TE MANATŪ WAKA
MINISTRY OF TRANSPORT

# Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport alongside other Auckland Light Rail Business Case documents. It should be noted that the Auckland Light Rail project was cancelled and will not be progressing in any form. This cancellation occurred before the completion of the Detailed Business Case (of which this document forms a part). This document does not, therefore, represent government policy. This document must not be relied on in any way or treated as a finished product. A complete peer review process has not been undertaken of this document, and any analysis or conclusions contained in this document may contain errors and omissions. The Ministry accepts no responsibility for the consequences of this document being relied upon by any other party, or being used for any other purpose, or containing any error or omission. Some information has been withheld on the basis that it would not, if requested under the

Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it. *Note - N/A (see below)

Listed below are the most commonly used grounds from the OIA.

N/A - Document released in full. No information has been withheld for this proactive release

| Section | Description of ground |
|---|---|
| 6(a) | as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government |
| 6(b) | as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by<br>(i) the Government of any other country or any agency of such a Government; or<br>(ii) any international organisation |
| 6(c) | prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial |
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information |
| 9(2)(ba)(i) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public |
| 9(2)(ba)(ii) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest |
| 9(2)(f)(ii) | to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials |
| 9(2)(g)(i) | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty |
| 9(2)(h) | to maintain legal professional privilege |
| 9(2)(i) | to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities |
| 9(2)(j) | to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) |

Auckland LIGHT RAIL
Bringing us closer



# Commercial Case - Urban

*Obtain registered code from Document Control and enter below*

Document number: 1

Revision: 5

**13 December 2023**

**Advice to the reader:** this document is a condensed version of the draft 70% Urban Commercial Case (UCC) dated 1 November 2023.

The Economic Case and Urban Response Appendix significantly inform the UCC. These documents should be read in advance of the Urban Commercial Case for context.

The purpose of the Commercial Case is to demonstrate commercial viability and show that the Project is feasible and deliverable for investors, contractors / developers and the Government, and that the supplier market has been tested. Given the timing of dependent inputs into the UCC, formal market soundings were deferred.

This document reflects ~70% completion and, in particular, demonstration of commercial viability based on market feedback will be completed for the 100% document.

As such, this version of the UCC is subject to amendment once market soundings have been completed.

Importantly, the UCC is being completed to an Indicative Business Case (IBC) level only. The level of detail provided at this stage is high-level; sufficient to provide decision-makers with an early view of the key factors that may affect the commercial viability of the proposal and to show that the Project has sufficiently considered the required thinking for the urban procurement.

# Issue and revision record

| Document control | | | | | |
|---|---|---|---|---|---|
| **Report title** | Commercial Case - Urban | | | | |
| **Document number** | 1 | | | | |
| **Rev** | **Date** | **Revision details/status** | **Author** | **Reviewer** | **Approver** |
| 1 | 2023-07-27 | 30% draft | TB | MH, AR | JS |
| 2 | 2023-08-04 | 30% draft | TB | MH | JS |
| 3 | 2023-11-01 | 70% draft | TB, MH, BI | JS, AR | JS |
| 4 | 2023-12-06 | 70% draft, condensed | TB, BI | JS | JS |
| 5 | 2023-12-13 | 70% draft, condensed | TB, | JS, BI | JS |
| **Current revision** | **5** | | | | |

| Approval | | | |
|---|---|---|---|
| Author signature | | Approver signature | |
| Name | | Name | |
| Title | | Title | |

**Security Classification**

This document is issued for the party which commissioned it and for specific purposes connected with the above-captioned project only. It should not be relied upon by any other party or used for any other purpose.

We accept no responsibility for the consequences of this document being relied upon by any other party, or being used for any other purpose, or containing any error or omission which is due to an error or omission in data supplied to us by other parties.

This document contains confidential information and proprietary intellectual property. It should not be shown to other parties without consent from us and from the party which commissioned it.

# Table of contents

# List of Figures and Tables

## Key definitions

Table 1: Key definitions for the UCC

| Term | Definition |
|---|---|
| Active Investment Option | The amount of investment and Growth which is anticipated to be delivered within the CC2M corridor by 2051, in the event that ALR is delivered alongside a significant package of Urban Interventions. |
| ALR CC2M | Auckland Light Rail, Central City to Manukau. |
| ALR Ltd | Auckland Light Rail Limited. |
| Bookends | The Urban Minimal Investment Option and Active Investment Option which represent the do-minimal and high growth scenarios and set the spectrum for urban growth. |
| Corridor | Sum of the walkable catchments and any MSM zone areas defined as falling within the corridor but outside of the walkable catchments. |
| CSF | Corridor Strategic Framework. |
| DA | Development Agreement. |
| DBC | Detailed Business Case. |
| Growth | The increases in population, households and jobs which are anticipated to occur across Auckland in the future and which have been factored in when establishing Growth Options. These quanta are derived from LUTI Consulting modelling informed by Auckland Council's Growth Scenario i11.6 (2020). |
| Growth Areas | Six catchments identified as likely to experience significant urban change, based on the extent of significant private and public sector urban regeneration opportunities across the corridor and their capacity to delivery scale urban outcomes. |
| Growth Options | The various options for Growth and the distribution of that growth within the CC2M corridor which have been considered within the Urban Optioneering Process. In the context of the UCC, there are two growth options considered (Urban Minimal Investment and Active Investment) which set the spectrum of urban growth for the corridor. |
| IBC | Indicative Business Case. |
| Incremental Growth | The amount of Growth above the Transport Do Minimum level which will occur within the CC2M corridor, as a result of the delivery of ALR and Urban Interventions. |
| Incremental Investment Option | The amount of investment and Growth which is anticipated to be delivered within the CC2M corridor by 2051, in the event that ALR is delivered alongside a moderate package of Urban Interventions. |
| ISD (integrated station development) | Integration / simultaneous development of station and over station development. |
| Land Value Uplift | The increase in the value of land which results from land use changes, which occur as a result of the delivery of ALR. |
| LUTI | Land Use and Transport Integration Consulting, responsible for the growth and land value uplift modelling. |
| MRT | Mass Rapid Transit. |
| MSM zone | Macro Strategic Model zone. |
| OSD (over-station development) | Opportunities for development directly above ALR CC2M stations. |
| PDA | Project Development Agreement. |
| Project | The ALR CC2M Project and the team working on the Corridor Business Case. |

| | |
|---|---|
| Project land | The OSD and residual land (together with any other acquisitions) that will be owned by the Project. |
| Project Partners | Other public sector organisations e.g., Kāinga Ora and Eke Panuku. |
| Project Sponsors | Central Government, Auckland Council and Mana Whenua. |
| Residual land | Land that is surplus following construction of the rail infrastructure and which is owned by the Project. |
| TOD | Transit oriented development refers to a form of urban design that achieves pedestrian friendly, mixed-use, mixed-income, high-density and location efficient communities centred on public transport nodes (Calthorpe 2001; Dittmar and Poticha 2004). In the context of the UCC, TOD extends wider than just the Project Land. |
| Transport Delivery Entity | ALR Ltd or an alternative entity mandated to deliver the transport investment. |
| Transport Do Minimum Option | The Growth anticipated to be delivered within the CC2M corridor by 2051, in the event that ALR is not constructed. *NB: This is consistent with the definition of Do Minimum in the 2021 IBC, when the Do Minimum option was to not build ALR.* |
| UCC | Urban Commercial Case. |
| Urban components | There are two core urban components:<br>1. Land owned by the Project being the OSD and residual land.<br>2. Land in the wider station walkable catchments not owned by the Project (owned by the private sector or other public sector entities). |
| UDA | Urban Development Act 2020. |
| Urban Delivery Entity | An entity which would be responsible for delivery of the urban outcomes (separate to the Transport Delivery Entity) under the Incremental or Active Investment Options. |
| Urban Enabling Function | Function which would sit within the Transport Delivery Entity (which is ultimately responsible for the urban outcomes) under the Urban Minimal Investment Option. |
| Urban Enabling Infrastructure | The urban infrastructure necessary to support increasing amounts of Incremental Growth within the CC2M corridor, outside of the NoR boundary. In the context of ALR, enabling infrastructure costing does not address improvements to service level / environmental outcomes of existing infrastructure, only expansion of infrastructure capacity for incremental growth. |
| Urban Interventions | The various interventionary measures required to achieve the Incremental Growth under each Growth Option. |
| Urban Investment options | The two options considered in the UCC which are Urban Minimal Investment and Active Investment. See bookends. |
| Urban Minimal Investment Option | The Incremental Growth anticipated within the CC2M corridor by 2051 in the event that ALR is delivered without any additional Urban Interventions by ALR, and which therefore is a minimal option relative to the Incremental Investment Option and Active Investment Option. The Urban Outcomes delivered would therefore only be those resulting from the transport investment. *NB: This is distinct from the definition of Do Minimum in the 2021 IBC and Transport Do Minimum in this document.* |
| Urban Optioneering Process | The assessment of potential Growth Options, through analysis and appraisal, which resulted in shortlisted options that have been assessed as part of the Economic Case. |
| Urban Outcomes | The desired urban end-state of the CC2M Corridor following the construction of ALR and the delivery of Incremental Growth, as articulated through the Corridor Strategic Framework. |
| Urban Response | The selected urban Growth Options emerging from the Urban Optioneering Process, and which are assessed in the Economic Case, which also factor investment in Enabling Infrastructure and Urban Interventions. |
| Walkable catchment | Station walkable catchments identified by Auckland Council (with the exception of the City Centre and Airport stations which embed Project assumptions). |

# 1. Executive summary

## 1.1 Introduction and context

The purpose of the Urban Commercial Case (UCC) is to:

- Demonstrate that the Urban Minimal Investment Option is viable and deliverable (realisable) by the Project Sponsors and Project Partners and is attractive to developers and investors.
- Set out an indicative procurement strategy for the Urban Minimal Investment Option, with a focus on preparing the land owned by the Project to make it more attractive for developers.
- Consider the changes to the procurement approach that might be required if higher Incremental Growth based on the Active Investment Option is advanced. This option has the potential to provide greater certainty of benefits realisation, support market attractiveness and improved quality of the urban form and Urban Outcomes in the wider catchment areas beyond the land owned by the Project. However, it requires additional investment (Urban Interventions).

A key challenge from a procurement and delivery perspective is securing the urban growth and outcomes in the wider station walkable catchments on land that the Project will not directly control. The majority of the growth (and associated benefits) will occur in these areas, and under the Urban Minimal Investment Option, will be delivered by partner organisations and the private sector:

- The baseline growth in households and jobs in the corridor to 2051 without the ALR CC2M investment is 38,500 and 70,100 respectively.
- The standalone transport investment (Urban Minimal Investment Option) results in additional demand for 11,800 households and 15,200 jobs by 2051 over and above the baseline growth.
- The Active Investment option results in additional demand for 36,800 households and 52,000 jobs over and above the baseline growth.

There are two core Urban Components that are relevant to both of the Urban Investment Options considered in the UCC:

1. OSD and residual land development opportunities (Project Land).
2. Urban development on land in the station walkable catchments.

It is estimated that the OSD and residual land opportunities could contribute some 4,400 households and 4,700 jobs under the Urban Minimal Investment Option, during the forecast period to 2051. This reflects 5% to 10% of the total corridor growth under this option. This is subject to further, more detailed analysis and land use optimisation and could be increased via acquisition of adjoining sites that are not subject to compulsory acquisition for transport purposes.

While the Project may plan for, or participate in, urban development beyond land it owns, the majority of the corridor-level growth (~90%+) will need to be delivered by other public sector entities and the private sector, primarily within the station walkable catchments, on land outside of the Project's direct control.

The working assumption is that under the Urban Minimal Investment Option, the urban enabling infrastructure costs are met by Auckland Council / Council Controlled Organisations (CCOs) and service providers through BAU (business as usual) processes and funding within their existing mandates. It is expected the Project would work closely with these parties (e.g., via partnerships or another form of governance structure) under the Urban Minimal Investment Option to ensure optimal outcomes and efficiency in respect of Urban Enabling Infrastructure are achieved.

In the context of the UCC, Urban Interventions are only required under the Active Investment Option. Under the Urban Minimal Investment Option, it is the transport intervention itself which will induce the Urban Outcomes, albeit the project may choose to have a more active role relating to station and residual land to achieve qualitative outcomes in this scenario.

If the Active Investment Option (or any option beyond the Urban Minimal Investment) is pursued, it is unlikely that the market will achieve the type, scale and pace of change required. Therefore, under higher growth scenarios, Urban Interventions are likely to be required – either through planning and policy settings, or through financial, physical and co-ordination mechanisms alongside the transport investment.

## 1.2 Market context

Based on the levels of household growth forecast relative to development land availability in the station catchments, the expected urban form (for residential development) in the ALR CC2M corridor is expected to be primarily apartments. Conditions in the apartment development market remain highly challenged at present, with a slowdown in transactions and consenting.

