



ESSENTIAL ECONOMICS

Victorian Distillery and Silos

Economic Considerations

Amendment C247 Yarra Planning Scheme

Prepared for

VDAS Consortium of Owners

By

Essential Economics Pty Ltd

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Disclaimer

Every effort has been made to ensure the accuracy of the material and the integrity of the analysis presented in this report. However, Essential Economics Pty Ltd accepts no liability for any actions taken on the basis of report contents.

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INTRODUCTION

This report has been prepared by Essential Economics Pty Ltd on instructions received from Best Hooper Lawyers who are representing a consortium of owners of lots located at 26 Wellington Street and 21 Northumberland Street, Collingwood in the City of Yarra. These lots form the subject site, which is also referred to as the Victorian Distillery and Silos (VDAS) site.

The consultant has been requested to advise on economic considerations in support of Amendment C247 to the Yarra Planning Scheme which proposes to include the subject site in Clause 51.01 to the Commercial 2 Zone (C2Z) in which the site is located. This report addresses the strategic justification for the site-specific Amendment, including consideration of Council's relevant planning strategies, namely the *Business and Industrial Land Study (2012)*, the *Spatial Economic and Employment Strategy (2018)*, and the draft *Housing Strategy (2018)*.

In addition, the consultant has undertaken a land use survey of the area surrounding the subject site, with this study area also including the C2Z in the Gipps Street Precinct in Collingwood. The study area is generally defined by Wellington Street to the west, Hoddle Street to the east, Vere Street to the north, and Victoria Parade to the south.

This report comprises the following Chapters:

- Chapter 1: Description of the Subject Site
- Chapter 2: Relevant City of Yarra Planning and Development Reports
- Chapter 3: Existing Patterns of Land Use and Development in the Gipps Street Study Area
- Chapter 4: Summary and Conclusion.

1 DESCRIPTION OF SUBJECT SITE

1.1 Subject Site

The subject site comprises lots located at 26 Wellington Street and 21 Northumberland Street, Collingwood in the City of Yarra, as shown in Figure 1.1. The subject site is also referred to as the Victorian Distillery and Silos (VDAS) site.

Figure 1.2 shows the subject site located in the Commercial 2 Zone (C2Z) in the Yarra Planning Scheme, which also encompasses parts of the surrounding Gipps Street Study Area which has been defined for this assessment.

The subject site contains a total of 29 units, with two units in a combined ownership/use; thus, the actual number of units under separate ownership totals 28 units. The 16 Distillery units were developed over three stages from 1994 and occupied from 1998 and comprise a variety of commercial and residential uses, while the 12 Silo units were developed from 2002 and are all in residential use.

The subject site is located in proximity to both the Smith Street and Victoria Street activity centres and to public transport services (bus, tram and train). The site is also located within walking distance of Melbourne's CBD (approximately 1.7km).

1.2 Zoning Context

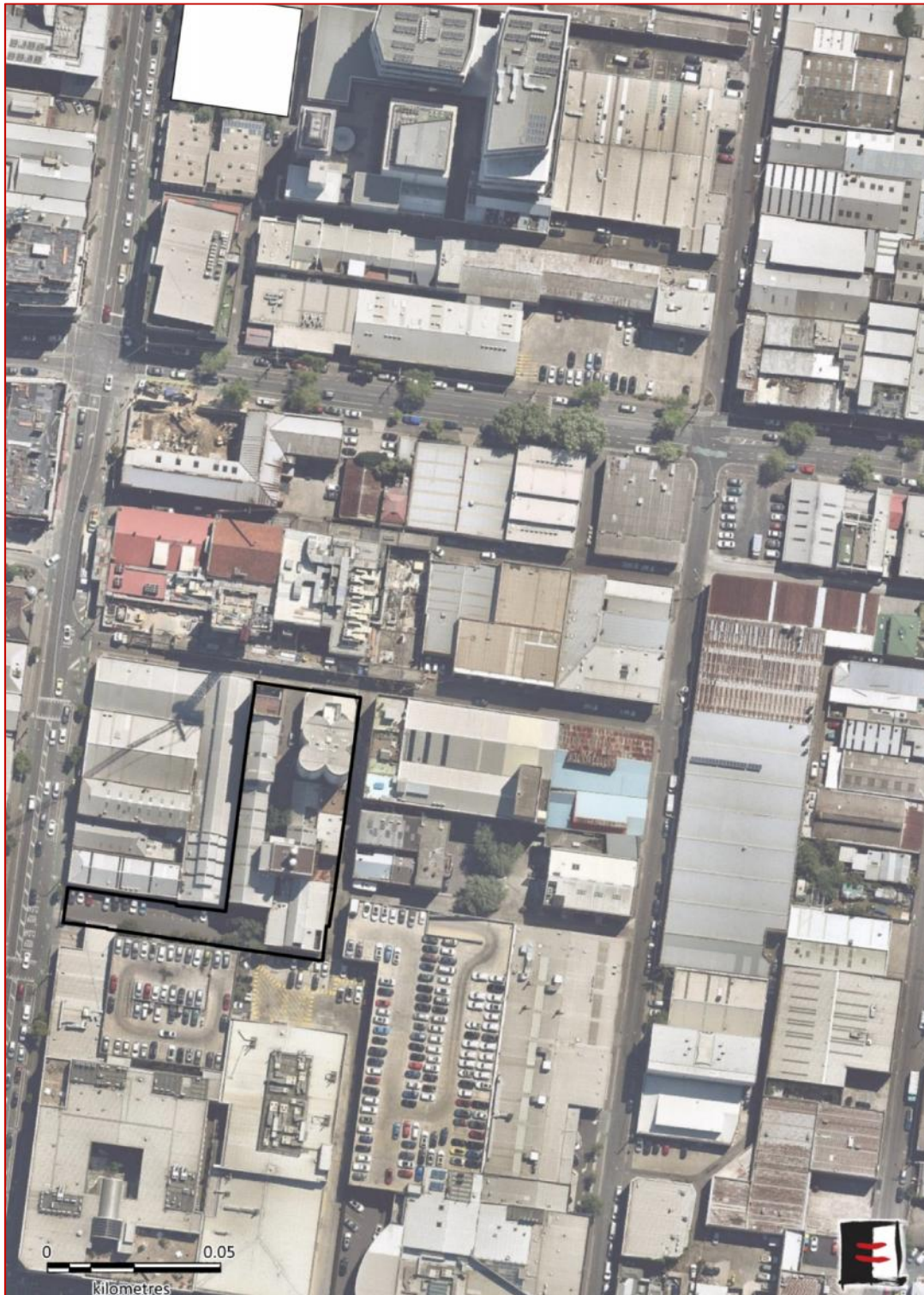
A number of units located on the subject site are characterised as 'residential' use, while others are commercial and home-office uses. However, accommodation use (other than caretaker's house, motel and residential hotel) is prohibited by the zoning controls in Clause 34.02 to the C2Z.

