



PRINCIPLES OF SUCCESSFUL PRECINCTS

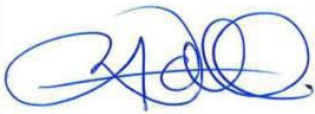
Foreword

Victoria is a diverse and thriving State which, for the last decade, has experienced exponential population growth. To accommodate the additional population demands on our major cities, we have witnessed a period of significant urban sprawl, with new development areas emerging across our State.

To ensure the new development in the greenfield and urban infill areas achieve positive community outcomes, the Property Council has prepared a report to highlight best practice in precinct development in Victoria.

This project was designed to identify a better planning pathway for precinct development. The report was developed in conjunction with the expert members of the Victorian Planning and Infill committee who dedicated their time and the expertise to the development of this project. I thank them for their valuable contributions.

Creating successful precincts in Victoria is vital to our future, and the financial recovery of our State. It is our hope this research will lead to the creation of a dynamic precincts authority for the management of precinct development in Victoria and that this document will be used by Governments as a best-practice guide when considering future developments.



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What do Successful Precincts look like?

Introduction

The purpose of this paper is to discuss the principles that underpin successful precincts and how they can be enabled through public and private sector strategic planning, policy, partnerships, and engagement.

What we want to achieve:

A shared vision and understanding between government and industry about:

1. The need for an well resourced precincts authority to streamline development and foster positive outcomes
2. What features enable the delivery of successful precincts
3. New planning processes that carve out a clearly defined role for precincts as vital infrastructure
4. The role of the private sector in identifying precinct development potential in a site
5. The role of government in the timely delivery of vital infrastructure to enable the success of precinct developments.

The Opportunity

Developing Precincts for Victoria and Victorians: Supporting industry to deliver thriving Precincts

As our city and State grow, so must our focus on delivering high quality, innovative and connected communities. To do this, we must effectively utilise space to deliver higher density hubs to meet the needs of Australia's fastest growing city.

All levels of government recognise the importance of precincts in facilitating the development of location appropriate higher density, high utility environments required to keep pace with demand. In the current climate, with challenging economic conditions and heightened uncertainty impacting immediate demand, the role of government becomes even more critical. Enabling and supporting the private sector to continue to develop new property projects through the economic downturn will be vital to ensuring that projected infrastructure and housing supply keep pace with demand projections. While immediate and short-term demand may be constricted by the pandemic, history shows that there will inevitably be a recovery cycle. The temporary slowing of the market provides government with the opportunity to address a broad range of supply issues that have impacted affordability over several years.

To offset the future risk of extreme supply shortages and associated price bubbles, government must collaborate with the private sector to enable the cost-effective delivery of property stock critical to maintaining the supply pipeline. There is clear agreement that population growth has been and will continue to be a key economic driver for the Victorian economy. As an international city with strong

education credentials and world class employment talent, Melbourne is uniquely placed to attract international investment and become the headquarters for many multinational businesses. Following the pandemic, the success experienced by Australia in managing health outcomes will be a strong driver for international investment and migration. To incentivise investment and development, attractive planning controls and positive tax and policy conditions are required.

Victoria must use the temporary slowdown in population growth to prepare for future growth. Revitalising thinking around the delivery of precinct developments in both infill and greenfields areas should be a key pillar of future population planning. These spaces must not only be responsive to market demand but also be predictive and adaptable to ensure they can respond to changing migration patterns and lifestyle sentiments.

Precincts must be developed to support higher density communities, and planning must consider the health and lifestyle outcomes for the community. A core component of success will be shifting community sentiment about density to enable the delivery of affordable housing solutions for Melbourne into the future. The key benefits around higher density living, including improved liveability and efficiency, must be sold to the wider community.



Policy Settings and the Opportunity

Current Victorian Precinct Policy

In 2018, the Andrews Government introduced a new ministry for Priority Precincts. Following a cabinet reshuffle in June 2020, Minister Pakula took over responsibility for the development of the Docklands Precinct, Fishermans Bend and the Footscray Precinct as part of the new Business Precincts portfolio, while Minister Allan will oversee Development Victoria and the key transport precincts of Arden, Sunshine and the Richmond to Flinders Street corridor. Minister Leane also has the Suburban Development portfolio.

In addition to the split portfolio, Development Victoria, a statutory corporation, has responsibility for undertaking urban renewal, property development and major projects on behalf of the Victorian Government.

