

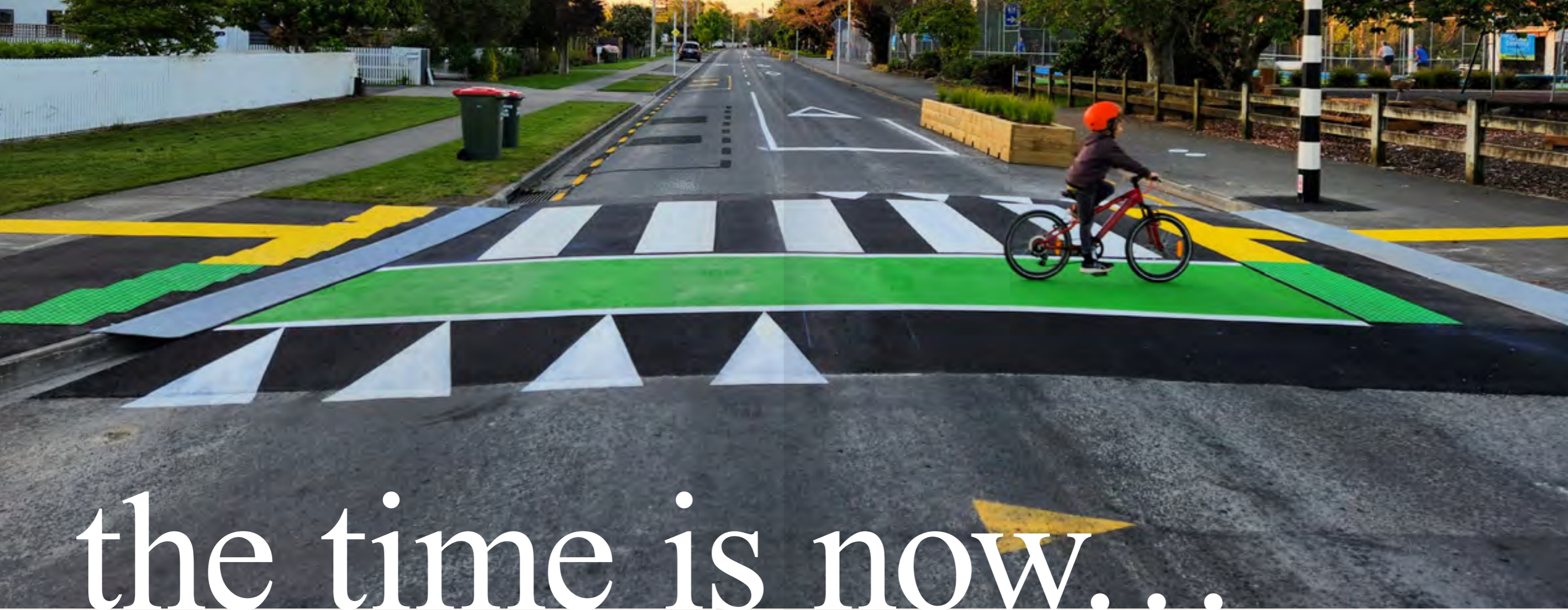
ARUP

UDINZ 

Urban Development Institute of New Zealand

growth

Strategic Growth Corridors:
a mechanism for funding transport infrastructure



the time is now...

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Strategic growth corridor planning in New Zealand offers a transformative opportunity to align land use and transport, fostering sustainable development, creating value, and delivering long-term economic, social, and environmental benefits.

Harriet

Harriet Dempsey
Principal, Advisory and Cities,
Planning and Design Leader, Arup

Urban development that delivers amenity for residents within a growth corridor and considers impact, comprehensively on all parts of the ecosystem, is most likely to attract private capital.

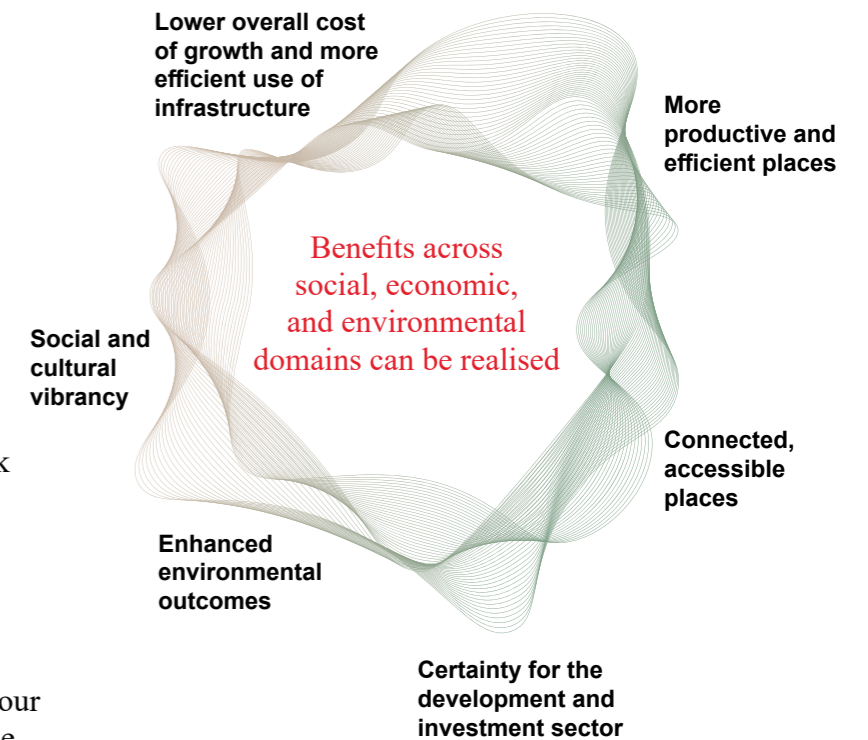
Adrienne

Adrienne L Miller
Chief Executive Officer, UDINZ



Executive Summary

New Zealand’s housing, urban development, and transport systems are under strain. Development and infrastructure delivery is struggling to keep pace with growing population demands.



The success of our urban places is at risk due to growth patterns that have locked in an inefficient use of infrastructure, including car dependency, and its associated challenges to productivity, accessibility, and the environment.

Traditionally, New Zealand’s growth in our major urban areas has tended to prioritise lower density development that make it harder to justify infrastructure investment. This type of growth pattern increases the whole of life costs of infrastructure (costs per dwelling are more expensive).

Central and local government are currently trying to forge new pathways in infrastructure planning, funding, financing, and delivery to accommodate growth, and ensure that the infrastructure networks can remain resilient for future generations.

This paper looks at how a strategic growth corridor approach to land use and transport planning could provide a framework to solve these urban issues. A strategic growth corridor is land allocated for the integration of a high-quality transport system that supports and enables intensified, mixed-use urban development.

Executive Summary

Policy environment

Central and local government agencies are seeking to change the way the private and public sector plan for and deliver housing, urban development, and infrastructure. There is a push to enable more housing in existing urban areas.

There is also a strong mandate to close the infrastructure deficit and strengthen our national approach to transport infrastructure delivery to ensure a more coordinated model that embeds efficiency, value for money, and resilience.