The clients have requested Council to include the subject site in the Schedule to Clause 51.01 (Specific Sites and Exclusions) of the Yarra Planning Scheme to allow the use of the land as a 'dwelling'. Owners of the units are seeking only the specific recognition of existing uses; they are not seeking to rezone the land or gain any additional development rights that could result in more intensive uses.

1.3 Gipps Street Study Area and Land Use Pattern

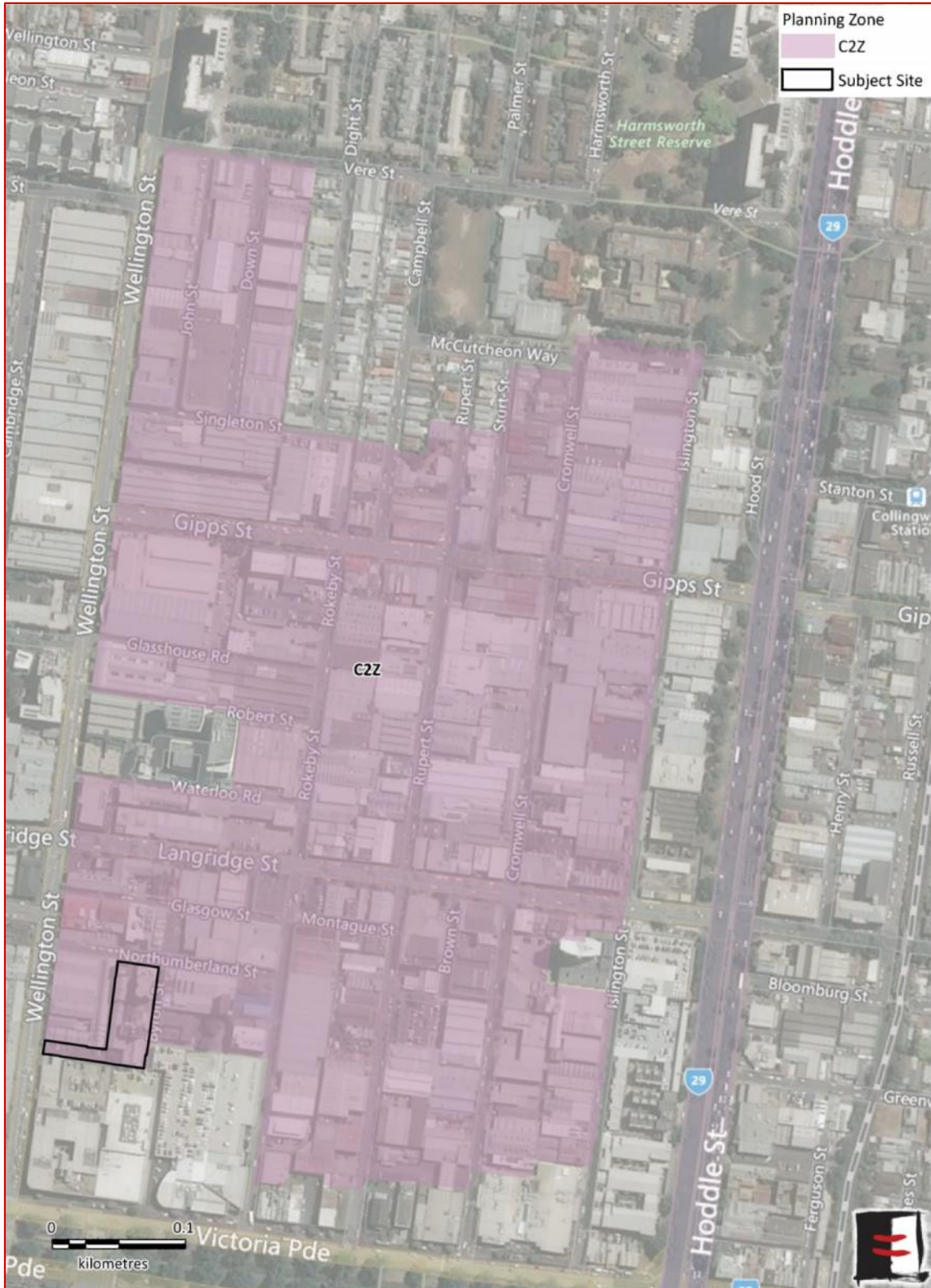
The study area – defined as the Gipps Street Study Area – contains a range of land uses. In summary, these land uses largely comprise commercial/business uses which reflect the C2Z in which the subject site is located, and also a mix of other uses that include residential dwellings (houses and units), education facilities, light manufacturing and other activities. This range of uses is described in Chapter 3 in the context of the request for the subject site to be included in the Schedule to Clause 51.01.

