Dereliction of duty: the impact of planned land redundancies on new urban manufacturing
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Melbourne is a major capital city in the south east of Australia. It was the nation’s main industrial and manufacturing base from the 19th century to the mid to late 20th century. The Melbourne docks were Australia’s largest port until the 1970s when the deindustrialisation that affected much of the advanced capitalist world involved a spatial shift first to the outskirts of the metropolitan area and then more gradually offshore; the process also involved a sectoral switch from manufacturing to the built environment and in the last 20 years to Harvey’s tertiary circuit of professional and managerial services especially in the financial sector, which of course was supported by the construction of expansive office blocks in the city’s core.

![Zoning map of contemporary metropolitan Melbourne](image)

**Figure 1. Zoning map of contemporary metropolitan Melbourne**

Figure 1 shows the zoning of metropolitan Melbourne where the pink is residential and the purple is commercial zones. The brown bits indicate the remaining industrially zoned land – mainly in the west and north, with very little in the inner city.
Zooming in, we can see some light and dark brown areas to the west and north-west – these are the city’s poorest areas (no industrial lands in the rich south-east) – and some smaller areas still in the central city of Melbourne. The yellow represents the remaining port functions and power stations. The reddish-brown areas right in the centre of the map, to the north and west of the light blue city centre, are formerly industrial areas rezoned to ‘mixed use’ which, as residential is by far the highest and best use in Melbourne, is a one-way trajectory to entirely residential. The blues are the city centre and Melbourne Docklands – the former docks now redeveloped into mainly high-end office and residential – and Fishermans Bend (to the south and west of South Wharf). Fishermans Bend is a current major renewal area having been controversially rezoned in 2012 to mixed use with no attempt at value capture or preparations for public services, community facilities or social housing. The simple act of rezoning tripled and in some instances quadrupled the value of that formerly industrial land.

I want to draw your attention to these small industrial areas still within the central city municipality of Melbourne which are the last areas not given over to the formulaic office/residential/retail mix (figure 3). Zooming in further we can see the industrial zones clearly marked.
The light brown areas and very small dark brown areas (especially under the M in Melbourne) are the last remaining areas of industrial use in the City of Melbourne. The area just to the left and under the M is shown in the City of Melbourne’s zoning map (figure 4).
And now look at this: the contemporary urban renewal and growth areas plan (figure 5) which as you can see covers precisely those remaining industrial areas.

Figure 5. Designated urban renewal areas are those in the centre shaded blue.

The narrative that accompanies these plans is one of the redundancy of industrial uses as surplus to the requirements of the ‘knowledge economy’, situated in an innocuous narrative of ‘natural’ cycles of de- and reinvestment. The rationale for their redevelopment is that much needed housing will be built, with a very particular emphasis on addressing Melbourne’s housing affordability crisis through the logic that increasing the supply will bring prices down, and of course by the usual appeal to the creation of more jobs.

I have shown elsewhere that the kind of housing being built in Melbourne’s urban renewal areas is having no impact whatsoever on rents and land prices in the rest of the city, as it is routinely high-end, catering for a
heavily subsidised investor market, and that the small fluctuations in prices in that submarket do not translate into the field of greatest demand, which is for low-to-middle income housing. What I want to do here is show that the second rationale – the job creation mantra—doesn’t stack up either.

In fact the state’s actions in systematically completing the job started by the market, preparing those last pieces of land for dramatic revalorisation, not only delivers windfall gains to the land owners (unless that owner is the state, in which case the land is transferred often with little or no gain to the private sector) but creates powerful incentives for the displacement of the residual traditional industrial uses irrespective of their success in the marketplace.

Even more disconcerting, however, is the remarkable lack of regard to the many new uses that have been establishing in these industrial areas in the last decade. A great range of contemporary urban manufacturers have developed there – partly as a function of the relatively cheap space this land provides (as the highest and best uses of residential and large office space are prohibited), partly as a function of changing production and consumption practices, and partly because their urban location is precisely the key to their productivity.

These new productive uses include niche manufactures, social and environmental enterprises, not-for-profits, start-ups and other structures that require low overheads and relatively low-cost space. They offer a very wide range of job types, resulting in a wide range of employment options. Contemporary urban manufactures in Melbourne include bakeries, preserving factories and micro-breweries, textile printing and weaving, jewellery making, furniture design and carpentry, print and media studios, bike customisation and repair, musical equipment, niche electronics ... the diversity and hybridity of products and practices makes them difficult to categorise in existing planning land use classes, and it is very difficult for them to fit into other existing land use zones.

Research on the growth of this new manufacturing is more advanced here in the United States than in Australia. In the US, a number of macro and micro forces appear to be driving supply and demand, including changing global cost structures, protection of intellectual rights, local linkages to advanced business service industries, and changing consumer preferences with growing interest in fair trade, local production and customization, health of the local economy and economic, environmental, social and cultural sustainability (Brookings 2013; Hagerty 2013; Pratt Centre 2013; Sassen 2013).

