Melrose Park Employment Land Study

City of Mitcham

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Contents

1. Introduction

1.1 Overview

Since late 2016 Council has progressed a series of related land use planning initiatives, including:

- Spatial Vision for the City of Mitcham
- Structure Plans for identified growth areas
- A Growth Areas Development Plan Amendment
- A Character Areas Development Plan Amendment

The structure planning work, which was completed in February 2019, identified the need for further analysis of existing employment land at Melrose Park. Specifically, the structure plans noted:

> "Minimal change to existing industry and commercial areas [in Melrose Park] until the north-south corridor design is resolved. Reassess land uses and development options after this. Residential / supported accommodation incursions not supported at this time"

A project map for the proposed T2D (Torrens to Darlington) South Road upgrade was released by the State Government in June 2021 and work by DIT on this project continues at pace, including necessary land acquisitions.

This report looks to progress economic analysis investigations that are intended to inform the next stage of Council's land use planning initiatives as they relate to employment land at Melrose Park.

1.2 Project context

Employment land at Melrose Park forms part of a wider area zoned as Strategic Employment Land (SEL) under the Planning and Design Code. This area of SEL also includes part of Edwardstown, which falls within the boundaries of the City of Marion. A Land Supply Report for Greater Adelaide, released by the State Government in June 2021, identifies this area of SEL as the 'South Road Corridor – Central' key employment precinct within Metropolitan Adelaide's inner south.

Leaving aside hospital and university precincts, this is the largest tract of contiguous employment land in the City of Mitcham. It benefits from an adjacency to the intersection of South Road (north-south connector road) and Daws Road (east-west connector road). The northern and eastern boundaries of the Melrose Park employment land abut established residential land.

Emerging plans for the T2D upgrade to South Road illustrate significant medium to long-term improvements to Adelaide's primary north-south transport corridor, both in terms of movement above and below ground. Once complete, the upgraded north-south corridor will alter the economic geography of Adelaide, generating a range of new economic opportunities, and presenting a range of land use planning challenges. The challenges associated with competing objectives for urban land are particularly evident in areas such as Melrose Park, where employment land abuts relatively residential areas whose underlying land values are significant and rising.

We understand that this analysis will aid Council in making recommendations or submissions to the State Government on current and future land use planning in this area, which may or may not involve the introduction of a greater mix of uses (including residential). We also understand that this analysis will aid Council in discussions with landowners or investors and in the identification of future opportunities for public-sector investment that may support future growth in this area.

It is noted that the City of Mitcham owns and operates a works depot at the eastern end of the employment land that is the subject of this report.

For clarity, the economic analysis underpinning this report interrogates data that applies to the Melrose Park / Edwardstown SEL as a whole. We recognise however that Council's Subject Area for the purposes of current land use planning discussions is set out in Figure 1.

FIGURE 1. MAP OF THE SUBJECT AREA

Source: City of Mitcham

1.3 Structure of this document

Chapter 2 provides a summary of the objectives of the document, including the regional context, a summary of relevant planning documentation and a review of key employment land trends.

Chapter 3 draws on small area data to set out the present employment profile for the precinct.

Chapter 4 sets out the strategic importance of the precinct, with reference to state planning strategies and its location within the metropolitan system

Chapter 5 describes the population-serving role of the precinct

Chapter 6 sets out employment projections for the precinct, showing how growth in employment is likely to flow through to increased demand for employment floor space

Chapter 7 provides a summary of the key issues associated with the rezoning of land from employment land to residential land, including case studies from interstate

Chapter 8 sets out some potential strategic directions and associated actions for Council to implement to realise the full potential of the precinct

2. Background review

2.1 Overview

This section provides a summary of the project context, including key geographical and locational attributes, relevant state and local policies, and an overview of the trends likely to shape land use in the Subject Area and precinct in future decades.

2.2 Subject Area context

This section sets out the geographical context of the Subject Area, assessing its attributes and key features across different geographical scales.

Metropolitan context

The Subject Area is located in Greater Adelaide, approximately nine kilometres south of the Adelaide CBD, and is highly accessible to the South Road Corridor. Ongoing investment in the North-South Corridor is likely to lead to continue to shape land use at the Subject Area, providing improved access to other parts of the metropolitan area. With the majority of employment land in Adelaide situated in the city's northern and northwestern suburbs, it forms part of the second-largest employment precinct south of the CBD (after Lonsdale).

Regional context

The region surrounding the Subject Area is dominated by residential development. The region to the east (in the City of Mitcham) is one of the most sought-after residential areas in the metropolitan area, with comparatively high residential land prices generating pressures for rezoning to permit other land uses. To the south is a major education institution (Flinders University), a major hospital (Flinders Medical Centre), and the Tonsley Innovation District. The Subject Area is also located close to the Repat Health Clinic, while Castle Plaza is a major centre accommodating a range of retail and population services.

The site has good access to the national highway network via the South Eastern Freeway (9kms to the north-east), and global markets via Adelaide Airport and Outer Harbor (each of which are readily accessible via the North-South Corridor).

Local context

The Subject Area (shown on page 56) is located to the east of South Road, with Daws Road marking its southern boundary. The precinct at present accommodates a wide mix of uses, including trade supplies, storage facilities, small scale manufacturing, showrooms, construction supplies, automotive repairs, online sales distribution, and engineers among others.

The Subject Area differs from the balance of the precinct in a number of important ways:

- It comprises a range of lot sizes that are in general more diverse in terms of their size than elsewhere in the broader precinct.
- It is deeper and extends further back from South Road than the majority of employment land on the eastern (City of Mitcham) side of South Road. The degree to which the site is 'set back' from South Road is shown by the red line marking its western edge, which reflects the extent of setback for employment lands to the north and south of the subject site.
- It is closer to urban amenity in the form of Winston Avenue cafes and hospitality businesses.

These differences are important as they indicate a potential point of difference for the precinct going forward.

2.3 The North South Corridor

As discussed, the Subject Area is situated within a precinct that sits adjacent to South Road, metropolitan Adelaide's primary north-south road link. Works to enhance this corridor commenced more than a decade ago, with the Northern Expressway completed in 2010. The overall project comprises a number of smaller subprojects which are scheduled to be completed in stages to minimise disruption and spread project costs. The section most directly applicable to the subject site is the Darlington to Anzac Highway component. This section alone will be funded by the State and Federal Governments at a total cost of nearly $5.5 billion.

The overarching purpose of this major infrastructure is to reduce drive times across the Greater Adelaide road network, and in doing so, generate quality of life improvements for users, and boost the productivity of the South Australian economy, reducing the cost of doing business in South Australia by reducing time costs and vehicle operating costs that would otherwise be incurred by local businesses.

The completed road will provide an important contribution to South Australia's 'value proposition' in strategic sectors by bringing employers closer to workers, suppliers closer to customers, and exporters closer to global markets. In doing so, it will help to underpin the expansion of existing businesses, and the creation of opportunities for new businesses in South Australia.

2.4 Policy and Strategy review – State

This section provides a summary of select State Government documents, describing how they seek to shape land use in the Subject Area and surrounding region.

30-Year Plan for Greater Adelaide

In 2017, the 30 Year Plan for Greater Adelaide was updated. The purpose of this strategy is to shape provide a framework for long-term, strategic planning to guide the growth of Greater Adelaide into the future. The plan refers to the need to 'unlock opportunities' through the development of new infrastructure, including the Darlington interchange, which will improve connectivity between Tonsley (and areas to the north, such as the precinct) and Flinders Medical Centre and University.

Specific policies that relate to manufacturing in general include:

- Support and promote defence, science and technology clusters ensuring they are linked by high quality road, rail and telecommunications infrastructure and connect to universities (P67)
- Focus business clusters and manufacturing hubs around key transport infrastructure such as road, air, rail, sea terminals and intermodal facilities to maximise the economic benefits of export infrastructure. (P68)
- Create sufficient buffer activities and design guidelines to prevent manufacturing and defence lands being lost to encroachment by residential activities and to prevent land-use conflicts between these activities. (P69)

In relation to 'green industries':

- Ensure planning controls for employment lands are flexible to allow new green technologies and industries to emerge and grow.

And finally, in relation to employment lands:

- Provide sufficient strategic employment land options with direct access to major freight routes to support activities that require separation from housing and other sensitive land uses.

The Plan also sets out the following relevant actions:

- Prepare guidelines and accompanying planning policies for employment lands (including industrial, defence and agri-business uses) to identify those areas that:
  - require protection from incompatible development
  - may evolve to more mixed-use employment
  - may require expansion
  - may transition to other land uses, including residential. (This will require the management of interface issues with adjacent sensitive land uses and the management of any site contamination)

Growth Management Program Land Supply Report for Greater Adelaide (Part 3: Employment Land)

Part 3 of the Land Supply Report (LSR) for Greater Adelaide focusses on employment land. The document provides information on the supply, demand, and industry types of employment land as well as projected jobs growth to 2030.

Implications:

Employment lands in Greater Adelaide are currently concentrated in the Northern regions with very little supply (under 2%) in the Inner South where the subject site is located. The Inner South comprises five key employment precincts. The Central South Road Corridor precinct (in which the subject site lies) is the largest area of total zoned land and provides the most employment in the Inner South region. To facilitate forecast employment growth, maintaining this land is critical.

Analysis identifies the precinct and the wider Inner South region as having comparative advantages in knowledge intensive and population serving activities due to the local pool of skilled labour. By 2030, population serving activities are projected to account for a large portion of total employment within the Central South Road Corridor, but manufacturing is expected to continue playing an important role. The LSR iterates the significance of the North South Corridor for employment land within this region, highlighting that its completion may drive demand for manufacturing and freight and logistics activities, but small lot sizes pose a constraint. As of June 2020, there was estimated to be eight hectares of vacant employment land in the Inner South, of which 1.2 hectares was in the Central South Road Corridor.

2.5 Employment land definition

This document uses the same definition for employment land as is set out in the Land Supply Report for Greater Adelaide (2021). From that document:

"Historically, the term 'industrial land' was used to describe land providing employment outside of the activity centre network1, the Central Business District (CBD) and institutional uses (i.e. schools, universities and hospitals). In times where manufacturing made up a significant proportion of total employment in South Australia (and absorbed a substantial quantity of demand for employment lands), use of this terminology was entirely warranted.

In recent years, however, the range of activities taking place within these precincts has evolved from traditional manufacturing. In recognition of this, the term 'employment land' has emerged as a more appropriate term to classify these formerly 'industrial' precincts. Referring to these precincts as 'employment lands' more accurately reflects and characterises their role and function as locations for jobs across a wide range of employment sectors."[1]

2.6 Policy and Strategy review – City of Mitcham

This section provides an overview of local government policies and strategies associated with the Subject Area, the broader precinct, and the surrounding region.

Spatial Vision for the City of Mitcham

Council's Local Area Planning project ran for two years from 2017 to 2019. The purpose of this project was to spatially translate Council's Strategic Management Plan onto a map of the City (i.e., a 'Spatial Vision'). Structure Plans were also drafted for key growth precincts identified through the Spatial Vision exercise.

The Melrose Park employment land falls within Precinct 2 of the Spatial Vision, which stretches across a large tract of land from South Road in the west to Eliza Place, Panorama in the east. In addition to the employment land at Melrose Park it also encompasses the Repat Health Precinct, Bedford Industries, the (now demolished) Panorama TAFE site, Centennial Park Cemetery and Pasadena Shopping Centre.

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[1] Land Supply Report for Greater Adelaide - Employment Land (plan.sa.gov.au)

The Spatial Vision outlined a number of opportunities for significant change in this precinct. These include supporting the ability for residents to 'age in place' with provision for a mix of generations. It is also noted that this precinct is "a strategically located opportunity area in close proximity to the Southern Innovation District [Tonsley] and a direct route between it and the City of Adelaide".