Figure 1.1: Subject Site and Environs



Source: Essential Economics and Nearmap Aerial Imagery

Figure 1.2: Subject Site and Commercial 2 Zone



Source: Essential Economics, Planzone and Bing Maps

2 RELEVANT CITY OF YARRA PLANNING AND DEVELOPMENT REPORTS

This Chapter provides a description of several Yarra City Council reports that are relevant to the subject site and its inclusion in Amendment C247 to the Yarra Planning Scheme.

2.1 Business and Industrial Land Study (2012)

The *Yarra Business and Industrial Land Strategy* (BILS), prepared by SGS Economics and Planning Pty Ltd, was adopted by Yarra Council in June 2012. Although the BILS has been superseded by the Spatial Economic and Employment Study (2018), outlined in Section 2.2, the BILS makes a number of important observations regarding business and industrial activity in the City of Yarra.

The Strategy “sets out a 10-15 year direction for Yarra’s business and industrial areas”, noting that “local economic conditions have continued to evolve including growing pressure for residential and mixed use redevelopment in Yarra’s business and industrial areas, ongoing industry changes and adjustments, new business development opportunities and new infrastructure investments” (p1).

BILS also acknowledges the “implications for the future form and character of areas which are likely to change” over time (p2). Importantly, the Strategy also notes that “the existing business and industrial areas have changed significantly over the past one hundred years. The pattern and mix of activities will continue to change, responding to local, metropolitan and global influences” (p2, 3).

In the context of the subject site and its existing composition of residential, home office and other activities, the BILS notes that “firms in (Yarra) gain major productivity benefits through high quality access to skills and jobs” (p5).

Reference is made to Yarra’s Municipal Strategic Statement which “supports an increase in Yarra’s resident and worker populations while protecting local heritage and amenity” (p6). This is also an important point, noting that the VDAS site contains the historic distillery and silos.

Having regard for the role of traditional activities that have occupied industrial areas in Yarra – and these largely comprise activities in Manufacturing; Electricity, gas, water and waste services; Construction; and Transport, postal and warehousing – these sectors accounted for 25.4% of all employment in Yarra in 1996. By 2026, BILS forecasts that these sectors will account for just 7.3% of the municipality’s employment, with the actual number of jobs in these industries falling by 53% over the period, involving the loss of 7,120 jobs over the 30-year period (from 13,400 jobs to 6,280 jobs, p10). BILS states that “the projections suggest continued employment decline in industrial land sectors between 2016 and 2026 driven by structural change and globalisation” (p9).

However, BILS forecasts significant growth for other employment opportunities including, for example, Professional, scientific and technical services (an additional 7,660 jobs between 1996

and 2026) and in several essentially office-based sectors that include Financial & insurance services (an additional 8,620 jobs), as well as employment growth in the Health and Education sectors.

On considering anticipated development opportunities (p13), BILS notes, among other opportunities, broad-based demand for mixed use developments which could include residential development at upper levels.

In summary, the area in which the subject site is located – described in BILS as “CIB4, Gipps Street Node” – is identified as a “*core industrial and business node*” where the bulk of these core activities are to be retained, and where development of commercial office conversions, small offices, light industry and office warehouses is to be facilitated (p40). BILS recommended that the CIB4 precinct be retained as “*one of Yarra’s strategic employment precincts*” (p45).

2.2 Yarra Spatial Economic and Employment Study (2018)

The *Yarra Spatial Economic and Employment Strategy (SEES)* was prepared in 2018 by SGS Economics and Planning Pty Ltd and adopted by Council on 4 September 2018. The SEES “*has been developed to assist the City of Yarra to understand and capitalise on Yarra’s economic strengths and respond to key trends and economic drivers over the next ten to fifteen years*” (p3).

The SEES recognises that housing is significant in high amenity areas like Yarra, but highlights the need to limit ‘ad hoc’ conversion of employment land for residential purposes or speculative land trading. This limitation is regarded as necessary to ensure the ongoing viability of existing employment precincts (p3). While changes in the nature of employment growth are recognised, “*demand for industrial activities is forecast to decrease further*” (p5).

One of the strategic directions in the SEES is to “*retain and grow Yarra’s major employment precincts*” – this includes the Gipps Street Precinct in Collingwood where the subject site is located and where opportunities for a range of professional services, creative industries, medical-related activities and small-scale manufacture can develop (p5).

While employment growth in Yarra is recognised, the SEES also highlights – among “*trends and drivers*” of economic activity in Yarra – the City’s “*transition to a desirable residential address with increased residential development, including the conversion of former industrial warehouse buildings to apartments*” (p21).

In regard to economic activity, the SEES notes the importance of innovation, particularly the importance of “*density and proximity*” as contributing to “*the likelihood of business to business interaction that lead to innovation*” (p25). The Strategy also recognises that “*connectivity and networks (...) facilitate relationships between people, firms and places (...) that underpin idea generation, innovation and commercialization efforts*” (p25).

The Strategy recognises that most industrial precincts in Yarra have transitioned (or continue to transition) to commercial, retail or residential uses, and that this is apparent in the Gipps Street Precinct (p25). In regard to the residential component, the SEES notes that “*there are*

benefits to accommodating additional housing in established urban areas with good access to employment, transport and services” (p27). These benefits include contributions by residents to increased levels of retail expenditures for nearby activity centres, and opportunities for residents to live in locations with access to public transport and the like.