Figure 6 shows what is actually on the area of the dark brown area on the zoning map, and in the centre of the proposed urban renewal area. The former wool store in the foreground is full of low cost manufacturing and light industrial uses. It includes an artist-run studio complex of 37 studios (Ironside Studios); a boutique textile studio (Ink & Spindle); hand-crafted custom furniture (Deep in the Woods); venue hire, rehearsal and training spaces, visual and multimedia art spaces, production and technical services, cafe and kitchen facilities and a photographic studio (Revolt Melbourne); costume design and manufacture (The Costume
Factory); and costume storage and repair for the Australian Ballet. There are further, independent scenery painters, theatrical uses, wood workers and artisans. The complex is full and space is in demand (figure 7).

Figure 6. The former Young Husband wool store building

Figure 7. The former Young Husband wool store building is now used as a multi-arts and manufacturing hub
The planner’s report to the City of Melbourne supporting its rezoning says this:

The purpose of this report is to seek authorisation from the Minister for Planning to exhibit Melbourne Planning Scheme Amendment C177 applying to the former Younghusband Wool Stores complex at 2-50 Elizabeth Street, Kensington. *The site owners, EG Funds Management, have initiated this amendment to rezone the land to facilitate its redevelopment.* Under the current industrial zone provisions, shops and residential uses are prohibited while offices are restricted to a maximum area of 500 square metres. These provisions compromise the potential for the redevelopment of the subject land and its future as part of an ‘urban renewal’ area. ... *The proposed [mixed use] rezoning will be appropriate having regard to the surrounding zones and land uses as it will provide a transition between the industrial uses to the south and residential uses to the north.* (City of Melbourne 2011: item 5.5; emphases added)

The development proposal from the site owner is for a straight residential conversion, with some retail at street level. It’s not clear what kind of ‘transition’ it will provide.

**Social and Economic Effects**  
The amendment is expected to generate positive economic and social effects for the City of Melbourne. Traditional manufacturing industries in Melbourne have declined due to local, national and international trends in manufacturing and also because of the growing pressures faced by increasing demand for residential land, increasing land prices and greater potential for conflict between uses and traffic problems in residential streets.  
The MUZ will encourage a complementary mix of land uses that take advantage of the locational attributes of the site. Potential uses include employment generating activities that help to retain locally based employment, as well residential uses which satisfy strategic urban consolidation principles. ... The proposed amendment will provide the opportunity for new employment opportunities, particularly in the construction and service industry sectors. (City of Melbourne 2011: item 5.5)

Let’s interrogate that last claim. The standard figure used by economics and planning consultants for mixed office uses is 20 sqm per person. This is a reasonable number to use for urban manufactures, noting of course that some uses require lots of space and others not much at all. On this basis, a 24,000 sqm building (which is the total area of the warehouse) would support around 1,200 ongoing jobs.  
Retail industry jobs will be restricted to shops at street level. There may be cleaning and other very low skilled jobs created in the residential complex, but most of the new jobs will be in construction. These are generally worked out based on the total spend of development rather than by square metre (which makes sense, higher value build, more work required). The standard is 4.1 jobs per $1 million spend. Construction costs for apartments up to 10 storeys is around $3,300 per sqm. If we apply that cost per sqm to the 24,000 sqm Young Husband site, that’s around $7.9 million to build/refurbish. Therefore the conversion of a
building of 24,000 sqm would generate around 80 full time jobs. These jobs would be higher paying than the urban manufacturing jobs, but short term.

This is just for on-site jobs of course – but there are off-site jobs generated by urban manufacturing as well as for construction, so for the sake of the exercise we can hold those constant. That means the residential conversion will generate 80 temporary construction jobs, plus say 20 retail jobs – compared to 1,200 on-going, productive jobs in a new sector that – given the city’s endless references to Melbourne as a creative city – I would think should be encouraged.

So what’s the more substantial reasoning for supporting the rezoning? A clue is provided here (figure 8)

EG Funds Management is a “specialist alternative asset funds manager”. It has as its stated mission “to capitalise on property investment opportunities arising from new community and transport infrastructure and land use changes”. The group’s website states that EG has a proven track record in “successfully identifying and acquiring real estate assets and achieving planning permission for land use change”. It says:

“The Property Advisory division of EG Property Group operates a highly successful practice, advising clients such as McDonalds, ING Property Group, Multiplex, Macquarie Goodman Industrial Property Trust and the ICA Property Trust on how best to achieve “highest and best use” of their respective property portfolios. With a 70% success rate in rezoning properties, the principals decided in June 2001 to found EG Funds Management in order to capitalise on property investment opportunities arising from land use changes and urban renewal”.

(www.egfunds.com, 2011)

Figure 8. From www.egfunds.com website 2011

This rezoning would displace the existing manufactures to the urban fringe – the only other place in the metropolitan area they would be able to afford – which, because their presence in the inner-city is an indication of their reliance on dense urban networks, would probably do away with them altogether – reducing the spatial distribution of a range of job types, and exacerbating the already existing inner-outer inequalities in Australian cities. I propose that, rather than the buildings and uses in urban industrial zones, it is the land owners and city and state planners and politicians who are derelict.