The Structure Plans sought to build on the Spatial Vision as a way of illustrating how this Vision might be implemented in the future. In a general sense, structure plans are useful in guiding investment, development, and land use change in order to achieve desired outcomes for an area. The structure planning process included workshops with community members, landowners, developers, local business owners, Elected Members and Council staff. The result of this structure planning process for the eastern end of Precinct 2 (i.e., the Melrose Park employment land) was a determination that there should be "minimal change to existing industry and commercial areas [in Melrose Park] until the north-south corridor design is resolved. Reassess land uses and development options after this. Residential / supported accommodation incursions not supported at this time"

Implications:

This policy recognises the strategic importance of the Subject Area, referencing opportunities in health and medical industries, and connections to the institutions to the south and the CBD. It also made clear that there was (at the time) insufficient justification to support change in land use.

Mitcham 2030

The strategy presents Council's long-term aspirations for the community going forward to 2030. The plan considers the City of Mitcham's current profile and community values as well as future opportunities and challenges.

Implications:

Goal 3 outlined in 'Mitcham 2030' is articulated as "a strong and competitive economy that supports our unique and vibrant places and culture". Mitcham City Council has a role to play in ensuring local employment and a healthy economy for its residents. One of Council's key tools for ensuring this is maintaining employment lands within the LGA. It is therefore vital that land be confirmed as 'surplus to requirements' prior to any rezoning.

2.7 Policy and Strategy review – Other

Tonsley Innovation District (City of Marion)

The Tonsley Innovation District is a mixed-use precinct located south of the subject site along South Road in the neighbouring City of Marion. Tonsley is situated on a 61-hectare site around 10kms to the south of the Adelaide CBD.

The main role of the precinct is in facilitating high-value manufacturing; however, the site also includes education and training facilities, retail and civic space, and residential development. Under the umbrella of high-value manufacturing, the work conducted at Tonsley sits within four sectors reflecting the South Australian context. The four sectors are:

- cleantech and renewable energy,

- health, medical devices and assistive technologies,
- mining and energy services, and
- automation, software and simulation.

Implications:

The City of Marion is positioning itself as an innovative and technology focussed community which can offer an expanded range of employment opportunities for residents of the broader region. Tonsley is likely to continue attracting skilled workers and business investment to the southern region of Adelaide.

Whilst Tonsley is likely to be a focal point for knowledge-intensive, advanced manufacturing, the precinct is influenced by the existence of Flinders University, a TAFE building, and (soon) around 800 dwellings in the north-western corner of the site. These sensitive uses complement the set of activities occurring there. Their existence does however limit the potential for externality-generating activities at the site, a fact that serves to underscore the importance of more 'traditional' employment lands to the north.

Revitalisation of the Edwardstown Employment Precinct (City of Marion)

The City of Marion is currently embarking on a project to revitalise the Edwardstown Employment Precinct in terms of its access, amenity, and activation. According to Council documentation, the Precinct currently provides over 4,500 jobs and accommodates 1,800 businesses.

Implications:

This project aims to foster local employment in the region through a range of measures. Considering the Precinct's proximity to the subject site, co-benefits are likely to exist as more businesses and workers are attracted to the area at large.

It is also important to recognise that the provision of opportunities for employment growth at Edwardstown do not obviate the need to foster opportunities elsewhere in the corridor. It may well be the case that Edwardstown's employment lands do not fit the specific needs of businesses seeking to locate within the region, and that they prefer the attributes of land on the eastern side of South Road. Further, if employment projections indicate that Edwardstown alone cannot accommodate forecast growth in employment and economic activity, then the region to the east of South Road must have a role to play if the regional economy is to reach its potential.

2.8 Key employment land trends

A number of macro-economic and more localised trends have and will continue to impact on the Subject Area, and Greater Adelaide employment lands more generally. These trends represent a mix of threats that must be managed over time, and opportunities for planners to build on existing regional strengths and capabilities through well thought out strategic planning. The following section reflects on some of the most relevant.

A transition from a manufacturing to a services economy

The past thirty years have seen a profound restructuring of the Greater Adelaide economy, with increasing global trade and a redeployment of the state's human and physical capital into the production of (largely knowledge-based) goods and services. This structural change has had significant impacts on the composition and location of employment across the metropolitan region.

Employment in manufacturing (as traditionally defined) will likely continue to decline, however a growing share of Australia's manufacturing output will leverage the knowledge of its labour force to drive activity in 'smart manufacturing'. This reality creates opportunities for suburban university campuses with nearby employment lands in particular (such as Macquarie University in Sydney, Monash University in Melbourne, and Flinders University in Adelaide). On the other hand, employment in professional and financial services will increase. A range of population serving industries will also expand, including health care, retail, and education.

Knowledge-based industries encompass research and development (R&D), design, engineering, marketing, advertising, and creative industries, as well as more traditional jobs such as lawyers, bankers, financiers, doctors, and management consultants. Many of these activities overlap with production and manufacturing and could present growth opportunities for the sector. This is particularly so as more hybrid roles emerge with technological advancements, allowing for movement up the value chain (e.g., rapid prototyping, 'customise-make-service-sell').

This transition to high value production and advanced manufacturing technologies presents a significant opportunity for employment lands with favourable locational attributes to redirect their activities towards the more knowledge-intensive forms of manufacturing, while the provision of services (much of which takes place on employment lands) will increasingly drive demand for employment land at an aggregate level.

Implications for City of Mitcham

The shift in demand for land from manufacturing to services uses is likely to impact some employment lands more than others. In Mitcham's case, its land is situated close to major health and educational institutions, is close to educated worker pools, is close to freight routes, and has good access to Adelaide Airport. In addition, the relative lack of land suitable for employment land-based population-serving businesses in this part of Adelaide is likely to support the ongoing provision of these activities here.

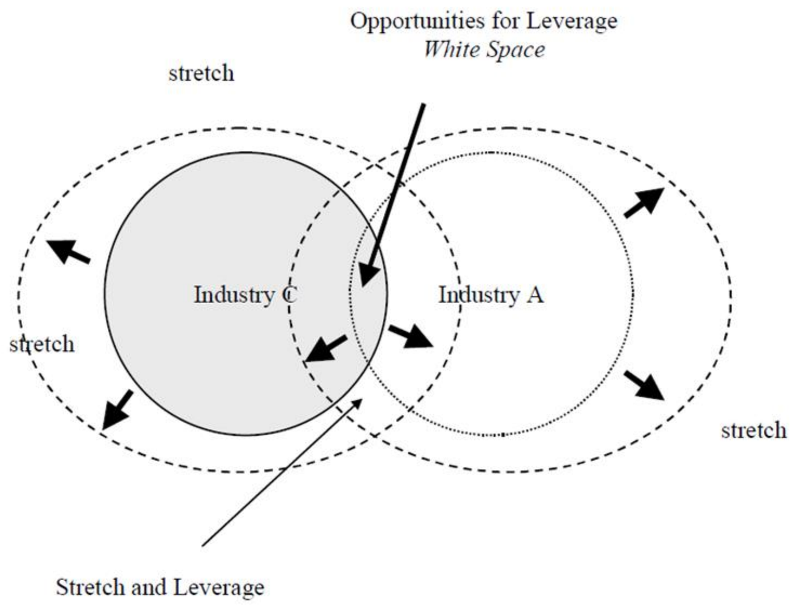
Leveraging the overlap of complementary industries

Future innovation will increasingly come from the intersection of different industries. This is illustrated in the 'Stretch and Leverage' concept. This is an economic development framework that focuses on the expansion and interaction of existing industries to create new opportunities.

Stretching involves expanding existing resources, infrastructure, and core competencies of an industry sector (e.g., building on the strengths of existing sectors and industries)

The leverage approach leverages resources between industries to create new hybrid industries in white space between industry sectors.

FIGURE 2: STRETCH AND LEVERAGE MODEL



This white space is where new opportunities for industry attraction and establishment may arise. In enterprise corridors, with their often highly diverse industry mix, the opportunity to stretch and overlap seemingly separate industries is high. Supported with a diversity of floorspace and built form types, and often lower rents, a very fertile economic ecosystem to explore and identify white spaces is created. Such a model would require curation of relationships and/or an already diverse employment land ecosystem with strong existing supply chains.

Implications for City of Mitcham

For the catchment and broader South Road Corridor, an obvious application of this concept is the opportunity for collaboration between established industry sectors and education, technology, and health providers to the south and east (Repat Health Precinct).

An ageing population and an increasing focus on health and med-tech

Across many developed economies such as Australia's, an ageing population presents the twin challenges of the need for increased expenditure on health-related services and a relative reduction in the number of working-aged people in the labour market.

As a consequence of this, and the current COVID-19 pandemic, there has been an increased focus in bio and medical technologies. These industries have strong links to R&D and knowledge intensive sectors and are often the domain of 'Innovation' or 'Health and Education' Precincts in centralised locations in inner urban areas.

However, many of these industries require facilities to translate research through fabrication, and Australia generally lacks demonstrated capabilities in the commercialisation (the scaling up) of R&D developed domestically. These operations tend to seek locations proximate to universities, major hospitals, and medical research institutes. In this sense the presence of a major university and hospital immediately adjacent to the South Road Corridor represents a significant opportunity.

Implications for City of Mitcham

The land within the precinct is well-situated for a health and medical focus, being proximate to both a major hospital and university. This represents a significant opportunity for the City of Mitcham to leverage its location close to Flinders University and Medical Centre to support growth in health and medical industries – recognised as one of South Australia's nine Strategic Growth Sectors.

Capturing locally created wealth to develop innovative and localised supply chains

While economic activity has been growing in Australia, in many places its contribution to the local community through providing secure employment and small business opportunity is limited. A key aspect of building an inclusive economy is a change of mindset. We must think not only about what we can attract or construct through external investment, but about what we already have and how to leverage supply chains and existing knowledge better.

The distribution of wealth (who owns land, businesses, technology etc) is a critical policy issue. If a local economy can distribute wealth to more of its residents through support of small businesses and local enterprises, this will have positive flow-on impacts. Wealth will be retained within the local economy, instead of being sucked back out through profits and dividends to remote/external stakeholders.

Support for local industries, local innovation and local enterprise is a critical, and often under-respected, component of precinct development. Locally owned businesses are far more likely to:

- Be committed to the local area and retain wealth (profits) within localities
- Create effective local economic multipliers and recirculate local income by using local suppliers and local workers
- Bring greater social returns, and
- Build long-lasting prosperity

Large companies and institutions have an outsized role and responsibility in community wealth building. The term 'anchor institutions' is used to refer to organisations which have an important presence in a place, usually by virtue of being large scale employers, the largest purchasers of goods and services in the locality, overseeing large areas of land and having relatively fixed assets. Examples include universities, large local businesses, hospitals, and training organisations.

Anchor institutions are a form of 'sticky capital,' maintaining long-standing community and social connections and enduring community development capacity but which are unlikely to close down or relocate from their community. They play an important role in community wealth-building due to their capacity as large employers, their sizeable procurement spending, infrastructure (including land and facilities) and assets. Because of their engagement in national and global markets, anchor institutions play important roles in linking broader macroeconomic developments with hyperlocal issues to create opportunity, prosperity, and inclusive growth.

Community wealth building is about public service. Anchor institutions and businesses can work together in a locality to produce positive outcomes which are often 'more than the sum of their parts'. For the Enterprise Corridor, this does not mean that all economic activity remains local, but instead, seeks to maximise the creation of value through the concerted development of localised supply chains in order to enable those businesses to operate more efficiently, benefit from the principles of agglomeration and build products and services for export (domestically and internationally) that are better because of the existence of such partnerships.

Implications for City of Mitcham

The precinct represents an opportunity to link in with activities occurring to the south – broadly, in the hi-tech sector and in health and medical industries – so that more activities up and down the value chain are occurring within South Australia, and that consequently, a greater share of wealth is captured within the local economy.