The SEES provides support to the retention of the C2Z where a considerable share of Yarra’s commercial and business employment is located, and noting the opportunities for further development and intensification of business and economic growth. This includes the Gipps Street Precinct, with its proximity to central Melbourne, transport links, business synergies, and the overall ‘vibrancy’ of Yarra (p61, 62).

In summary, the SEES provides strong support for the continuation of business and other commercial activities in the C2Z, and does not encourage the encroachment of residential development into these areas of employment and economic growth. However, the SEES notes that *“future strategic planning work may identify opportunities for future change”* (p5).

2.3 Yarra Housing Strategy (2018)

The *Yarra Housing Strategy* (YHS) *“informs how best to accommodate housing growth in the municipality and to underpin new housing policy in the Yarra Planning Scheme”* (p7). The Strategy, which was adopted by Council on 4 September 2018, provides a housing growth framework for Yarra, with a ‘vision’ to achieve this over the coming 15 years.

The YHS notes that – as indicated in the Yarra Planning Scheme – the municipality relies on 42 designated Strategic Redevelopment Sites (SRS) to accommodate most (85%) of Yarra’s additional dwellings (p25), with the sites chosen for their location and ability to absorb growth. Moreover, the YHS notes that many other sites in Yarra are also capable of accommodating new growth under State planning policy criteria. According to *Victoria in Future 2016*, more than 13,400 new dwellings will be required in Yarra by 2031 (YHS, p41) and this housing growth will support a diverse community.

Indeed, as the YHS indicates (p33), what is now known as the City of Yarra has been evolving as a place to live and work since European settlement in the 1830s. The practical point in today’s context is that the emergence of Yarra reflects *“a global trend of people wanting to live closer to city centres to access employment, an inner city lifestyle, nightlife and vibrant places”* (p33). Overall, the Strategy highlights that Yarra now reflects a global trend of people wanting to live closer to city centres, including closer to work spaces.

The YHS acknowledges (p44) that *“Melbourne’s high population growth, liveability and booming economy has underpinned a strong housing market in recent years. Population forecasts and economic outlooks indicate that this is expected to continue to support the Melbourne housing market in the medium term”*. Furthermore, the Strategy notes that *“Yarra’s reputation as a prime residential property location continues with significant increases in property values in the last 12 months”*.

Also noted in the YHS is the reality that *“the limited opportunities for substantial growth in Yarra’s residential area neighbourhoods have resulted in more intensive development in Yarra’s*

major activity centres and former industrial areas, adding new housing near jobs, transport and services” (p47).

The YHS notes that residential uses are not permitted in land under C2Z, and also emphasises that *“it is important to keep the balance between land available for housing growth and ensuring adequate employment land to accommodate growth in businesses and jobs” (p54).*

Clearly, the YHS highlights the important role of Yarra’s growth in housing, businesses and jobs. While housing is not permitted in the C2Z, the YHS does confirm that *“Yarra has a significant amount of C2Z land” (p54).*

In these circumstances, a conclusion to be drawn is that the existence of residential uses for some 20 years on the subject site, although in the C2Z, has not diminished the business and employment role of the zone. Moreover, a number of existing residential uses are identified in the C2Z in Gipps Street Study Area, as highlighted in Section 3.

2.4 Implications for the Subject Site

The three strategies highlighted in this Chapter confirm Council’s planning efforts to accommodate growth in areas over coming years that are appropriate for either:

- business and employment growth; or
- residential growth.

In this context, C2Z land in Yarra is identified as not available for residential development, except in particular cases where a rezoning is considered appropriate, such as land located in proximity to an activity centre (YHS, p52).

According to the relevant strategies, if changes to existing zoning is considered necessary, further strategic planning will be required at that time.

However, both the 2018 SEES and the 2018 YHS identify the underlying trends accounting for the City of Yarra’s continuing growth in both employment/business development and in residential development. Principal among these development trends is the desire among many Yarra residents – and especially among working residents – to live and work in a vibrant setting where accessibility to transport, services and amenities is maximised. In this context, the location of the subject site within a convenient 20-minute walking time of the CBD is emphasised.

For example, the SEES emphasises the economic importance of fostering innovation and the innovation that occurs through connectivity and networks. However, also importantly, the residential component is significant in contributing to economic innovation through business contacts and activity and the like: after all, residents live and connect in many ways, including their business and workplace connections and their enjoyment of vibrant live/work environments, and good transport access and local amenity. This is the point that needs highlighting in the context of the subject site in the Gipps Street Precinct and the need to deal

with the issue of ‘residential’ uses that have been in existence on the site under the C2Z for up to two decades.

Having regard for this review of relevant City of Yarra strategies, it is considered that the formality of recognising the existing residential use of parts of the VDAS site would not adversely impact on the continuation of the Gipps Street Precinct in the C2Z as an employment/commercial locality. This aspect is considered in the subsequent chapters with reference to the existing pattern of land use and development on the subject site and in the surrounding Gipps Street study area.

3 EXISTING PATTERNS OF LAND USE AND DEVELOPMENT IN THE GIPPS STREET STUDY AREA

This Chapter provides a description of existing use and development of land located in the Gipps Street Study Area in which the subject site is located. Reference is made to commercial/employment, residential, and other uses in the study area.

3.1 Gipps Street Study Area

The Study Area boundaries, as illustrated in Figure 3.1, are defined as follows:

- To the north: Vere Street
- To the south: Victoria Parade
- To the east: Hoddle Street
- To the west: Wellington Street.