Current approaches to growth funding

While central and local government plan for a more robust, proactive, and efficient land use and transport system, planning and funding tools need to be questioned in their efficacy to produce the types of outcomes communities are looking for. When we consider the New Zealand context broadly, we see that current tools have been limited in their capacity to meet these goals.

There are a number of challenges with the local DC model. It is unresponsive to unplanned or out of cycle growth, can operate as a disincentive for development, and lacks capacity to support transport's role as a change agent for cities, urban development, and public realm.

But there is much more to this picture than just the tools deployed and a value capture transaction (in whichever form) between landowner / developer and council. Value creation and value capture models are being investigated as a potential solution for capturing the benefits of growth from the key beneficiaries. However, beyond the proposed value capture transaction, there is a complex ecosystem that needs to consider the broader drivers and impacts on all participants.

These include:

Central Government

Shape policy for urban growth direction and fund nationally and regionally strategic transport infrastructure to catalyse growth.

Local Government

Set long-term visions for city and regions and shape policy and plans that achieve these outcomes (including financing and security).

Banks and investors funding urban development

Weigh up their return on investment based on complexity and development risk.

Developers

Respond to market demand to shape and deliver a product that achieves ROI within the constraints of their lenders and the regulatory environment.

Consumers

Make decisions to purchase or rent weighing up many personal/organisational choices including location, price and lifestyle.



Operationalising strategic growth corridor planning through value creation / value capture

Changing the way we plan for and charge for growth can help us transition towards a more mature approach to city building. A value creation and value capture model in conjunction with strategic growth corridor planning could be a way forward. This approach will direct growth in the right places while using the catalytic potential of transport investment to provide wide-ranging 'value' benefits to a city and its users, where timing is aligned.

By creating value within a strategic corridor through the investment, we open up options for funding and financing growth. Where timing is aligned, a value capture tool can be applied to redirect some of the uplift in value from more intensity and enhanced amenity once delivered back to the entity that invested.

A value creation/value capture model embedded through the lifecycle of a strategic growth corridor optimises co-benefits through investment.

Hobsonville, Tāmaki Makaurau
Auckland © Alex Wallace

As well as the explicit costs of investing in and servicing infrastructure, historical growth patterns have led to a range of extra social and environmental costs compared with a coordinated and compact land use and transport approach, including:

- Increased congestion costs and strains on the transport network by requiring more people to travel from distances, more frequently, to access core services an activities. This also limits the economic performance of our cities by reducing productivity.
- Higher greenhouse gas emissions and other pollutants from private vehicle use.
- Worsened accessibility, which is experienced more acutely by socially disadvantaged groups.

Alongside these challenges are long term housing affordability issues, housing types that may not meet changing demographic needs, and a housing development sector under strain to keep pace with projected demand.

Across New Zealand, we are starting to see density patterns change, with multi-unit dwellings becoming increasingly common¹. This is in part led by local government directing and enabling more intentional spatial growth and compact urban form through their statutory and strategic planning tools.

It can be difficult for the private sector to lead urban regeneration and brownfield development that meets their broader commercial objectives.²

Although intensification of existing urban areas is increasing, the patterns of infill tend to be compromised by a lack of land aggregation, poor alignment and integration with strategic infrastructure investments or impacted by historical underinvestment in infrastructure.³ Development funding is not available except where the projected premium protects the investing entity against the risk from the housing project in question.

Such growth patterns also make it hard to realise the gains from economies of scale and this means public infrastructure entities struggle to keep pace with needed capacity.

The Infrastructure Commission has made it clear that a business as usual approach to infrastructure is not feasible. New Zealand currently spends around 5.5% of Gross Domestic Product (GDP) on public infrastructure, and if the country continues the same growth and infrastructure delivery patterns to try to 'build our way out' of this issue, this cost will almost double over a 30-year period.⁴

¹ Stats NZ. (2023). Building consents issued: December 2023. <https://www.stats.govt.nz/information-releases/building-consents-issued-december-2023/#:~:text=Key%20facts,the%20year%20ended%20December%202022>

² <https://www.ekepanuku.co.nz/media/kzjq1tn/eke-panuku-staff-advice-to-support-draft-mayoral-proposal-14-november-2024.pdf>

³ <https://www.watercare.co.nz/home/about-us/latest-news-and-media/building-for-auckland-s-growing-water-needs>

⁴ New Zealand Infrastructure Commission. (2023). New Zealand's Infrastructure Strategy. <https://tewaihanga.govt.nz/>

5.5%

GDP on public infrastructure



Increasing infrastructure cost is a result of several factors:

1. We have historically under-invested in infrastructure. This has put pressure on existing networks and lowered service quality. In terms of transport, New Zealand has spent less on transport infrastructure in proportion to population growth compared to other places of similar size. We are now, and will continue to, feel the effects of this.
2. We now have higher expectations, that infrastructure should be more functional and of a higher quality (for example to lift environmental quality), while continuing to deliver on core service.
3. Climate change and other natural hazards risks require both the relocation of infrastructure, and the improvement or strengthening of existing infrastructure, to be resilient to urgent risks.
4. The cost of building infrastructure is increasing. This is due to a skills shortage in the construction industry, sector uncertainty that does not encourage private investment in the highest quality machinery and skills, and the growing complexity of projects that draw out delivery timelines.
5. We cannot afford to invest everywhere, consolidating locations for investment where we can maximise both urban and transport outcomes is critical.



These challenges will remain intractable if we continue applying the same thinking and tools. We need a more strategic approach to growth planning and delivery, where land use and transport are more appropriately aligned.

For the development community, such an approach also helps with conveying confidence about the availability of the necessary supporting infrastructure and transport, such that they are more minded to deploy private capital.

Ōtautahi, Christchurch
© Mark Doyle

Policy direction: responding to pressure



With rising pressures on housing, urban development, and infrastructure to accommodate new population growth and recover from historic underinvestment, new approaches to housing and infrastructure are firmly on the public agenda.

Housing

A key focus of central and local government housing policy is to enable more housing through increasing land supply. This looks to stimulate development activity to address challenges like unaffordability and provide more housing choice.

Led by central government directives, local authorities are increasing land supply for housing by enabling intensification of existing urban areas and making allowances for greenfield growth, to varying degrees across the country. New central government policy is promoting this further, requiring Tier 1 Councils to deliver housing intensification along strategic transport corridors and alongside mixed-use activities, as well as greenfield growth.

The trick is in aligning planning uplift with imposition of funding mechanisms so the land value reflects both.

Infrastructure

The efficient and effective delivery and operation of infrastructure, including transport, is another critical priority area for government policy reform in recent years. In recognition of past failures in planning, delivering, funding, and financing transport projects and the associated and long-standing challenges of congestion, inaccessibility, poor environmental outcomes, and inefficient use of infrastructure, there has been a recent push to reform the way we deliver projects as a nation.

Central and local government are committed to finding new ways to plan transport projects that improve the efficiency, value for money, productivity, and resilience of the transport network in a way that strengthens accessibility, safety, and economic growth for our communities.