The Department of Environment, Land, Water and Planning is currently investigating planning and development principles for Strategic Development Areas. The Department of Jobs, Precincts and Regions retains overview responsibility for Priority Precincts. VicTrack, also a statutory corporation, has a mandate to revitalise transport precincts and maximise returns for land no longer required for transport. The Fishermans Bend Development Board was established to guide the planning and development of the Fishermans Bend Precinct. The Victorian Planning Authority and the City of Melbourne are leading the planning for the Arden Urban Renewal Precinct. At the same time, the City of Melbourne is developing a refreshed structure plan for Macaulay.

This disparate approach to precinct development means that processes and stakeholder experiences vary greatly, leading to inconsistent planning and development outcomes.

The Role of Planning

Historically, planning has, on occasion, been perceived as a brake on inappropriate development or something which protects the community from “bad development”. The Property Council rejects this notion. With precincts, the role of planning could not be more different. Planning needs to enable good development and good design. Its role is to maximise the positive outcomes for the State in terms of social amenity but also, importantly, economic development.

Any conceptualisation of proper precinct planning must place economic outcomes as one of the highest priorities, particularly as part of a COVID-19 recovery effort. This underpinning requires a change in thinking; it cannot just be business as usual. It requires that policy settings (in the form of planning amendments or legislative instruments) include a reference to economic outcomes front and centre and it requires that there are specific staff involved in any precinct teams / authorities, whose role is to consider, at every step of the way, whether the mechanisms and processes are maximising the economic potential of the relevant project. That is not to say that public safety, public amenity,

affordable housing, environmental considerations, and design are not important. They are. It is simply that economic considerations appear often to have come last in the role that planning has played for precincts and this approach is sub-optimal.

Not only does planning need to facilitate economic outcomes, but it also must maintain flexibility to maximise those outcomes. There is a genuine sensitivity that is required to balancing public interest with the ability of the private sector to determine the best outcomes. The focus and goal should be on how the private sector can be allowed to maximise value and amenity without compromising other social outcomes. Notably, the economic drivers on the private sector are such that, given the right instructions on an output requirement such as open space, affordable housing, or environmental considerations, a developer will tend to maximise results because it maximises the prices that can be commanded in the market.

Previous experience of the development sector has been that when governments dictate the precise mix of commercial activities that should occur in a precinct, for example, by nominating that a precinct must favour one industry rather than another, it can actually stifle development, lower the total economic output, create perverse incentives and limit the precinct's chances of success.

Governance structure – A precincts authority

The best structure is one that is flexible and gives specific pathways for precincts to take place. The Property Council recommends the creation of a precinct authority which:

- Can facilitate complex debates between different departments within government
- Has a direct reporting relationship to a key economic minister
- Has decision making power as a planning authority (with appropriate checks and balances in place)
- Can take individual projects or decisions out of the everyday planning processes and make decisions quickly
- Has the power of compulsory acquisition where necessary to maximise site size, resulting in better social and amenity outcomes over the life of the project.

Similar successful models of the proposed authority include the Southern and Eastern Integrated Transport Authority (SEITA) and Major Projects Victoria (in some of its iterations). Much depends on who is appointed as CEO of such an organisation and who is the chair of the relevant board. It is necessary to have a combination of deep public sector and private sector expertise in any relevant entity.

Such an authority could have an ongoing role even after development of a precinct was well underway to help ensure its success through an ongoing partnership with the private sector, as the management of the associated amenities created within the precincts needs to be accounted for during its development cycle. Additionally, smaller precincts in infill areas with multiple owners require strong government leadership to support and enable consultation between the private sector and local government, to enable successful outcomes.

The authority could, in effect, take charge across the life cycle of a precinct by:

- Helping to guide and prioritise the selection of the relevant precinct
- Managing the tender process for government land involved in the precinct
- Identifying and articulating the output requirements of the precinct
- Facilitating within government appropriate transport connectivity for the precinct
- Working with any winning consortia in the development process for the precinct, to cut through red tape and speed up the process
- Supporting the proponents in any ongoing government interface to maximise the precinct's chances of commercial and social success for the medium and long term

End to end management means that understandings can be reached between the private and public sector and again, the certainties that result tend to maximise value for the State and the public who are the eventual occupiers of the precinct.

CASE STUDY: Major Project Victoria, under the *Project Development and Construction Management Act 1994 (Vic)*

Major Projects Victoria (MPV), under the *Project Development and Construction Management Act 1994* (PDMC Act), was the facilitating agency situated within various State Departments over time, to deliver nominated projects. Projects would be nominated under this Act as being of State significance, and MPV was given powers such as land acquisition and planning powers.

MPV delivered many public projects (or projects on public land) such as Federation Square, AAMI Park, the Melbourne Park Redevelopment, Beacon Cove, the Parkville Commonwealth Games Village, the Melbourne Exhibition and Convention Centre and the Melbourne Recital Centre and Melbourne Theatre Company development.

