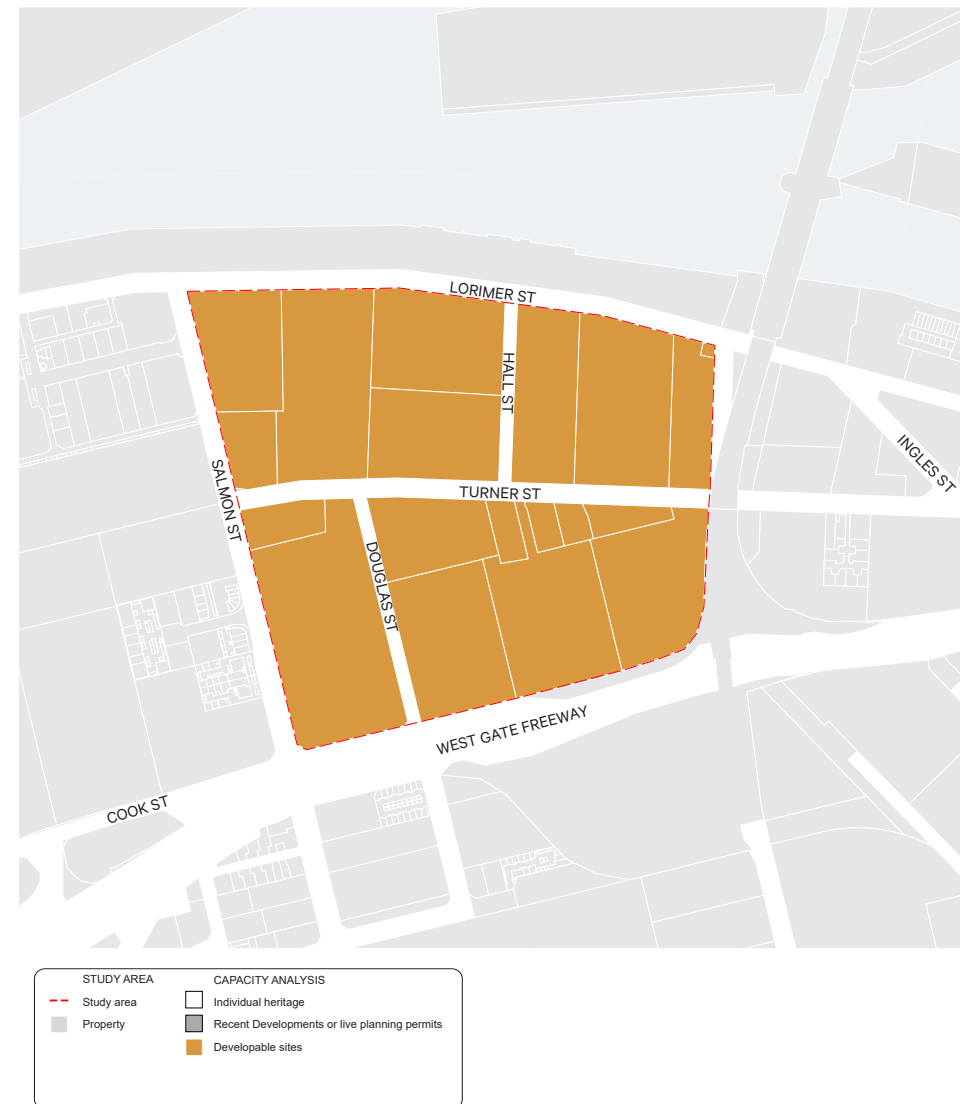


Figure 35. Fishermans Bend Employment Precinct – Developable sites.

7.5 Implementation issues to consider

The following is an overview of a number of issues that should be further considered in the implementation of potential urban planning provisions relating to affordable workspace.

Development viability:

The testing of the potential urban planning tools set out in this report has not taken into account development viability, and this will vary from location to location depending on the relevant property market and development conditions.

There is no formal guidance on how questions of development viability are to be dealt with in setting new planning policies or controls under the Victorian Planning System. However, the objectives of the Planning and Environment Act 1987 call for (inter-alia) the 'fair, orderly, economic and sustainable use, and development of land', and for the planning system to facilitate development.¹ It follows that the policies and controls contained within planning schemes must be deliverable via development activity in order for the above objectives to be met.

Therefore, the likely impacts of any new planning, obligations or requirements need to be understood at the point of their introduction in order to ensure that they are implementable via development activity throughout the relevant economic cycles in which the policies are intended to apply.

The role for viability assessment is primarily at the plan making stage, so that there is no need to be re-evaluate the development viability question each time a development is proposed in the area to which the relevant provisions apply.

Further work will need to be undertaken in relation to development viability impacts of any such policy in the given precinct in which it is intended to apply.

Timing Issues:

As a general principal, any new proposal to introduce additional planning requirements on development should be done as early as possible in areas undergoing urban renewal.

The introduction of new planning frameworks in urban renewal areas will typically enable the realisation of increased development yield in that location. The concurrent introduction of any new planning requirements in relation to affordable workspace enables part of the value of the increased development yield created by the new controls to be captured at that time of its creation through the planning scheme.

Once relevant urban planning controls are put in place for an urban renewal area, then the market value of that land is re-set from what it was before the new controls were introduced.

If new planning requirements in relation to affordable workspace are sought to be introduced at a future stage after the introduction of the new planning controls, then these will be viewed by the market as decreative to the market value of land at that time, and it is also likely to be argued that such requirements will have an adverse impact on development feasibility (although this is not to say that development would necessarily be rendered unfeasible in such circumstances).