Funding and financing

Across the development and transport sector, agencies, public departments, and local authorities are looking for innovative ways to broaden their funding and financing toolbox. The current system is constrained by a lack of attractive funding and financing options, limiting the scope of what can be delivered. There is opportunity for the private sector to take a more robust partnership role in delivery of transport, infrastructure and housing.

Coordinated growth planning

There is also a push for more coordinated growth planning. Each council's Future Development Strategy (FDS) identifies where growth is best suited to occur in the future. What is missing from this is the infrastructure implementation and certainty of the timeframes and funding that is

committed to or will be required to deliver. The National Infrastructure Agency currently being established is one proposed way to drive this.

It is proposed that it will coordinate centrally led infrastructure projects, improve their funding and delivery, and connect projects with offshore and domestic investors. Regional deals will also be pursued as a mechanism for coordinated growth planning.

These deals will be developed in partnership between central and local government and focus on setting a long-term vision for a region and more streamlined infrastructure delivery that supports growth and development.

A more integrated approach to urban development and intensified housing that is aligned to transport and water infrastructure would reinforce this direction. It would promote efficiency, access, and a more streamlined and coordinated approach to public and private investment.

An opportunity to deliver differently

If land use and transport delivery continue in a business-as-usual way, New Zealand will further entrench spatial patterns that promote perverse outcomes. These include:

- Missed productivity and economic growth benefits
- Higher costs of infrastructure for the public
- Lower accessibility
- Car-dependency and related environmental harm
- Our cities being viewed as unattractive investment propositions

Such patterns fail to get the most value for money out of transport investments. Locally, major transport projects in recent years have promoted car-dependent urban development.

Large projects like Transmission Gully in Wellington and the Waikato Expressway have focused primarily on transport investment to improve journey time by private car and bus.

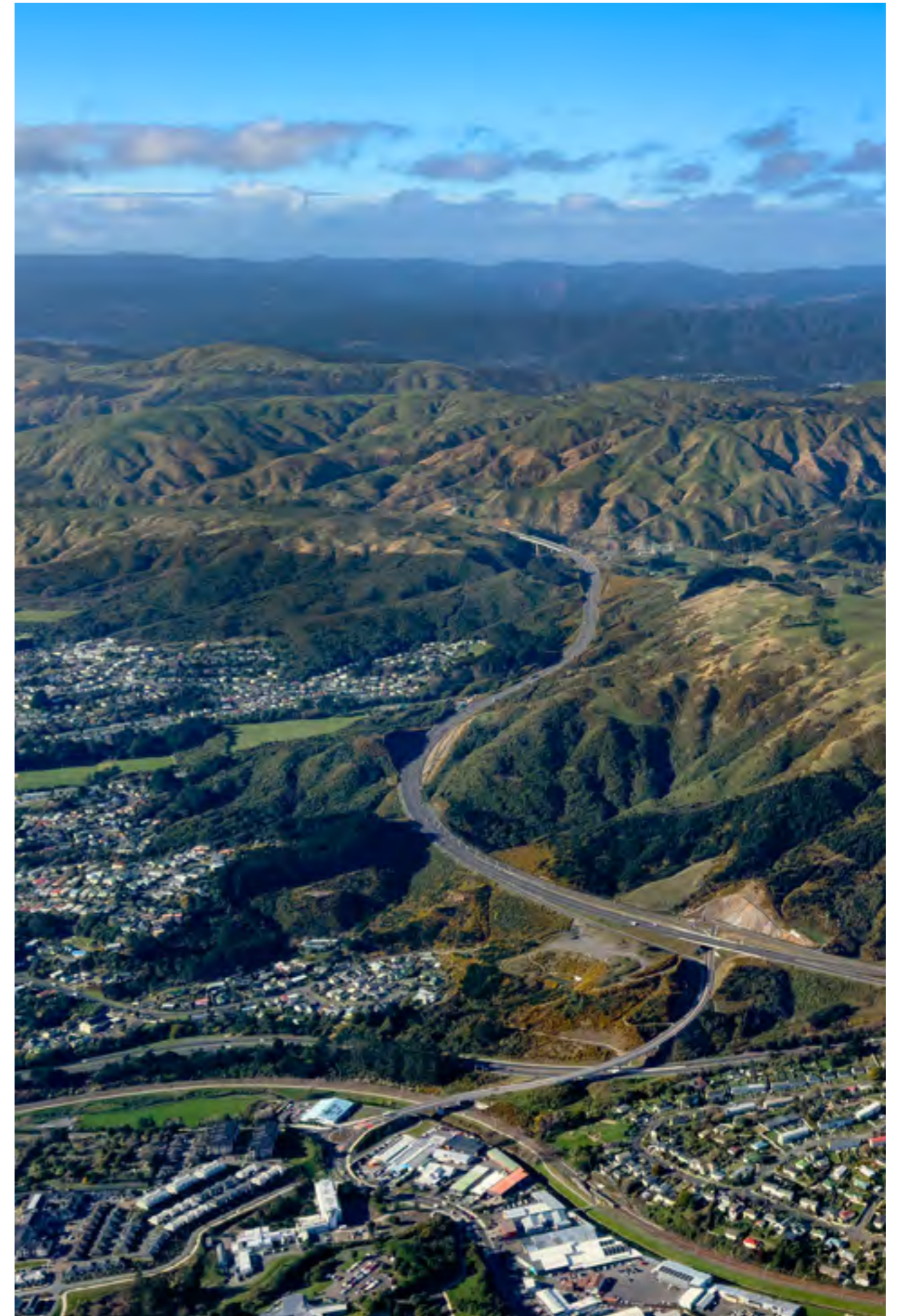
They haven't considered the broader picture – how they might align with investment into places

along transport corridors, and what long-term impact the development activity that is stimulated will have on outcomes like accessibility.

This has also been the case for large public transport projects like the Northern Busway in Auckland. Without taking a broader view of the opportunities for holistic investment, the projects have directed residential growth to areas outside of the central city often without a cohesive collective vision for those places.

The investments in transport have created some value uplift through rezoning of land and improved accessibility, but there have been no mechanisms in place to capture this for cost recovery and to reinvest back into those places. Another issue is that the value creation can be out of step with the capture.

The costs of missing the opportunity to plan differently are too high. The depth and complexity of the challenges the public sector is seeking to resolve requires bold new thinking and approaches to facilitate large-scale change in the way housing, urban development, and infrastructure is delivered.



Transmission Gully motorway, Wellington © Getty

Funding and financing growth in current conditions

Growth charging for transport infrastructure is at the core of this discussion. The land transport funding system has been in place for many years and has led to well-established infrastructure across New Zealand, which in part has worked well.

Recently there has been growing recognition of the relationship between urban development and transport infrastructure. Growth has placed pressure on the current funding system, capturing more headlines.

A paper prepared by the Ministry of Transport (2020), found that around 70% of the National Land Transport Fund (NLTF) annually is allocated to the ongoing running costs of the transport system – which hasn't shifted under this current government – and we need to consider alternative options for longer-term investments to support growth and future transport needs.⁵

In short, the current land transport funding system is increasingly struggling to respond to the shifting trends in urban growth. More coordinated transport and land use planning coupled with a more diverse range of funding and financing tools is needed.