The power of the PDCM Act lies in its ability to allocate necessary powers to one agency to undertake projects, like the *Major Transport Facilitation Act 2009 (Vic)*, which has enabled special vehicle delivery agencies to operate and deliver major transport projects. A similar governance structure could be established for precincts, nominating certain projects of state significance, and allocating one government entity planning and delivery powers, to ensure maximum efficiency and clarity in decision-making. Most significantly, it would also provide the private sector with certainty, should it be partnering with government on a project of this nature.

What makes Precincts unique?

Economic Advantages of Precinct Development

It is well accepted that precincts have a special potential for economic and jobs growth that can have substantial positive impacts on the broader city and region.

The Australian Government has found that “precincts are of increasing importance in driving business and economic growth, and levels of collaboration and innovation.”¹ In an increasingly competitive global market – for investment, jobs and talent – it is crucial to get it right.

Economic impact of precincts internationally

In terms of international precincts, there have been promising developments across the board, servicing a range of industries around the world. Some examples include:

- The South Lake Union precinct in Seattle, which was developed from a post-industrial site into a high-tech precinct, increased permanent jobs by 63 per cent from 1995 to 2012.²
- The top 31 economically significant areas in the UK contributed 20 per cent of the country's Gross Value Add (GVA) but made up only 8 per cent of businesses.³
- During the 2007-08 recession, 40 international high-tech manufacturing clusters achieved an 11.2 per cent average employment growth rate and 40 knowledge-intensive services clusters achieved a 14.3 per cent average employment growth rate.⁴
- The average employment growth rate in 80 precincts across OECD member countries was 13.5 per cent in advanced manufacturing precincts and 19.4 per cent in knowledge-intensive services precincts over a four-year period.⁵

Economic impact of precincts in Australia

Looking toward the domestic market, the redevelopment of Barangaroo in Sydney is estimated to have cost \$6 billion and will bring 23,000 new residents to the precinct, attracting 12 million visitors each year. While the initial costs were significant, the precinct is estimated to inject \$1.5 billion into the New South Wales economy each year.⁶

¹ Department of Industry, Innovation and Science. *Statement of Principles for Australian Innovation Districts – Place-Based Partnerships Building on Competitive Strengths*. October 2018.

² Clark, G. & Moonen, T. *The Logic of Innovation Locations: Understanding the drivers that enable cities to host innovation economies, The Business of Cities and Future Cities Catapult*, London. 2017.

³ Centre for Cities & McKinsey & Company. *Industrial Revolutions: Capturing the Growth Potential, Report commissioned by The Gatsby Foundation, McKinsey & Company*. 2014. [Cite](#).

⁴ Temouri, Y. *The Cluster Scoreboard: Measuring the Performance of Local Business Clusters in the Knowledge Economy, OECD Local Economic and Employment Development*. 2012. [Cite](#).

⁵ Ibid.

⁶ The Urban Developer. *Inside Barangaroo: Sydney's Largest Redevelopment Project*. July 2014. [Cite](#).

The construction cost of Crown Casino at Barangaroo is estimated at \$1.1 billion.⁷ Using the Australian Bureau of Statistics construction multiplier,⁸ this investment will generate \$3.2 billion of economic output for the NSW economy.

Economic impact of precincts in Victoria

Assuming the average precinct development construction cost to be \$2 billion, each such investment would generate \$5.7 billion in economic activity for the Victorian economy.⁹

According to the SGS *Analysing Melbourne's Enterprise Precincts* report, Melbourne has thirteen untapped precincts in Brunswick South, Cremorne, Fitzroy/Collingwood, South Melbourne, Footscray, Abbotsford, Arden, Macaulay, Northland, Swinburne University, Tottenham, West Melbourne and Fishermans bend.¹⁰ The SGS report analyses the economic value associated with these precincts and demonstrates that a precinct plan that favours mixed-use over solely residential developments makes a difference to overall economic impact. The SGS data suggests that a mixed-use precinct plan would increase jobs by an average of 14 per cent (see Table 1) when compared to a precinct which is 'crowded out' by residential developments and over the life of the project, increase in GVA generated by jobs is estimated at \$105.3 million (see Table 2). This modelling illustrates the creation of synergies between the various parts of a precinct, both commercial and residential, which causes this uplift.