A further timing issue to consider is the potential impact of any new affordable workspace requirement on development applications that are 'on foot'. Consideration should be given to introducing 'grandfathering' provisions that exempt active development application from having to comply with any such new requirements.

Inclusionary versus value capture policies:

The analysis contained in this chapter explores the potential delivery of affordable workspace via an 'inclusionary' mechanism and a 'value capture' mechanism.

Inclusionary mechanisms are intended to apply to all development within a given precinct, whereas value capture mechanisms provide the opportunity for individual land owners to increase development yields on their site (ie over any above what is permitted under the 'base' planning controls) on the basis of part of this increased yield being 'shared' with the wider community in the form of an affordable workspace contribution.

¹ Section 4 of the Planning and Environment Act 1987

In general terms, an inclusionary mechanism is best used when a new planning framework is introduced in urban renewal areas that enable the realisation of increased development yield in that location. This way, the inclusionary requirement will form part of new 'base' planning controls and will be factored in to the revised land valuations that the new controls give rise to.

In circumstances, where no new planning framework is being introduced (or there is no changes to the 'base' planning controls) then it will be more challenging to introduce 'inclusionary' mechanism for the reasons outlined above.

However, it would be possible to introduce value capture mechanisms at any point in time, given that they are effectively increasing the value of land and simply capturing a share of that value for a broader public benefit.

Delivery mechanisms:

The two basic planning tools for facilitating the creation of affordable workspace are the inclusionary and value capture mechanisms described above.

There are likely to be particular circumstances where it is either impractical or undesirable for the relevant affordable workspace outcome to be delivered within the relevant development site. The following additional planning mechanisms can be used alongside these tools to provide greater flexibility and choice in the delivery of the desired outcomes:

Cash in lieu arrangements – Whereby the affordable workspace requirement is satisfied by way of a financial payment to Council (or an alternative public entity) for the purposes delivering the affordable workspace outcomes via other means. Any cash in lieu policy would need to include appropriate formulas for determining what the cash amount would need to be in order to be equivalent in value to the default affordable workspace requirement.

Density transfer arrangements – Whereby any of the floorspace available on a given site under a 'base' planning controls is transferred to an alternative site within the precinct, as part of an agreement for the delivery of an affordable workspace requirement. This might apply (for example) where an existing building on a relatively small site is retained as an affordable workspace, and the development yields that might otherwise have been realised on that site is transferred to a nearby site.

Tenure arrangements:

The tenure of affordable workspace delivered under a planning mechanism could be secured via either freehold title or leasehold arrangements. There are potential pros and cons in relation to either arrangement, and the commercial value of each form of tenure also differs (for example a 10 year lease over space does not have the same value as a freehold title).

There may be circumstances where securing a freehold title over space is preferred over a leasehold arrangement, but the option of securing long term leases should be retained in any affordable workspace policy because it provides flexibility for securing a greater quantum of space than would otherwise be the case if freehold title was required, and it also provides operational flexibility to the relevant entity that is charged with managing the space.

Governance Arrangements:

The introduction of any form of affordable workspace policy under a local planning scheme must be accompanied by governance arrangements that allow for the space and/or funds to be appropriately allocated and managed for its intended purpose. This is critical both for transparency reasons, and because development proponents need to be able to easily satisfy any obligations imposed via such policies.

The governance arrangements would need to include the creation of a Trust for ownership of freehold titles and collection of funds, a Board of Trustees to provide oversight of the functioning of the Trust, and a legal entity that could enter into leases, manage assets, etc.

Location, design and management considerations:

Any affordable workspace policy also needs to give consideration to factors such as the location of the space, its design characteristics, and how the space is to be managed to meet the needs of people/organisations most in need of access to affordable workspace. The policy contained within the planning scheme might primarily deal with the relevant design issues, whereas the entity established to receive and manage affordable workspaces under a planning scheme mechanism will need its own policies in relation to space design, fitout curation, etc. Some examples of the range of matters that such a policy might need to address are contained in Appendix 2 to this report.

8.0 CONCLUSIONS & RECOMMENDATIONS

Findings and Recommendations

This report has tested the recommendations of previous research on commercial enterprise and creative industries in three diverse locations within inner Melbourne (Collingwood, South Melbourne and Fishermans Bend).

The following is an overview of the findings and recommendations arising from this analysis.

COLLABORATION AND PARTNERSHIPS

The report identifies a range of opportunities to support commercial enterprises and creative industries in each of these locations during the Covid-19 recovery phase and over the longer term (Chapter 5 – Precinct Opportunity Plans). These opportunities build on the ideas contained within earlier research, as well as the ideas put forward by local stakeholders in each precinct.

A ‘Practitioners Guide’ has been prepared to assist practitioners in creating and facilitating access to affordable space for commercial and creative activities (refer Appendix 1).

Recommendation 1 - State & local government should collaborate to finalise, adopt and implement the precinct opportunity plans.

More broadly, many opportunities exist for State and local government to collaborate together to identify and manage enterprise precincts so as ensure that they remain accessible and affordable for startups and creative industries.

This could be achieved via the establishment of a program similar to the UK Enterprise Precincts Program (refer Practitioners Guide for further description).

Recommendation 2 - State government to establish a “Enterprise Precinct” program modelled on the UK Enterprise Zone initiative

The initiatives within this program should build on the ideas and opportunities set out in the Practitioners Guide.

Recommendation 3 - State and local government to identify vacant or underutilised publicly owned buildings suitable for affordable workspace hubs in enterprise precincts.