In New Zealand, we tend to think about funding and financing of infrastructure to support growth in terms of recovering the cost, rather than looking at ways investment can be optimised to produce multiple long-term benefits.

There has been ongoing debate at a national and local level about the effect of infrastructure costs on issues such as supply and affordability of housing. Local authorities (and to a lesser extent developers) are the principal provider of infrastructure that serves communities and supports housing development. The primary funding tool used at this level is development contributions, with infrastructure levies and targeted rates emerging as new tools.

70%

of the National NLTF annually is allocated to the ongoing running costs of the transport system

Development Contributions

Development Contributions (DCs) are the main mechanism used by local councils to fund infrastructure required for growth. Under the Local Government Act 2002, councils can charge those undertaking development a DC to recover the capital costs of growth projects.

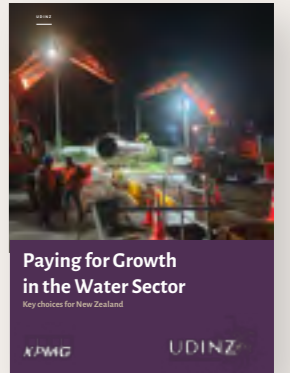
This is usually calculated by identifying the growth component of total capital expenditure of growth projects within council's long-term plan and divided by the estimated amount of new development within the same 10-year period.

Some local authorities have applied different criteria to certain locations to cater to the growth context of that place. For example, Auckland Council has developed a 30-year DC policy for the Drury-Ōpaheke area to account for the large-scale and long-term infrastructure investment needed as a newly established area planned for high growth.

Typically, developers are required to pay DCs at the subdivision stage of development.

As highlighted in a previous UDINZ report written in collaboration with KPMG, there are number of issues with the current DC model, which face the following constraints:⁶

- DCs can lead to under-recovery due to project cost uncertainty, with the power to levy being constrained by a 10-year time horizon.
- DCs need to be aligned to projects within a council's long-term plan, limiting how they can support changing growth needs without going through a rigorous consultation process.
- DCs tend to be applied to large catchment areas without differentiation between brownfield / greenfield sites. Without nuance, they fail to encourage development where infrastructure servicing costs may be lower, such as along corridors.
- Existing work programmes.
- Equally sharing the benefits, costs, and risk across both public and private sectors.



⁵ Ministry of Transport. (2020). Land Transport Infrastructure Funding and Financing.

<https://www.transport.govt.nz/assets/Uploads/Land-transport-infrastructure-funding-and-financing.pdf>

⁶ KPMG; UDINZ. (2024). Paying for Growth in the Water Sector. https://static1.squarespace.com/static/5db7acd63d173e0e010dc9b0/t/668ee8b78d9ceb52d1428553/1720641760950/UDINZ_KPMG_Paying+for+Growth+v5.pdf

Funding and financing growth in current conditions

The costs of infrastructure are continuing to rise, influencing councils to adjust their DC policies to reflect this. Hamilton City Council, for example, has released a new DC policy that charges developers at a higher rate than set by previous policies to account for inflation, higher costs of borrowing, and an increase in their capital programme.⁷ To incentivise compact growth, the policy has a DC remission for developments in the central city.

From a developers perspective DCs can be a barrier where the increase in cost of a development cannot be accommodated within the value consumers are willing to pay for housing products (notwithstanding additional amenity or convenience).

Costs have to be passed onto consumers through higher house prices. In addition project finance may not be available to developers where the margin they earn from a development is not considered sufficient by their bank/financier relative to the risk undertaken. That is, financier risk appetite shapes feasibility.

⁷ Hamilton City Council. (2024). Council seeks feedback on proposed changes to funding growth. <https://hamilton.govt.nz/your-council/news/growing-hamilton/council-seeks-feedback-on-proposed-changes-to-funding-growth>

Infrastructure Levy

The Infrastructure Funding and Financing Act 2020 introduced a new tool for councils to charge for new and upgraded infrastructure to accommodate growth in New Zealand. This model allows Special Purpose Vehicles (SPVs) to fund infrastructure projects by charging a levy to those who benefit from the provision of infrastructure, for example the landowners in the area, to repay the finance. The repayment must also cover interest rates. SPVs are separated from councils' balance sheets and not subject to the same debt ceiling as councils. They are not likely to fund the full cost of repayment on their own and would require some additional public and/or private contributions. While developers can choose whether to develop on a site and therefore take on DCs, ratepayers that are within the remit of a levy don't have a choice and are required to take on the costs in addition to their rates.

Tauranga City Council is the first local authority to implement an infrastructure levy. Their Transport System Plan Levy Order uses a SPV to charge a levy to certain properties over a 30 year period, to finance a near \$175m loan to fund up to 13 transport projects.

Where growth is not charged through a DC, levy, or through external funding such as by central government, costs to pay for that infrastructure will be passed onto ratepayers.



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Transport projects to be funded by a near **\$175 million** loan raised through Tauranga City Council's new infrastructure levy

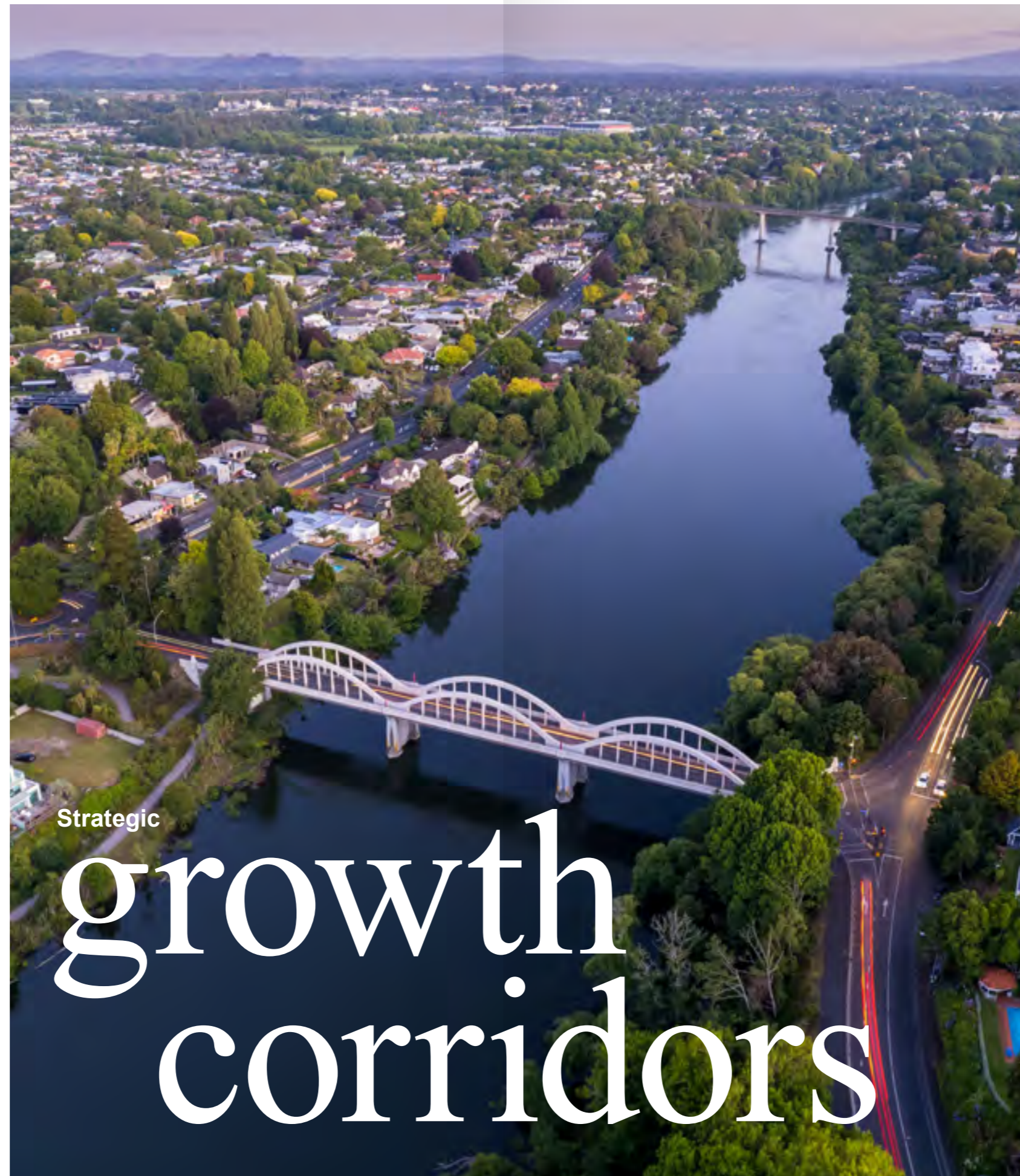
Are these tools meeting their potential?