Table 1: Employment Impact as a Result of Increased Clustering.¹¹

Precinct	Increase from Base Case	2026	2036	2051
Brunswick South	10%	5,300	6,600	8,100
Cremorne	25%	19,500	23,800	28,000
Fitzroy Collingwood	10%	24,000	29,700	35,300
Gipps St Abbotsford	15%	4,700	5,600	6,600
NURP	10%	8,400	9,400	10,600
Swinburne Uni	15%	32,300	38,100	44,200
Tottenham	10%	6,700	7,200	7,900
West Melbourne	10%	5,200	5,900	7,400
Fishermans Bend NEIC	25%	18,400	21,300	27,400
Arden	10%	4,200	12,200	40,900
Macaulay	10%	9,100	16,700	41,500
Footscray	15%	3,800	4,400	5,100
South Melbourne	15%	16,400	20,400	24,300

⁷ Mladenovski, D. *Crown Sydney Barangaroo Construction Progress 2019. Build Sydney*. July 2019. [Cite](#).

⁸ ABS. *The Construction Industry's Linkage with the economy*. 2000. [Cite](#).

⁹ Ibid.

¹⁰ SGS. *Analysing Melbourne's enterprise precincts*. February 2018. [Cite](#).

¹¹ Ibid.

Table 2: Economic Impact (GVA \$M) of Increased Clustering – Value Generated by New Jobs in Victoria¹²

Precinct	2026	2036	2051
Brunswick South	\$0.9	\$1.2	\$1.5
Cremorne	\$10.9	\$14.5	\$18.2
Fitzroy Collingwood	\$4.3	\$5.7	\$7.2
Gipps St Abbotsford	\$1.8	\$2.2	\$3.1
NURP	\$1.4	\$1.7	\$2.0
Swinburne Uni	\$10.9	\$13.9	\$17.4
Tottenham	\$1.2	\$1.5	\$1.6
West Melbourne	\$1.3	\$1.4	\$2.1
Fishermans Bend NEIC	\$9.6	\$12.0	\$16.6
Arden	\$1.0	\$3.1	\$11.2
Macaulay	\$2.1	\$4.2	\$11.5
Footscray	\$1.0	\$1.3	\$1.6
South Melbourne	\$6.5	\$9.0	\$11.5
Total	\$52.8	\$71.6	\$105.3

Table 3: Base Case Precinct Employment and GVA Projections¹³

Precinct	2026		2036		2051	
	Employment	GVA (\$ million)	Employment	GVA (\$ million)	Employment	GVA (\$ million)
Brunswick South	4,800	\$8.8	6,000	\$12.1	7,400	\$16.0
Cremorne	15,600	\$43.6	19,000	\$57.3	22,400	\$72.8
Fitzroy Collingwood	21,800	\$42.4	27,000	\$56.5	32,100	\$72.6
Gipps St Abbotsford	4,100	\$12.1	4,900	\$15.5	5,700	\$19.4
NURP	7,600	\$13.0	8,500	\$15.8	9,600	\$19.2
Swinburne Uni	28,100	\$72.5	33,100	\$92.2	38,400	\$115.1
Tottenham	6,100	\$11.8	6,500	\$13.7	7,200	\$16.2
West Melbourne	4,700	\$12.2	5,400	\$15.2	6,700	\$20.1
Fishermans Bend NEIC	14,700	\$38.1	17,000	\$47.5	21,900	\$66.0
Arden	3,800	\$9.9	11,100	\$31.2	37,200	\$112.4
Macaulay	8,300	\$21.6	15,200	\$42.6	37,700	\$113.7
Footscray	3,300	\$6.5	3,800	\$7.9	4,400	\$9.9
South Melbourne	14,300	\$44.2	17,700	\$59.0	21,100	\$75.5

¹² SGS. *Analysing Melbourne's enterprise precincts*. February 2018. [Cite](#).

¹³ SGS. *Analysing Melbourne's enterprise precincts*. February 2018. [Cite](#).

The SGS report also calculates that by 2051, precincts suffering from residential ‘crowding out’ will cost the Victorian economy \$234.6 million GVA in lost jobs per annum. By contrast, mixed-use precincts can generate an additional \$105.3 million GVA in jobs per annum over and above the forecasted base rate of \$728.9 million by 2051 (see Table 3). In total, this means that mixed-use precincts will generate \$834.2 million GVA in jobs per annum.



Refining the way we approach precincts plays a dramatic role in the economic fortunes of the State. Across the thirteen precincts identified in the SGS report, the average GVA generated by new jobs generated per annum in a precinct comes to:

$$\frac{\$834.2 \text{ m}}{13} = \$64.2\text{m GVA per precinct}$$

There are, arguably, more than thirteen precincts previously identified across the greater Metropolitan Melbourne region.

With the leadership of Local and State Government and with the support of the private sector, there could be in the region of twenty precincts based on Property Council estimates.

$$\$64.2m \text{ GVA} \times 20 \text{ precincts} = \$1.28b \text{ GVA per annum}$$

Using the average GVA generated by jobs per annum in a precinct, the Property Council calculates that \$1.28 billion GVA could be generated by jobs per annum across greater Metropolitan Melbourne in 2051.