IDENTIFICATION OF ENTERPRISE PRECINCTS

The preservation and creation of affordable workspaces for start-ups and creative industries is a particularly important issue in older industrial areas in inner Melbourne and other areas that are undergoing redevelopment pressure. Many such areas have the right characteristics to be planned and managed as enterprise precincts, and should be identified as such under local planning schemes.

Recommendation 4 - State government should adopt a Statewide definition of enterprise precincts and work with local government to identify precinct locations in local planning schemes.

PLANNING MECHANISMS

The report also tests potential urban planning mechanisms to support the retention and creation of affordable workspaces for start-ups and creative industries. For these to be implementable, it is important that such mechanisms are underpinned by sufficiently clear and robust definitions, state planning policies and guidelines on the preservation and creation of affordable workspaces for start-ups and creative industries.

Recommendation 5 - State government should include state policies into municipal planning schemes which support the protection and creation of affordable workspaces in inner Melbourne and other strategic locations.

Chapter 7 of the report explores two planning mechanisms (an ‘inclusionary’ requirement and a ‘value capture’ tool) in each of the 3 case study locations. It explores how each tool might be used (individually or together) to create affordable workspace on a series of test sites, and what the aggregate potential of such tools might be to deliver affordable workspace across each of the 3 locations.

The case study analysis confirms that the characteristics of each of the three locations lends itself to different combinations of ‘inclusionary’ and ‘value capture’ arrangements, as follows:

	Gipps St, Collingwood	South Melbourne	Fishermans Bend
Base entitlement			
Inclusionary requirement (base affordable work-space requirement)			
Value uplift			
Value capture (Additional affordable workplace contribution)			

(Green = recommended; orange = potentially consider; red = not recommended).

TERMS & DEFINITIONS

The following ‘working draft’ terms have been prepared to assist with the development of state-wide and local affordable workspace policy frameworks:

- **Affordable workspace:** Commercial floorspace that is provided on a below-market basis (20% below market or greater) on a long term basis (20 years minimum), for targeted sectors who have a demonstrated need for affordable workspace. The workspace must satisfy the minimum location, design and management specifications set out in the relevant policy prepared by local councils.
- **Base Entitlement:** The default development capacity permitted under the planning controls. It is critical that the relevant planning controls establish a definitive (ie non-discretionary) base entitlement which cannot be exceed other than via the value capture policy – the evaluation of similar schemes in the United States has confirmed that if this is not the case, then development proponents will seek to secure the value capture via the applicant of discretion under the relevant planning scheme rather than by agreeing to the parameters of the value capture policy
-

- **Inclusionary requirement (base affordable workspace requirement):** The amount of affordable workspace that must be provided (either on site or via cash in lieu payment) as a requirement of the granting of any planning permit
- **Value uplift:** The additional development capacity permitted on the basis of delivering nominated affordable workspace ‘public benefit’.
- **Value capture (additional affordable workplace contribution):** The amount of additional workspace that is provided as a ‘public benefit’, quantified to be at least equal to the uplift in residual land value associated with the additional development capacity above the base entitlement amount.

Recommendation 6 - State & local government should collaborate to prepare/update structure plans for each of the above 3 precincts, and implement new affordable workspace policies and planning provisions into the local planning schemes.

Recommendation 7 - The following general principles are suggested to guide when and how ‘inclusionary’ and ‘value capture’ affordable workspace policies should be considered:

Inclusionary affordable workspace policies should be considered in areas where access to affordable workspace is a pressing issue for start-ups and creative industries. The introduction of any such policies should coincide with the review of land-use & built form provisions, and where the review is expected to deliver an uplift in development rights from the present-day situation.

Affordable workspace value capture provisions could be introduced (via floor area uplift or other mechanisms) across a wider range of situations where there is scope for consideration of density and built form above what the current controls allow for.

GOVERNANCE, POLICIES AND GUIDELINES

Affordable workspace policies have been applied in different locations in North America and the United Kingdom (refer Chapter 2 and case studies for details). Recent evaluations of these policies contain a number of learnings that should be taken into account in considering the application of such policies in Inner Melbourne. The following observations are made from the precinct analysis and evaluations of international precedents:

(a) A combination of inclusionary affordable workspace requirements and value-capture mechanisms are likely to deliver the most optimal outcomes in inner Melbourne's enterprise precincts.

(b) Affordable workspace policies of this type are likely to work best where the market demand for floorspace in a given location is higher than the development capacity permitted under the planning scheme (ie the 'base entitlement'). Such policies will only be effective if there are no other mechanism by which the additional density can be achieved.

(c) Affordable workspace policies should be applied across as wider (relevant) area as possible so as to avoid creating disincentives for investment in locations where such policies apply.

(d) Affordable workspace policies should provide flexibility for any requirements to be satisfied via the direct provision of freehold (titled) commercial space, long term leasehold space or 'cash in lieu' payments for the provision of space in alternative locations within the precinct. Such policies should ensure that there is a equivalence in the present day value of each of these delivery mechanism, irrespective of which mechanism is selected.

(e) Inclusionary affordable workspace policies should be designed so as to not disadvantage the redevelopment of smaller sites. This is likely to be best achieved by setting a percentage of floor area (rather than a fixed quantum of space), and allowing such obligations to be satisfied via 'cash in lieu' payments.

(f) Value-capture mechanisms should be calibrated to create a positive residual value (including an incentive premium to developers) to maximise the likely take-up of the scheme.

(g) Affordable workspace policies should contain clear definitions of a. what constitutes an affordable workspace (tenure, size, design features, location, etc.) and b. the length of time over which the space is to remain available as affordable workspace. These must be clearly established at the time of granting planning approvals, be legally enforceable and readily monitored.