However, the urban growth associated with the Project is forecast to occur over ~30 years; the property market will likely traverse several cycles over this time. The first stage of the Project is unlikely to be completed until the early 2030's and property market conditions will have continued to change. As such, while current market conditions inform views on feasibility 'as at today', it is important to acknowledge that market conditions and development feasibility will continue to change.

Development is unlikely to be linear, with peaks and troughs in delivery and absorption occurring through market cycles. Once an Investment Decision is announced and certainty around the Project increases, market confidence can be expected to accelerate.

An important part of the UCC is understanding the development market participants and their capacity to deliver the scale and density of development targeted over the forecast period. A key constraint is the depth of the apartment developer market in New Zealand, noting this is the dominant housing typology expected for the corridor.

Given the depth of the developer market, the Project will likely wish to consider opportunities to attract offshore players that may have the scale and balance sheet to undertake high density projects. This includes packaging options for the OSD, and residual land controlled by the Project, where the highest density development is expected to occur.

An important risk for the Project to manage is underdevelopment during the intervening period, particularly in the areas immediately surrounding the future stations where density will be required to achieve the targeted urban growth (and associated benefits).

Build-to-rent projects are also a significant opportunity that the Project should consider attracting (even under the Urban Minimal Investment Option) which can be expected, in time, to deliver scale, density and rental product, and attract offshore capital. This may also provide a counter-cyclical hedge in market downturns where rental demand typically remains consistent, but off-the-plans presales are more difficult to achieve.

A significant amount of commercial development is also anticipated within the mixed-use developments along the corridor, particularly within the City Centre, New North Road and Airport catchments.

As with the apartment development market, conditions are challenging and the pool of active office developers in New Zealand is limited, albeit there are a number of larger developers that focus on mixed use developments with (sometimes significant) office components. As for the residential market, an important consideration for the Project will be opportunities to attract offshore commercial players, who may be key delivery partners.

A critical consideration is whether there is sufficient capacity within the corridor to accommodate the forecast growth in households and employment through to 2051, under both the Urban Minimal Investment and Active Investment Options. Two independent analyses were completed which confirmed that, with the exception of the City Centre, there is sufficient capacity in the corridor under the Auckland Unitary Plan (assuming NPS-UD) to accommodate forecast growth under both Investment Options. However, it is important to note that there may well be 'pressure points' within specific nodes where plan changes or other planning interventions may be required to ensure potential demand can be met and the "right" kind of development catalysed in order to achieve broader Project outcomes (e.g., apartments and mixed use).

## 1.3 Indicative procurement strategy

**Context**

In the context of the UCC, the procurement strategy focuses on the approach for the land controlled by the Project under the Urban Minimal Investment Option, while considering the changes in approach that might be required if the highest growth option (Active Investment) was selected.

**Procurement considerations from the 2021 IBC**

The starting point for the procurement analysis is a review of the Urban Commercial work completed for the 2021 IBC. The conclusions and recommendations in relation to procuring urban development, as set out in the 2021 IBC, remain appropriate and valid for this UCC. This UCC builds on the 2021 workstream to develop a strategy to deliver the Urban Outcomes identified under the Urban Minimal Investment Option.

**Procurement approach under the Urban Minimal Investment Option**

Under the Urban Minimal Investment Option, the procurement approach for urban development anticipates:

- The Project focusing on procurement of Urban Outcomes on the land it owns within the Growth Areas. This comprises the six catchments identified as likely to experience significant urban change, based on the extent of significant private and public sector urban regeneration opportunities and their capacity to delivery scale urban outcomes.
- The procurement for the Project Land being undertaken within the Transport Delivery Entity through an 'Urban Enabling Function'; a functional unit within the transport entity. This will be essential as a minimum step to ensure a clear governance structure, mandate and the alignment of transport and urban delivery outcomes.
- The Urban Enabling Function within the Transport Delivery Entity leading masterplanning and enablement for the Project Land and taking development-ready opportunities to market to procure targeted homes, jobs and other Urban Outcomes that have been identified by the Project.
- Exploring opportunities to package the procurement of OSD opportunities alongside the stations.
- The balance homes and jobs (outside of the Project Land) being developed by the market on land controlled by the private sector (or potentially other public sector entities e.g., Kāinga Ora and Eke Panuku), but with integrated master planning and

urban enabling infrastructure investment around the Project Land within the Growth Areas.

- Nil Urban Interventions being made at an overall corridor or individual catchment level. The housing and employment demand modelled by the Project can be met under existing zoned development capacity, with the exception of the City Centre.
- Urban enabling infrastructure will be led by partner organisations and the private sector under BAU arrangements within their existing mandates. It is expected that the Project would work closely with these entities to ensure optimal outcomes and efficiency in respect of Urban Enabling Infrastructure are achieved.

**Changes to procurement approach under the Active Investment Option**

Under a higher intervention approach, such as the Active Investment Option, it is anticipated that the Project delivers Urban Interventions and participates in the wider catchments beyond the Project Land. Consideration has been given to additional powers that might include the ability to directly procure and deliver urban enabling infrastructure, including fast track approvals and access to a range of funding tools.

Under this scenario, the Project would likely benefit from a fully mandated Urban Delivery Entity e.g., an entity under the Urban Development Act (UDA). It may require new legislation (or significant change to existing legislation) together with a significant balance sheet and internal resource / capability. This option will require further consideration at a future stage once a decision is taken on the scale of urban development to be targeted.

**Commercial models for procuring development on the Project Land**

The Project Land reflects a significant revenue opportunity. It is estimated revenue of $750m to $1b land sales ($ 2023)[1] could be generated from the Project Land assuming the sale of unencumbered freehold interests that allow development to highest and best use, post completion of the stations and the associated land value uplift forecast.

Under either Investment Option, there are a number of ways the Project could procure development on these sites, ranging from a "straight sale" (as described above) through to directly developing the sites itself. These commercial models sit on a "spectrum" and there are trade-offs to consider in relation to risk, return, resourcing, capital requirements and the level of control over outcomes.

These models include:

1. **Selling the land 'as is'** e.g. with no requirements around outcomes or timing of development.
2. **Selling the land following 'enablement'** e.g., with site infrastructure developed and with Resource Consent in place. This option has the potential to generate added value / return through de-risking projects for the market.
3. **A contractual joint venture** which is effectively a Development Agreement (DA). A contractual JV is the most common commercial procurement model for public sector entities on urban regeneration projects in New Zealand and Australia. It is a capital efficient model for the public sector to procure development outcomes without requiring significant internal expertise / resource. The DA typically embeds detailed (or minimum) requirements around outcomes, milestones, land payment structure and timing, default provisions and risk allocation.
4. **An equity joint venture** with a partner. The equity JV results in exposure to full development / market risk, albeit with a lower capital requirement (than direct delivery / development). In the context of the Project, this would likely reflect the OSD, and residual land being contributed to a JV as equity, with a partner providing the development capital / expertise.

[1] This analysis does not yet consider the costs to plan and enable these opportunities, which would form part of future phases. Some of these costs would be partially offset by any holding income that could be generated by the land before it is developed. A full summary of the OSD and residual land analysis can be found in Appendix [x].

5. **Direct delivery** of development. This model is the most capital-intensive option and results in exposure to full development risk. It requires significant internal capability to deliver but has the ability to generate the highest absolute return.

Ultimately, the Project does not need to select a single / preferred procurement model at this point. This decision can be made a future phase, once the preferred Urban Investment Option (level of growth targeted) has been identified, as this may affect the functions of the Urban Delivery Entity and the procurement approach adopted.

It is also highly likely that the Project would utilise more than one model, given the extent of the landholding which covers a range of markets which are likely to require different responses / approaches to development. Retaining flexibility at this point is important. Notwithstanding this, DAs are a typically market attractive and tested commercial model common in most jurisdictions and certainly in New Zealand and Australia.

**Mana whenua partnership**

The Project has considered a range of investment opportunities for Iwi and Mana Whenua partnership in relation to the Project Land; these can be grouped into two approaches:

- Pre-market engagement with Mana Whenua and iwi investment groups to provide an opportunity to submit an expression of interest for urban development.
- Development of bid evaluation criteria that include a material weighting to bids that include investment structures and participation provisions for Mana Whenua and iwi investment groups.

These approaches are broadly consistent with wider government initiatives and are increasingly being adopted in New Zealand. There are a wide range of deal structures capable of being evolved to facilitate Iwi partnerships.

Positioning deal structures to ensure they also align with the requirements of international investors and developers will be important; feedback from the market intelligence sessions was that local and offshore developers are open to working with indigenous groups in a development context and have a track record in doing so.

## 1.4 Risks

Urban development is capital intensive and inherently risky, vulnerable to a wide range of factors including market cycles, the commercial procurement model adopted, input costs, programme delays and counterparty covenant strength, all of which can disrupt delivery of the targeted urban outcomes. A full list of risks relating to the Project Land and procurement of its development, together with potential mitigations, is detailed in Section 5.

## 1.5 Next steps

Post the transport investment decision, further urban analysis will need to be completed in order to support a decision on whether urban growth beyond the Urban Minimal Investment Option is sought. This will inform next steps, particularly in relation to the role of an urban delivery function beyond the Project Land.

In the event that a higher growth option is targeted, this will inevitably carry with it a requirement for access to materially more substantial capital and delivery resource capability (on the basis the Project would be responsible for delivering Urban Interventions and might play a more active role in the wider catchments beyond the land it owns). This would be assessed at the DBC stage.

Market Engagement will need to be completed to fully test the commercial viability of the proposed procurement approach and to confirm that the urban benefits of the project are realisable, however:

- Economic modelling has identified material incremental demand (in housing and employment) as a result of the standalone transport investment.
- Project analysis has confirmed there is sufficient development capacity under current planning constraints to accommodate demand in most catchments, under both Urban Investment Options.
- There are tested and market-attractive procurement models for TOD development in Australasia applicable to the Project Land. The nature of the entity that is responsible for this procurement will need to be aligned to the scale of Urban Outcomes targeted.
- There is an established residential and commercial development market in New Zealand, however, the depth of this market is limited and potentially presents a risk to commercial viability that will need to be mitigated (potentially by attracting offshore capital and capability).

# 2. Introduction and context

## 2.1 Purpose

The purpose of the Urban Commercial Case (UCC) is to:

- Demonstrate that the Urban Minimal Investment Option is viable and deliverable (realisable) by the Project Sponsors and Project Partners and is attractive to developers and investors.
- Set out an indicative procurement strategy for the Urban Minimal Investment Option, with a focus on preparing the land owned by the Project to make it more attractive for developers.
- Consider the changes to the procurement approach that might be required if higher Incremental Growth based on the Active Investment Option is advanced. This option has the potential to provide greater certainty of benefits realisation and support market attractiveness and improved quality of the urban form and Urban Outcomes in the wider catchment areas beyond the land owned by the Project. However, it requires additional investment (Urban Interventions).

For clarity, under the Urban Minimal Investment Option (lowest growth), the Urban Outcomes result largely from the transport investment, with the Project focusing on preparing the land it owns. Under the Active Investment Option (highest growth) additional Urban Outcomes are realisable through the investment made in Urban Interventions which would apply across the wider corridor, beyond the Project Land.

The primary focus of the UCC is the land owned by Project. This comprises the over station development (OSD) and residual land development opportunities (Project Land). These opportunities will be under the direct control of the Project and the OSD components (and potentially parts of the residual land) may be procured in conjunction with the associated station development.

Because the UCC has a focus on the Urban Minimal Investment Option and the land owned by the Project, it is imperative that Auckland Council, Eke Panuku and the other key partner organisations (including Kāinga Ora) have confidence in the UCC as they will be critical in supporting the realisation of (and in some areas directly delivering) the Urban Outcomes in the wider walkable catchment areas, where the majority of the growth will occur.

**Call out box:** a key challenge from a procurement and delivery perspective is securing the urban growth and outcomes in the wider station walkable catchments on land that the Project will not directly control. The majority of the growth (and associated benefits) will occur in these areas, and under the Urban Minimal Investment Option, will be delivered by partner organisations and the private sector.