Precinct developments also generate immediate benefits for the Victorian economy both directly through construction and through supporting Victorian jobs in the supply chain. Using the Australian Bureau of Statistics construction economic multiplier for construction, Table 4 estimates the economic impact and the number of jobs supported through the construction of a sole development within a precinct.

Table 4: Immediate Economic Benefit

Development Construction Cost	Economic Impact	Jobs Supported
\$300m ¹⁴	\$859.8m ¹⁵	111,000 ¹⁶

The Geelong’s Civic Precinct, with a comparatively smaller development cost of \$220 million, is estimated to create nearly 900 new jobs in Geelong.¹⁷ The Civic Precinct will also be available to residents of Geelong with 48% of the total floor area being publicly accessible. Those who will work in A-grade office space are provided with a range of transport options including pedestrian, bike and public transport access. This bustling hub will likely prove to be a pre-eminent regional hub for prosperity upon its completion in June 2022.



¹⁴ Property Council Estimate.

¹⁵ ABS. *The Construction Industry’s Linkage with the economy*. 2000. [Cite](#).

¹⁶ Ibid.

¹⁷ City of Greater Geelong. *A new civic precincts for Geelong*. 2018. [Cite](#).

Types of Precincts

To borrow from the definition of innovation districts defined by think tank, the Brookings Institution, precincts are “the ultimate mash up of entrepreneurs and educational institutions, start-ups and schools, mixed-use development and medical innovations, bike-sharing and bankable investments—all connected by transit, powered by clean energy, wired for digital technology, and fuelled by caffeine.”¹⁸

While the above definition paints a colourful picture of what could be the future of precincts in Victoria, it is important to note there is no fixed or agreed definition of a precinct, nor the types of precincts, in the Victorian planning system.

This term may generally refer to a location, usually defined by spatial boundaries in a structure plan or another form of control or policy, that can include land ownership by multiple entities, a mix of uses and activities and be at any stage of development status.

Precincts are perhaps currently best defined in the planning context through the now well established Precinct Structure Plan (PSP) process that applies to the outline of future development directions for new greenfield suburbs.

The concept of precincts in a planning context is evolving. The term ‘precinct’ is now being used broadly to include the regeneration and renewal of established urban areas and strategic development areas. This may include private properties with surrounding public realm amenity, civic spaces and transport nodes.

Precincts are known to create skilled employment opportunities for local communities and in that way facilitate State Government policies such as to “improve access to jobs across Melbourne and closer to where people live”.¹⁹

A much broader range of precinct types has emerged in recent years, including:

- **‘Priority precincts’** that have a focus on the regeneration and renewal of underutilised inner urban areas (Fisherman’s Bend, Arden, Richmond to Docklands)
- **Transport focused precinct development** (areas associated with Melbourne Metro and Suburban Rail Loop Stations)
- **Nationally significant employment precincts** or National Employment and Innovation Clusters (NEIC) (LaTrobe, Monash, Parkville etc)
- **Suburban office precincts** (Essendon Fields)

It has become increasingly clear that the principles and approaches that have been successfully applied to precinct planning in greenfield contexts do not simply translate to the more diverse and complex nature of precincts in established urban areas.

¹⁸ Katz, B., Wager, J. *The Rise of Innovation Districts: A New Geography of Innovation in America*. The Brookings Institution. May 2014.

¹⁹ DEWLP. *Plan Melbourne 2017-2050*. 2017. p 48.

The establishment of the new Department of Jobs, Precincts and Regions in 2019 signalled the State Government's agenda to elevate the role of designated precincts in delivering government policy objectives around employment innovation, affordable housing, transit-oriented development and urban regeneration. To date, there has been little clarity or consistency around the approach to planning or governance in these emerging precincts, with a variety of multi-agency and taskforce models employed to lead renewal processes, with varied results.

The concept of a precinct in the real estate development market context, is represented by defined geographic redevelopment areas featuring more flexible planning controls with the objectives of:

- Facilitating the delivery of a mix of buildings and uses that collectively enhance the activation of interfacing public spaces
- Encouraging and supporting a more intense and diverse range of economic activities
- Catalysing urban renewal and job creation, while also supporting local business.

The collective benefits and economic outcomes from a precinct planning approach should be greater than what would otherwise be achieved from planning controls that are focused on the built form and use of individual buildings.