COVID-19 and the exposure of global supply chain risk

Current events are causing Australia to rethink our role in global supply chains and in particular the COVID-19 crisis has highlighted the fragility of global supply chains. The current geo-political tensions between Australia and China have also informed a re-think of what trade, production and consumption may look like domestically in the future. This has implications for how South Australia, and South Australian industries, view themselves with respect to global supply chains. Where not long ago we saw our role as an increasingly service-providing economy who also exported raw or semi-processed commodities to international markets, exposure to the disruption of global supply chains and the risks of having critical imported goods (for example vaccines) at the mercy of these disruptions, has encouraged business and government to reconsider this arrangement.

While South Australia will not go back to its manufacturing heights of the post-war years, there is an increasing opportunity for the state to reconceptualise its role in the global supply chain. This may be through the retention of certain value-adding process to products before export, through the 'reshoring' of certain high value product manufacturing, or the exporting of advanced manufacturing processes and products to leverage the intersection between the highly skilled services sector and advanced manufacturing.

Implications for City of Mitcham

With increased awareness of the risk associated with globally dispersed supply chains, there is potentially an opportunity to capture a greater share of activities associated with South Australia's growth industries to be retained locally. This requires the ready availability of a diverse set of land types in the vicinity of key institutions.

Growing understanding of the role of employment lands in generating agglomeration economies

The concept of agglomeration economies refers to the benefits derived through facilitating better connections between businesses in a metropolitan region.

The strength of agglomeration economies in any city is often proxied through the use of the Effective Job Density (EJD) tool. An EJD 'score' can be calculated for any small area by taking the number of jobs in that area – an indication of the intensity of economic activity – and adding all the jobs in other areas reachable from that location, divided by the travel time to these other locations. EJD is therefore influenced by both the spatial concentration of businesses and the efficiency of the transport system.

Research shows a strong link between agglomeration (as measured by EJD) and productivity, showing that a doubling of EJD is associated with a boost in productivity by around 8 per cent. In other words, 8 per cent value is added in wages and salaries, profits, and taxes by virtue of a business operating in a denser and better-connected location. For knowledge intensive, high value-added industries such as advanced manufacturing, biotechnology, and technical and scientific services, the productivity from a doubling of EJD is shown to be even higher, often upwards of 14 per cent.

Adelaide's economic geography features a relatively low EJD compared to other Australian cities. This is partially explained by the fact that Adelaide is smaller. However, a lack of spatial concentrations of employment, our high car dependency and resulting traffic congestion dampen agglomeration in this state, and therefore the productivity of our businesses, compared to their interstate counterparts. A range of land use planning policies and tools can influence the extent to which the Adelaide metropolitan area and other regions in South Australia might optimise the economic advantage from agglomeration. These include activity centres policy, the management of employment lands and the treatment of home industries

Implications for City of Mitcham

Mitcham's employment lands are situated within a corridor comprising Flinders University, Flinders Medical Centre, and Tonsley. There are clear linkages between activities at these locations and the surrounding region. By ensuring the availability of land nearby and easily accessible via the arterial road network, agglomeration economies can be supported, which will in turn drive productivity benefits across the wider economy.

The increasingly important role of 'amenity' in employment lands

Historically, employment lands have tended to locate and cluster in areas relatively distant from significant population centres, adjacent to busy road corridors, and accessible to blue collar worker pools. In an era where manufacturing was the dominant activity within employment lands, and where legislative protections from emissions were far lower than they are today, this made sense. In parts of Adelaide – notably the sweep of land north of Grand Junction Road between Gillman and Cavan – employment lands are still noisy, odorous, and generally unappealing places to be.

However, with a growing share of activity taking place in employment lands linked to educated, white collar workers, there is a growing requirement for amenity in many. For highly-skilled workers in employment lands at Technology Park at Mawson Lakes, and at Monash and parts of Dandenong South in Melbourne, employment lands are being developed with green spaces and access to retail and hospitality; recognising that local businesses are competing for talent in a global marketplace.

With a growing quantity of employment land activity in knowledge-intensive sectors, delivery of high amenity employment lands represents a significant competitive advantage for South Australia.

Implications for City of Mitcham

The shift in the way employment land is used means a related shift in the types of workers within them. In the competition with other Australian and Asian cities for economic activity, the look and feel of a precinct is increasingly important. The precinct already enjoys good access to high-value residential areas, retail, and transport infrastructure, so to some extent many elements of high amenity are in place.

Many parts of the precinct have a ‘look and feel’ that reflects the region’s history as a ‘traditional’ employment land precinct, a fact that will continue to inhibit the expansion of skilled employment. This highlights the need for City of Mitcham to take an active role in fostering ongoing improvements to precinct amenity as it continues its transition.

3. Current employment profile

3.1 Overview

This section sets out and discusses the current employment profile of the precinct. The analysis is drawn from small area employment data, which is itself drawn from 2016 Census data, and shows the breakdown of employment within section of the South Road Corridor between Sturt Road in the south and Cross Road to the north. Given the lack of sufficiently fine-grained data, it is not possible to reasonably estimate the employment profile of the Subject Area in isolation.

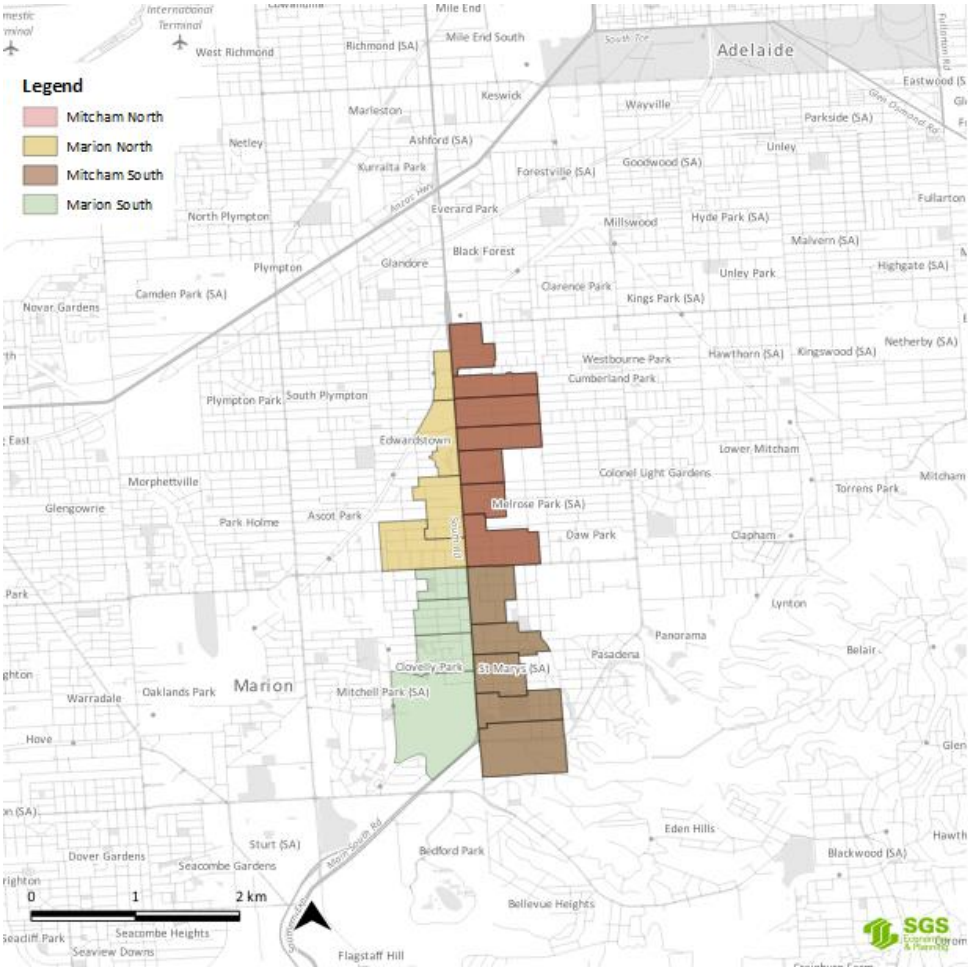
3.2 Data and approach

As discussed, SGS has generated these profiles using small area employment estimates derived from 2016 Census data. These small area estimates have been arrived at using an approach that has converted employment from larger Destination Zones to a number of smaller zones, as shown in the figures below.

Clearly, at the end of an intercensal period, these figures are somewhat out of date. That said, the mix of employment is not likely to have changed significantly over the past five years, so the 2016 Census results can be understood to represent a reasonable reflection of the present situation. Small area employment projections were carried out in 2019, and take into consideration future infrastructure commitments, including the South Road Corridor.

As discussed, the focus of this context analysis is on the section of South Road between Sturt Road and Cross Road, looking at employment land on both the Marion and Mitcham sides. The area has broken into four sub-precincts. These are shown in Figure 3.

FIGURE 3. PRECINCT AND SUB-PRECINCTS



Source: SGS Economics and Planning

3.3 Corridor catchment employment

The following charts show the breakdown of employment across the precinct in 2016, broken down by broad employment category, and compared to Greater Adelaide's aggregate employment lands.

The employment data shows that nearly half of all employment land jobs in the precinct are in 'population serving' sectors, with 'traditional' employment uses the next most important category. When compared to Greater Adelaide, key differences are in the share of population serving jobs (49% compared with 42%), and the relatively low share of freight and logistics jobs (3% in the catchment compared with 9% across Greater Adelaide[2].

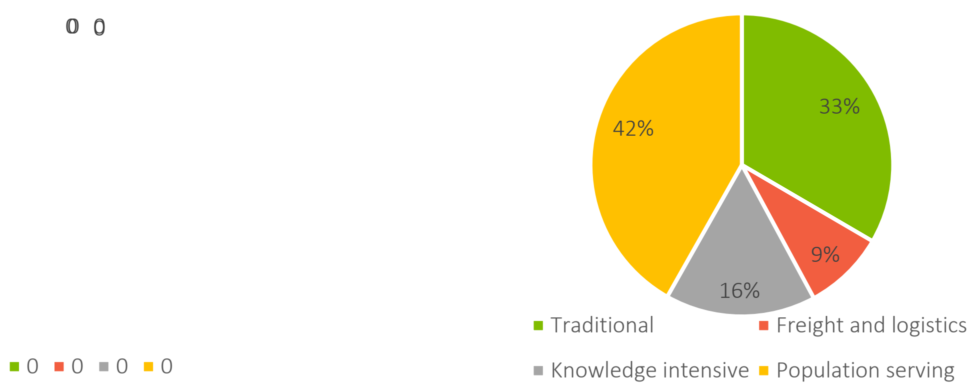
The high proportion of jobs in population serving sectors demonstrates the role this part of South Road plays in providing products and services that support the retail and service demands of the surrounding

[2] Breakdown of jobs by BJC

population. Typically, these employment patterns emerge in urban regions where employment lands are relatively scarce, as they are in Adelaide's inner southern suburbs.