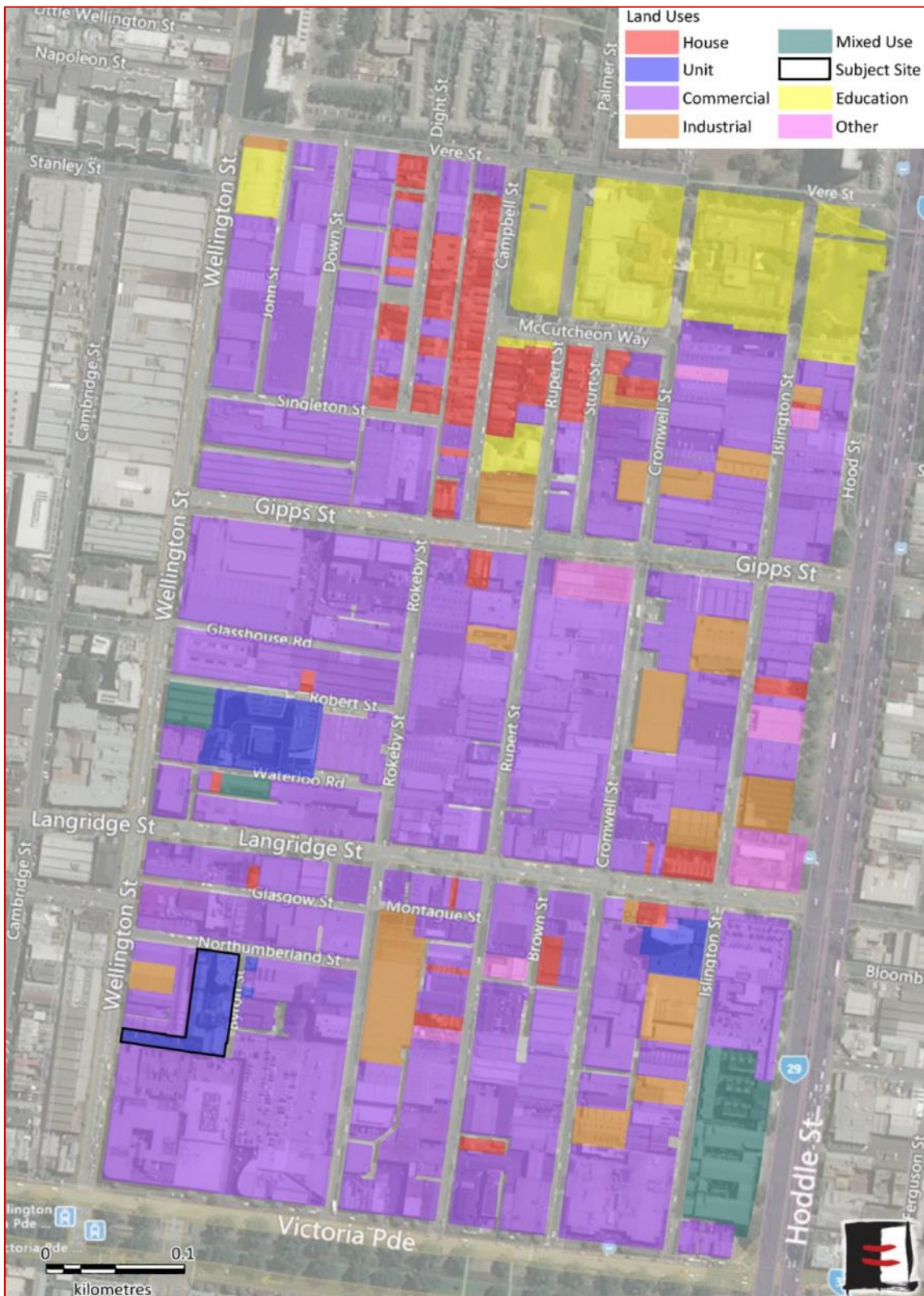
Figure 3.2 shows the boundaries of the C2Z which applies to the majority of the Gipps Street Study Area.

The Study Area covers land that essentially comprises the **Gipps Street Precinct** identified in the Yarra Spatial Economic and Employment Strategy (Table 2, p76) and which is identified as an “employment precinct”.

While the Study Area is essentially identified as an employment precinct in regard to the C2Z which applies to most of this area, the reality is that residential uses are also evident in the Study Area, as indicated in the land use distribution by type in Figure 3.1 (showing houses and residential unit development) and the land use zoning shown in Figure 3.2 (showing the range of zones in the Study Area, including areas in the MUZ).