The types of precincts in the real estate context should extend beyond the government sponsored precincts above, and could include:

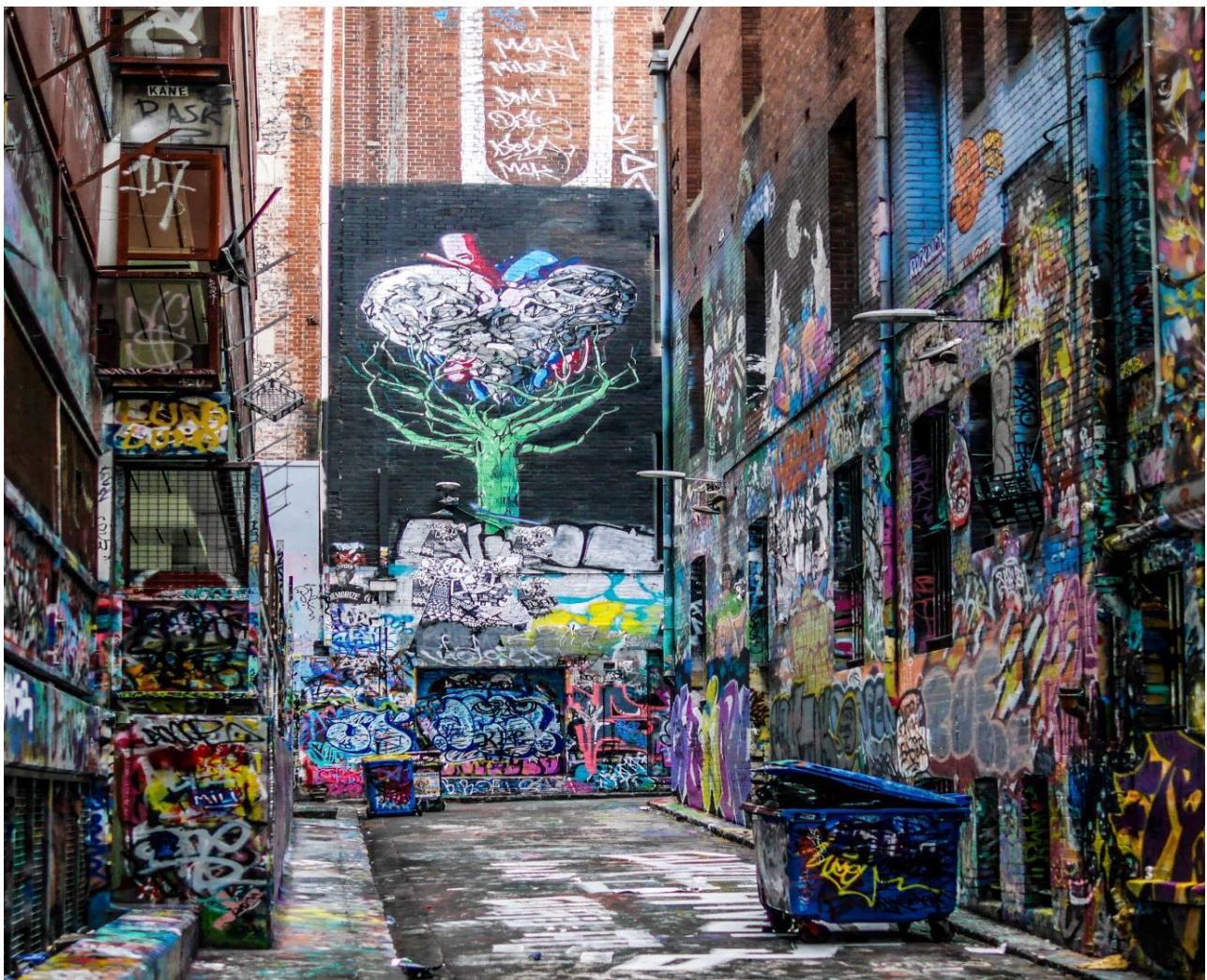
- Transport-node oriented precincts, around an established or new stations such as Jewell Station and Glen Waverly Station.
- Regeneration / renewal / redevelopment precincts, where there is a change of underlying use of the existing land. For example, repurposing obsolete industrial land or repurposing of an ongoing major use such as shopping centres reimagined as town centres and mixed-use precincts with residential, commercial development and civic uses integrated into the existing use.
- Economic and innovation precincts (not just NEICs)
- Consolidated ownership precincts (major landowner(s))

Ongoing management of shared areas in precincts needs to be addressed by government or the private sector to ensure the precinct's success. Without ongoing governance and a management structure for shared amenities and open spaces, over the long term, the precinct may experience maintenance challenges and become less attractive to major investors, anchor institutions and businesses that underpin the continued success of a precinct

Timelines for Precinct Developments

Precincts are inherently dynamic: as they develop, the mix and intensity of use invariably changes over time and user patterns tend to evolve. Planning typically envisages a final or “end-of-state” outcome and a linear and progressive delivery towards that vision. This approach fails to consider the realities that across multiple landownerships there are a range of factors that will influence the timing of delivery and propensity for redevelopment. These factors may include financial capacity, leasing arrangements and passive vs active owners.