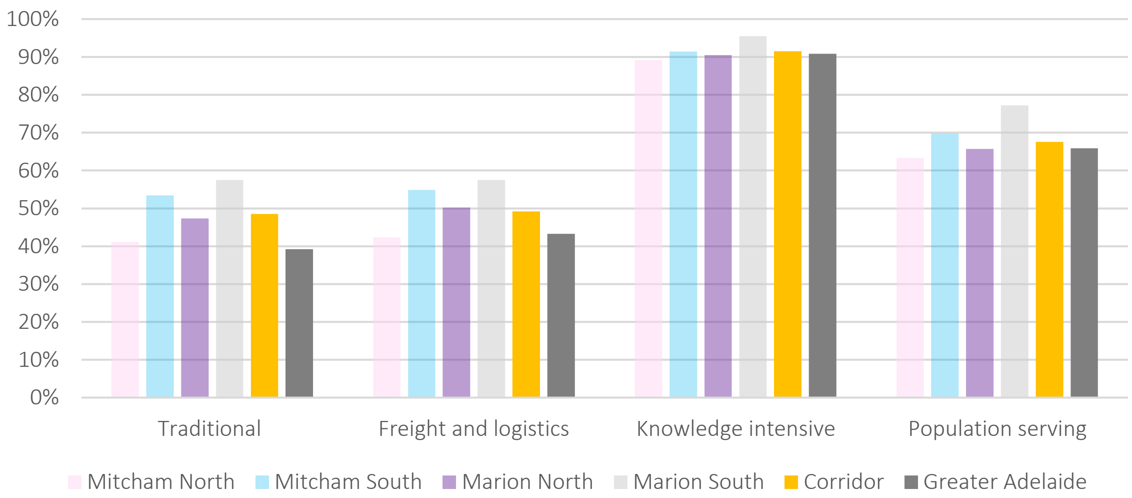
The low share of employment in freight and logistics is a consequence of the unsuitability of the precinct for these uses relative to areas in the northern and northwestern suburbs. While the corridor is relatively well-located relative to producer regions and trade gateways, the volume of traffic on South Road presents access challenges for larger vehicles in particular.

FIGURE 4. SHARE OF EMPLOYMENT LAND JOBS BY BROAD INDUSTRY SECTOR, CATCHMENT (LHS) VS GREATER ADELAIDE (RHS)



The figure below sets out the share of white-collar jobs in the precinct and each of the sub-precincts with the metropolitan Adelaide share. The figure shows that the share of white-collar employment across all sub-regions is greater than the share for Greater Adelaide. This reflects the service-focus of the precinct, its accessibility to a relatively highly skilled workforce, and its location proximate to Flinders University, Flinders Medical Centre and Tonsley.

FIGURE 5. SHARE OF WHITE-COLLAR JOBS BY BROAD INDUSTRY SECTOR



As discussed in the previous section, there is a shift in the way employment land is used, with growing mechanisation and technology reducing the quantity of lower-skilled jobs, and with Australia's relatively skilled workforce supporting the expansion of knowledge-intensive manufacturing. In addition, a shift toward the provision of services is also leading to changes in the worker profile of employment lands. This means that the share of total employment land jobs in white collar sectors is likely to rise.

3.4 Comparative advantage in the South Road Corridor

The Metropolitan Growth Management Program (MGM) provided a supply report for Greater Adelaide's employment lands. Among other things, this report compared the mix of employment (by broad industry category) to the Greater Adelaide average to determine whether the prevailing industry mix provided evidence of a 'comparative advantage in a particular set of activities.

The table below shows the relative strength of employment land precincts in this part of Greater Adelaide in 'knowledge intensive' and 'population-serving' activities.

FIGURE 6. COMPARATIVE ADVANTAGE FOR 'INNER SOUTH' PRECINCTS

PRECINCT	STRATEGIC ACTIVITIES			Population Serving
	Traditional	Freight and Logistics	Knowledge Intensive	
Somerton Park				
South Road Corridor – North				
South Road Corridor – Central				
South Road Corridor – South				
Tonsley				

Comparative advantage, among top 5 assessed precincts
Comparative advantage
No comparative advantage

Source: Metropolitan Growth Management Program, Employment Land Supply Report, Govt. of South Australia

Melrose Park is located in the 'South Road Corridor – Central' precinct and has no identified comparative advantage (as defined by the thresholds set out in the MGM). It is important to be clear on what this does and does not mean.

Firstly, the lack of a clear comparative advantage is not by definition a bad thing – it is merely reflective of a precinct with a wide range of industries. It should not be interpreted as saying that a precinct is 'without strengths', and therefore expendable. By the same token, a precinct with an evident comparative advantage is not necessarily a strong precinct worthy of ongoing protection. For example, the comparative advantage may be in a declining sector and the precinct may have high and enduring vacancies.

Secondly, this 'broad industry category' measure looks at employment across a range of industries, and across countless sub-industries. In reality, analysis carried out at such a high level may obscure clear comparative advantages at the industry (ANZSIC) or sub-industry level.

3.5 Summary

The following key points can be drawn from the above analysis.

The share of population serving jobs in the precinct is relatively high

Compared to the employment lands elsewhere in Adelaide, the precinct accommodates a relatively large share of population-serving jobs. This reflects locational characteristics that favour these uses within the Precinct. As well, the relative lack of supply of employment land in Adelaide’s south means that population-serving jobs – for which demand is relatively evenly distributed across the metropolitan region – tend to be overrepresented within the region’s employment land precincts.

The share of white-collar jobs is relatively high across the precinct

For each broad industry sector, the share of white-collar employment is high relative to employment lands elsewhere in Adelaide. This is particularly the case for the traditional sector (which includes manufacturing) and highlights the appeal of the Precinct for knowledge-intensive activities such as advanced manufacturing, management, and business operations.

The existing employment data reveals that the precinct already has something of a service delivery/ white collar employment focus.

4. The strategic role of the Subject Area and Precinct

4.1 Overview

In considering the future prospects of the Subject Area, it is important to consider its broader strategic context. To understand the role this site plays at the strategic scale, it is necessary to 'zoom out', analysing the current (and potential future) role played by the Precinct in which the Subject Area is located in the wider economy.

The employment land at Melrose Park forms a part of a larger swathe of employment land, referred to hereafter as the Precinct. It is adjacent to Adelaide's key north-south corridor, and relatively close to a major knowledge-generating institution (Flinders University) and Flinders Medical Centre. This section looks at the significance of these locational and geographical characteristics from a strategic perspective, examining the current and future role of the site and the broader precinct in supporting the state's strategic growth objectives.

4.2 The theory of comparative advantage

Comparative advantage is an economic theory that refers to the fact that, within a wider trade network, underlying conditions in some places are such that particular categories of goods and services can be provided relatively cheaply and easily. This being the case, these places enjoy a relative cost advantage in the production of these goods and services relative to other places. The corollary to this theory is that, in seeking to grow their economies as efficiently as possible, regions should:

- direct resources towards the growth of sectors in which they already enjoy an identifiable comparative advantage, and
- secure or strengthen the underlying factors that drive these comparative advantages.

Comparative advantage is usually driven by 'supply side' factors associated with key production factors (i.e., capital and labour). What this means is that a place will tend to have a comparative advantage in the provision of goods and services for which production factors are readily and cheaply sourced. The 'ease' with which a regional economy might produce a given set out outputs can be linked to the availability of production factors such as:

- Land – in the right locations and configurations, with the right attributes,
- Production inputs – readily available, high quality, relatively low-cost, and
- Labour – in appropriate quantities, with the right mix of skills and experience.

For South Australia, economic growth and development strategies are based on growth of businesses in areas that leverage the state's comparative advantages. For Greater Adelaide and South Australia, these include:

- Access to a relatively highly-skilled local workforce,

- World-class liveability meaning the state is a popular destination for skilled foreign workers,
- A well-regarded university and research sector,
- An industrial legacy that leaves the state with a bountiful supply of well-located employment land, and a supply of appropriately skilled workers,
- Agriculture and food production, and
- Access to natural resources.

4.3 South Australia's Strategic Growth Sectors

In recent years, following a period of extensive industry consultation and collaboration, the State Government launched strategies to support the ongoing growth of nine Strategic Growth Sectors (SGSs) that leverage the state's advantage in various combinations of the state's key advantages. The purpose of these strategies is to underpin the ongoing growth of the state's economy. These SGSs are set out in the table below.

TABLE 1. SOUTH AUSTRALIA'S STRATEGIC GROWTH SECTORS

Tourism	International education	Defence industry
Food, wine, and agribusiness	Hi-tech	Health and medical industries
Energy and mining	Space industry	Creative industries

Source: Government of South Australia

To secure future economic growth for the state, it is therefore important to direct resources to the expansion of these sectors, and to strengthen the factors that drive the underlying comparative advantage.

As discussed, South Australia's advantages in these sectors is driven by the availability of production factors. These include skilled labour and natural resources, as well as the availability of appropriately configured land in the right locations.

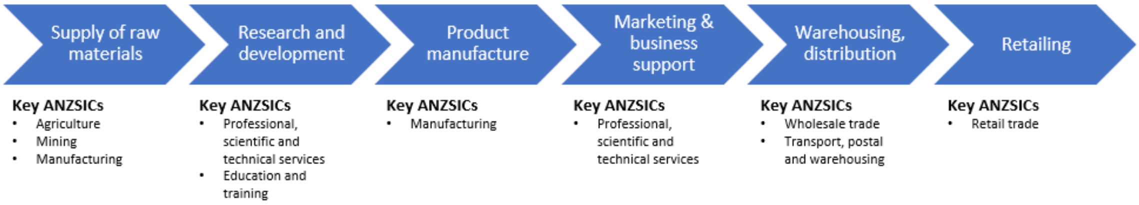
The contribution of land in underpinning a region's comparative advantage can't be understated. By way of example, it is interesting to consider what might happen to South Australia's comparative advantage in defence industries if land at Technology Park and on the Le Fevre Peninsula were rezoned to other uses. Or, for example, whether our advantage in the provision of education of international students would be impacted were a cap placed on the provision of additional student apartments in the CBD.

4.4 Inter-industry linkages, the value chain, and Strategic Growth Sectors

Inter-industry linkages can be thought of as the extent to which industries are connected within a 'value chain'. This perspective recognises that the success of a particular SGS really requires depends on the nurturing of opportunities up and down the ‘value chain’. As a result, it’s not sufficient to simply establish (for example) medical research capabilities, without having a full understanding of the related opportunities that exist up and down the value chain for related businesses.

For example, development of medical devices and pharmaceuticals (each of which is dealt with explicitly as opportunities for growth within the Health and Medical Industries SGS) there is obviously a need for research and development component that requires access to appropriate R&D facilities (ideally collocated with educational institutions. However, a more detailed look at a typical value chain linked to the production of, say, medical devices reveals opportunities in many more sectors both ‘backwards’ and ‘forwards’ in the supply chain.

FIGURE 7. ILLUSTRATION OF 'MEDICAL DEVICE' VALUE CHAIN



Source: SGS Economics and Planning

If a region wishes to take full advantage of its comparative advantage in a particular area, consideration should be given to economic opportunities the length of the supply chain. For example, a strategy for growing the construction sector that fails to recognise the reliance of the sector on manufacturing inputs is likely to be ineffective.

Referring to Figure 7, a strategy intended to expand the manufacture of medical devices must ensure not only that R&D activities are supported within universities and medical facilities, but also that there is sufficient manufacturing land to support the expansion, ready access to necessary raw materials, and that the efficient distribution of outputs to global markets is supported through well-located, state of the art warehousing and distribution facilities.

Besides the obvious advantages associated with capitalising fully on local comparative advantages to create new economic opportunities, an approach to economic development that seeks to support the expansion of related value adding activities within the region also helps to promote community wealth building (i.e., it optimises the capture of profits within local hands) and reduces a region’s exposure to ‘supply chain risk’. These issues are discussed in greater detail as part of section 2.8.

The value chain perspective allows us to see that growth of strategic sectors requires an economy-wide lens, recognising that securing the expansion of ‘health and medical industries’ in South Australia, for example, requires more than simply investing in the capacity of medical research facilities and universities.