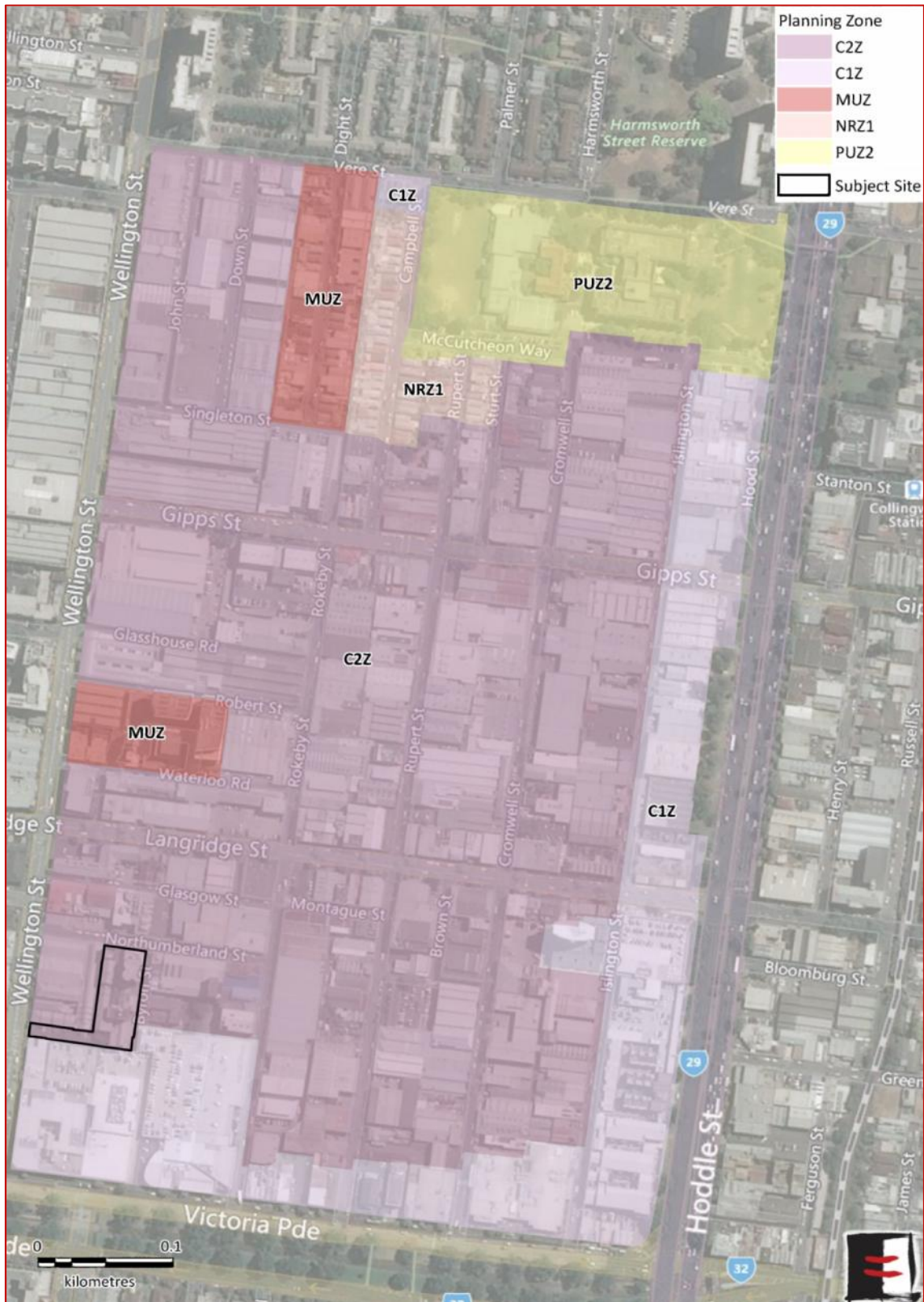
The following sections provide a summary of land use and development in the Study Area.

Figure 3.1: Land Use by Type in Gipps Street Study Area



Source: Essential Economics Land Use Survey October/November 2018, with MapInfo
 Note: Hoddle Street residential units are located above ground floor commercial uses.

Figure 3.2: Land Use Zoning in the Gipps Street Study Area



Source: Essential Economics, Planzone and Bing Maps

3.2 Summary of Uses in Gipps Street Study Area

A summary of existing uses in the Gipps Street Study Area is provided in Table 3.1, with data identified by land use type and sub-categories. The predominant land use in the Study Area is employment land consisting of commercial and industrial uses. This land use type accounts for 77% of total land located in the Study Area. Smaller areas of land in the study area are occupied by residential uses (9%), education (9%) and other uses (14%).

The existing residential units on the VDAS site are included in Table 3.1 under “Residential Use – Units”.

Table 3.1: Existing Land Use in the Gipps Street Study Area

Land Use ⁽¹⁾	Land Area ⁽²⁾	Share of Total Land	Lot Count	Average Lot Size
<u>Employment Use</u>				
Commercial	203,600m ²	70.3%	394	517m ²
Light Industrial	19,650m ²	6.8%	28	702m ²
Sub-Total	223,250m²	77.0%	422	529m²
<u>Residential Use</u>				
House	16,820m ²	5.8%	123	137m ²
Unit ⁽³⁾	9,180m ²	3.2%	na	na
Sub-Total	25,990m²	9.0%	na	na
<u>Other Use</u>				
Mixed Use	9,960m ²	2.7%	8	996m ²
Education	26,270m ²	9.1%	41	641m ²
Other	6,290m ²	2.2%	15	420m ²
Sub-Total	40,530m²	14.0%	64	633m²
Total	289,770m²	100.0%	609	-

Source: Essential Economics field survey, October 2018

Note: ⁽¹⁾ Excludes land uses with frontage to Victoria Parade

⁽²⁾ Numbers rounded

⁽³⁾ Lot count for total residential units not available. Includes VDAS residential units.

⁽⁴⁾ Data presented in Table 3.1 is shown spatially in Figure 3.1.

3.3 Commercial Development

Commercial activity is the dominant land use in the Gipps Street Study Area and accounts for approximately 203,600m² or 70% of all occupied land in the precinct (i.e., excluding land for roads and public use). A wide range of activities are in commercial uses, with examples including offices, wholesalers, retail and cafes.

Average lot size for a commercial use is 517m², noting that this figure does not account for multi-level tenancies which is very common for most of the contemporary built-form in the precinct.

It is typical for many commercial uses to operate within long-established industrial buildings, indicating that a change in land use patterns has taken place in the precinct over time, generally moving from industrial to commercial/office use. This land use pattern is reinforced by the observation that the study area has historically been zoned industrial before being rezoned to the C2Z.

A new office development is under-construction at 2-16 Northumberland Street, opposite the Northumberland Street entrance to the subject site. The new development has a site area of 3,116m² and will accommodate some 15,100m² of office floorspace and 172m² of retail space. Overall, the development will comprise ground floor plus 12 levels, with an overall building height of 51.2m (excluding services). This information is sourced from the Planning Application report prepared by Urbis, May 2016.