Central and local government are seeking a housing, urban development, and infrastructure system that proactively meets the current and future needs of New Zealand, and is resilient, efficient, safe, and financially sustainable. Given the constraints that our urban systems are facing, we need to question whether the current approaches to charging for growth, and in turn delivering growth capacity, can produce the outcomes we're looking for.

These existing tools are insufficient to meet the capacity demands of new growth, and don't drive an infrastructure system that lives up to its potential as a change agent for better outcomes for housing and infrastructure.

The commonly used and available tools take a singular view of transport infrastructure investment and lack capacity to leverage wider urban regeneration opportunities. They have limited effect in directing the kinds of growth councils want to see, where residential and mixed-use development is aligned with infrastructure to improve efficiencies and synergy between urban development and transport to create broader benefits for all to enjoy.

Tauranga, Auckland
© Getty



Strategic

growth corridors

Defining strategic growth corridors

Strategic growth corridors are corridors of land allocated for the integration of transport and mixed-use urban development, designed to meet the strategic goals of a city. Taking a corridor approach to urban growth and transport planning can promote a cohesive strategic direction for investment and planning and policymaking, spatially aligning the delivery of infrastructure with activities like employment, housing, and recreation. This involves enabling density in intentional, clustered patterns around transport infrastructure corridors. When done effectively (with the zoning uplift aligned with the targeted rate imposition) this can stimulate efficiencies in the urban system, bringing forward a range of benefits across economic, social, and environmental domains.

Investment in a major transport infrastructure project is the key catalyst of a strategic growth corridor. When planned collaboratively with the necessary infrastructure provision to support increased land use changes and strategic urban development planning and investment, catalytic transport infrastructure investment can unlock the development and liveable potential of a place.

Strategic growth corridors: a way forward

Growth planning – particularly urban regeneration requires an integrated approach. Strategic Corridors provide many of the necessary spatial requirements for linear infrastructure and accessibility that make them desirable from a private sector and end user perspective.

Taking a whole-of-life lens, we can both accommodate new growth within strategically planned areas and undertake thoughtful investment into urban regeneration, placemaking, and secondary transport. Areas or precincts along a corridor can be treated differently, depending on their unique social, environmental, cultural, and economic qualities and aspirations. This layered approach optimises the value created through investment and opens sustainable pathways to fund and finance the growth in the right place at the right time.

Facets of a strategic framework for growth corridor planning

- Developing and holding a strong vision for a strategic growth corridor.
- Requirements for urban development outcomes including ensuring alignment around growth objectives.
- Selection of regeneration locations aligns with wider investment in infrastructure capacity and future provision (including transparency on lead times for new capacity).
- Engagement with communities and stakeholders to support change and understand barriers and concerns.
- Managing the timing of delivery in alignment with available infrastructure provision and market conditions that support the broader urban objectives and align with investment objectives.
- Clarity around the role of public sector in supporting urban regeneration outcomes through the consolidation and amalgamation of land using tools such as the Public Works Act (PWA).

Investment by public sector entities including councils, local boards and other infrastructure providers should be wrapped into a comprehensive corridor growth plan outlining the future direction, opportunities and indicative timeline for transport and linear infrastructure. Communicating the specifics of infrastructure investment alongside increased zoning provision and placemaking expectations provide clarity around how, where and when development can occur within strategic corridors.

Conversely the announcement of enhanced zoning without the value capture component, can mean a key input land transacts at a price that precludes later value capture. It can also operate in favour of land speculation.

“How we choose to accommodate growth will have a major influence over how much this growth costs. Enabling density will be key to growing while lowering costs”⁹

Benefits to prioritising urban development along growth corridors

There are many well-evidenced benefits to prioritising urban development along transport corridors through a strategic growth corridor approach. These benefits are accelerated where proactive investment within a corridor occurs beyond the key transport infrastructure to wider urban realm improvements. These benefits are highlighted below.

More productive and efficient places

Corridors play an integral role in a city’s economic performance. In Auckland alone, congestion costs the economy up to \$1.3bn per year⁸, slowing down the movement of people and goods through a city. Co-locating multimodal transport infrastructure with employment, homes, recreation, and other key services promotes productivity and economic growth through reduced travel time and the freeing up of road space, improving congestion.

A lower overall cost of growth and more efficient use of infrastructure

The concentration of urban development at higher densities along transport corridors, lowers the per dwelling cost of infrastructure and delivers amenity that consumers are likely to value, and be willing to pay for (i.e. recoverable)

Research by Sense Partners (2024) in the Wellington region found that higher investments in infrastructure in compact areas are well off-set by the larger number of dwellings serviced, creating economies of density. Further, if people are more proximate to essential activities, there is reduced pressure and need for capacity on the transport infrastructure network, lowering future costs to accommodate growth.

\$1.3bn

Yearly congestion costs in Auckland, slowing down the movement of people and goods.

⁸ Ministry of Transport. (2020). The Congestion Question. <https://www.transport.govt.nz/assets/Uploads/Report/TheCongestionQuestionMainFindings.pdf>

⁹ Sense Partners. (2024). Infrastructure costs and urban form: A proof-of-concept model. <https://www.gw.govt.nz/assets/Documents/2024/05/Comparative-cost-of-urban-form.pdf>

Strategic growth corridors: a way forward

When considering whole-of-life costs of infrastructure, clustering high-capacity transit infrastructure with concentrated, mixed-use urban development gets the most value for money out of all infrastructure investments by the public sector. Lower operational costs provide savings for the public and rate payers and enable a coordinated approach to infrastructure investment.