## 2.2 Urban Commercial Case context

In respect of urban development in Auckland, the Corridor Business Case has identified that:

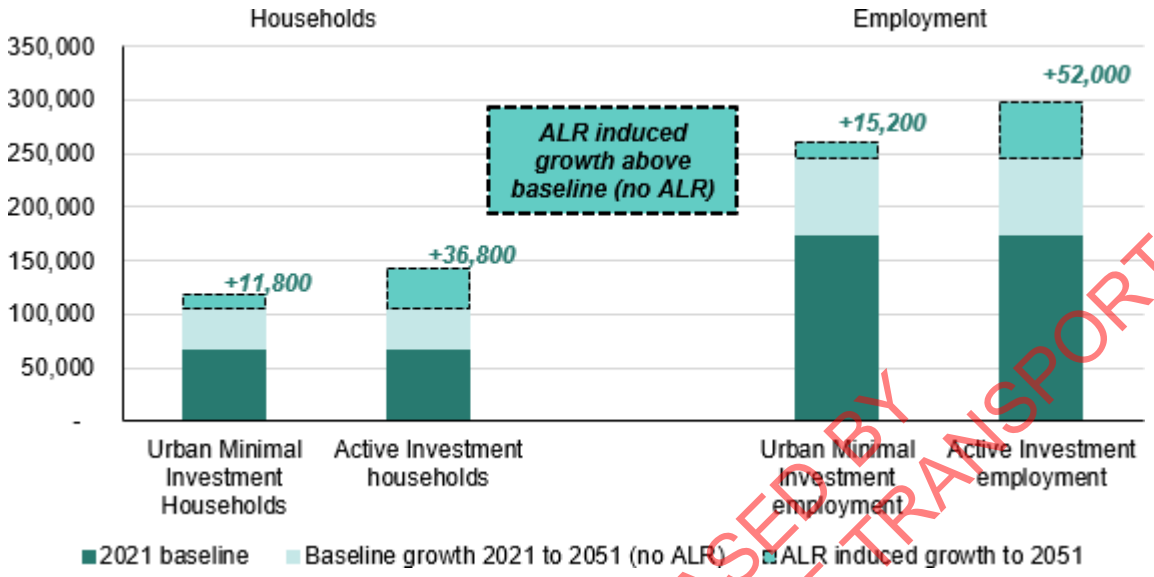
1. Underinvestment in public transport has pushed growth into greenfield locations and increased commute times (Strategic Case).
2. The cost of properties in the ALR CC2M corridor is currently high and population density is low (Strategic Case).
3. The transport investment enables ~1500+ ha of land use change within walkable catchments of the ALR CC2M corridor (Economic Case).
4. The transport investment will support more housing and greater housing choice in a concentrated area around strategic growth nodes and major development sites; it is an opportunity to better leverage infrastructure investment (Economic Case).
5. Urban benefits can be captured to help pay for the Project (Financial Case).

### 2.2.1 Scope, process and methodology for the CBC

Two shortlist Urban Investment Options (Incremental Investment and Active Investment) were subject to the economic appraisal process, together with the Urban Minimal Investment Option, which is a function of the standalone transport investment. The Economic Case analysis has resulted in the Urban Minimal Investment and Active Investment "bookends" being progressed for consideration within the UCC.

Figure 1: Urban analysis timeline

Figure 2: Comparison of ALR induced growth in households and employment for the "bookend" Investment Options (Urban Minimal Investment and Active Investment options) for the ALR CC2M corridor (Project Land, and the wider catchments).




**Call out box:** in short, the standalone transport investment (Urban Minimal Investment Option) results in an additional 11,800 households and 15,200 jobs by 2051 over and above the baseline growth that would 'naturally' occur without the ALR CC2M investment. The Active Investment option results in an additional 36,800 households and 52,000 jobs over the same time period.

### 2.2.2 Urban components of the UCC

There are two core Urban Components that are relevant to both of the Urban Investment Options considered in the UCC:

1. OSD and residual land development opportunities (Project Land)
2. Urban development on land in the station walkable catchments.

**Urban Component 1 - OSD and residual land (Project Land)**

Comprises land directly under the control of the Project following acquisition of land for the rail infrastructure.

The OSD and residual land opportunities comprise approximately 17.2 hectares of land. These opportunities represent the 'prime' land, above and directly adjacent to the proposed stations and other land acquired for ventilation shafts and the tunnel alignment. These opportunities are critical given that:

- They will have been acquired by the Project for transport purposes and the Project will have near complete control over the outcomes on these sites.
- They reflect potential for significant land receipts to support Project funding.
- Their proximity to the stations is important in catalysing and "setting the tone" for development in the corridor and increasing public transport patronage.

Importantly, while under the Project's immediate control, most of these opportunities will not be realisable until construction of the rail infrastructure is complete.

**Call out box:** it is estimated that the OSD and residual land opportunities could contribute some 4,400 households and 4,700 jobs under the Urban Minimal Investment Option, during the forecast period to 2051. This reflects 5% to 10% of the total corridor growth under this option. This is subject to further, more detailed analysis and land use optimisation and could

be increased via acquisition of adjoining sites that are not subject to compulsory acquisition for transport purposes.

Appendix [x] provides a full summary of the OSD and residual land analysis.

**Urban Component 2 - Station walkable catchments**

Land in the station walkable catchments but outside of the Project's direct control and generally in private ownership. This land is key to facilitating delivery of the overall growth under all Investment Options; it is where most of the growth will occur.

The Urban Minimal Investment Option considers 50,300 homes and 85,300 jobs in the overall corridor through to 2051. The ALR CC2M induced (accessibility based) growth component is an additional 11,800 homes and 15,200 jobs above the baseline growth.

Although this growth is primarily concentrated within the station walkable catchment areas, it may ultimately extend into the 'wider corridor'.

**Call out box:** while the Project may plan for, or participate in, urban development beyond land it owns, the majority of the corridor-level growth (~90%+) will need to be delivered by other public sector entities and the private sector on land outside of the Project's direct control.

**Urban enabling infrastructure**

Urban enabling infrastructure is required to support urban growth beyond the baseline (no-ALR) growth, which itself requires significant investment. Urban enabling infrastructure requirements are considered at a catchment-level at present. Further analysis at the DBC stage will be required to confirm costs, timing and overall responsibility for funding and delivery.

Urban Enabling Infrastructure affects both Project Land, and the wider walkable catchments (Urban Components 1 and 2). It comprises the 'marginal' enabling infrastructure (i.e., three waters, power) required to support the overall growth associated with Urban Components 1 and 2 beyond that required to support the baseline growth that is forecast to occur without the ALR CC2M investment.

In order to assess the capacity and investment requirements of each catchment, the Project developed a set of metrics for a series of different enabling infrastructure categories as follows:

Table 2: Urban enabling infrastructure categories

| Infrastructure Category | | |
|---|---|---|
| | **Blue** | Three waters infrastructure (Potable, Storm, Waste) |
| | **Green** | Public realm, open space, environment |
| | **Grey** | Transport |
| | **Black** | Energy utilities |
| | **Pink** | School places and community infrastructure |

The Project estimated the baseline (no ALR) enabling infrastructure cost at $1.166Bn (i.e., investment that is already needed to support growth in the corridor that is expected to occur without ALR), with the incremental infrastructure cost for the Urban Minimal Investment Option at $574m; this reflects the incremental cost (above the baseline of $1.166bn) to accommodate the growth induced by the transport investment alone.

The incremental cost estimate for the Active Investment Option over and above the baseline is $1.05Bn; this is to accommodate the higher growth (greater number of households and jobs) associated with this option over the same timeframe.

The working assumption is that under the Urban Minimal Investment Option, the urban enabling infrastructure costs are met by Auckland Council / Council Controlled Organisations (CCOs) and service providers through BAU (business as usual) processes and funding within their existing mandates. It is expected the Project would work closely with these parties (e.g., via partnerships or another form of governance structure) under the

Urban Minimal Investment Option to ensure optimal outcomes and efficiency in respect of Urban Enabling Infrastructure are achieved.

### 2.2.3 Growth Areas

The Project has identified six key regeneration focus areas, referred to in the UCC as 'Growth Areas', illustrated on the map below and summarised as follows:

1. City Centre (Wynyard, Te Waihorotiu, Universities stations)
2. New North Road (Dominion Junction and Kingsland stations)
3. Balmoral (Balmoral and Sandringham South stations)
4. Wesley (Wesley, Puketāpapa, and Hayr Road stations)
5. Onehunga (Onehunga station and Depot)
6. Māngere (Māngere Town Centre and Te Ararata stations)

The Growth Areas comprise ~80% of the forecast growth in households and employment under the Urban Minimal Investment Option.

Figure 3: ALR CC2M Growth Areas




The six regeneration focus areas comprise approximately 800m walkable catchments around the station groupings (shown as the hatched areas on the image to the left).

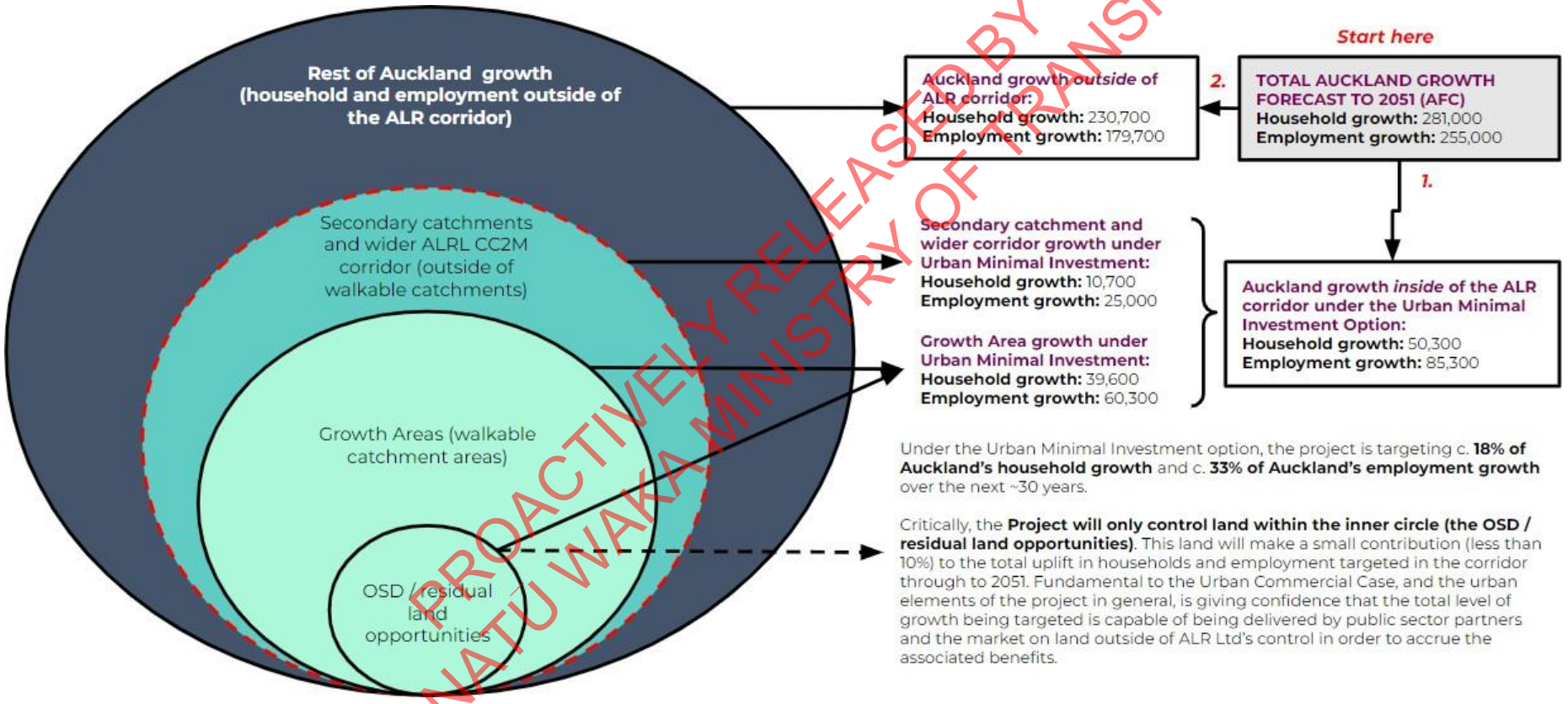
The areas identified represent significant public and private sector urban development opportunities across the corridor. The areas have been grouped based on a number of factors including:

- Proximity, including overlapping catchments.
- Underlying urban structures, such as existing centres, water bodies and infrastructure.
- Urban activity including economic, residential, commercial and retail opportunities.

The Growth Areas have been selected primarily as a function of their capacity to deliver scale urban outcomes.

It is important to contextualise urban growth over the forecast period to 2051 on Project Land, relative to the growth anticipated in the wider catchment areas and the rest of Auckland. The following figure steps through this context using the lowest growth option (Urban Minimal Investment) to frame the discussion.

Figure 4: Illustrative increase in total households and employment 2021 - 2051, (baseline growth plus ALR growth) Auckland Region vs ALR CC2M corridor (Urban Minimal Investment Option) vs Project Land(conceptual*)




** Chart not to scale*

### 2.2.4 Urban interventions

**Call out box:** in the context of the UCC, Urban Interventions are only required under the Active Investment Option. Under the Urban Minimal Investment Option, it is the transport intervention itself which will induce the Urban Outcomes, albeit the project may choose to have a more active role relating to station and residual land to achieve qualitative outcomes in this scenario.

If the Active Investment Option (or any option beyond the Urban Minimal Investment) is pursued without intervention, it is unlikely that the market will achieve the type, scale and pace of change required. Therefore, under higher growth scenarios, Urban Intervention are likely to be required – either through planning and policy settings, or through financial, physical and co-ordination mechanisms alongside the transport investment.