A commercial development by Pace Development is also under-construction at 51 Langridge Street, on the south-east corner with Wellington Street, with the building comprising 2,650m² of office floorspace over 10 levels, plus a café at ground floor (85m²), a rooftop terrace, staff amenities and on-site carparking.

It is evident from field visits to the Gipps Street Study Area that commercial development (largely comprising offices, but also a number of wholesale businesses and the like) have tended to locate in former industrial buildings, mainly of 1 and 2 storeys in height. The only 'multi-storey' commercial buildings are contemporary office developments, such as those noted above, and these contemporary buildings accommodate lifts to access high-rise floors. In this context, it is unlikely that the long-established VDAS buildings would have been suitable for conversion for office or other commercial uses, noting the VDAS buildings' specific configuration (including silos) to meet their original industrial purpose. In this context, the transformation of the VDAS buildings to residential use is therefore considered to be an appropriate form of redevelopment of the original buildings.

In a similar context, the long-established silos located in Langridge Street, between Islington and Cromwell Streets, were transformed into 49 residential units some years ago.

3.4 Industrial Development

Industrial land in the Gipps Street Study Area comprises approximately 19,650m² or 7% of total land within the Study Area. The typical industrial land uses are automotive-related, with small pockets also associated with small-scale manufacturing. Average lot size for industrial activities is around 700m².

Much of the Study Area has origins in industrial/manufacturing activity, with many older industrial sites now being used for different purposes. An example is the former Islington Silos, as noted above in respect to their conversion to residential units.

3.5 Residential Development

Residential stock in the Study Area is primarily located on land in the residential zone to the north of the precinct, with higher-density residential units located to the southern part of the precinct. By land volume, houses take up 16,820m² or 5.8% of total land in the precinct and units take up 9,180m² or 3.2% of total land. In total, residential uses account for approximately 11% of land in the Study Area.

An estimated total of approximately 745 dwellings are located in the precinct, including approximately 125 houses and 620 units (with approximately 145 in the Mixed Use zone). Nineteenth Century terrace and row houses comprise the majority of the housing stock, while apartments comprise the majority of the residential units. Several redevelopments have involved the conversion of industrial buildings to residential use and include the Yorkshire Brewery, Islington Silos and the VDAS development (which is the subject of this report).

Housing lot sizes in the precinct average 136m² in area; data is not available for average unit size, noting that unit development is typically constructed over several levels.

3.6 Mixed Use

In addition to Employment and Residential uses, several areas of mixed-use activities are identified in the Gipps Street Study Area, representing approximately 9,960m² of land area or 2.7% of total land in the Study Area. An estimated 145 dwellings exist in these mixed-use areas and are included in the unit count in Section 3.5.

3.7 Implications for the Subject Site

The land use survey conducted in the Gipps Street Study Area indicates that the dominant use is in Commercial/Employment uses (77% of land area), with smaller shares of total land area allocated to Residential uses (11%), Education (9%), and Other uses (3%).

Essentially, the commercial/employment dominance of the Study Area reflects the underlying land use zoning (namely, C2Z) and the role of the area as commercial precinct.

Those parts of the Study Area that have residential uses generally reflect 19th Century Victorian-era housing development comprising terrace and row housing, as well as residential apartments developed in more recent years. These include contemporary dwellings developed in re-purposed buildings, such as the Yorkshire Brewery (in the MUZ) and the Islington Silos (in the C2Z).

This wide and varied pattern of land usage – extending from mainly commercial and industrial uses, to smaller areas of residential use – confirms the underlying inner city trends in terms of demand for suitable localities to support residential and/or commercial and employment uses. Strategy plans prepared for the City of Yarra (as summarised in Chapter 2) highlight the role and significance of this inner city demand for both living and working spaces in locations that are accessible to retail, health, education, transport, community facilities, local amenities and

other services. A number of original industrial-type buildings in the C2Z also appear to have commercial uses at ground floor and residential above.

In this context, it is not surprising that residential uses have emerged in the VDAS development on the subject site.

Importantly, it is evident from the land use survey results for the surrounding area that the inclusion of these units as ‘residential’ on the subject site under Clause 51.01, as proposed under Amendment C247 to the Yarra Planning Scheme, would not adversely affect the ongoing operation of commercial activities in the immediate area or the wider areas surrounding the subject site. Conversely, and from an economics perspective, the continuing operation of commercial and other activities in the area surrounding the subject site will not adversely affect the residential use of units on the subject site.

The construction of office development at 2-16 Northumberland Street will provide 15,100m² of lettable floorspace and would be expected to accommodate an estimated 760 to 1,000 office workers when completed (on the basis of 15m² to 20m² per office job). In contrast, if the VDAS site were developed for office purposes, the 29 units would be expected to accommodate at most only 90 jobs (with an average of 3 jobs per unit, and assuming all units are currently dwellings); this figure is well below the likely job capacity at the adjacent site presently under-construction. A further consideration is whether the units on the VDAS site are actually suitable for office-type uses, noting the small floorspace areas for each unit and the reality that this is a multi-level development devoid of lifts (except in the Silos component) that would otherwise be expected in a commercial office development.

The SEES forecasts that Yarra’s employment growth in the commercial sector is likely to total 25,000 new jobs between 2016 and 2031 (p32). On this basis, if the 29 units on the subject site were in office use, and supporting around 90 jobs as noted above, the site would only accommodate 0.36% of potential office employment in Yarra; this is a negligible share.