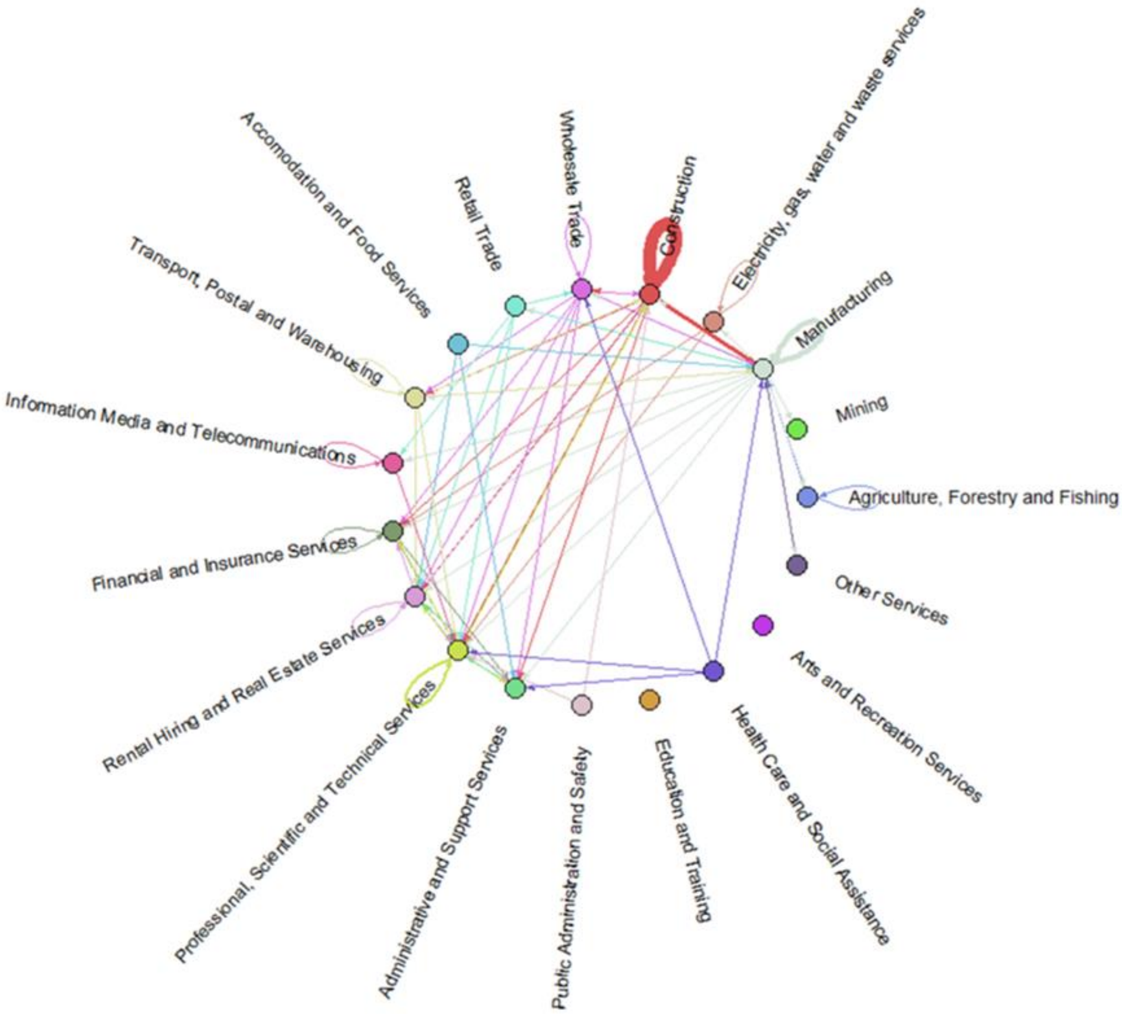
4.5 Inter-industry linkages in South Australia

Figure 8 provides a visual representation of the way in which different industries (represented by ANZSICs) are interlinked with one another. The data represented in this figure is drawn from input-output tables for the South Australian economy.

The strength of relationship between sectors is represented by the thickness of the lines linking them. For example, we see the strongest economic linkages between the construction and manufacturing sectors, which is unsurprising given the dependence of the former on manufactures.

There is also evidence of strong linkages shown between sectors that are, at face value, focused on very different sets of activities. For example, with health care and social assistance, we see strong inter-industry linkages with manufacturing and wholesale trade, among others.

FIGURE 8. INDUSTRY LINKAGES, SOUTH AUSTRALIA



Source: ABS input-output supply tables

A value chain perspective allows us to fully grasp the way in which different parts of the South Australian economy are interconnected, and to recognise that the expansion of SGSs requires a nuanced understanding of the way in which different sectors interact.

This perspective also allows us to understand how the layout of cities can help to underpin regional strengths by allowing different elements of the value chain to locate optimally, in close proximity to related businesses. It also presents the case for facilitating the co-location of employment lands with knowledge-generating institutions, such as occurs at Monash (see below), where manufacturing activities are able to benefit from the existence of industrial-zoned (IN1Z) land in close proximity to a university and a hospital.

4.6 Case study: Monash (Victoria)

In seeking to understand the future of this part of the South Road corridor, it is helpful to compare the region to others in Australia. In many ways, this part of Adelaide is similar to the region in the vicinity of Monash University and Monash Medical Centre in suburban Melbourne.

The Monash National Employment and Innovation Cluster (NEIC) is Victoria's largest employment cluster outside the Melbourne CBD. It hosts over 80,000 jobs and contributes over $9.4 billion to the economy each year.

The local economy in the cluster is based around a set of world class medical, research and educational anchor institutions. Although Monash is of a much larger scale, the makeup of the anchoring institutions and the surrounding residential area provide a useful comparison for the South Road corridor.

Manufacturing, health care and social assistance, and education and training are the top industries of employment within the cluster. Employment within the latter two industries is largely driven by the anchor institutions. Although much of the manufacturing within the wider precinct is unconnected to these anchor institutions, there is a significant quantity of health-related and advanced manufacturing occurring within the Monash employment area.

The data shows that, despite making up only a small proportion of Greater Melbourne's total employment land, the precinct accommodates 13.1% of 'pharmaceutical and medicinal product manufacturing', and 9.5% of total 'professional and scientific equipment manufacturing'. This shows the opportunities generated through the colocation of employment lands with health and education institutions.

TABLE 2. SHARE OF EMPLOYMENT, SELECTED INDUSTRIES, GREATER MELBOURNE AND MONASH, 2016

	Greater Melbourne	Monash	Monash share of total
Human Pharmaceutical and Medicinal Product Manufacturing	5,581	729	13.1%
Professional and Scientific Equipment Manufacturing	7,939	750	9.5%

Source: ABS, SGS Economics and Planning

These anchor institutions are a major attraction for industry because they present the opportunity for collaboration on new technologies, new processes and new products. This is particularly important for the commercialisation of technology and the emergence of high-growth start-ups. The co-location of industry and research institutions is a major source of innovation and economic growth, not just within the cluster but for broader Melbourne, Victoria, and Australia.

The South Road Corridor has the right mix of land uses to emerge as a region with a similar role to that that played by Monash. Local government plays an important role in facilitating these precincts through land use planning, economic development strategies and initiatives for community inclusion and improved amenity.

4.7 Summary

There is a strong case that the South Road Corridor is situated within a region that can play an important role in driving strategic outcomes that benefit the South Australian economy, and in doing so, drive a range of diverse and high-quality employment opportunities within the City of Mitcham.

This being the case, a proper assessment of the value of land within the Subject Area requires a strategic perspective that views lots as part of an economic system that is greater than the sum of its parts. This idea is well encapsulated by the concept of the CSIRO's 'smiling curve', which demonstrates that, even though manufacturing uses generate relatively low value added (and are therefore linked to relatively low land values), they form part of larger value chains. Within these value chains, manufacturing activities directly contribute to the creation of opportunities for a range of other wealth generating economic activities.

Ultimately, growth of SGSs such as 'health and medical industries' and 'hi-tech' requires a perspective that considers the entire value chain and looks to safeguard and bolster the nature of the comparative advantages that allow South Australia to excel at these activities. As part of this, understanding how the availability of well-located land supports growth in these SGSs is vitally important.

5. The population-serving role of Melrose Park and the wider corridor

5.1 Overview

Employment lands play an important population-serving role. They do this by providing opportunities for the sorts of businesses and service providers that would be unsuited to commercial and retail centres. This broad category of activities, which includes showrooms, trade suppliers, food wholesalers, recreational uses and many more rely on access to customers (in the form of both households and other local businesses). With population and commercial activity relatively evenly spread across suburban Adelaide, so too is demand for these population-serving uses.

Sufficient access to employment lands is therefore important in underpinning productive local economies and liveable neighbourhoods across metropolitan regions. For this reason, it is reasonable to consider a population's access to population-serving uses in particular in considering the shape of regional employment land networks.

5.2 Population-serving jobs across Adelaide

At face value, it appears obvious that there is significantly less employment land in Adelaide's southern suburbs compared to northern areas. This is partly a reflection of the city's history and geography, with land use shaped by a range of factors including freight networks, proximity to key trade gateways, and access to working-class communities. These factors have led to certain parts of the metropolitan region being relatively underserviced by population-serving employment uses relative to others.

The benefits of local employment lands to liveability are well recognised and demonstrated by the rise of concepts such as the 20-minute neighbourhood[3]. The 30 Year Plan for Greater Adelaide outlines close access to employment zoned land (within 5km)[4] a key element of healthy neighbourhoods. The benefits of providing residents with local jobs therefore extend beyond economics and intersect with Council's goals pertaining to community health and sustainability.

Using employment land 'layers' and breakdown of employment by small area data, SGS have created a map showing access to population-serving employment land uses across Greater Adelaide (see Figure 9). This map shows the number of population-serving jobs that are accessible within a 15-minute drive of any part of metropolitan Adelaide.

This analysis reveals that a swathe of metropolitan Adelaide stretching from parts of Tea Tree Gully in the northeast, down through Campbelltown, Burnside, Mitcham and across to northern parts of Onkaparinga and Marion have relatively poor access to population-serving floor space. Accepting that access to population-serving businesses is an important contributor to urban liveability, protecting

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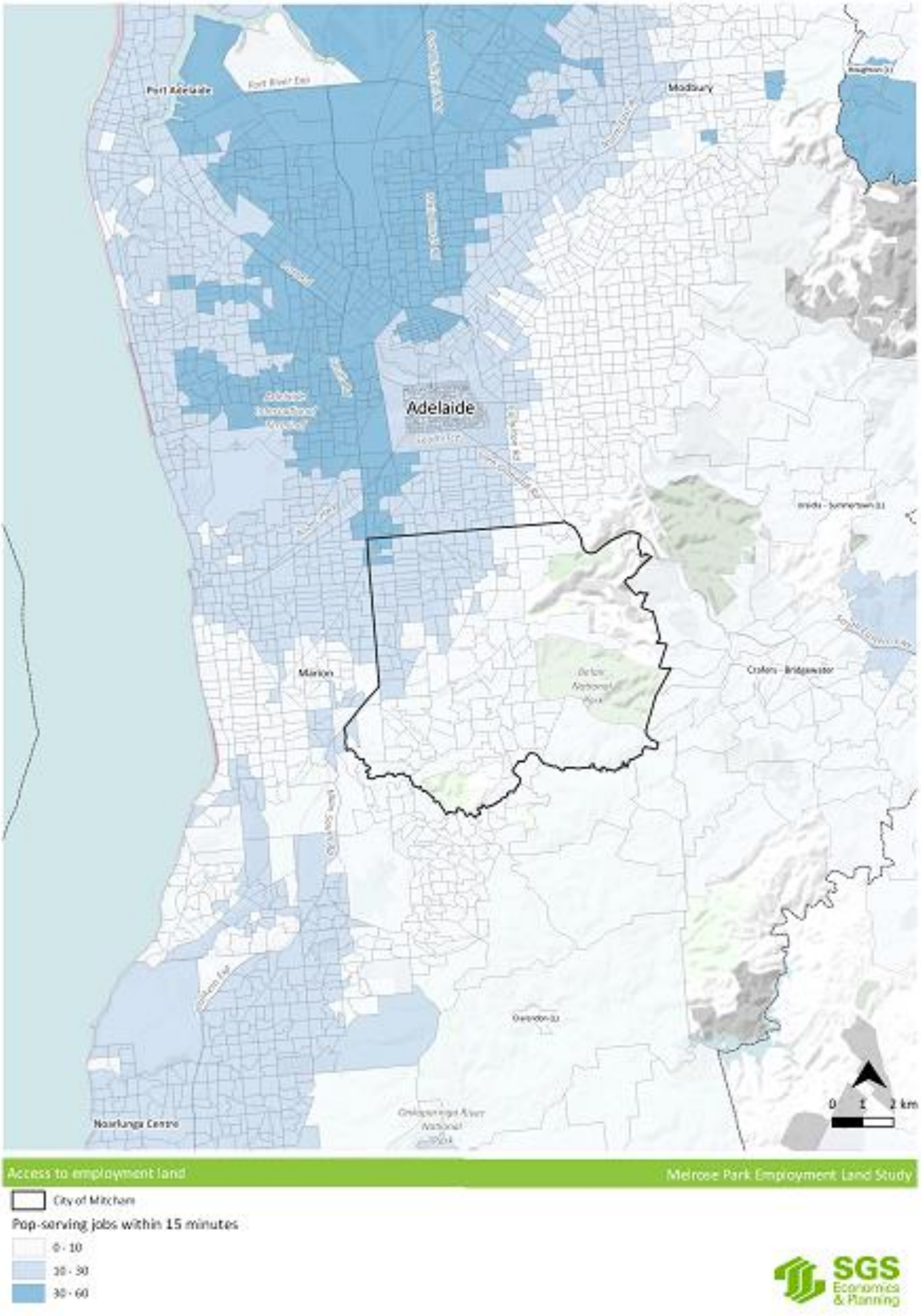
[3] Local Living, Rise of 20 Minute Cities Post-Covid (theurbandeveloper.com)
[4] The 30-Year Plan for Greater Adelaide (livingadelaide.sa.gov.au), page 75