Two rationales for intervention were identified by the Project:

- Increasing supply or increasing demand.
- Increasing the quality of Urban Outcomes that can be achieved and providing greater certainty around the achievability of those outcomes.

Development capacity modelling concluded that there is mostly sufficient land supply to allow the scale of development identified under the growth options to be met. This means that the urban interventions would ultimately be more focused on demand and increasing the quality of Urban Outcomes.

The Urban Optioneering Process considered a framework for a series of urban intervention levers as follows:

- **Physical**: interventions that would involve works or on-the-ground actions by the Project or other partner entities.
- **Financial**: interventions that reduce the cost and risk of development and make it more attractive to developers and/or occupiers.
- **Planning and policy:** interventions that remove, amend or (outside the ALR CC2M corridor) create planning controls to facilitate alternative outcomes.
- **Coordination:** interventions that provide new or enhanced public sector powers and mechanisms to achieve spatial outcomes.

The cost associated with Urban Interventions under the Active Investment Option is ~$693m; the upshot of this investment is enhanced Urban Outcomes through higher Growth and, potentially, greater certainty on benefit realisations.

Further detail on the Urban Interventions is located in Appendix [x] of the Economic Case.

# 3. Market context

Market analysis is a core element of the Commercial Case. It is important to understand:

- The market in which procurement will take place.
- The market attractiveness of the "required services" (or "products") and the proposed procurement approach to "potential suppliers".

**Property market definition:**

In the context of the UCC, the "market" refers to the property market, i.e., the commercial and residential land uses that fall within the corridor. There are distinct micro-markets at each station catchment.

## 3.1 The residential market today

Based on the levels of household growth forecast relative to development land availability in the station catchments, the expected urban form (for residential development) in the ALR CC2M corridor is expected to be primarily apartments. Market conditions in the apartment development sector remain highly challenged at present, with a slowdown in transactions and consenting.

The Project presents an opportunity to grow the strength and depth of this sector and attract new capital (including from offshore) by providing a pipeline of opportunities proximate to Mass Rapid Transit. This could assist in mitigating the high cyclical risk associated with apartment development, which is capital intensive, reliant on presales and more prone (than lower density typologies) to contractor and developer failures.

Even the lowest growth, Minimal Investment Option, will require a significant number of apartments to be developed and absorbed each year over the ~30-year forecast period.

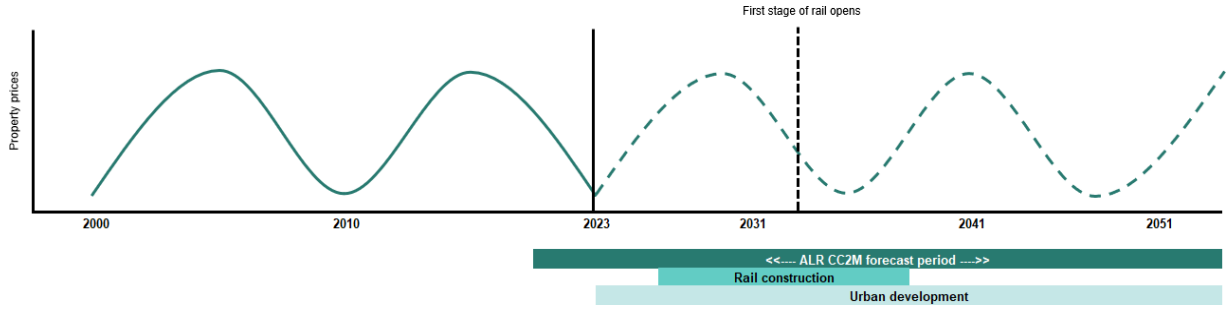
## 3.2 The residential market over the life of the Project

The urban growth associated with the Project is forecast to occur over ~30 years; the property market will likely traverse several cycles over this time. The first stage of the Project is unlikely to be completed until the early 2030's and property market conditions will have continued to change. As such, while current market conditions inform views on feasibility 'as at today', it is important to acknowledge that market conditions and development feasibility will continue to change.

Development is unlikely to be linear, with peaks and troughs in delivery and absorption occurring through market cycles. Once an Investment Decision is announced and certainty around the Project increases, market confidence can be expected to accelerate.

An important risk for the Project to manage is underdevelopment during the intervening period, particularly in the areas immediately surrounding the future stations where density will be required to achieve the targeted urban growth (and associated benefits).

Figure 5: Property market cycles (conceptual*)

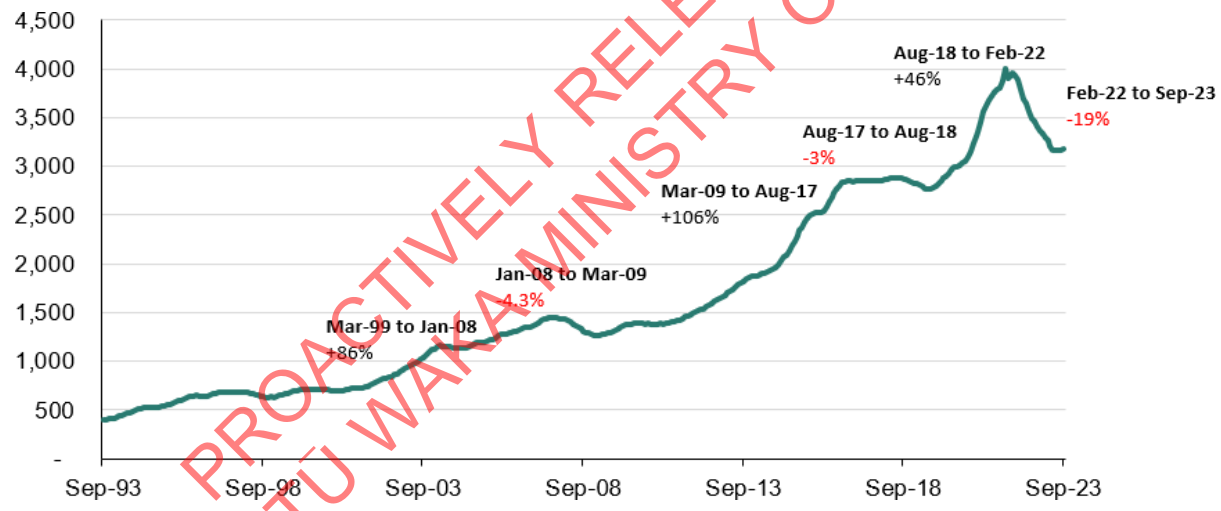



*This chart is intended to be illustrative and is not intended to suggest the timing / nature of future market cycles.

Over the last 30 years, the median house sale price for Auckland city has increased from $164,000 to $1,100,000 (571% increase (or 6.5% CAGR), albeit median prices peaked as high as $1,351,000, a 723% increase).

Affordability is a key market barrier in the ALR CC2M corridor, and without enablement and delivery of significant new housing supply, the ALR CC2M risks creating further affordability pressures as the corridor becomes increasingly attractive to Aucklanders.

Figure 6: REINZ House Price Index (y-axis) for Auckland City, September 1993 - September 2023 (% change relative to median house prices between peaks to troughs and troughs to peaks)






## 3.3 The residential developer (supplier) market

**Call out box:** an important part of the UCC is understanding the development market participants and their capacity to deliver the scale and density of development expected over the forecast period. A key constraint is the depth of the apartment developer market in New Zealand, noting this is the dominant housing typology anticipated for the corridor.

Ultimately, the "bookend" Urban Investment Options will require developers to deliver 1,800 to 2,700 units in the corridor every year for the next 28 years.

Table 3: Number of dwellings required to be delivered per year to meet growth forecasts under the Urban Minimal Investment Option vs Urban Active Investment Option.

| | Urban Minimal Investment Option | Urban Active Investment Option |
|---|---|---|
| Total growth in households to 2051 | 50,300 | 75,300 |
| *Forecast period to 2051* | *28 years* | |
| Required unit delivery per annum | 1,800 | 2,700 |

For context ~3,500 apartments are expected to be completed Auckland-wide in 2023. This reflects a cyclical high point following significant consenting and development over the Covid-19 period from 2020 to 2022.

As noted above, the apartment development market in Auckland remains relatively 'thin' with only a limited number of specialist / scale apartment developers at present (~10 active developers). Other apartment developers are generally smaller companies / private individuals who undertake a limited number of projects or smaller scale terrace / walk-up style developments.

The majority of apartment developments within the last five years have been within City Fringe locations, with developers focused on providing medium density projects (typically 5 storeys and less).

The key local players in the current market include:

Table 4: Key New Zealand residential developments

| | |
|---|---|
| Ockham Residential | Willis Bond & Co |
| Conrad Property Group | Love & Co |
| Urban Collective | Lily Nelson |
| Templeton Group | Lamont & Co |
| GN Construction | McConnell Property |

International players that are currently active in Auckland include Hengyi, Shundi, MRCB and 94 Feet.

Appendix [x] provides a more detailed analysis on these developers and their recent completed, active and pipeline projects.

**Call out box:** given the depth of the developer market, the Project will likely wish to consider opportunities to attract offshore players that may have the scale and balance sheet to undertake high density projects. This is considered in the procurement strategy and includes packaging options for the OSD, and residual land controlled by the Project, where the highest density development is expected to occur.

Build-to-rent projects are also a significant opportunity that the Project should consider attracting (even under the Urban Minimal Investment Option) which can be expected, in time, to deliver scale, density and rental product, and attract offshore capital. This may also provide a counter-cyclical hedge in market downturns where rental demand typically remains consistent, but off-the-plans presales are more difficult to achieve.

## 3.4 Commercial market - office

Prime and secondary office assets in Auckland have experienced a reduction in values over the last 18 to 24 months in response to rising interest rates and property yields and greater market uncertainty around future occupancy trends.

The high cost of development relative to market rents means that delivery of new offices in corridor is currently challenging, particularly in more suburban locations that lack critical mass and depth of demand at economic rents. While the Project will be a key catalyst for employment at urban and suburban station nodes, the timing of development and mix of employment uses needs to be carefully curated. However, quality developments in established locations, within the City Centre and fringe, for example, are expected to be more attractive in the short to medium term.

*Note: not all of the employment growth will result in demand for office space. New demand will also be generated for other uses such as retail, hotels, industrial, education etc.*

## 3.5 Commercial market - retail

Anticipated retail uses along the corridor are likely to be diverse, encompassing kiosk type retailers within the station box at some catchments, through to full retail precincts at some larger station developments (for example, Dominion Junction and Onehunga). Within these larger developments, retailers are likely to include hospitality type uses, e.g., cafes and restaurants, some specialty retail, along with potentially supermarket uses in some locations.

More discretionary 'High Street' retail may not be achievable outside of the larger station precincts.

As critical mass builds at the Project Land developments, this will likely help attract retailers. It is also important to consider that a successful mixed-use development will likely require a diverse mix of retail amenity.

## 3.6 The commercial developer (supplier) market

The "bookend" Urban Investment Options will require developers to deliver approximately 95,000 sqm to 135,000 sqm of commercial property in the corridor every year for the next 28 years.

Table 5: GFA of building required to be delivered per year to meet growth forecasts under the Urban Minimal Investment Option vs Urban Active Investment Option

| | Urban Minimal Investment Option | Urban Active Investment Option |
|---|---|---|
| Total growth in employment to 2051 | 85,300 | 122,100 |
| Implied / indicative GFA (based on Project conversion rate) | 2,650,000 sqm | 3,800,000 sqm |
| *Forecast period to 2051* | *28 years* | |
| Required delivery per annum (rounded) | 95,000 sqm p.a. | 135,000 sqm p.a. |

Analysis suggests that, based on average absorption of commercial buildings over the past

10 years, the corridor would need to capture around 11% (Urban Minimal Investment Option) to 16% (Urban Active Investment Option) of Auckland commercial development by building area per annum.

As with the apartment development market, the pool of active office developers in New Zealand is limited; there are likely less than ten specialist local scale office developers, albeit there are a number of larger developers who focus on mixed use asset developments with office (sometimes significant) components.

Table 6: Key New Zealand developers (commercial / mixed use)

| | |
|---|---|
| Precinct Properties | Willis Bond & Co |
| Mansons TCLM | Newcrest |
| Cooper and Company | Kiwi Property |
| Oyster Property | Stride |
| Hugh Green Group | Templeton Group |

Table 7: Key international developers present in New Zealand (developers / investors for commercial and mixed-use assets)

| | |
|---|---|
| MRCB | 94 Feet |
| PAG | Blackstone |
| CPPIB | PSP |
| GIC | Invesco |

**Call out box:** a significant amount of commercial development is anticipated within mixed-use developments along the corridor, particularly within the City Centre, New North Road and Airport catchments.

As with the apartment development market, the pool of active office developers in New Zealand is limited, albeit there are a number of larger developers that focus on mixed use developments with (sometimes significant) office components. An important consideration for the project will be opportunities to attract offshore players, who may be key delivery partners.