As such, planning of precincts must have at least a twenty year time horizon. A successful precinct should never be “finished” or achieve its end of state outcome given it will need to evolve to meet changing community demand. While the buildings may be “final” for a period, the activities within them must have the flexibility to change over time.



Delivering Successful Precincts

Policy settings to create successful precincts

The features that would be desirable for the funding, finance and procurement of precincts are:

Maximum Flexibility

Precincts are often developed over several years. To ensure that precincts can evolve to meet the needs of the populations they intend to service, precinct development needs to be flexible and not fixed in a concept or sole use such as health or education. Enabling flexibility throughout the development period will ensure the precinct delivers value across the life of the project. A precincts' authority should have powers or access to legislative mechanisms via delegated authority from a minister to implement required changes.

Infrastructure Funding

Delivery of public and community infrastructure cannot be tied to population thresholds applied in greenfield planning. Infrastructure needs to be delivered ahead of actual population or community need because it will service much broader catchments across established areas and not simply any population within a defined boundary

There should be specific funding for infrastructure in the precinct set aside and a mechanism by which the developer can work with government on the right sort of transport connectivity to maximise internal rate of return for both the public and private sector.

Contracting

Innovative funding models for infrastructure delivery including public-private partnerships and alliances contracts should be considered as well as traditional contracting to get the right outcomes.

Early identification of Return on Investment

There needs to be analysis and clarity about what level of density can be achieved for a site and what infrastructure investment is likely to be committed to by government prior to tender. If the infrastructure options are known (even as possibilities) prior to tender, the State will get better outcomes from the private sector.

Creative Finance Agreements

Consideration should also be given to alternative financing models that shift thinking on value capture to value creation and long term economic and social benefits. This approach, which could be managed by a precinct authority, should consider revenue share models or long term lease arrangements as well as freehold title arrangements.

Common Features of Successful Precincts

The ability to curate an identity within a precinct

The best precincts have a curated identity that gives people a sense of place and tends to attract superior additional partners, tenants and long-term residents allowing for stability of capital and maximising the economic performance of the precinct. The challenges experienced in the Fishermans Bend Precinct are indicative of the problems caused by the need to masterplan a development with numerous small land holders.

In contrast, Essendon Fields, a joint venture between the Linfox Group and Beck Corporation, is regarded as one of Melbourne's best master-planned commercial precincts. The curated offering includes retail, commercial, aviation, offices, entertainment, hotel and event facilities. In the pipeline, the precinct has planning approval and development finance to construct a new office development comprising over 18,000 square metres over three buildings, which would enable \$120m of direct private investment to commence immediately. Through curating a unique identity by targeting a market niche and developing strong branding collateral, Essendon Fields has effectively leveraged itself as a precinct in Melbourne.

A 24-hour identity

Activated precinct developments must be able to support a 24-hour community. Where precincts only service one objective, such as an office market, there is an underutilisation of the site outside of business hours. Precinct environments rely not only on constant foot traffic, but the ability of those utilising the space to develop a connection with the environment. Residential communities cannot just work within the precinct; they must live there too.

The delivery of a 24-hour identity for a precinct requires consideration of the demographic of those utilising the environment and the ability of the project developer to be able to curate tenancies required to meet demand and the inclusion of significant residential development either within or proximate to the precincts. Precincts also need to include infrastructure that supports a lifestyle option.

Mixed-use, not fixed-use planning

Successful precincts require the government and project developer to have a shared understanding and vision for the site. However, it is also important that the development can be adapted over its lifecycle to respond to market demand. According to a PwC report, "Precincts either form organically or are identified through strategic vision and policy, or a combination of both. They are, however, most successful when policy supports organic and flexible formation."²⁰

The private sector specialises in identifying market demand and developing assets to meet not just existing, but future market demand. Where a strategic precinct site is limited by a fixed vision, such as the Werribee Education Precinct experience, there is insufficient flexibility in a project to respond to changing market indicators. Factory Campus in Berlin exemplifies this flexibility, with offerings for small enterprises all the way up to technology giants such as Twitter and SoundCloud which are serviced by the appropriate amenities ensuring liveability. Because the Factory Campus incorporates a range of companies, it is more versatile and can keep pace with changes in businesses while fostering the same underlying culture of entrepreneurship and innovation.