access to these jobs for businesses and residents in already underserviced communities should be an important consideration in planning for employment lands.

FIGURE 9. ACCESS TO POPULATION-SERVING JOBS



Source: SGS Economics and Planning

5.3 Conclusion

The following conclusions can be drawn from the analysis summarised within this chapter:

Access to population-serving uses in employment land is important, underpinning liveability and productivity

The importance of access to population-serving uses is highlighted within the planning profession by the growing prominence of the '20-minute city' and related concepts. Well-located employment lands support productivity of local businesses, and support liveability among households by providing a location for a wide range of key uses that are not able to locate within commercial or retail precincts.

Adelaide's inner southern suburbs are among the parts of the metropolitan area with the poorest access to employment land

The region to the east of the Precinct in particular has very poor access to employment land, a fact that should be considered relevant in regional land use planning.

6. Future demand for employment land

6.1 Overview

Setting aside discussions around the importance of employment land in securing strategic outcomes and in supporting regional liveability and productivity, it is helpful to understand the implications of projected employment on land use. To do this, SGS take small area employment projections derived from State Government forecasts and translate them into floorspace requirements for this Precinct.

This analysis replicates a well-established demand assessment technique which is premised on the idea that for every additional job locating within a region, new floorspace will be required, with the quantity of floorspace for each of these jobs varying depending on the industry sector.

6.2 Employment by ANZSIC, 2016 and 2036

The following data is drawn from employment estimates that were produced as part of work carried out by SGS Economics and Planning for the Federal Department of Infrastructure, Transport, Cities and Regional Development in 2019. These projections take into consideration all major committed infrastructure projects, including the South Road upgrade, so the changes expected to occur within this part of Adelaide over the next two decades are reflected in the modelling.

Figure 10 shows that the number of jobs in the precinct is set to grow from around 7,600 in 2016 to 9,900 by 2036 – equivalent to a net growth of approximately 2,300 over 20 years. The principal contributors to this growth are:

- Manufacturing: +1,040 jobs
- Health care and social assistance: +340 jobs
- Construction: +240 jobs
- Retail trade: +230 jobs

Not all sectors are expected to grow. Shrinking sectors include transport postal and warehousing and wholesale trade, which are likely to be driven out by rising land prices, a growing preference for 'scale' in these sectors, and a growing preference for these types of businesses for precincts in Adelaide's northern and north-western suburbs.

FIGURE 10. ESTIMATED EMPLOYMENT IN 2016, AND PROJECTED EMPLOYMENT IN 2036

ANZSIC	2016			2036			*Change (2016-36)*		
	Blue collar	White collar	Total	Blue collar	White collar	Total	*Blue collar*	*White collar*	*Total*
Agriculture, Forestry & Fishing	39	14	53	38	14	52	*-1*	*-*	*-1*
Mining	3	4	7	5	5	10	*2*	*1*	*3*
Manufacturing	691	701	1,392	1,159	1,276	2,435	*468*	*575*	*1043*
Electricity, Gas, Water & Waste Services	31	46	77	41	59	100	*10*	*13*	*23*
Construction	512	296	808	671	378	1,049	*159*	*82*	*241*
Wholesale Trade	118	271	389	95	218	313	*-23*	*-53*	*-76*
Retail Trade	217	863	1,080	264	1,055	1,319	*47*	*192*	*239*
Accommodation & Food Services	107	139	246	145	186	331	*38*	*47*	*85*
Transport, Postal & Warehousing	118	115	233	94	93	187	*-24*	*-22*	*-46*
Information Media & Telecommunications	22	73	96	30	94	124	*8*	*21*	*28*
Financial & Insurance Services	2	189	191	3	254	257	*1*	*65*	*66*
Rental, Hiring & Real Estate Services	9	63	72	12	84	97	*3*	*21*	*25*
Professional, Scientific & Technical Services	24	228	252	33	306	339	*9*	*78*	*87*

Administrative & Support Services	126	86	212	170	115	285	*44*	*29*	*73*
Public Administration & Safety	29	212	241	39	285	324	*10*	*73*	*83*
Education & Training	13	387	400	16	480	495	*3*	*93*	*95*
Health Care & Social Assistance	85	854	939	119	1,145	1,264	*34*	*291*	*325*
Arts & Recreation Services	13	53	65	16	65	81	*3*	*12*	*16*
Other Services	478	380	857	461	373	834	*-17*	*-7*	*-23*
TOTAL	2,636	4,972	7,608	3,412	6,485	9,896	*776*	*1,513*	*2,288*

Source: SGS Economics and Planning

6.3 Broad Land use Categories

In estimating the land use implications of employment, it is important to understand the link between employment by industry and land use, recognising that activities within a sector are likely to be linked to activity across a range of Broad Land use Categories (BLCs). For example, whilst manufacturing sector workers are usually employed in traditional 'factory' environments, many are involved in other tasks that require other forms of employment floorspace, including research and development, management, marketing, legal services, information technology, etc.

In recognition of this, a set of BLCs has been developed, with employment for each sector split across each. Table 3 shows the share of employment by sector across each BLC. These shares are based on the outcomes of land use surveys carried out in relation to similar employment lands in other parts of Australia, with adjustments made to ensure the unique characteristics of the Precinct are reflected.

TABLE 3. BROAD LAND USE SHARE BY ANZSIC

	Business / Office Parks	Office	Retail - Big Box	Bulky Goods Retail	Mall retail & service	Short-term Accommoda tion	Dispersed Activities	Special Activities	Service industry and urban	Manufacturi ng - Light	Manufacturi ng - Heavy	Freight and Logistics	Urban Services
Agriculture, Forestry & Fishing	0.1	0.2	0	0	0	0	0	0	0	0	0	0	0.7
Mining	0.1	0.2	0	0	0	0	0	0	0	0	0	0	0.7
Manufacturing	0.5	0.05	0	0	0	0	0	0	0	0.45	0	0	0
Electricity, Gas, Water & Waste	0.2	0.4	0	0	0	0	0	0	0	0	0	0	0.4
Construction	0.15	0.35	0	0	0	0	0	0	0.3	0	0	0	0.2
Wholesale Trade	0.25	0.2	0	0.25	0	0	0	0	0.3	0	0	0	0
Retail Trade	0	0	0.2	0	0.8	0	0	0	0	0	0	0	0
Accommodation & Food Services	0.15	0.1	0.1	0	0.4	0.25	0	0	0	0	0	0	0
Transport, Postal & Warehousing	0.1	0	0	0	0	0	0.5	0	0	0	0	0.4	0
Information Media &	0.5	0.2	0	0	0.3	0	0	0	0	0	0	0	0
Financial & Insurance Services	0.2	0.45	0.05	0	0.3	0	0	0	0	0	0	0	0
Rental, Hiring & Real Estate Services	0.1	0	0	0.2	0	0	0	0	0.05	0	0	0	0.65
Professional, Scientific & Technical	0.7	0.1	0	0	0.15	0	0	0	0.05	0	0	0	0
Administrative & Support Services	0.3	0.3	0.1	0	0.2	0	0	0.1	0	0	0	0	0
Public Administration & Safety	0.3	0.15	0	0	0.2	0	0.25	0.1	0	0	0	0	0
Education & Training	0.2	0	0	0	0.1	0	0.1	0.6	0	0	0	0	0
Health Care & Social Assistance	0.2	0.2	0	0	0	0	0.25	0.35	0	0	0	0	0
Arts & Recreation Services	0.3	0.4	0	0	0.05	0	0.1	0.15	0	0	0	0	0
Other Services	0.2	0.3	0	0	0.15	0	0.05	0	0.3	0	0	0	0

6.4 Change in employment by Broad Land use Category

To convert the broad land use implications of employment change between 2016 and 2036, SGS has carried out the following steps:

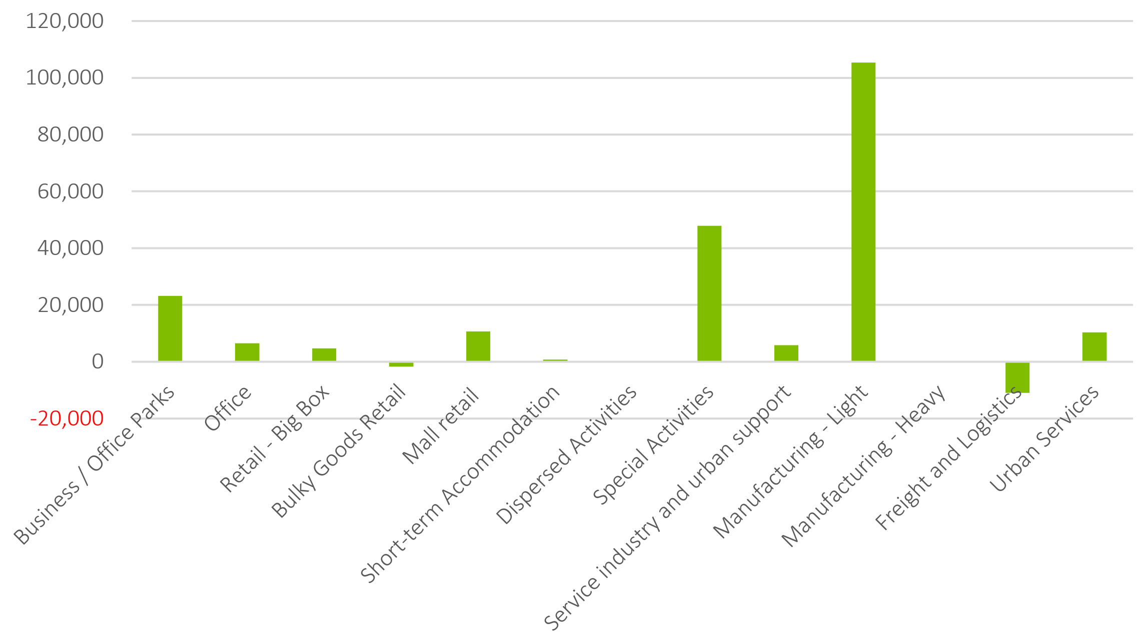
1. Apportioned employment by ANZSIC to different BLCs using the proportions set out in Table 3,
2. Established a figure for 'square metres of floorspace' for each BLC, once again using previous land use audits as a base and adjusting for the local context, and
3. Multiplied workers across each BLC by the 'square metres per worker' figure.