4 SUMMARY AND CONCLUSION

The main findings drawn from this economics-related assessment of Amendment C247 to the Yarra Planning Scheme as it affects the subject site are as follows:

Subject Site

- 1 The subject site comprises lots located at 26 Wellington Street and 21 Northumberland Street, Collingwood in the City of Yarra. The site, which is also referred to as the Victorian Distillery and Silos (VDAS) site, is located in the Commercial 2 Zone. The site contains 29 units which include a mix of residential, commercial office / home office uses.
- 2 The subject site is located in proximity to both the Smith Street and Victoria Street activity centres and to public transport services (bus, tram and train), and is also located within walking distance of the Melbourne CBD (approximately 1.7km).

Amendment C247 Yarra Planning Scheme

- 3 The clients have requested Council to include the subject site in the Schedule to Clause 51.01 (Specific Sites and Exclusions) of the Yarra Planning Scheme to allow the use of the land as a 'dwelling'. Owners of the units are seeking only the specific recognition of existing uses; they are not seeking to rezone the land or gain any additional development rights that could result in more intensive uses.
- 4 The request for the VDAS site to be included in the Schedule to Clause 51.01 has arisen as Council considers that certain units are occupied as dwellings. However, reference to various Council and other material dating back to the 1990s indicates that, over time, discussions were held in respect to converting the VDAS site to residential accommodation, and that these properties have been treated as dwellings for all practical purposes.

City of Yarra Planning and Development Strategies

- 5 The *Yarra Spatial Economic and Employment Study* (SEES, 2018) and the *Yarra Housing Strategy* (YHS, 2018) identify the underlying trends accounting for the City of Yarra's continuing growth in both employment/business development and in residential development. Principal among these development trends is the desire among many Yarra residents – and especially among working residents – to live and work in a vibrant setting where accessibility to transport, services and amenities is maximised.
- 6 The SEES emphasises the economic importance of fostering innovation and the innovation that occurs through connectivity and networks. Similarly, residents live and connect in many ways, including their business and workplace connections and their enjoyment of vibrant 'live/work' environments, attractive levels of local amenity, and convenient access to transport. These considerations are important in the context of the subject site and the need to deal with the issue of 'residential' uses that have been

in existence on the site under the C2Z for around two decades. Although the SEES does not support residential encroachment in the C2Z, in the consultant's view the development of the VDAS site for residential use is appropriate, considering the nature of the built form (silos and a distillery) and the small building footprint relative to larger developments in the Study Area and in other parts of the municipality.

- 7 From the review of relevant City of Yarra strategies, it is concluded that the formality of recognising the existing residential use of parts of the subject site would not adversely impact on the continuation of the Gipps Street Precinct in the C2Z as an employment/commercial locality. Importantly, such recognition of residential uses on the subject site would not diminish or adversely affect the findings and recommendations of Council's SEES or YHS.

Existing Land Use in the Study Area in which the Subject Site is Located

- 8 The land use survey conducted in the Gipps Street Study Area indicates that the dominant use is in Commercial/Employment uses (77% of land area), with smaller shares of total land area allocated to Residential uses (9%), Education (9%), and Other uses (5%). In essence, the commercial/employment dominance of the study area reflects the underlying land use zoning, namely C2Z, and the historic role of the area as an industrial/commercial precinct.
- 9 Residential use in the study area reflects housing development comprising 19th Century Victorian-era terrace and row housing, together with contemporary apartment developments, including dwellings developed in re-purposed buildings, such as the Yorkshire Brewery and the Islington Silos, with each of these re-developments (for residential use) surrounded by areas containing commercial uses.
- 10 This wide and varied pattern of land usage – extending from mainly commercial/business uses, to smaller areas of residential use – confirms the underlying inner city trends in terms of demand for suitable localities to support residential and/or commercial and employment uses. Strategy plans prepared for the City of Yarra highlight the role and significance of this inner city demand for both living and working spaces in locations that are accessible to retail, health, education, transport, community facilities and local amenities. In this context, it is not surprising that residential uses have emerged in the VDAS development on the subject site, with the site also accommodating a number of office and home-office uses.
- 11 An office development presently under-construction at 2-16 Northumberland Street, opposite the subject site, will provide 15,100m² of lettable floorspace and would be expected to accommodate an estimated 760 to 1,000 office workers when completed. In contrast, if the subject site was developed for office purposes, the 29 units would be expected to accommodate only around 90 jobs and this figure is very small when compared with the likely job capacity at the adjacent site presently under-construction.
- 12 Yarra's employment growth in the commercial sector is likely to total 25,000 new jobs between 2016 and 2031, according to the SEES (p32). On this basis, if the 29 units on

the subject site were in office use, and supporting around 90 jobs as noted above, the site would only accommodate 0.36% of potential office employment in Yarra; this is a negligible share. Thus, recognition of the ‘dwelling’ use on the subject site would not significantly diminish Yarra’s capacity to accommodate more jobs.

Implications Associated with the Amendment

- 13 It is evident from the land use survey results that the inclusion of units as ‘residential’ on the subject site under Clause 51.01, as proposed under Amendment C247 to the Yarra Planning Scheme, would not adversely affect the ongoing operation of commercial activities in the immediate area or the wider areas surrounding the subject site. Conversely, the continuing operation of commercial and other activities in the area surrounding the subject site will not adversely affect the residential use of units on the subject site. After all, residential use has been a feature of most of the units on the subject site for around 20 years.

Conclusion

- 14 This assessment supports the inclusion of the subject site in the Schedule to Clause 51.10 of the Yarra Planning Scheme to classify the existing units on the site as “dwellings”. Importantly, such inclusion would not adversely affect the employment focus of the wider area described as the “Gipps Street Precinct” in Council’s recently-prepared SEES (March 2018).