Certainty for the development and investment sector

Where growth is focused within a particular area, investment in infrastructure, planning and policymaking can be targeted, providing certainty for the development sector that amenity will be delivered. This is also attractive to both local and international infrastructure investors.

Certainty around the capacity for growth including the specific investment requirements, and a clear pathway for delivery of the infrastructure supports the private sector in making investment decisions and trade-offs. Longer term return time frames may be more palatable if there is an increased level of certainty around the provision and cost of supporting infrastructure.

Connected, accessible places

Strategic corridor planning provides a framework to spatially integrate transport, and other

physical infrastructure, with housing, employment, and other social infrastructure. This creates proximity, connectivity, and travel choice between the many places people need to visit each day. It also lowers the marginal costs of travel for households.

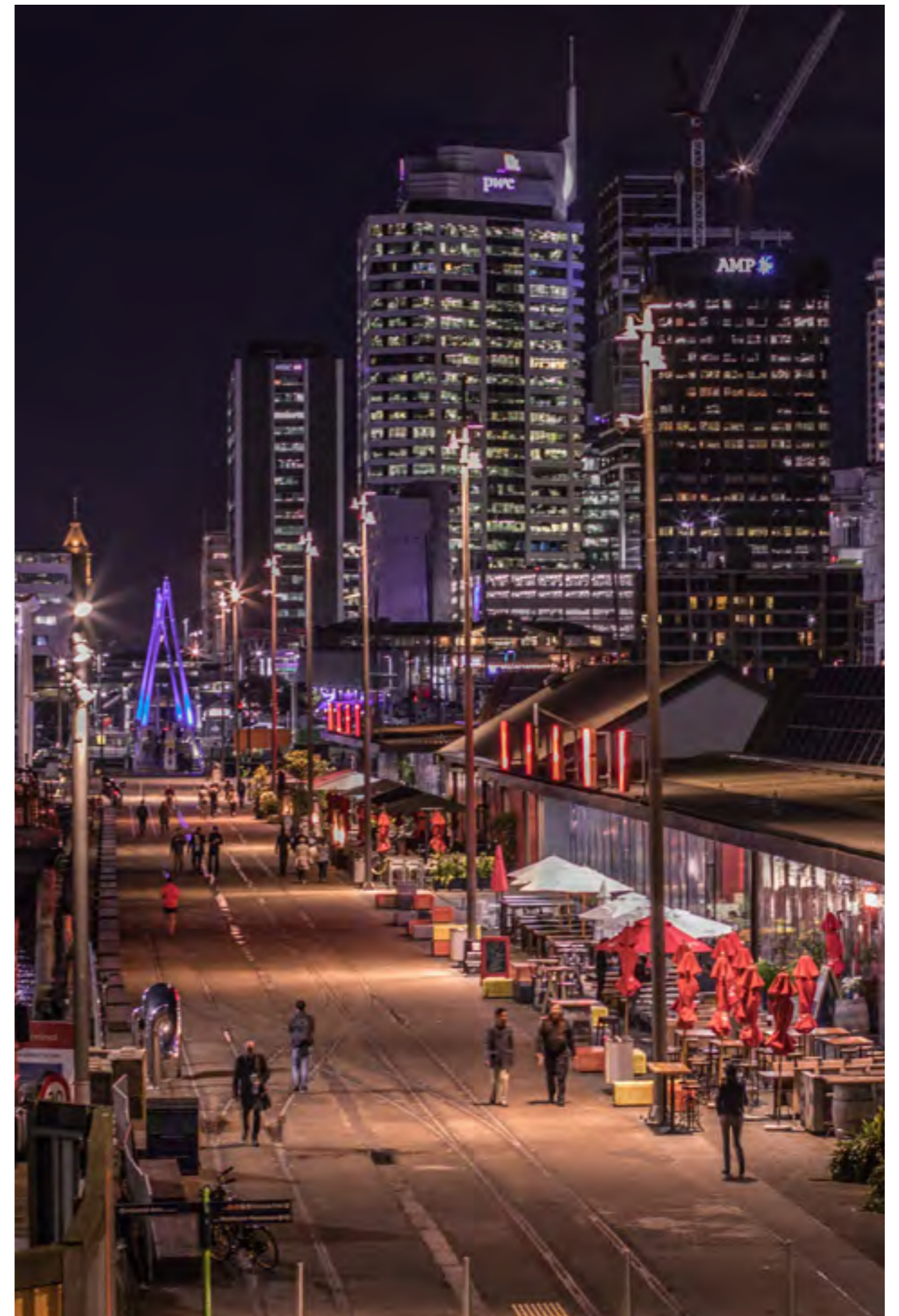
Enhanced environmental outcomes

Cohesive land and transport outcomes lessen the need for people to travel in private vehicles to undertake daily activities, reducing Vehicle Kilometers Travelled (VKT) and greenhouse gas emissions. Lower private vehicle use also reduces the amount of air and noise pollution within urban areas.

Targeted growth investments can also generate resilience to the mounting risks of climate change, such as extreme weather events and flooding. Allocation of land for urban development and infrastructure along corridors chosen through a risk-informed lens better maintains the safety of people and assets and supports critical movement in times of distress.

Social and cultural vibrancy

A cohesive land and transport system along growth corridors supports walkability and optimises the use of shared social infrastructure and public goods like parks, recreation activities, and arts and cultural places. This provides for the diverse needs of a community and gives urban areas vitality and a stronger sense of place.



Embedding value through strategic

growth planning

Local and central government have a role to play in shaping the strategic growth of a corridor to accelerate benefit and value creation. As we search for more mature, sophisticated infrastructure funding and financing models beyond cost recovery, embedding value into strategic growth corridors is fundamental for building a compelling investment case for local and international infrastructure investors. Continuing in a business-as-usual way will reinforce untargeted growth patterns and exacerbate the pressure that is being placed on constrained infrastructure systems.

Embedding and creating value can be achieved through a number of interventions, and the appropriate approach will depend on the specificities of an area. Central and local government can strategically steer the value creation within a corridor through different and integrative spatial planning and transport tools fit-for-purpose for that area, to create conditions that maximise its benefit potential.

Deploying value capture mechanisms is all about timing

It's important to align the opportunity to capture a portion of the land value uplift as a result of the land use change, or announcement of catalytic infrastructure at the appropriate time. When this occurs is a key factor and if not considered carefully can have downstream impacts on the consumer and their ability and willingness to pay for the housing product.

Levying the value uplift can occur in a number of ways.

1. As a targeted rate applying when the change occurs resulting in the landowner paying increased rates to the council as a result of the land value uplift.
2. As a lump sum delayed payment on the land because of the uplift in value and catalytic infrastructure
3. On the realisation of the enabled scale of development – although this could disincentivise development at scale if not implemented with the challenges and barriers of the developer in mind.