Based on small area employment projections, and as discussed in the previous section, the number of people employed across the catchment is expected to rise from 7,600 to 9,900 between 2016 and 2036.

By converting these employment projections to floorspace demand using figures from Table 3, it can be estimated that the additional 2,300 workers will generate demand for an additional 143,000 square metres of additional employment floorspace.

The figure shows that, with manufacturing expected to grow strongly throughout the catchment, there is a need to ensure the provision of additional floorspace for manufacturing in particular.

FIGURE 11. EMPLOYMENT BY BLC, 2016 AND 2036



6.5 Conclusion

The analysis above shows that around 143,000 square metres of floorspace are estimated to be required by 2036 to an estimated 2,300 additional workers within the Precinct.

These projections make clear that there is a need for the generation of new floor space in the catchment. This may emerge through the establishment of multi-storey buildings in select locations (for office and retail uses in particular), and through the demolition and rebuild of existing structures that make better use of existing land.

It is important to note that it is not inevitable that these new jobs will emerge within the region. Supply side constraints, including restrictions on land use and the lack of available land, would result in job creation lower than the figures projected. Under these scenarios, jobs may instead be established in suboptimal precincts elsewhere in Greater Adelaide, resulting in adverse consequences for economy-wide productivity. It is also entirely possible that jobs will simply be lost to the state, with employment directed instead to more attractive precincts elsewhere in Australia and Asia.

7. Issues regarding the rezoning of employment land

7.1 Overview

The previous sections have focused on translating the state’s strategic direction, regional employment projections, and the needs of the surrounding community into a set of opportunities for the precinct. The analysis carried out within these sections tends to highlight the importance of the retention of the precinct for employment uses.

It is entirely reasonable, however, that consideration be given to alternate uses in a precinct, even where there is a strong case for its retention for employment uses. There are numerous examples in recent decades in Adelaide where the decline of the manufacturing sector has been used as justification for the rezoning of employment lands to other uses, typically residential and/ or retail.

The question of whether a rezoning represents good planning policy is often a complex one, requiring consideration of a range of issues. A number of these are discussed below.

7.2 The ‘highest and best use’ (HBU) argument

Often, the case for these one-off changes in land use is that conversion to residential represents a higher and better use of land. What this means is that the returns to landowners on that land will be higher if it is used for residential purposes. This is a valid argument in some cases, with uplift in land value representing a net welfare improvement for the community (albeit one that is enjoyed by a small number of individuals).

When the land in question is very clearly non-strategic and surplus to the needs of the local economy, and where the introduction of sensitive uses doesn’t undermine the viability of remaining employment uses, then an HBU approach to informing land use planning makes sense.

The problem with HBU analysis, however, is that it in considering only the benefit accruing to landowners, it fails to consider the *externalised costs* associated with a change in land use. Externalised costs (most commonly referred to as ‘externalities’) are those imposed on the community as a result of a transaction or activity. Examples of these ‘externalities’ include:

- The permanent loss of strategically important employment locations
- The undermining of a region’s strategic advantages
- The introduction of sensitive uses to remnant employment land that were previously adequately buffered
- Additional demand for community services and local infrastructure linked to new populations

That these externalities should be actively considered by Council is uncontroversial. Indeed, it could be argued that the planning profession exists entirely to ensure that individuals' land use decisions do not adversely impact the welfare of the community as a whole. It is therefore right that the full range of other community impacts are properly considered alongside the benefit accruing to landowners.

7.3 Housing affordability

Proponents of urban infill often claim that infill opportunities promote affordability. This view is commonly held, and perhaps makes sense on an intuitive level, but a link between rezoning, the development of new dwellings, and house prices is generally not supported by the evidence[5].

The reason for this is that developers, large and small, are interested first and foremost in optimising the value of their land holdings. This being the case, they seek to develop and sell when market conditions are favourable, and 'land bank' if it seems like they will have to sell into a depressed property market. To do otherwise would not be rational.

The study referenced above examined 20 years of zoning changes, housing supply, and prices across around 25,000 sites in Greater Brisbane. It found that there was a very weak link between additions to zoned supply, new development and housing affordability. The work found that developers rarely sought rezoning with an intent to develop immediately, with only 6% of sites developed within five years of a change in zoning. The reason for this delay is likely to be associated with profit maximisation – it is rational for a developer to wait until market conditions are favourable before developing.

As discussed, landholders hold off from releasing lots when property prices are low, but the report also found the same was happened during 'boom times'. Often these delays were associated with allowing development applications to lapse, and the seeking of subsequent applications at higher densities.

Ultimately landowners seek a relaxation of planning controls not because it results in the release of supply and lower prices, but because it increases the value of their land.

7.4 Improved amenity in surrounding areas

Proponents also claim that rezoning of employment land to residential land generates an improved urban experience for those living adjacent to the rezoned land. This improved experience (or amenity) is likely to be reflected in an increased willingness to pay for this housing, and a rise in house prices in the affected area.

Where employment land uses are 'externality-generating', i.e., they generate noise, noxious odours, activity outside of normal business hours, heavy vehicle movements in nearby streets, etc., it is reasonable to claim that rezoning has the potential to generate benefits for residents in adjacent residential areas.

That said, it is important to recognise that the rezoning of employment land to sensitive uses doesn't eliminate this problem. Rather, it shifts the burden of the 'interface problem' to new residents. If

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[5] Limb, M and Murray, C; We zoned for density and got higher house prices: Supply and price effects of upzoning over 20 years

ultimate dwelling densities are higher in the rezoned land (as is likely to be the case here), then it may be the case that rezoning results in a situation in which even larger numbers of residents are adversely impacted by interface issues.

7.5 Impact of rezoning on adjoining employment lands

We tend to think of the 'separation of uses' principle as existing to protect residents, shoppers, etc, from impacts of externality-generating uses. Of course, it works the other way too. One of the reasons employment lands exist is to 'protect' noisy, dirty (but essential) forms of economic activity from encroachment of sensitive uses. It's therefore possible to see that the active curation of relatively low amenity urban environments is important in allowing externality-generating businesses to operate freely and unencumbered within metropolitan areas.

For this reason, it is important to protect 'core' areas within employment lands by keeping sensitive uses out. One way to do this is to ensure that 'interface areas', or the boundaries where lower amenity employment lands are appropriately managed. Ultimately, the rezoning of land on the edge of a precinct to allow the introduction of sensitive uses adjacent to other employment uses has the potential to reduce the utility of that land for existing users, and potentially undermine its ongoing viability as employment land, potentially leading directly to further demands for rezoning.

It is important to recognise that, in this way, the viability of employment lands can be progressively undermined by the rezoning of parcels on the fringe of precincts.

7.6 The precautionary principle (option value)

In considering whether to rezone land, it is useful to consider the idea of the 'precautionary principle'. In this case, the precautionary principle refers to the idea that, in the context of an unknowable future, in considering whether to rezone the land now to allow residential uses, or retain the land for employment uses, we should lean towards the option that is least risky.

In this case, if it is decided to retain the existing zoning based on our current understanding of the world, and it becomes apparent ten years later that the land should have in fact been rezoned, then it is simply a matter of carrying out a belated rezoning. Under this scenario, there would be scope to remedy the error at relatively minimal cost.

On the other hand, if a rezoning carried out today were subsequently found to be a poor decision, there would be no realistic path to remedying the outcome.

In considering land use planning, exercising the precautionary principle should not necessarily mean that no rezoning is ever undertaken. Rather, it emphasises the need for caution and the development of a compelling case for change before the making of decisions whose impacts are not able to be reversed.

This principle is particularly important to consider in situations of radical change and uncertainty, such as we are experiencing today. For example, given the likelihood of significant change in the South Australian economy in the 'post-COVID' world, and the looming changes in Adelaide's economic geography that will be precipitated by the completion of the North-South Corridor, it could be argued that, unless a proposal is absolutely compelling, the optimal choice might be to wait until the future is more certain before committing to permanent changes in land use.

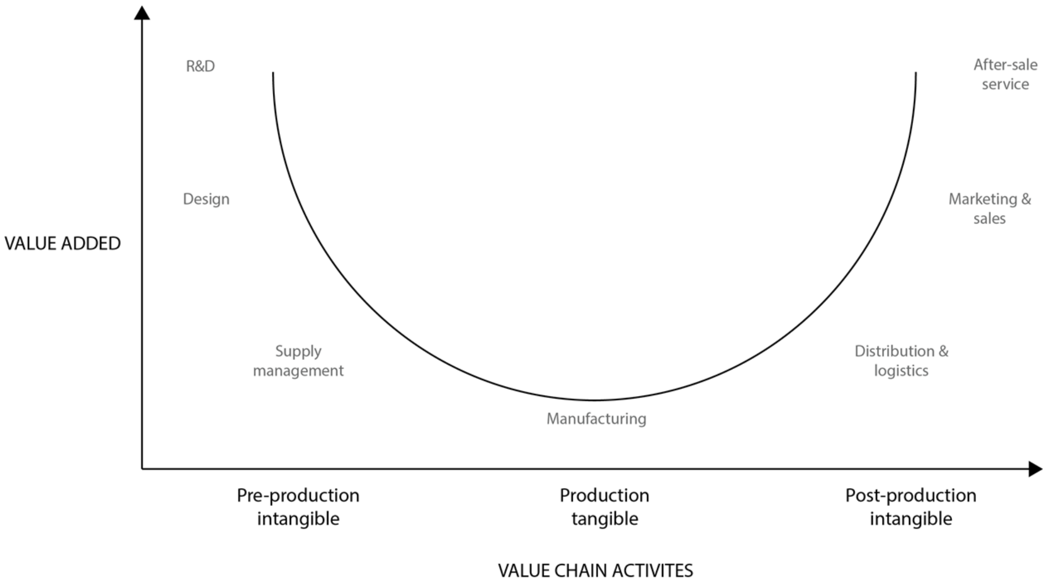
7.7 Employment lands' role in value translation

Employment land is often presented as an unproductive use of resources, with this low productivity reflected in low land values relative to other uses.

This perspective fails to consider the role played by industrial precincts in value *translation.* The value chain explains the process along which goods and services pass, with economic value added at each stage. By way of example, raw minerals might be extracted at the beginning of a value chain, then refined, which adds value. These refined materials are then suitable for inclusion in the electrical componentry which form part of a mobile phone, which is ultimately sold to an end-user. At each stage of this process, value is added. In general, the more complex the process and the further along the value chain, the more value is added and the higher the labour costs are that are required to do this.

Industrial precincts accommodate businesses that play various roles along such value chains. It is important that their role is understood because it is in this role that the true value of industrial precincts is made manifest. One way to illustrate this is through the business management concept known as the 'Smiling Curve'[6]. The Smiling Curve illustrates the relative value added at various points along the value chain. It contends that relatively more value is added in the pre- and post-production phases of the value chain than in the manufacturing process itself (Figure 12).

FIGURE 12 THE SMILING CURVE CONCEPT



Source: CSIRO, 2016 (Adapted from Stan Shih's 'Smiling Curve')

[6] The Smiling Curve was developed by Stan Shih, the founder of Acer, to reflect the relationship between value adding process and the supply chain

The least valuable part of the value chain, in terms of value-adding, is typically the manufacturing component, with much higher levels of value added in knowledge intensive activities such as R&D. What this perspective fails to recognise however, is the role manufacturing plays in *enabling pre-production and post-production value*. So, while the singular manufacturing link in the value chain may be low value when viewed in isolation, when considered from the value chain perspective, it can be understood as a highly valuable process in the creation of downstream value.