## 3.7 Growth Areas market context

While the Project will have full control over outcomes on the land it owns, including the mix of residential, commercial and other land uses, the total growth distribution and mix in the wider catchments will be a function of the market's response to the planning regime implemented and demand.

The following table illustrates the scale of the urban opportunity within the Growth Areas, including the indicative timeline for development.

Table 8: Scale of the urban opportunity within the Growth Areas and indicative timing

| Growth Area | Scale of opportunity to 2051* (bookend range, gross growth incl. baseline) | Indicative commencement (linked to transport staging) |
|---|---|---|
| City Centre | 16,200 to 22,000 households<br>53,400 to 67,200 jobs | Q4 2033 (10 years' time) |
| New North Road | 5,900 to 10,200 households<br>5,300 to 12,200 jobs | Kingsland Q2 2032 (8.5 years' time)<br>Dominion Junction Q4 2023 (10 years' time) |
| Balmoral | 3,400 to 6,400 households<br>-300 to 2,900 jobs | Q2 2032 (8.5 years' time) |
| Wesley | 5,700 to 8,400 households<br>1,600 to 3,700 jobs | Q2 2032 (8.5 years' time) |
| Onehunga | 4,800 to 5,600 households<br>400 to 2,500 jobs | Q2 2032 (8.5 years' time) |
| Māngere | 3,600 to 8,300 households<br>-100 to 2,400 jobs | Q1 2036 (13 years' time) |

*In terms of absorption rates for households and employment, it is expected that the majority of growth will occur post the completion of the rail. Absorption will be impacted by property market cycles and this risk will require further consideration at a future phase on a catchment-by-catchment basis.

Key 'market' characteristics of the Growth Areas are summarised in the following table. This is a high level, primarily qualitative summary. It highlights the diversity of the key catchments when considering:

- density of existing development
- relative market attractiveness (from a development perspective)
- extent of public land ownership
- existing public transport connections.

Lower density and less market attractive catchments may require intervention to ensure development outcomes align with the quality and density expected. Catchments with higher existing public land ownership present opportunities for catalytic public-led intervention.

Table 9: Key market characteristic of the Growth Areas

| Priority catchment | Dominant land use | Existing density | Market attractiveness | Public land ownership | Existing PT connectivity |
|---|---|---|---|---|---|
| City Centre | Commercial | High | High | Low | High |
| New North Road | Mixed use with a residential focus | Medium | High | Low | High |
| Balmoral | Residential (with shopping centre at Balmoral and some strip retail) | Low | High | Low | Low |
| Wesley | Residential (with strip retail) | Low | Low | High | Low |
| Onehunga | Residential (with town centre) | Low | High | Medium | Medium |
| Māngere | Residential (with town centre) | Low | Low | Medium | Low |



**Capacity analysis for the Growth Areas**

A critical consideration is whether there is sufficient capacity within the corridor to accommodate the forecast growth in households and employment through to 2051, under both the Urban Minimal Investment and Active Investment Options.

Two independent analyses were completed which confirmed that, with the exception of the City Centre, there is sufficient capacity in the corridor to accommodate forecast growth under both Investment Options. However, it is important to note that there may well be 'pressure points' within specific nodes within Growth Areas where Plan Changes or other planning interventions may be required to ensure potential demand can be met and the "right" kind of development is catalysed in order to achieve broader Project outcomes (e.g., apartments and mixed use).

Further detail on the capacity analysis completed is located in Appendix [x] of the Economic Case.

## 3.8 Market intelligence findings

Initial market intelligence sessions (a precursor to formal urban market soundings) were held jointly with the Transport Commercial Case across Australia and Zealand. The purpose of these sessions was to:

- understand the commercial, financial and station development elements of precedent projects; and
- understand lessons learned on these projects, particularly in relation to packaging and contracting, risk profile / allocation, systems integration and interface management.

Market feedback was wide ranging. Key observations included:

- A lack of transport and urban development (TOD) integration often impeded the ability to extract value and optimise urban outcomes.
- It is critical that upfront masterplanning is completed so that the market has a clear view of the role that a station has in the precinct urban form.
- Developers were comfortable with partnering, including with the public sector, Iwi / Māori and other private sector developers. Contracting via development agreements and/or joint ventures are generally well accepted procurement options.
- Client (Transport and / or Urban Delivery Entity) culture and structure is important for achieving project objectives, and requires:
    - high calibre resource;
    - clear, independent governance structures;
    - delegated authority to drive the project forward; and
    - a pragmatic and outcomes focused approach.
- Ensuring the right enabling infrastructure is planned and appropriately sequenced.
- In terms of land tenure, freehold is preferred. Prepaid leasehold has a level of precedence in Auckland, but this is a function of the quality / uniqueness of the site and location and the extent to which financiers are willing to fund non-freehold tenure. This may make non-freehold tenure challenging for non-central (suburban) sites.
- Visibility on a long-term pipeline of opportunities is attractive.

The market feedback has been considered in developing the procurement strategy in Section 4.

A full summary of the Market Intelligence is included in Appendix [x] of the Transport Commercial Case.

# 4. Indicative procurement strategy

The purpose of the Commercial Case is to set out the procurement arrangements for the Project's key activities. The level of detail required for IBC is high level; sufficient to provide decision-makers with an early view of key factors that may affect the commercial viability and to show the organisation is starting to think about procurement.

In the context of the UCC, the procurement strategy focuses on the approach for the land controlled by the Project under the Urban Minimal Investment Option, while considering the changes in approach that might be required if the highest growth option (Active Investment) is selected.

## 4.1 Context from the 2021 IBC

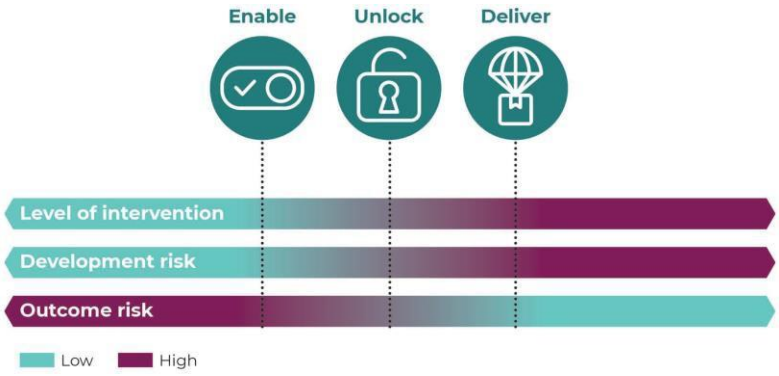
**Call out box:** the starting point for the procurement analysis is a review of the Urban Commercial work completed for the 2021 IBC. The conclusions and recommendations in relation to procuring urban development, as set out in the 2021 IBC, remain appropriate and valid for this UCC. This UCC builds on the 2021 workstream to develop a strategy to deliver the Urban Outcomes identified under the Urban Minimal Investment Option.

The 2021 IBC made some high-level recommendations in relation to urban development. The IBC stated that:

> *To achieve the investment objective of "unlocking significant urban development potential", an intentional Urban Development Programme is required. The range of urban interventions that support and/or inform the Urban Development Programme occur at three fundamental levels:*

1. **Enable urban change:** creating an environment or platform for change ("light hand"). e.g., planning and zoning for appropriate densities and urban form outcomes, identifying and communicating opportunities, and integrating with existing and planned supportive initiatives.
2. **Unlock urban change:** selectively influencing change ("light to medium hand"). e.g., strategic property acquisitions to facilitate access and development opportunities, small scale catalytic investments e.g., land aggregation, critical transport connections and place-making initiatives.
3. **Deliver urban change:** directly procuring, contracting or delivering change ("directive"). e.g., development briefs or agreements for strategic sites, risk sharing or partnership arrangements and direct intervention.

Figure 7: Enable vs unlock vs deliver (Source: 2021 IBC)




## 4.2 Procurement strategy summary

### 4.2.1 Overview

Under the Urban Minimal Investment Option, the procurement approach for urban development anticipates:

- The Project focusing on procurement of Urban Outcomes on the land it owns within the Growth Areas. This comprises the six catchments identified as likely to experience significant urban change, based on the extent of significant private and public sector urban regeneration opportunities and their capacity to delivery scale urban outcomes.
- The procurement for the Project Land being undertaken within the Transport Delivery Entity through an 'Urban Enabling Function'; a functional unit within the transport entity. This will be essential as a minimum step to ensure a clear governance structure, mandate and the alignment of transport and urban delivery outcomes.
- The Urban Enabling Function within the Transport Delivery Entity leading masterplanning and enablement for the Project Land and taking development-ready opportunities to market to procure targeted homes, jobs and other Urban Outcomes that have been identified by the Project.
- Exploring opportunities to package the procurement of OSD opportunities alongside the stations.
- The balance homes and jobs (outside of the Project Land) being developed by the market on land controlled by the private sector (or potentially other public sector entities e.g., Kāinga Ora and Eke Panuku), but with integrated master planning and urban enabling infrastructure investment around the Project Land within the Growth Areas.
- Nil Urban Interventions being made at an overall corridor or individual catchment level. The housing and employment demand modelled by the Project can be met under existing zoned development capacity, with the exception of the City Centre.
- Urban enabling infrastructure will be led by partner organisations and the private sector under BAU arrangements within their existing mandates. It is expected that the Project would work closely with these entities to ensure optimal outcomes and efficiency in respect of Urban Enabling Infrastructure are achieved.

For the sake of clarity, it is assumed that the Urban Enabling Function within the Transport Delivery Entity, under the Urban Minimal Investment Option **is not** a fully mandated UDA type entity and does not have:

a. compulsory acquisition powers for urban regeneration purposes;

b. the ability to direct development controls and fast track approvals;

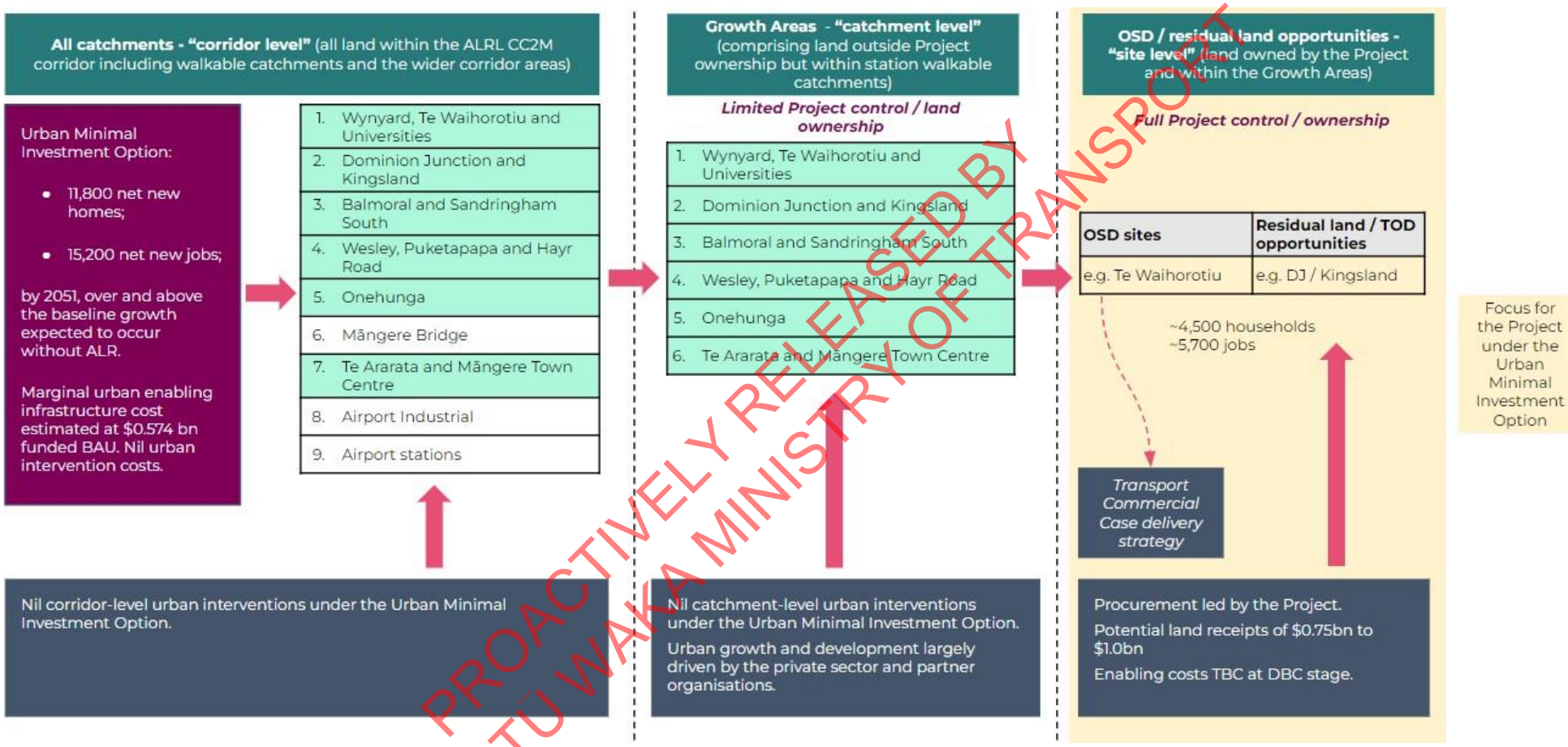
c. or the ability to deliver urban enabling infrastructure (including the ability to borrow to fund infrastructure, powers to levy charges to cover infrastructure costs).