A catalytic investment in transport infrastructure and any associated land use change is critical to the value creation story of a strategic growth corridor. It can unlock a range of benefits for different groups, that then create quantifiable value for those groups. For example, a new rapid transit corridor might connect communities between their homes and employment opportunities or improve important freight connections for key industries.

This creates benefits for society in the form of accessibility, productivity, and economic value.

Economic benefit realisation can be maximised when it occurs alongside interventions that bring about social, environmental, and cultural value. Investment into placemaking and public realm improvements, quality open spaces, social infrastructure like schools, community spaces, and arts activities, and sustainable urban and building design can be layered together into a strategic growth corridor to stimulate benefit and value creation.

Over time, these interventions work to establish a cohesive place identity where people want to live, work, and spend time in, where businesses are motivated to establish themselves, and where developers see real value and viability in building homes and commercial spaces.

In focussing on benefit creation through a layering of investments, the public sector can recover money spent through increased economic activity, while also delivering on social, economic, and environmental responsibilities.

Southern Auckland

economic masterplan



1st
economic masterplan for New Zealand

350k
people live in Southern Auckland

5
economic hubs

Economic masterplanning is a spatial planning tool that integrates public and private sector aspirations and programmes into an aligned long-term plan for a particular area. It seeks to build the economic, social, cultural, and environmental vitality of an area through an economic lens and attract business and development through planning and policy settings and public investments into that place.

The Southern Auckland Economic Masterplan is an example of this, designed to guide the sustainable economic growth of the Drury-Ōpaheke and surrounding areas, a key strategic growth corridor between Auckland and Hamilton. Tātaki Auckland Unlimited saw the opportunity to accelerate the rate of economic growth and jobs to the area through the long-term investments underway, while also guiding

development toward aspirations like wellbeing, accessibility, and supporting mana whenua to thrive.

A detailed contextual analysis of the existing area and local economy informed the development of five planned economic hubs; health, construction, food and beverage, wool and textiles, and the circular economy.

Spatial and transport planning was undertaken alongside economic planning, collaboratively with public and private stakeholders, community groups, and iwi to develop a multi-stage plan for the short, medium, and long terms. Spatial and transport planning tools were integrated in this process, using land use change to promote the colocation of homes with infrastructure and activities and enable planned sector emergence, the clustering of businesses and

industries that work together, and centralising all activity around rapid transit, including 2 new rail stations, and arterial roads. It also plans for investment into a high-quality public realm, multi-modal travel options, social infrastructure, and resilience in the natural landscape.

It advocates for both public and private sector investment in the economy to stimulate the growth of planned sectors and ensure sustained economic growth over time.

The layering of interventions seeks to unlock benefits and create value through the synergistic adoption of multiple tools, across multiple domains.

Altogether, this development could be worth NZ\$44.3bn to national GDP and create more than 50,000 jobs, alongside a thriving place for workers, the environment, and residents.

The masterplan is the first of its kind in New Zealand. With opportunity to innovate and adapt to different spatial contexts, the use of economic growth as an accelerant for value creation within a corridor offers one method to practically apply this thinking.

While its too early to understand how much efficacy the tool has had in driving its intended outcomes, Fisher and Paykel have committed to establishing a second R&D and pilot manufacturing campus in the area, given confidence by it's planned growth and investment over the coming years.

However, given the at times contentious reception to the new development contributions policy for the area developed separately to this masterplan, there is room for further work understanding and working with the residential development sector to promote development.

Stimulating new pathways for funding and financing growth

The current reliance on cost recovery tools reinforces reactive growth charging and historical growth patterns that have not delivered wider public good. It narrows the potential for investment into growth infrastructure as a single ‘cost’, rather than leveraging the holistic value that could be embedded alongside growth infrastructure.

By stimulating value creation throughout the lifecycle of a strategic growth corridor, private investment into growth infrastructure alongside residential and commercial development becomes not just a necessary cost, but an attractive commercial proposition for the private sector and consumers. If investment into growth corridors is desirable by the private sector, funding and financing growth moves from a conversation about sharing the costs of growth, to sharing both costs and benefits of investment.

This approach could provide the basis for New Zealand to have a more mature conversation about using value capture to support the sustainable funding and financing of growth.

Defining value capture

Value capture is not a new term in New Zealand, but despite the increased focus it has seen in the past two political terms, value capture tools remain underutilised. When implemented effectively, value capture provides a pathway toward paying for growth through the creation of value. A value capture approach is the ideal companion to corridor growth strategies.

The value capture model is intrinsically linked to value creation. It looks at who benefits from infrastructure and other place-based investments and how they



benefit, how value is created from that benefit, and then how to capture that value through a financial tool.

A range of funding and financing tools can be used to capture created value, generally planned and implemented with context in mind. These tools are designed to redirect the value created back to the actor (a public entity) that paid for it. Both value creation and value capture can be embedded into the entire project lifecycle to ensure that the benefits and therefore ‘value’ are maximised throughout, and the right mechanisms are in place to capture that.

For example, a landowner might experience land value uplift where their land has been rezoned around a new transport corridor, as well as improved accessibility. This newly created value can be captured through a tool like a property tax for landowners within a specified boundary.

A value capture approach is the ideal companion to corridor growth strategies.

It's critical that the party that derives the value is levied at the time the zoning uplift happens (or the homeowner is charged over time through say a targeted rate). If the uplift is not captured it can start to be reflected and “baked in” to the underlying land. A subsequent purchaser will already have paid for that uplift. That can operate as a disincentive to subsequent development because the differential between cost of land, and the cost a consumer is willing to pay for the housing product will not accommodate the cost of housing delivery (including amongst other things finance, construction costs, design marketing and other costs).

Soho Place
over-site
development above
Tottenham Court
Road Station,
London © Arup



16k
New homes

24k
New jobs



Crossrail / The Elizabeth Line

Crossrail, now known as the Elizabeth Line, is a new metro rail line in central London that became operational in 2022. From the outset, the multi-decade project set a vision based on the transformative potential of rail for communities, to bring economic, social, and environmental value into the urban fabric.

The line runs between Heathrow Airport in the west of the city right through central London's busiest stations to ease congestion on the existing network, toward some less developed areas in the east. It was delivered in a scheme that took a corridor growth approach to development.

The scheme provided economic stimulus to strategic areas along the line. Through targeted precinct investments along the line and by providing better accessibility for users, populations and employment opportunities within 500m of the line's stations have been steadily increasing. Abbey Wood, for example, has a new library, public square, and supermarket.

The number of people employed in proximity to the station has increased by over 15% since plans to connect the area with a new rail line were announced.

Over-site station development was a key consideration of the scheme to add placemaking value, leverage the opportunities created through connectivity, and spur further economic activity.

Tottenham Court Road Station is an example of this, providing 10 storeys of office and retail development above the station. Over-site developments were effectively funded through the private sector under a shared vision with the rail scheme that found common goals between the needs of a railway station and commercial interests.

The line is adding 10% capacity to the existing central rail network, significantly reducing travel time, and supporting an additional 1.5m people to be within a 45-minute journey to London. It's estimated the project could lead to an additional income £13b annually.