²⁰ PwC. *How to make better cities through precincts and connectivity*. 2017. [Cite](#).

Barangaroo is a clear example of where a project developer was able to retain the site as a whole and curate tenancies to meet the product demand generated by the office and residential market, allowing the site to provide a thriving 24-hour offering.

These elements are of equal importance and each combine to create the substance of a great place and precinct. They should be the base indicators for the planning and design of new precincts and renewal developments. Together, they are also the foundation of Healthy Cities, a concept which acknowledges that the health and total wellbeing of our people can be shaped by planning and design.

Market demand

Successful precincts are situated in locations where there is a strong existing market demand for the products and services that are provided by that precinct. A talent pool drawn from the surrounding areas to resource this demand is also crucial.

Silicon Valley is a prime example of this. With a focus on technology, companies across the United States are drawn to this precinct bringing with them best and brightest talent where there is an existing market demand for technology and innovation. This fosters a collaborative environment which in-turn attracts capital investment to the precinct, only increasing its success.

Size matters / precinct anchors

Larger sized projects, in terms of land and scope, allow larger private sector bidders to participate in precincts and it is only those principals and the consortia that they bring together which have the balance sheet and access to capital that enables them to maximise amenity in the precinct and create their returns over the longer term. Social and environmental factors often take years to realise and without larger players, those sorts of benefits will not be as significant to the State and to the community. The larger entrants in the market and overseas will only be attracted by projects of sufficient size to be worthwhile spending the funds on conceptualisation and execution with a view to realising their returns over many years.

Transport connectivity

The rise of urban populations has put increasing pressure on transit systems. In this context, Transit Oriented Development (TOD) solutions represent vital interconnecting hubs that maximise the flow and safety of passengers while optimising land use. Mass transport infrastructure is vital to the delivery of a successful precinct. Research shows that successful organically developed precincts virtually always feature rail infrastructure feeding multiple train lines. This attribute can be witnessed in the organic development of Richmond, Surrey Hills and Fortitude Valley as employment precincts. It is well known that buildings' rental return (both commercial and residential) is directly correlated to their proximity to transport.

In master planning new precincts, it is imperative that a transport strategy, which facilitates high frequency mass transport, is developed. Without it, it is hugely challenging to drive the population, business community and residential market required to sustain a precinct in its fledgling stages. This lack, in turn, jeopardises the long-term success of the precinct.

Sustainability at the Heart

Precincts, by essence, are city shaping projects, built with an eye to the future. It is essential to the long term success of a precinct that environmental, social and economic sustainability underpins the

development. Master planning at scale creates more significant opportunities to design and construct with sustainability features at the heart of the project. Initiatives such as energy efficient, low carbon and climate resilient buildings, social infrastructure and public realm that can be run on renewable energy, complemented by urban greening to reduce heat island effect are all effective measures that are more achievable with scale.

Other critical environmental initiatives include a strong focus on reduced potable water use, eliminating waste to landfill and embracing circular economy principles. Social initiatives focused on creating places with green and open space that prioritise health, wellbeing and active living, as well as commitments to universal design that promote inclusion are also priorities. Increasingly, the role of precincts in creating new jobs and fostering ethical supply chains as core economic outcomes is recognised.

A decade ago, it might have been necessary to look overseas for examples of successful sustainable precincts; however, in recent years, many Australian developers have recognised the value of designing their new precincts as sustainable communities. The Green Building Council of Australia's Green Star Communities tool is a critical asset in verifying the holistic sustainability of a sustainable precinct, and the Climate Active standard for precincts provides a Commonwealth Government accreditation for carbon neutral precincts.

Healthy Cities

The notion of healthy and liveable cities has been around for some time. In 2018, Tract in conjunction with Deloitte Access Economics undertook a detailed Healthy Cities study focused on Melbourne, Sydney and Brisbane. This study identified a series of measurable indicators to assess the healthiness of suburbs in each of these cities. The findings were published on *The Age Domain* platforms.²¹ Healthy Cities are defined not just by what they contain, but also, but what they lack. The key elements used in the Tract/Deloitte study of healthy cities were.

Positives to be promoted:

- Access to fresh food
- Walkability (less than 400 metres) to work, transport and services
- Active transport options
- Open space
- High tree cover
- Volunteering and community participation groups
- Access to hospitals
- Access to allied and community health services

Negatives impacts to be avoided:

- Density of liquor stores
- Density of fast food.

These are just a snapshot of key indicators for Healthy Cities. They can equally be applied to the planning and design of new precincts. The indicators promote the creation of the neighbourhood and village, where people can walk to carry out their daily tasks.

²¹ Tract. *Domain healthy suburbs study*. 2018. [Cite](#).



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