Notwithstanding the above, the Urban Enabling Function should have a mandate to make strategic land acquisitions ("off and on market", arm's length) for sites adjoining or proximate to the Project's existing landholdings and where these acquisitions would provide agglomeration benefits for the urban outcomes. This will require access to a balance sheet.

A higher growth option such as the Active Investment Option would likely benefit from a fully mandated Urban Delivery Entity e.g., an entity under the Urban Development Act (UDA). It may require new legislation (or significant change to existing legislation) together with a significant balance sheet and internal resource / capability. This option will require further consideration at a future stage once a decision is taken on the scale of urban development to be targeted.

The following diagram provides a high-level summary of the procurement approach under the Urban Minimal Investment Option.

Figure 8: Segmenting procurement "levels" under the Urban Minimal Investment Option






Note: under the Active Investment Option, which considers significantly higher Growth facilitated by Urban Interventions (some of which might be led by the Project), the Project might play a wider role in securing Urban Outcomes beyond the land it owns by operating in the "corridor" and "Growth Area" columns in the diagram above.

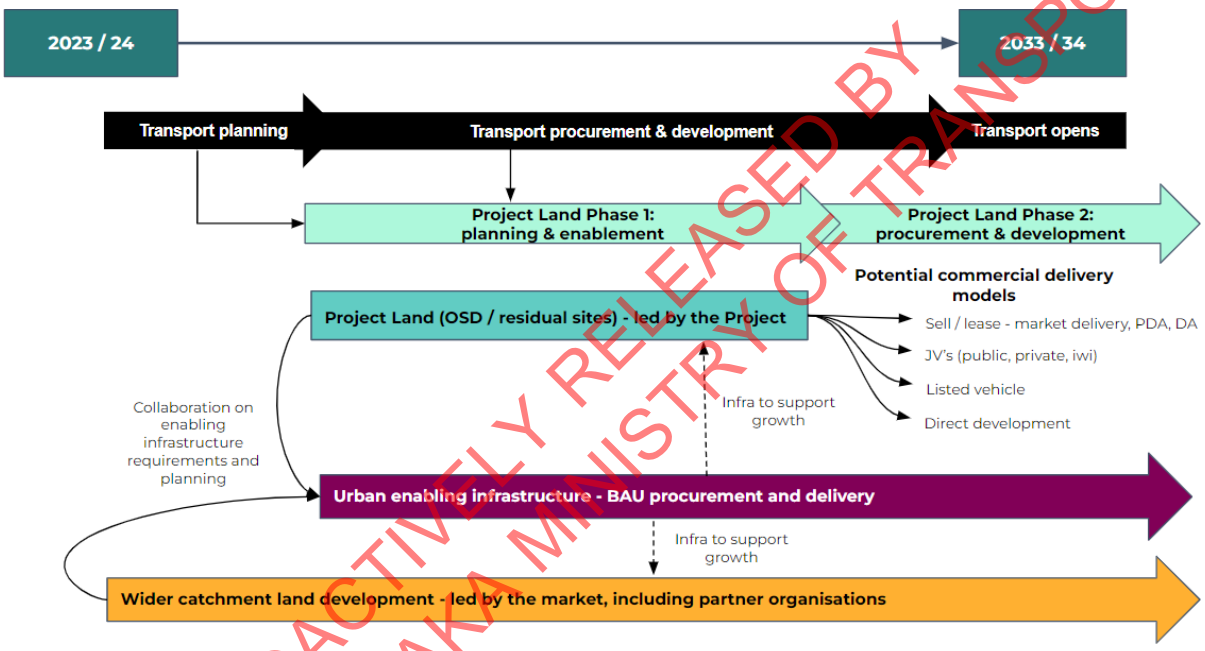
### 4.2.2 Two urban phases (under the Urban Minimal Investment Option)

While much of the urban development will occur after the transport construction is complete, in the interim, the Project has significant work to undertake in order to plan and enable the land it controls.

The following diagram conceptually sets out the concurrent transport and urban planning and procurement phases, with a focus on the land controlled by the Project.

The planning and enablement of these opportunities precedes the next phase of the delivery strategy, which involves the Project taking the opportunities it controls to market for development delivery, which is likely to occur closer to completion of the rail infrastructure. Importantly, delivery of the Urban Outcomes will extend significantly beyond completion of the transport.

Figure 9: Urban procurement and delivery, indicative timeline (conceptual)




### 4.2.3 Supplier services required from the market

Under the Urban Minimal Investment Option, the urban services that the Project may need to "go-to-market" for are multi-faceted and include, for example:

- Detailed Business Cases for specific station catchments (or an Urban Programme Business Case).
- Masterplanning and design for OSD and residual land the Project owns.
- Integration with masterplanning and design for wider station catchments led by third parties.
- Land enablement / development for Project land.
- Collaboration with third parties on urban enabling infrastructure.
- Procurement of development on the Project land, including integration with the transport.

### 4.2.4 Development procurement and delivery options for Project Land

The Project land reflects a significant revenue opportunity. It is estimated revenue of $750m to $1b land sales ($ 2023)[2] could be generated from the Project land assuming the sale of unencumbered freehold interests that allow development to highest and best use, post completion of the stations and the associated land value uplift forecast.

Under either Investment Option, there are a number of ways the Project could procure development on these sites, ranging from a "straight sale" (as described above) through to directly developing the sites itself.

A shortlist of preferred procurement options needs to be tested through the market sounding process and then will need to be revisited at individual station-level DBCs.

Given the extent of the Project-controlled land opportunities, there is the potential to utilise more than one commercial procurement model.

**Spectrum of procurement options considered**

There are five primary commercial models that could be utilised to procure development for the Project Land.

These models have varying degrees of risk, return and capital requirements, together with varying degrees of expertise / resource required for execution.

These models include:

1. **Selling the land 'as is'** e.g. with no requirements around outcomes or timing of development. This option has the lowest risk, resource and capital requirement. There are, however, non-direct Project risks, such as Urban Outcomes not being delivered, given the vendor typically has no (or limited) control over outcomes post settlement.
2. **Selling the land following 'enablement'** e.g., with site infrastructure developed and with Resource Consent in place. This option requires additional capital and resource (e.g., to fund site infrastructure, complete preliminary design work and secure consents) but is also a relatively low risk option which has the potential to generate added value / return through de-risking projects for the market (provided the proposition is market attractive).
3. **A contractual joint venture** which is effectively a Development Agreement (for a single site) or Project Development Agreement (for multiple sites within one contract) with a development partner. A contractual JV is the most common commercial procurement model for public sector entities on urban regeneration projects in New Zealand and Australia. It is a capital efficient model for the public sector to procure development outcomes without requiring significant internal expertise / resource. This approach would typically involve the enabling work detailed under the enablement option above, together with more detailed masterplanning. The DA or PDA typically embeds detailed (or minimum) requirements around outcomes, milestones, land payment structure and timing, default provisions and risk allocation. This model provides access to third party resource, capability and capital while the majority of the risk (development) is transferred to the partner. This model does expose the landowner to some market related risk.
4. **An equity joint venture** with a partner. The equity JV results in exposure to full development / market risk, albeit with a lower capital requirement (than direct delivery / development). In the context of the Project, this would likely reflect the OSD, and

[2] This analysis does not yet consider the costs to plan and enable these opportunities, which would form part of future phases. Some of these costs would be partially offset by any holding income that could be generated by the land before it is developed. A full summary of the OSD and residual land analysis can be found in Appendix [x].

residual land being contributed to a JV as equity, with a partner providing the development capital / expertise.

5. **Direct delivery** of development. This model is the most capital-intensive option and results in exposure to full development risk (design, construction, escalation, market) albeit without the counterparty risk of an equity JV. It requires significant internal capability to deliver but has the ability to generate the highest absolute return. In the context of the Project, this would require a significant balance sheet, high risk tolerance and attraction of experienced resource / capability.

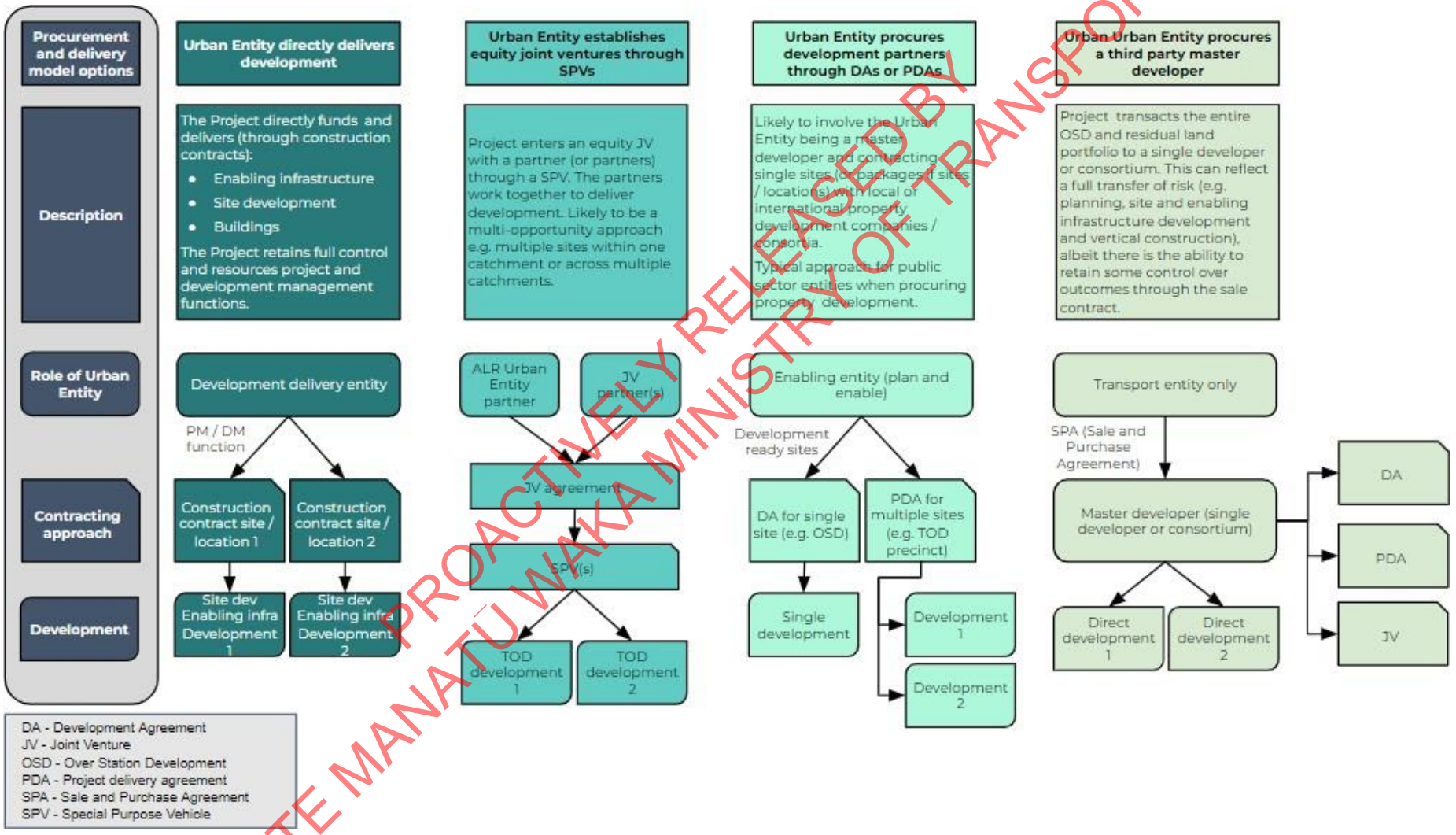
Figure 10: Conceptual risk profile for commercial development procurement models


While not linear, the higher risk commercial models typically require greater capital, but also have the potential to generate higher returns (with higher risk).

The following chart sets out additional detail on four potential commercial procurement models considered for the Project controlled land:

1. Direct delivery of urban development by the Project
2. Equity joint venture (assuming the Project land is contributed as equity).
3. Development Agreements or Project Development Agreements (contractual JVs).
4. Sale of the Project land to a third-party master developer (public or private sector).