(h) A governance framework should be established to enable any affordable workspace obligations under the planning scheme to be easily satisfied by the holder of the planning permit. This could take the form of a Trust or similar entity that is established to manage such spaces for the purpose of providing affordable workspace for startups and creative industries. The Trust should be governed and operated by individuals with experience in managing affordable workspaces.

As well as receiving freehold title and/or commercial leases under the affordable workspace policy, the Trust could also receive 'cash in lieu' payments under the relevant affordable workspace policy. Its operations, assets and maintenance would be funded from cash in lieu payments, together with the rents collected from tenants of spaces under its management, and grants received from government and others.

Recommendation 8 - State government should prepare a wider government policy framework to support the creation and ongoing management of 'affordable workspace', similar to the Department of Health and Human Services affordable housing framework.

Recommendation 9 - State government should adopt a definition of affordable workspace.

Recommendation 10 - State and local government to collaborate to establish an Affordable Workspace Trust – possibly managed by an entity such as, but not limited to Contemporary Arts Precincts Ltd (managers of Collingwood Yards).

Recommendation 11 - State government to finalise the Planning Practice note to provide guidance to Councils on the use of planning schemes to facilitate the retention and creation of affordable workspaces in areas of identified need.

ZONE MODIFICATIONS

There are a number of planning tools that can be used to give effect to affordable workspace policies. These include local planning policies, zones and overlays. The following should be noted in relation to each tool:

- Local planning policies - These are a discretionary tool and therefore do not guarantee that the intended policy will always be realised.
- Zoning - There are few zones that allow flexibility for introduction of bespoke controls – Activity Centre Zone (eg Chapel St), Capital City Zone (Central City, Fishermans Bend, Arts Precinct), Special Use Zone (West Melbourne).
- Overlays - The use of overlays under the Victorian Planning System is largely intended to only regulate built form and not land use.

A degree of discretion already exists to introduce and apply local policies in relation to certain land uses under the Commercial 1 and Industrial 1 zones. For example, a floorspace limit can be set in the Commercial 1 zone schedule, and an affordable workspace policy could be introduced which applies to office proposals.

However, less discretion exists under the Commercial 2 and Commercial 3 zones, and it may be necessary to amend these zones to provide flexibility for including a schedule relating to provision of affordable workspace, given that the purpose of each of these zones is to promote commercial and enterprise activities.

Recommendation 12 – The State government should amend the Commercial 2 and 3 zones and schedules to create discretion (via planning permits) for the application of affordable workspace policies in areas of identified need (alternatively, other zones such as the special Use Zone or Activity Centre Zone could be adapted for such purposes).

NEXT STEPS

The following table sets out a proposed sequencing of the recommendations contained within this report. The sequence proposes that the following groups of actions are undertaken first:

- The relevant policy frameworks, definitions and guidelines be established by the State Government
- The State government and Councils collaborate on the implementation of precinct opportunity plans, and the establishment of an Inner Melbourne Affordable Workspace Trust.

Once the above actions are in place, then the remaining recommended actions can be pursued by State and local government over the short term.

PHASE	STATE GOVERNMENT	STATE/LOCAL GOVERNMENT COLLABORATION
Phase 1 (now)	R4 R5 R8 R9 R11	R1 R10
Phase 2 (short term)	R2 R12	R3 R6 R7

APPENDICES

- **Appendix 1 – Draft Toolkit**
- **Appendix 2 - Affordable workspace location, design and management policy**

1.1 Introduction

The following is a practitioner's introduction to preserving, creating and facilitating access to affordable space for commercial and creative activities. It highlights the key focus areas that practitioners and stakeholders, including planners, designers, placemakers, economists and business development officers, need to address to enable affordable and desirable workspaces. These are:

1

Support a diversity of workspaces in order to attract and retain a mix of business types and scales.

2

Support a high-quality place based on performance and 'fit', not looks.

3

Take a proactive role in brokering affordable spaces and in supporting intermediaries.

4

Support the establishment of long-term sustainable business models.

5

Maximise the impact of public investment.

6

Support formal and informal networks.

There are no 'quick-fix' measures to creating affordable workspaces; a range of initiatives and strategies are required. The focus must be on developing place-based solutions in the design, planning and management of identified or emerging enterprise precincts or creative neighbourhoods. This recognises that the local context and drivers shape what is possible in any given area. The guidance in this toolkit should be paired with engagement with the local business and creative community in each place in order to tailor any intervention to the specific local context.

1. Support a diversity of workspaces in order to attract and retain a mix of business types and scales

Why is it important?

- The economic vibrancy of an enterprise or creative precinct is dependent on the diversity of businesses and practitioners that work there. The diversity must include start-ups and creative businesses which rely on access to affordable workspace.
- Affordability is understood to be one of the key drivers for the emergence and ongoing sustainability of start-ups and creative industries. This can be due to a lack of financial return in the early stages of organisational development, limited access to funding or financial support or limited employment opportunities.
- A lack of affordable workspace will mean that only well-established businesses can continue to operate in the area. This will have a long-term negative impact on the creativity, productivity and degree of innovation in the precinct.
- Newly formed enterprises with the potential for rapid early growth represent the most dynamic sector in economies across the world. Studies into business formation and job creation have found that it is not small firms per-se, but rather it is new small firms that create the most jobs. The effect of new small establishments on employment is mainly in the initial years after set up and the employment effect decreases over time.
- A heterogeneous mix of practitioners is vital to a thriving creative neighbourhood, so a range of scales, experience, skills, disciplines, and ages is critical. All tend to learn from each other and often stimulate or inspire each other to experiment and collaborate in new ways. This activity is vital to developing new approaches and new work. This requires the co-location or proximity of a real variety of spaces, pegged at different standards of amenity, finish and cost.
- Sustaining a diversity of affordable workspaces over time is hard in the face of rising land values.
- Strategies and initiatives that focus on retaining access to affordable workspaces for micro and small businesses are required.