7.8 Land 'surplus to requirements' given plans for other parts of the precinct

It may be claimed by proponents that land in a particular area is not required, as candidate uses would be easily accommodated in other parts of the precinct.

In this case, it has been asserted that any regional growth could be accommodated within the Edwardstown Employment Precinct in the City of Marion (the employment region bounded by Daws Road, South Road, Cross Road, and the Seaford Rail Line).

There are a number of important points to make in regard to this.

Firstly, in order to conclude that future growth across the precinct can indeed be accommodated within Edwardstown, detailed projections are required in relation to the types of businesses likely to locate there, employment (by industry and occupation), and quantity of floorspace per worker. Consideration must also be given to unique characteristics of the precinct and how these influence its appeal to different activities. These include the mix of lot sizes (and the availability of large lots in particular), ease of access for heavy vehicles, encroachment of sensitive uses, and so on.

Secondly, the 'picking of winners' in terms of the areas designated for future employment growth ignores the benefits of flexibility in terms of land use. Ensuring (within reason) a diverse and expansive set of locational options for new and expanding businesses is an important ingredient to a flexible and nimble economy that is capable of rapid adaptation to changing economic circumstances.

Lastly, a reduction in supply of employment land can lead to shortages that result in the prices of land being 'bid up', contributing to a range of issues, including reduced productivity (see Inner Sydney case study below).

7.9 Case studies: employment lands in inner Sydney and Melbourne

SGS will illustrate the need for effective management and planning of employment lands through discussion of employment land in Sydney and Melbourne.

In recent years, the Victorian planning system has tended to support the retention of employment lands, with growing recognition of the importance of employment land in supporting strategic employment growth and more.

Gordon and Mephan Street Precinct, City of Maribyrnong, Victoria

The Gordon and Mephan Street Precinct is located in Melbourne's inner western suburbs, a traditionally working-class region that has seen dramatic growth in residential property prices in recent years. This growth has created a significant financial incentive for the rezoning of employment lands to residential uses. The location of the site is shown in Figure 13.

FIGURE 13. GORDON AND MEPHAN STREET PRECINCT

Source: Maribyrnong Planning Scheme Amendment C143

In 2018, Planning Panels Victoria considered a proposed amendment to the local Planning Scheme that aimed to ensure the Precinct remained employment land into the future. A number of submissions were made by interested parties which argued that parts of the precinct were suitable for rezoning, in particular the ‘anomalous’ northern section (2-4 Mephan Street).

The Panel, in recommending the retention of the land for employment uses, made the following relevant comments:

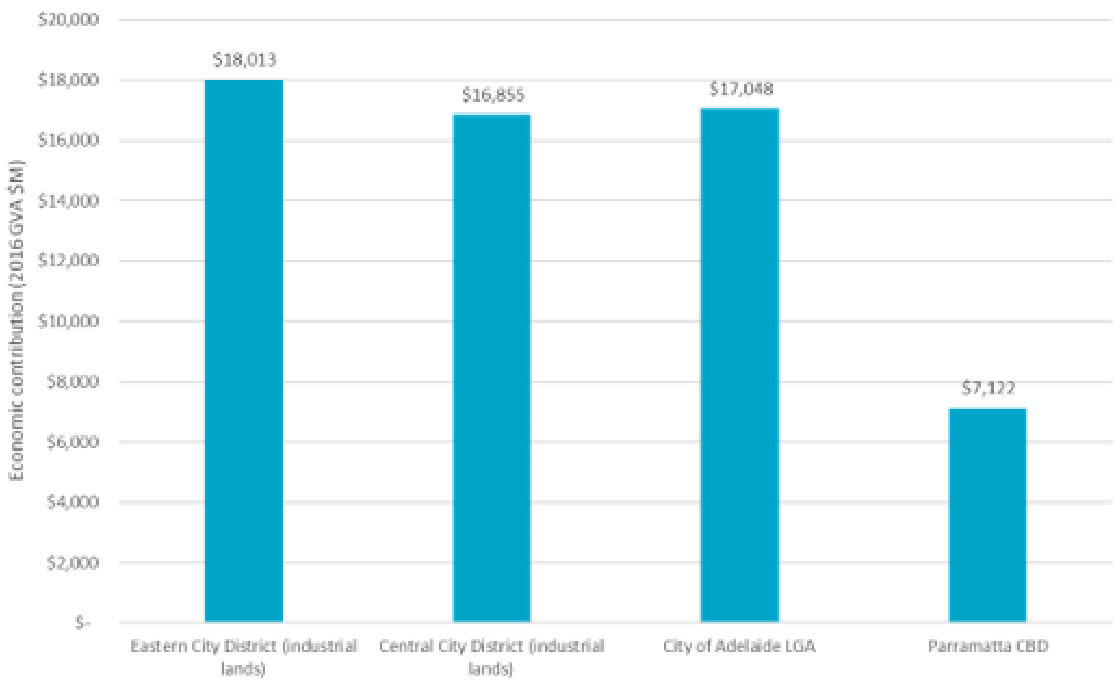
- The Panel considers that the site continues to offer opportunity for employment activity that can serve the local community and the growing population of the local area. Benefits include not only opportunities for employment but also for services to the local community. These are benefits that should not be discounted.
- Although (various parties) asserted that the nature of the buildings and works and the locational aspects of the site make it difficult for re-use/redevelopment, the Panel was not provided with evidence to demonstrate these concerns. Accordingly, it is not in a position to affirm or dismiss such conjecture. However, it is in a position to form the view that the site offers a sufficiently large area that make it possible to be used by one or multiple occupants, that could include office use, warehousing, distributional activities, and other small-scale occupations that can have a local flavour with respect to employment.

Inner city employment lands in Sydney

SGS has carried out work for the Greater Sydney Commission to examine the role of the city's employment lands in the future metropolitan economy. The focus of the work was on relatively 'contested' precincts in parts of Sydney with the highest residential land values, largely in 'inner city' Sydney. The report found that the ongoing conversion of employment to residential land was having a significant productivity impact on the Sydney economy.

The work found that employment lands in parts of central Sydney were equally or more productive than commercial land within the Adelaide and Parramatta CBDs (see Figure 14).

FIGURE 14. ECONOMIC PRODUCTIVITY (GVA) OF INDUSTRIAL PRECINCTS VS COMPARISON CENTRES



Source: SGS Economics and Planning

This high productivity reflects the lack of employment land in inner city Sydney, and of the fact that land there is used highly intensively, with lower value adding industries (such as manufacturing, distribution and urban services) forced to locate in other suboptimal parts of the metropolitan area. In Sydney's case, the shortage of employment land generates the following costs:

- The loss of genuine mixed-use precincts
- Increased costs associated with household and business access to population services
- Increased construction costs as a result of forcibly dispersed supply chains
- Increased shipping and distribution costs
- Reduced ability to support growth of advanced manufacturing
- Lack of access to employment

8. Summary

8.1 Overview

This report has investigated the role this precinct may play in the future metropolitan and state economy, given trends, population projections, and considering the state's comparative advantages and strategic growth trajectory. The analysis concludes that there is an opportunity for the precinct to play an important role in supporting future growth in health and medical industry and hi-tech sectors in particular. It also makes the point that Adelaide's inner southern and eastern suburbs have relatively poor access to employment land, and to population-serving uses in particular, and that retention of existing employment land represents an opportunity to support regional liveability. Also, small area employment projections clearly set out the potential to grow employment should sufficient opportunities for expansion of floor space be supported.

Some of the key issues associated with the rezoning of employment land are also addressed, with these helping to shed light on the way in which land within this precinct should be treated.

Having done this, a number of possible strategic directions and actions are identified. These strategic directions emerge from the findings of the report and provide a set of responses Council could consider in seeking to ensure that employment land at Melrose Park and across the broader South Road Corridor are able to support ongoing growth of regional employment and the wider regional economy.

The priority of reach action is assessed, with a low, medium, or high priority attached to each. A high-level assessment of likely resource cost to Council associated with each action is also carried out.

8.2 Strategic directions & actions

The primary focus of this report has been an analysis of the current and projected future demand for employment uses, and an overview of the strategic context within which development of the precinct will occur.

To some degree future outcomes across the precinct will be market-led, however the impact that Council could have on its future success should not be underestimated. To this end, we have identified a set of strategic directions and actions that Council may wish to explore, from planning policy to branding and the use of Council assets including the public realm. The following list is by no way exhaustive, but is intended to provide a starting point for further discussion.

Strategic Direction #1: Ensure that the future potential of the Precinct is adequately reflected in land use policy

Land use policies at the local and State levels should clearly reflect the desired role of this precinct in the future economy of the region and state.

Actions

	Timeframe (short-, medium-, long-term)	Cost (low, moderate, high)
Limit the encroachment of sensitive uses and activities in and adjacent to the precinct to ensure precinct businesses are able to operate uninhibited.	S	L-M
Ensure that statutory planning provisions for the precinct reflect the needs of future businesses.	S	L-M
Carry out work to confirm future demand for floorspace across the precinct and carry out capacity analysis to understand whether required floorspace growth can be secured under existing policy settings, and to determine what sorts of interventions may be required to ensure opportunities for employment growth are captured.	S	M
Ensure clear policy direction in relation to employment lands to facilitate investment, employment creation and economic growth, and to disincentivise land banking and speculation on the edges of the precinct.	S	L
Work with the City of Marion and State Government to develop a shared vision and strategy for fur land use within the precinct, and across the broader region	L	M
Update employment land analysis once 2021 Census data has been released	L	L

Consider policy in relation to the precinct's 'central core', building an understanding of the potential future role of 'externality-generating' businesses in the region.	S	M
Ensure that, within reason, planning policies are broad and flexible to enable the development of agglomerations, and to foster the growth of new business opportunities across the value chain	S	M

Strategic direction #2: Consider targeted investments/ interventions to support the expansion of employment opportunities in the catchment

New employment uses are expected to arise across the catchment, with Council having an important role in supporting their establishment.

Actions

	Timeframe (short-, medium-, long-term)	Cost (low, moderate, high)
Recognising the growth of knowledge-intensive sectors, consider the need for investments in public realm across key parts of the precinct.	M	M-H
Work on a precinct activation plan, which might include a precinct 'brand' plus connections to surrounding areas and institutions	M	M
Work with the State Government and the City of Marion to ensure that tunnel and at-grade outcomes along the Torrens to Darlington (T2D) South Road upgrade project support the future vision of the precinct	S	L
Consider the potential for better integration between parts of the Precinct and Winston Avenue.	M	L
Investigate the role that Council's landholdings might play in this precinct now and into the future, including road reserves and the depot site	M	L
Investigate infrastructure and service needs (e.g., roads, footpaths, parking, rubbish collection, digital technologies etc)	S	L

Strategic direction #3: Work with key regional stakeholders to build relationships, recognising the role played by the precinct in a broader economic system

Planning for the precinct should recognise potential for growing integration with Flinders University, Flinders Medical Centre, Tonsley and activities on the western side of South Road.

Actions

	Timeframe (short-, medium-, long-term)	Cost (low, moderate, high)
Inform existing landowners/ occupiers of investigations undertaken to date and the current status of these investigations and seek feedback in relation to this work	S	L
Work with existing and potential landowners/ occupiers within the precinct to better understand their current and future needs	S	L
Engage with strategically important regional businesses to understand constraints to growth, land use requirements etc into the future	S	L-M
Engage with strategically important institutions and organisations such as Flinders University, Flinders Medical Centre, Tonsley Innovation Precinct (Renewal SA) and the Repat Health Precinct to understand partnership/ support opportunities for employment land at Melrose Park	S	L-M
Work with the City of Marion and the State Government to establish a shared vision for the wider area of strategic employment land	S	M
Investigate beneficial links between this and other growth precincts identified in Council's Spatial Vision (e.g., St Marys)	S	L-M

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