Figure 11: Potential development procurement / delivery options for the Project Land



**Preferred commercial procurement model**

Ultimately, the Project does not need to select a single / preferred procurement model at this point. This decision can be made at a future phase, once the preferred Urban Investment Option (level of growth targeted) has been identified, as this may affect the functions of the Urban Delivery Entity and the procurement approach adopted.

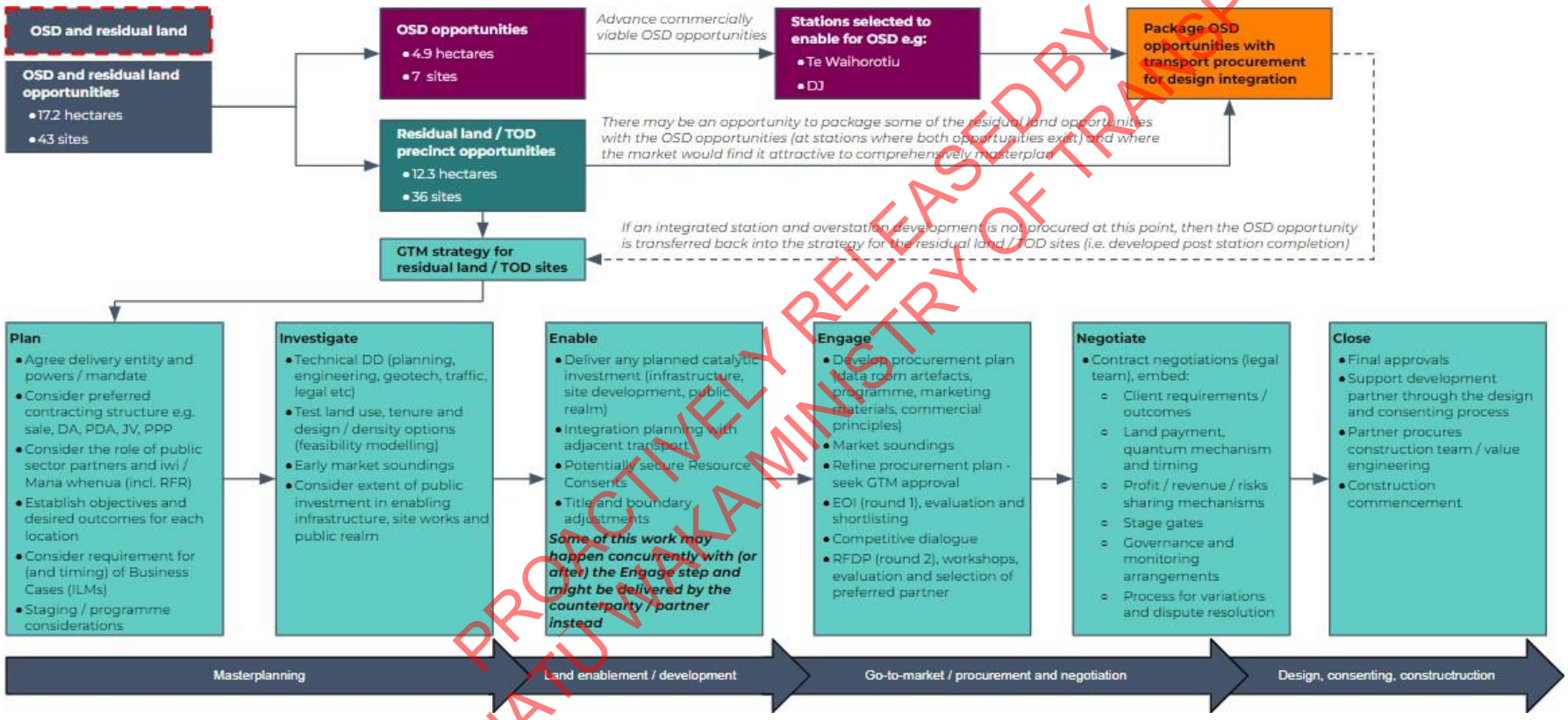
It is also highly likely that the Project would utilise more than one model, given the extent of the landholding which covers a range of markets which are likely to require different responses / approaches to development. Retaining flexibility at this point is important.

On the basis, however, that the Urban Minimal Investment Option is the focus of the UCC, and to inform the latter discussions in this section, the Development Agreement model has been identified as a thoroughly tested and likely the most market attractive option.

Most public sector urban development entities in New Zealand do not extend their urban development participation beyond Development Agreements. The next 'step' into equity JV's or direct delivery reflects a significant increase in capital requirements, risk tolerance and (at least to some extent) internal resourcing. In the context of the Urban Minimal Investment Option, Development Agreements can provide access to development capability and balance sheets, while limiting risk exposure.

**The following diagram steps through the process the Project might consider when "going to market" to procure development on the land it controls.**

Figure 12: OSD and residual procurement strategy and required functions.



### 4.2.5 Summary of the procurement approach for the Project Land under the Urban Minimal Investment Option

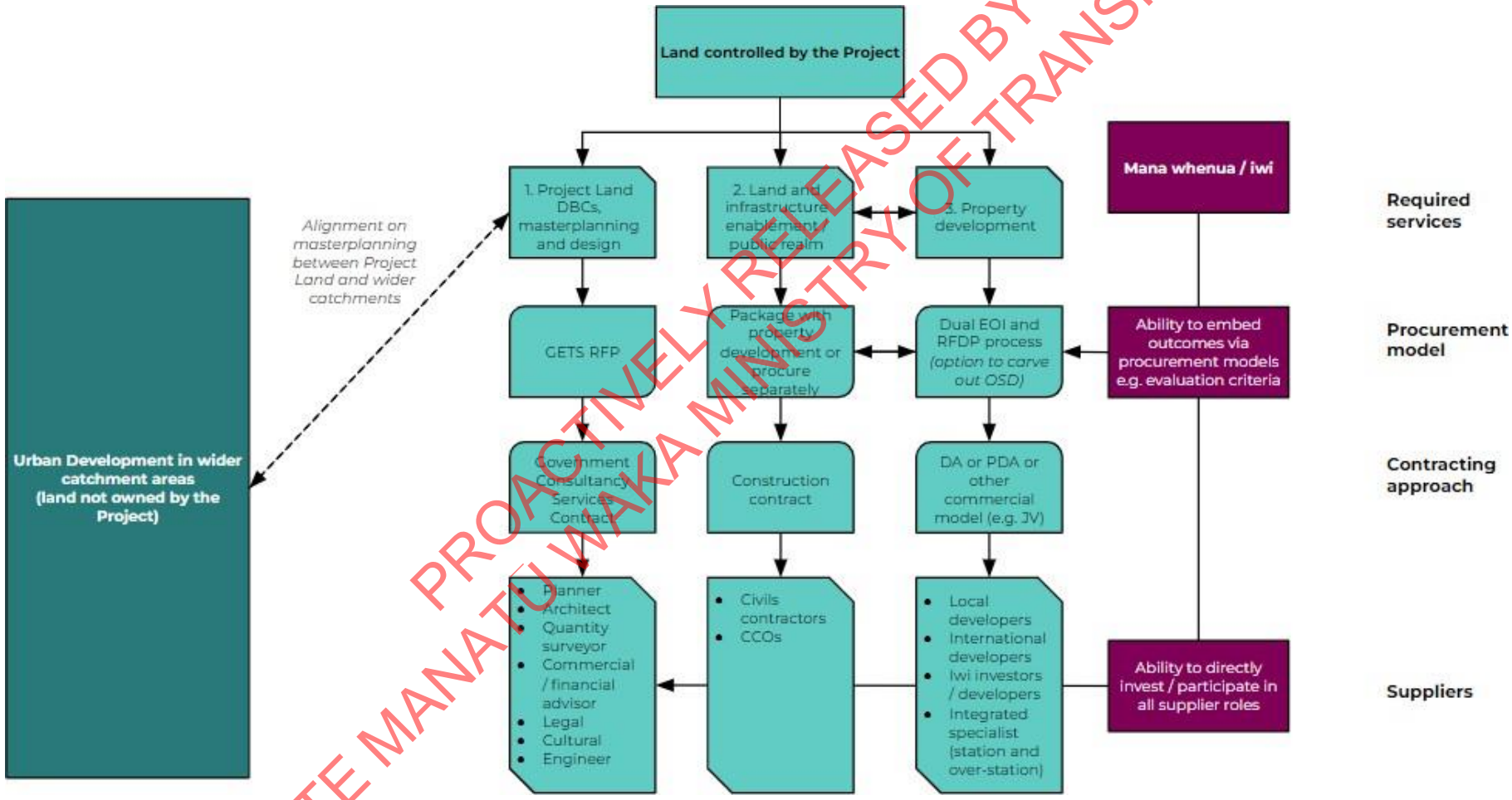
The following table summarises the indicative procurement strategy for the land controlled by the Project.

Table 10: Summary strategy for procurement of 'suppliers' under the Urban Minimal Investment Option

| Urban component | Commercial viability | Required services | Procurement model | Suppliers (the market) | Key contract provisions | Potential payment mechanism |
|---|---|---|---|---|---|---|
| **Project Land - OSD and residual land opportunities**<br>Led by the Project, through its Urban Enabling Function.<br>Includes the land it owns and controls.<br>Assumes supply of development ready lots to market which, in some cases may require the Project to take on the role of 'master land developer'. | The Project Land is (in most locations) highly market attractive given proximity to the proposed stations and locations that fall within high-demand Auckland suburbs.<br>The OSD components are unique opportunities and require careful integration with the transport / station development.<br>A scale pipeline (multiple sites / opportunities) would likely be required to attract new offshore developers. | Project Land DBCs, masterplanning and design<br>Land and urban infrastructure enablement, delivery of public realm, property development delivery (including transport and station integration). | Led by the Project.<br>Consultant teams for DBCs and masterplanning / design work procured via standard government contract for consultancy services using an RFP process.<br>Land and infrastructure enablement and development of the public realm could be packaged with the transport / station delivery or carved out as a separate package(s). Procured via construction contracts.<br>Working assumption of Development Agreements (DAs) / Project Delivery Agreements (PDAs).<br>Two-stage Expressions of Interest (EOI) and Request for Development Proposals (RFDP) process for property development opportunities. Ability to procure single sites, or entire precincts or multiple stations.<br>Option to 'carve-out' OSD opportunities and procure with associated stations for an integrated development outcome. | **Iwi developers and investment partners**<br>**DBCs / masterplanning:**<br>Consultant team of: planner, architect, legal, commercial / financial, cultural, engineer etc<br>**Land enablement:**<br>CCOs (e.g., three waters)<br>Civils contractors<br>**Property development:**<br>Development partner(s), local or international development experts (including OSD specialists), | **DBCs, masterplanning: e.g:** standard Government Consultancy Services contract.<br>**DA / PDA e.g:**<br>Development objectives and minimum requirements<br>Programme / milestones<br>Governance structure<br>Remedies / dispute resolution / risk management<br>Revenue / profit sharing options | Payment mechanism for the Project Land has a range of options e.g., sale of unencumbered freehold interest up front vs deferred settlement, or leasehold tenure, for example. Air rights could also be traded for delivery of a station, for example. These options need to be explored at the DBC phase. |

The following chart summarises the required services, potential procurement models, contracting approach and supplier market for the OSD and residual land controlled by the Project.

Figure 13: Illustrative framework for delivery of Urban Outcomes under the Urban Minimal Investment Option



### 4.2.6 Programme and staging

The indicative programme and staging of the rail infrastructure will substantially influence the delivery timing for urban development.

While OSD development controlled by the Project will in most cases need to be directly integrated with station construction, development of the residual land controlled by the Project and the land within the wider catchments (owned by third parties) will typically be delivered over time to align with demand and market feasibility.

Figure 14: Overall transport staging


Figure 15: Transport staging relative to commencement dates for Growth Areas (and timing of OSD opportunities)

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Transport staging (Option C)** | | | | | | | | | | | | | | | | | | | | | |
| Design and procurement | | | | | | | | | | | | | | | | | | | | | |
| Stage 1a - Depot to Wesley | | | | | | | | | | | | | | | | | | | | | |
| Stage 1b - Wesley to Kingsland | | | | | | | | | | | | | | | | | | | | | |
| Stage 2 - Kingsland to Aotea | | | | | | | | | | | | | | | | | | | | | |
| Stage 3a Onehunga to Māngere TC | | | | | | | | | | | | | | | | | | | | | |
| Stage 3b - Māngere TC to Airport | | | | | | | | | | | | | | | | | | | | | |
| **Growth Areas Year land available for development based on transport staging** | | | | | | | | | | | | | | | | | | | | | |
| Te Waihorotiu / Universities | | | | ★ | | | | | | | | | | | | | | | | | |
| Kingsland / DJ | | | | ★ | | | | | | | | | | | | | | | | | |
| Balmoral / Sandringham | | | | | | | | | | | | | | | | | | | | | |
| Wesley / Puketapapa | | | | | | | | | | | | | | | | | | | | | |
| Onehunga | | | | | | | | | | | | | | | | | | | | | |
| Te Ararata / Māngere TC | | | | | | | | | | | | | | | | | | | | | |

★ Possible early developer procurement to enable integrated design of station with OSD

## 4.3 Mana Whenua opportunities and approach

### 4.3.1 Overview

[Note: Mana whenua leadership have not been engaged at this stage of UCC drafting]

The Project has considered a range of investment opportunities for Iwi and Mana Whenua partnership; these can be grouped into two approaches:

- Pre-market engagement with Mana Whenua and iwi investment groups to provide an opportunity to submit an expression of interest for urban development.
- Development of bid evaluation criteria that include a material weighting to bids that include investment structures and participation provisions for Mana Whenua and iwi investment groups.