How can it be achieved?

ZONING

Historically, older industrial and commercial areas have provided relatively affordable workspace rental options. In a growing city, many of these areas now support residential uses which has seen a significant decline in affordable commercial workspace as development for higher yielding residential uses resulted in the loss of older commercial building stock. Protecting land for industrial and commercial uses is one of the primary ways to support the delivery of affordable workspaces. Where a widening of uses are anticipated, it is important to act early in the strategic planning process to secure a mechanism for providing affordable commercial spaces before land values escalate.

Importantly, industrial zones also have less restrictive planning regulations than commercial zones and residential zones. They are suitable for certain types of creative industries such as fabrication studios which can be incompatible in mixed use areas. In Victoria, zoning of enterprise and creative neighbourhoods should, where possible, be an Industrial, Commercial 2 or 3, or Special Use Zone. This zoning will not, however, on its own guarantee affordability and additional planning mechanisms may be required.

BUILDING DIVERSITY

A range of building scales and typologies should be part of the vision for any enterprise precinct or creative neighbourhood. In particular, the development of built form controls for an area should carefully consider how a provision of diverse, smaller spaces will be supported as well as ways of incentivising adaptive re-use of existing older stock. Specific outcomes that should be pursued through strategic planning include:

- Opportunities to support ground level production spaces (instead of traditional retail spaces).
- Identification of valued heritage and character buildings that offer a range of spaces for different types of businesses.
- Identification of specific strategic sites where larger floorplates are supported, thereby protecting other areas for building typologies that support smaller floorplates.

Design guidelines prepared for new development should articulate the need for smaller spaces within larger developments and provide guidance on the specific requirements of specific industries that are sought as part of the economic strategy for an area - for examples performing arts or urban manufacturing spaces.

PLANNING INCENTIVES

Planning incentives are largely centred on capturing the value of any uplift in land value that occurs as a result of rezoning or infrastructure investment in an area. Methods of incentives that can be considered include:

- Retention of existing older building stock, e.g. West Melbourne C308 amendment which incentivises the retention of 'character' building through an increased FAR provision.
- Value capture through a Floor Area Uplift that is dedicated to the provision of affordable workspace.

DIRECT INVESTMENT MODELS

Establishing public-owned models for the creation, production and consumption of the areas and cultural activities is the most traditional model of delivery. Examples include many community centres, arts buildings or libraries which include access to affordable rehearsal or meeting spaces. These are typically programmed and managed by the government authority.

PARTNERSHIP MODELS

There are many different partnership models that pair traditional public investment with private investment or a private operator. These can include the following:

- Leasing government buildings to an affordable workspace operator, e.g. a co-working space dedicated to start-ups or creative spaces.
- Government taking up the head-lease on a private building and then sub-leasing spaces at an affordable rental rate to creatives or start-ups, e.g. River Studios in West Melbourne.
- Where a planning incentive is in place, a partnership that pairs an investment by government with floor area provided by the developer.

2. Support a high-quality place based on performance and 'fit', not looks.

Why is it important?

- The quality of a place is central to attracting new businesses and enterprises to locate in one location over another. It is also essential to support connections between people and activity that generates innovation and partnerships.
- What gives one location an authentic 'sense of place' can be difficult to define but is critical to its identity and attractiveness for many creative industries. A 'human scale' district with smaller buildings and intimate spaces is a key part of this quality.
- Creating a place that is both affordable and high quality can be challenging but is important. The focus should not be on how the place 'looks' but on how it performs and functions to support enterprises and creative businesses.
- Walking, cycling and public transport are affordable forms of transport that maximise access for those on low incomes. They ensure that the area is accessible for workers, collaborators and visitors (e.g. audiences for performance spaces).

How can it be achieved?

PLACES TO GATHER AND CONNECT

The way that the space between buildings is designed directly affects the degree to which it is inhabited, and not just passed through. The provision of high quality communal spaces is essential to supporting workers to interact and socialise. This mingling of ideas and people is central to creative and innovative precincts. It is important to provide welcoming, comfortable and safe places to sit, meet and talk. These can be within public spaces or streets or private development. It is important, however, that these spaces should be accessible and visible from the street network and be distributed across the precinct to be in easy walkable distance from workspaces. Importantly for affordability, these spaces should be designed so that everyone is welcome to be there, without feeling that they need to consume or buy anything.

A DISTINCTIVE CHARACTER

Establish enterprise and creative neighbourhoods like Collingwood or Cremorne have a distinctive character which has historically been tied with their affordability. A significant number of small-scale, heritage or older industrial buildings support adaptive re-use and simple fit-outs that can be both affordable and characterful.

ACCESSIBILITY - WALKING, CYCLING AND PUBLIC TRANSPORT

The priority for transport within an area should be on walking, cycling and public transport to maximise affordable access to workspaces. Direct investment in public realm upgrades focused on pedestrian connectivity, such as the widening of footpaths, shared paths, or the introduction of new laneways or safe crossing points is strongly encouraged. The provision of a well-connected and safe cycling network that connects people to where they want to go will provide a resilient and affordable means of travel. The walking and cycling network should be designed to integrate seamlessly with the public transport network.

Importantly, access needs can vary depending on the particularly industries in an area. The transport and access plan should be tailored to the specific needs of industries that are targeted for the area. For example, certain creative industries (i.e. recording studios or urban manufacturing) require vehicular access to move equipment or work, while other creative industries (e.g. a visual artist or performer) might preference access to public transport which maximises their accessibility to their audiences.

PLACE ACTIVATION

Place activation can be focused on affordable models of participation, contributing a vibrant sense of place and character to an area. Place activation can make a place feel safer, enable different local workers and visitors who may otherwise not interact to meet and participate in local life, as well as provide the opportunity for local creative businesses to exhibit their products or perform.

3. Take a proactive role in brokering affordable spaces and in supporting intermediaries

Why is it important?

- Establishing new workspaces can be a complex and long process that requires a sophisticated knowledge of a wide range of factors including business management and operations, building codes and regulation, planning controls, legal frameworks, insurance requirements, leasing arrangements and property valuation.
- Delivery of affordable workspace requires the development of partnerships between land owners, property developers, government agencies and businesses. In some cases, an intermediary is required to facilitate relationships and negotiate on behalf of businesses. These relationships are fundamental to the successful delivery of affordable workspace.
- Intermediaries play a central role in facilitating relationships between creative organisations and the public and private sector.
- Typically government resources are dedicated to arts and cultural programming or grants programs. These are important to provide income to a wide range of artists, however, they do not directly supporting the creation of affordable workspaces.

How can it be achieved?

PLANNING AND BUILDING FACILITATION ROLE FOR NEW SPACES

Many new affordable workspaces are established by individual operators or small-scale businesses with limited resources and often limited experience in dealing with the planning and building permit process. Providing support to facilitate the planning and building permit process can assist those applicants who may be unfamiliar with the process. This can be done through a range of measures, such as:

- Supporting statutory planning officers to work together with creative space applicants to connect the planning scheme requirements to the specific requirements of creative spaces which are often nuanced and diverse.

- Through the creation of a dedicated Arts Infrastructure Council officer role who acts a conduit between planners and space operators. This approach is currently being trialled in the City of Moreland with early signs of success.
- Through the provision of information about how planning works and common FAQs about planning processes. This information should be tailored to the specific challenges that planning permits for creative spaces requires - for example, understanding car parking requirements triggered by the use of a venue for occasional public events, or ways to address potential amenity impacts on neighbourhoods of a small-scale urban manufacturing space.

SPACE BROKERAGE

There are a number of established programs within Victoria that connect vacant spaces with potential creative businesses. This includes Renew Australia, Creative Spaces (on online platform operated by the City of Melbourne) and Room to Create (operated by Yarra City Council). These all seek to take a proactive role in activating existing shops, offices or public buildings by tenanting them with creative organisations, incubators or workspaces. This is, however, often a short-term solution that is effective in areas where the retail or commercial market is depressed. Unless the model is coupled with longer term strategies to retain affordable workspaces, once market conditions improve, many of these spaces revert to traditional commercial tenancies at full market rates.

Connecting vacant spaces to tenants

Renew Australia

Renew Australia is a national social enterprise designed to catalyse community renewal, economic development, the arts and creative industries across Australia. It commenced with Renew Newcastle in 2008 and has since worked to activate a range of vacant shops, offices and public buildings across Australia. They work with communities and property owners to take vacant spaces and make them available to incubate short term use by artists, creative projects and community initiatives.¹



¹ Renew Australia <https://www.renewaustralia.org/about-us>

Creative Spaces, Melbourne

Creative spaces is an online resource managed by the City of Melbourne. The user-friendly interface offers a platform for advertising and finding creative spaces across Melbourne.

The Creative Spaces website is an excellent example of digital arts infrastructure. Digital spaces have the ability to improve visibility and access to the arts. Originally a resource for Melbourne, the website has now listed creative spaces across Australia.

River Studios - West Melbourne

A partnership between the City of Melbourne, Creative Victoria and the owners of the building (Tabilk Nominees) collaborated to transform a warehouse space into an award-winning creative hub that includes 63 artist's studios, with nearly 80 emerging and established artists.

The City of Melbourne leases the 3,000m² building from the private owner to create affordable space. Each party contributed \$100,000 towards the building's refurbishment which was completed over only 16 weeks. The City of Melbourne manages the space and sub-lets spaces to a wide range of artists.



4. Support long-term sustainable business models for creative industries

Why is it important?

- While many start-ups have a business strategy that aims to reach a sustainable financial model, this is not the case for all creative industries where access to incomes to support their practice is limited. This is particularly the case for artists working in the visual or performing arts industries.
- Enabling these creative organisations to have long-term viability and security requires alternate sustainable business models.
- Establishing secure tenure of an affordable workspace is critical to allow for confident investment into the space or organisation. This requires access to long-term affordable leases.
- Creative businesses that depend on low rents can encounter problems when trying to secure affordable workspaces. These businesses might be perceived as higher risk tenants when compared to more traditional businesses. This risk perception can also create barriers to securing finance that might be required for initial start-up costs.
- The disruption that short-term leases creates, means that many creative practitioners are limited in their capacity to reach their potential. The costs of re-locating at regular intervals and the disconnections from collaborators or suppliers that results can negatively impact the financial feasibility of the practice.

How is it achieved?

PATHWAYS TO OWNERSHIP

Direct ownership of creative spaces by creative practitioners or creative organisations is the most secure way to provide creative spaces that will retain their long-term affordability. Land purchase may be led by individuals, community collectives or facilitated through Creative Land Trusts. Property ownership in combination with methods of minimising operational costs can ensure that overheads for creative practitioners are kept at well-below market rental cost. Where a planning incentive is in place, pathways to ownership could be connected to the transfer of property titles to a Trust.