These approaches are broadly consistent with wider government initiatives and are increasingly being adopted in New Zealand. There are a wide range of deal structures capable of being evolved to facilitate Iwi partnerships.

The 'Māori economy' is rapidly growing as iwi entities establish significant balance sheets and engage in investment partnerships on a range of investment and development opportunities. Investment objectives are typically long term and well aligned with the intergenerational nature of the ALR project and its targeted urban development outcomes.

Positioning deal structures to ensure they also align with the requirements of international investors and developers will be important; feedback from the market intelligence sessions was that local and offshore developers are open to working with indigenous groups in a development context and have a track record in doing so.

**Call out box:** nationally, Iwi/Māori entities are leveraging their collective assets and deploying capital to bring large-scale projects to fruition and provide inter-generational returns for their future descendants. Examples include Te Puia Tapapa (TPT).

TPT brings together 26 Iwi and Māori entities to establish the first scale Iwi/Māori direct investment fund of circa $115m for co-investment in large scale businesses and assets. Increasingly, co-development partners include international partners i.e., Halcyon Power Ltd is a 50/50 joint venture between Tuaropaki Trust and Obayashi Corporation of Japan to produce green commercial hydrogen.

### 4.3.2 Background and context

Te Rautaki Huanga Māori (Te Rautaki) 2021 was developed for the IBC and endorsed by 11 out of 15 Mana Whenua leaders. It outlines the engagement undertaken by ALR Ltd and the outcomes and commitment to establishing genuine and enduring relationships with Mana Whenua and Māori and ensure outcomes for success. Te Rautaki Māori is te tūāpapa or foundation for the Te Tiriti Partnerships within the Project and for integration across all work programmes.

Te Ōhanga Māori - the Māori Economy work programme builds on the economic opportunities outlined in Te Rautaki. This includes commercial partnerships and investment, procurement, capacity and capability building for Māori and pakihi Māori (Māori Business) identification and development.

Māori rights and interests in ALR derive from Te Tiriti o Waitangi which sets the relationship between Māori and the Crown. Cabinet outlined expectations for the Māori-Crown relationship in ALR's establishment. In particular:

- the need to partner with Māori in ALR reasonably, honourably and in good faith. This includes taking positive steps to ensure that Māori rights, roles and responsibilities are protected;

- that Māori and the Crown receive the necessary assurance that the Crown's Treaty obligations are being met;
- that ALR represents a significant opportunity to make a step change in how Māori and the Crown work in partnership on major projects by embedding practices that move from engaging to empowering Mana Whenua.

The Crown principles of Protection, Partnership and Participation sit alongside the values of Mana Whenua for rangatiratanga and kaitiakitanga, amongst other matters, as outlined in Te Rautaki Māori.

Genuine partnership is described as:

- establishing authentic and enduring relationships including governance and decision-making;
- Mana Whenua ability to influence key decisions as partners;
- driving positive social, cultural, environmental outcomes for Māori;
- early engagement and resourcing.

### 4.3.3 Embedding outcomes through urban development procurement

To give effect to Te Tiriti o Waitangi, partnering and empowering Mana Whenua, a suitable approach or principle is expected to be provided to the 15 Mana Whenua with interests in the corridor. This 'Partnership Interest' will enable a priority access right for the opportunity to invest.

The Partnership Interest can:

- afford mana whenua with a 'head start' on the market with a non-exclusive right to potential mana whenua investors in the EOI process that is timebound;
- include other EOI weightings to capture broader outcomes and support relationships between mana whenua and other commercial partners;
- continue to provide for the market tension required as this is timebound and non-exclusive;
- also be applied to other areas in procurement such as evaluation.

The approach to embedding this 'Partnership Interest' principle will be the subject of further work to be incorporated into future phases of work.

For clarity and avoidance of doubt, this Partnership status or Interest would be afforded to Mana Whenua for investment purposes only. It excludes any Cultural or RMA mitigation packages that impact on Mana Whenua values, and implementation of Treaty of Waitangi settlements.

### 4.3.4 Urban investment, development and partnership opportunities

Mana Whenua and the Māori economy (Māori investment entities outside of Tāmaki Makaurau) present a unique opportunity for ALR to attract 'patient' capital (i.e., 50–100-year horizons). Mana Whenua have a long relationship with Tāmaki Makaurau and for a Mana Whenua investor, this is enduring.

Mana Whenua are already significant contributors to the Tāmaki Makaurau investment landscape with various large-scale investments. They bring a long-term positive perspective to investments that align with major infrastructure projects like ALR, with its long-term intergenerational approach. It can be considered a positive attribute for ARL.

The Project has noted that Mana Whenua:

- have unique and established relationships with ALR and wish to fully leverage investment opportunities with ALR (direct and indirect);
- as Strategic Investors will continue to invest in enabling infrastructure;
- can attract capital from the wider Māori economy;
- as long-term investors, can make long term financial returns while delivering community outcomes.

The Project has developed a range of Partnership Status mechanisms that could be afforded to Mana Whenua

## 4.4 Securing targeted urban development for OSD and residual land opportunities

TBC for 100% version of UCC for each OSD and residual land site. In the interim, please refer to the OSD and residual land report in Appendix xx which considers potential revenue from these opportunities.

## 4.5 Contract Provisions

TBC for 100% version.

## 4.6 Contractual Issues and Accountancy Treatment

TBC for 100% version.

## 4.7 Potential Payment Mechanisms

TBC for 100% version.

## 4.8 Market Engagement

TBC for 100% version.

# 5. Risks and mitigations

## 5.1 Risks and mitigants: Project land opportunities, under the Urban Minimal Investment Option

Urban development is capital intensive and inherently risky, vulnerable to a wide range of factors including market cycles, input costs, programme delays and counterparty covenant strength, all of which can disrupt delivery of the targeted urban outcomes.

The following table provides a high-level summary of risks and mitigants in achieving the targeted urban development outcomes. The table relates to land the Project will own and assumes the Urban Minimal Investment Option.

Table 11: Risk identification and mitigation, OSD and residual land assuming Urban Minimal Investment Option

| Potential urban commercial risks under the Urban Minimal Investment Options | Risk description | Mitigants |
|---|---|---|
| **The urban function within Transport Delivery Entity lacks a clear mandate** | Market does not have confidence that the Project can contract on opportunities, undermining procurement processes.<br>Duplication of functions cf. other organisations (Eke Panuku, Kāinga Ora).<br>Unclear role for the Project beyond OSD / residual land in wider catchment areas.<br>Managing objectives of transport team vs urban team internally. | Clear mandate established and roles / responsibilities cf. partner organisations clearly defined - e.g., place based focus within the ALR CC2M corridor.<br>Mandate and delegated authority to market and transact sites.<br>Internal alignment on prioritisation between transport and urban outcomes. |
| **Inability to consolidate land** | Strategic acquisitions are desirable to enhance the residual transport land development opportunities (e.g., Kiwi Bacon), however, the Project is unlikely to have compulsory acquisition powers for urban purposes and will be competing with developers for sites. | Early identification of target sites and estimate of value (including "marriage value").<br>Funding and mandate secured for negotiation of off-market transactions and bidding for on-market opportunities. |
| **Poor transport and urban interface / integration** | Managing the trade-offs between transport requirements (including value engineering) and maximising urban opportunities / outcomes. | Alignment of incentives.<br>Key performance indicators (KPIs)s for transport could include responsibility for optimising urban value.<br>Early involvement of the developer market in OSD opportunities and consideration of joint / concurrent procurement for these stations and the OSD. To be considered on a site-by-site basis. |
| **Unfavourable market cycles** | Opportunities ready for market when development conditions are not favourable.<br>Delay in land receipts to support Project funding where sales cannot be achieved.<br>Land receipts are less than forecast due to market conditions at the time of sale. | Allow flexibility in contracts e.g., deferred land settlement, ability to pause at certain gateways.<br>Programme to consider competing development (e.g., Maungawhau vs DJ - managing timing and absorption risks). |

| Potential urban commercial risks under the Urban Minimal Investment Options | Risk description | Mitigants |
|---|---|---|
| **Lack of market interest outside of the "blue chip" sites** | Potential that the market is less interested in the urban / suburban opportunities, particularly where higher density is being sought relative to the existing urban form. | Early market soundings to test proposed configuration / density with the market.<br>Clear procurement process and robust negotiation strategy.<br>Incentivise, if necessary, e.g., deferred land settlement, planning bonuses / concessions, Crown pre-commit / underwrites, packaging opportunities. |
| **Development outcomes not delivered** | Market unwilling to deliver the scale and density targeted in particular locations.<br>Lack of depth in the development market to deliver targeted volume within target timeframes.<br>Development partners do not deliver on commitments. | Embed targeted outcomes in contracts.<br>Incentivise per above.<br>Step-in rights / remedies if contracted outcomes are not delivered.<br>Target sophisticated offshore developers' capital / new entrants with TOD experience (pipeline required). |
| **Inadequate site infrastructure** | Lack of urban infrastructure capacity to accommodate the scale / density of development targeted on the OSD and residual land sites.<br>Resulting in unforeseen or additional costs / work that requires direct project funding or results in delays until service providers have programmed the required works. | Early assessment of capacity constraints.<br>Coordination by the Project's urban function with partner organisations to prioritise infrastructure enablement for key development sites. It will be 10+ years until most sites will be ready for development; this period is critical to programming the requisite infrastructure enablement / upgrades. |
| **Poor delivery of public realm** | If there is an obligation for development partners to deliver the public realm, this may result in risk-pricing of land. There is also the potential that the outcomes are not aligned with the expectations of the Project or other stakeholders. | Early assessment of which party is best placed to procure and deliver this work. Consider other Auckland / NZ precedents. |
| **Delays in the consenting process** | Delays in the consenting process result in additional costs / rework for developers and / or result in developers being unwilling to participate. | Consider early Resource Consenting by the Project for 'bulk and location'.<br>Potential fast-track process for development within the corridor. |
| **Adverse impact on the Project's social licence** | Negative impact on adjoining landowners from property development, particularly where this extends beyond the transport construction. | To the extent possible, align the timing of transport and vertical development as closely as possible.<br>Consider interim uses to activate sites, and a well-planned and transparent communications plan. |

# 6. Next steps

Post the transport investment decision, further urban analysis will need to be completed in order to support a decision on whether urban growth beyond the Urban Minimal Investment Option is sought.

This will inform the further next steps, particularly in relation to the role of an urban delivery function beyond the Project Land. In the event that a higher growth option is to be targeted, this will inevitably carry with it a requirement for access to materially more substantial capital and delivery resource capability (on the basis the Project would be responsible for delivering Urban Interventions and might play a more active role in the wider catchments beyond the land it owns). This would be assessed at a future phase of work. The following diagram (overleaf) is illustrative and identifies potential next steps under the two "bookend" options:

1. **Urban Minimal Investment Option:** an Urban Delivery Function within the Transport Delivery Entity which plans, enables and procures the OSD and residual land opportunities, but only plays a collaboration / partnership role in the wider catchments.

2. **Active Investment Option:** a fully mandated UDA type entity (Urban Delivery Entity) is established (separate from the Transport Delivery Entity) which leads the OSD and residual land opportunities (per 1 above) and plays a more significant role in the wider catchments, including in relation to the Urban Interventions required to support higher growth.

In the event that a decision is taken to pursue a higher urban growth option, options for a separate Urban Delivery Entity will need to be assessed in detail (this is specifically addressed in the [Management Case]).

Market Engagement will need to be completed to fully test the commercial viability of the proposed procurement approach and to confirm that the urban benefits of the project are realisable, however:

- Economic modelling has identified material incremental demand (in housing and employment) as a result of the standalone transport investment.
- Project analysis has confirmed there is sufficient development capacity under current planning constraints to accommodate demand in most catchments, under both Urban Investment Options.
- There are tested and market-attractive procurement models for TOD development in Australasia applicable to the Project Land. The nature of the entity that is responsible for this procurement will need to be aligned to the scale of Urban Outcomes targeted.
- There is an established residential and commercial development market in New Zealand, however, the depth of this market is limited and potentially presents a risk to commercial viability that will need to be mitigated (potentially by attracting offshore capital and capability).

Figure 16: Next Steps for urban under Urban Minimal Investment Option vs Active Investment Option