CREATIVE LAND TRUSTS

Creative Land Trusts aim to permanently secure spaces in cities for creative organisations. These trusts purchase land and buildings, undertake renovations and then lease them out to cultural organisations. Generally, these organisations work with creative organisations that are at risk of being displaced by rising land prices. The leases are generally long-term and are set at a sub-market, affordable rate to enable creative or cultural organisations to undertake long-term projects.¹

They can also play a stewardship role in which they work with creative organisations to build financial stability, management and fundraising capacity to create a pathway for creative organisations to eventually purchase their own space from the Creative Land Trust. Before a space is sold, a covenant is put on the building to ensure that it is used for creative purposes in the long-term. At this point, Creative Land Trusts recoup their profits which they are then able to channel into new projects.²

Importantly, Creative Land Trusts are skilled in the navigation of the property market which benefits the creative organisations who often lack the experience or capacity to effectively negotiate in the property market. The broad range of skills within the Trust include expertise in contracts, funding, philanthropy, building management, community development, technical assistance, cultural engagement and social investment.³

¹ Jones et al, 2017

² Ibid

³ Ibid

Trust model – Artscape, Toronto

Artscape is made up of a group of not-for-profit organisations with a mission to make space for creativity and transform communities. It was founded in response to an affordability crisis within Toronto in the mid-1980s. It positions creative businesses as 'powerful agents of change who could help build vibrant and dynamic communities'. They have delivered a number of cultural hubs and live-work spaces for artists.

Importantly it demonstrates the benefits of creative placemaking which is delivered by embedding affordable workspaces into cultural and enterprise precincts.

One example is the Artscape Distillery Studios which is an adaptive re-use of heritage buildings within a historic industrial area. It commenced operation in 2003 offering below-market rental commercial space, including retail studios, office spaces, rehearsal/performance spaces and artist studios. The building is privately owned and operated by Artscape under a 20-year lease.

More info: <https://www.artscape.ca/>



Community Arts Stabilisation Trust (CAST), San Francisco

CAST is a non-profit social enterprise that was founded in San Francisco in 2013 in response to escalating costs of commercial workspaces. It was initiated with \$5 million worth of seed funding that was donated by the Kenneth Rainin Foundation. The role of CAST is to secure creative spaces and to work with community arts organisations to develop and strengthen their financial and organisational capacity to purchase permanent spaces and to navigate complex real estate negotiations.

The organisation does this by partnering with government agencies, businesses and civic leaders, funders and artists. Since its inception, CAST has purchased and opened arts buildings in central San Francisco and attracted support from philanthropic, private and public sectors.

CAST works in partnership to:

- Stabilise rent for non-profit arts organisations by freezing rents in an escalating market.
- Increase the financial skills of cultural organisations
- Use New Market Tax Credits to bring new capital to projects delivering arts facilities.
- Assist arts organisations with their capitalisation by helping them gain a permanent asset without risking their operations and programs.

More info: <https://cast-sf.org/>



5. Maximise impact of public investment

Why is it important?

- There are many vacant or underutilised buildings that could be harnessed to provide affordable workspaces. This represents an opportunity to maximise the use of a publicly owned asset and lock-in affordable rents through long-term leases that do not need to achieve full market rental returns.
- A contemporary approach to the delivery of cultural infrastructure is through the co-location with other more traditional government infrastructure. For example, integrating a makerspace into a library which includes access to equipment for the broader public.

How can it be achieved?

REVIEW UNDERPERFORMING GOVERNMENT-OWNED ASSETS

There are many state and local government-owned buildings that are vacant or underutilised. These represent key opportunities to reinvigorate these spaces with dedicated affordable workspaces. This can be delivered as a government-run model, or as is frequently the case, through a partnership with a private operator.

SUPPORT INNOVATIVE COMMUNITY INFRASTRUCTURE MODELS

Include learning and training facilities in public buildings, e.g. libraries and community centres. At the Dock Library and Kathleen Syme Library in the City of Melbourne, for example, access to laser cutters, 3D printers, routers, paper cutters, sewing machines, overlockers, 3D scanners and DJ equipment is provided. Commercial access to this equipment is typically costly. Including these facilities in public libraries provides an affordable alternative that is supported by in-house technical skills to ensure that adequate training can be provided to users. These opportunities for integrating cultural infrastructure into spaces should be implemented across the state with a focus on access and capacity building.

International House - Brixton, UK

International House is a 12-storey building that opened in Brixton in 2018. The building is owned by Lambeth Council and is facilitated through an initiative called BuyGiveWork that was developed by not-for-profit company 3space, an affordable workspace operator. The BuyGiveWork initiative is where space is given away when space is bought. This means that one organisation's rental costs contribute to providing space to those who are often priced out of the rental market.¹

The initiative has delivered five Give Hubs for Brixton which include community initiatives, a textiles workshop and photography studios. Each employee in the building dedicates an hour of their time each month to supporting others in the building. The building is London's largest affordable workspace. This is one of 12 projects that have been delivered by 3space through the BuyGiveWork model in collaboration with corporates, developers and government.

¹ <http://www.3space.org/3space-international-house>



6. Support formal and informal networks

Why is it important?

- The social characteristics that are embedded in places are integral to supporting a vibrant local economy. These networks can be informal through individual relationships and connections, or formalised through local business associations of industry-specific organisations.
- The viability of an enterprise or creative organisation is largely dependent upon the strength and influence of its early leaders and the degree to which they engage with stakeholders and set up governance structures to guide future development. This needs some degree of organisation, however can be formal or informal to varying degrees.
- The co-location of diverse businesses, practitioners and activities enables socially accessible places, characterised by culturally and socio-economically diverse populations. A diversity of local resources and relationships can result in spaces that are active, inclusive and accessible to a wide range of individuals and groups.
- There is an immense wealth of cultural and business knowledge across Melbourne and Victoria's enterprise and creative business community. Sharing this between practitioners and businesses delivers clear and immediate benefits for the long-term financial sustainability of each organisation or business.

How can it be achieved?

PRECINCT GOVERNANCE & PARTNERSHIPS WITH STAKEHOLDERS

A formalised governance structure can provide proactive, co-ordinated leadership of a precinct. It provides the opportunity to set a clear vision and target initiatives for the delivery of affordable workspaces, and investment in local infrastructure and the quality of a place. This enables financial resources to be collectively harnessed towards the collectively defined goals. It also ensures that all initiatives are tailored and place-based.

LEADERSHIP AND MENTORING

The success of innovation districts can be tied directly to the quality and strength of the various leaders who make them happen. This includes both institutions and individuals from diverse settings such as local government, developers and major land owners, research institutes, anchor companies, philanthropic investors, dedicated business incubators and accelerators and social networking programmers¹. These leaders take a key role in bringing together the various stakeholders that takes to make a enterprise precinct successful. Government can play a key role in bringing these leaders together through precinct governance organisations and connecting them to government led economic development activities.

Similarly, the establishment of new, privately run creative spaces in Victoria rely on the drive and tenacity of a wide range of creative practitioners who are working across diverse creative sectors as varied as digital design, music, dance and the visual arts. Providing access to business development programs, mentoring and networking opportunities can greatly assist these individuals to share their knowledge and resources to create greater resilience across the industry.

¹ Katz, Bruce and Wagner, Julie 'The Rise of Innovation Districts: A New Geography of Innovation in America'

Emerging Cultural Leaders Program, Footscray

Footscray Community Arts Centre has been running the Emerging Cultural Leaders Program since 2013. The program is a six-month skills development and mentoring program for emerging artists and cultural facilitators who live, work or have other connections to Melbourne's western region.

This mentoring service is offered to up to 15 individuals who are seeking to enhance their community engagement and arts practice. Participants from culturally and linguistically diverse backgrounds, Aboriginal or Torres Strait Islander communities, all abilities and socially marginalised groups are encouraged to apply.

More info:
<https://footscrayarts.com/ecf/>

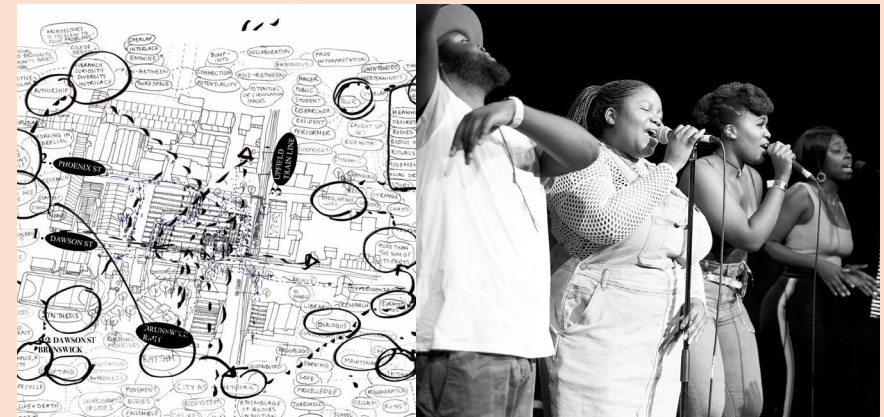


Brunswick Design District

The Brunswick Design District (BDD) is a creative partnership between RMIT University, Moreland City Council and Creative Victoria. It aims to create a distinct design and creative district in the heart of Brunswick that supports businesses, start-ups, designers, artists, makers, musicians, venues and world class education. It's focus areas are partnerships, platforms, places, people, pathways and proficiencies.

The partnership brings together key stakeholders and spaces in the precinct so that they can focus on delivering on the collective ambitions for the area.

More info: <https://bdd.org.au/about/>



APPENDIX 2

AFFORDABLE WORKSPACE LOCATION, DESIGN AND MANAGEMENT EXAMPLE POLICY STATEMENTS

1. The workspace must have a minimum floor area of Xsqm, and dimension of X by X by X m.
2. The workspace must be accessible by people of all abilities
3. The workspace must incorporate flexible design features to provide adaptability for a range of uses and occupants with basic fit-out provided to a level beyond shell and core.
4. The workspace must provide below-market sub-lease or membership fees that reflect the below-market discount of the head lease.
5. The workspace can either be managed by a public entity or a dedicated and experienced shared workspace provider.
6. The workspace must offer flexible lease terms for target sectors, including startups, social enterprises and creative industry workers, and it must make provision for short-term leases, and/or letting space on a per-desk rather than per sqm basis.
7. The workspace should incorporate flexible design features to provide adaptability for a range of uses and occupants with basic fit-out provided to a level beyond shell and core.
8. The affordable workspace must be secured for a minimum of 20 years under a section 173 agreement
9. The below-market commercial head-lease, and the sub-lease or membership terms for target sectors will be secured via a section 173 agreement.
10. Where on-site provision of space is not possible, financial contributions for off-site provision to an equivalent value will be sought, and the amount must be to the satisfaction of the Council.



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