*Battersea Power Station
Redevelopment (part of the Vauxhall
Nine Elms Battersea Opportunity Area)*

The redevelopment of the Battersea Power Station brownfield site was unlocked by the extension of an existing tube line to connect the area with the wider rail network.

With this investment, the Mayor of London and major investors saw an opportunity to transform the previously small residential area into a mixed-use precinct with 16,000 homes and 24,000 jobs. This is part of a plan to accommodate some of the projected growth in London's central city through strategic and integrated land use and transport planning.

The extension of the tube line was funded through a loan by the Mayor, paid back through an Enterprise Zone that collected development taxes from the site for loan repayment.

The Greater London Authority not only invested in the tube extension but saw opportunity for greater precinct development through a layered transport and urban realm investment approach that established a cohesive identity for the area.



Investment in multi-modal transport that embeds active transport corridors within the site, quality green and other open spaces, and high-quality pedestrian environments contributed to value creation of the transport investment and gives the private sector further confidence that their investments will be worthwhile.



© Brett Boardman

8 new stations and associated planned precincts for the North West Line



Sydney Metro Corridor Growth Planning

Development of the Sydney Metro, led by the New South Wales State Government, was embedded with a place-based, corridor and precinct approach from conception.

The project viewed the city's new metro rail, with three lines, as a catalyst for urban renewal, investment in vibrant public space, and to accommodate forecasted growth across the city. The development scheme takes an integrated station development approach to bring the most value out of the investment.

North West Line Corridor Strategy

Planning of the North West Line was led by both the transport and planning departments of State Government, central government, and local councils to develop a corridor strategy along the transport corridor. The corridor strategy included eight new stations and associated planned precincts. It was designed to connect these precincts with Sydney's core employment corridor, improving access to jobs now and into the future.

Along with the delivery of the rail line, precinct planning along the corridor was done to promote positive economic and social outcomes within each precinct. This involved vision setting, detailed structure planning and growth projections for each area. From here, strategic actions were planned, including land use changes to support denser population growth in targeted areas, and planned investments in additional transport, social infrastructure, amenities and urban realm improvements.

Martin Place North Over Station Development

The New South Wales State Government also welcomed joint development processes with the private sector within the Sydney Metro Line project. The government partnered with Macquarie Group to build and fund a new integrated station precinct above the underground Martin Place Metro Station, to deliver on their vision for transit-led development to catalyse renewal of the Sydney CBD.

The development includes two commercial buildings for retail and office use, new pedestrian connections and wayfinding, public realm improvements, vehicle loading and active transport facilities, and integration areas and amenities with the station. Public artwork, heritage restoration, and a high sustainability rating for one of the towers has also been embedded into the design.

These qualities amplify the benefits and value creation of the transport investment for the wider Sydney public. The joint development process has been used as a vehicle for value capture, where a key beneficiary of the Sydney Metro Line, Macquarie Group, is sharing the costs of the station development which reduces costs from the public purse.

Where to from here for New Zealand

Strategic growth corridor planning, supported by a value creation and value capture model, is likely to play a key role in the future of growth planning in New Zealand.

This approach facilitates a proactive and sustainable model that enriches amenity and meets our housing and infrastructure needs, while getting the most value for money out of these investments by co-locating infrastructure with urban development in a strategic way.

The case studies show us what can be achieved when transport investment is considered as a city-shaping agent for change. Examples demonstrate that value creation and value capture, which is timed right and embedded in the lifecycles of projects, can attract diverse funding and deliver on a coordinated vision for integrated development.

There are a set of key considerations to begin implementing this approach across New Zealand

Central and local government bodies have a key role to play in delivering certainty to the market through an integrated approach to land use planning and transport planning. This will require stronger alignment between central and local government's planning frameworks and transport investment priorities.

Establishing a clear, shared vision and framework for integrated land use and transport planning at the national level, where strategic growth corridors are considered a core method, will help to accelerate alignment. An outcomes-based vision can steer central and local policies to enable and promote integration at all levels. Better integrating spatial planning with local and national infrastructure pipelines and structure plans further supports integration.

To maximise the opportunity of strategic growth corridors, government needs to control the areas of land within the corridor to realise that value. As identified by the Infrastructure Commission, early protection of corridors is necessary to safeguard against future uncertainty.¹⁰

Advanced site protection along planned corridors can deliver substantial benefits through reducing the cost of land acquisition and reducing the odds that incompatible development will occur on preferred infrastructure or development sites – weakening the risk to public and private investment in land purchase.

There is also a need to embed economic thinking into the spatial planning context, both at the national and local level. The Southern Auckland Economic Masterplan presents a method for achieving this. Strategic corridor planning that prioritises economic growth through job creation, productivity, and efficiency, is more likely to draw in investment from the private sector.

How can this model be integrated into existing work programmes

The recently announced Regional Deals Strategic Framework provides guidance on how central government, local government, and the private sector can work together to unlock growth. Regional Deals will be based on a 30-year vision, with negotiated 10-year strategic plans to deliver shared objectives and outcomes between central and local government.

While each deal will cater for local priorities, they will need to include a defined economic geographic area. These areas could and should include strategic growth corridors that outline a clear strategic vision for that place including the outcomes sought and a strategy for achieving those outcomes.

The combined commitments from central and local government through strategic growth corridor planning embedded into a regional deal will support the creation of an enabling investment environment to attract private sector capital while delivering broader central and local objectives and priorities.

Equally sharing the benefits, costs and risk across both public and private sector

Value creation and value capture can't be seen as another means for collecting revenue from the private sector. In Australia this has failed by not achieving the right balance of benefits and costs across both public and private sector, deterring the private sector from investing in areas that have been enabled to capture value.

The fundamental starting point for central and local government is economic growth and new jobs. Developing a compelling place based contextual analysis on why the private sector and institutional investors should spend money needs the greatest level of focus before how that value is captured is considered.

Under the current settings upfront urban development competes with other uses of capital that deliver a quicker return on capital deployed. In addition lack of land aggregation and scale mean the public sector is often better placed to complete initial work leading urban regeneration and brownfield development. A dual approach where the public and private sector are together delivering both short and longer term impacts, ultimately benefits us all.

¹⁰ Infrastructure Commission. (2024). Protecting land for infrastructure: How to make good decisions when we aren't certain about the future. <https://media.umbraco.io/te-waihanganga-30-year-strategy/4empu4ca/protecting-land-for-infrastructure.pdf>

The key steps required to achieve successful implementation:

- 1 Identifying regional and local growth opportunities
- 2 Develop a baseline analysis to understand what is holding the place back from delivering the economic opportunity
- 3 Undertake a compelling place based contextual analysis on what investment should be attractive to private or overseas investors
- 4 Spatially locate economic opportunities within a corridor context

ARUP

UDINZ

Urban Development Institute of New Zealand

Harriet Dempsey

Principal, Advisory and Cities,
Planning and Design Leader

t: +64 21 067 9071

e: harriet.dempsey@arup.com

arup.com

Adrienne L Miller

Chief Executive Officer

t: +64 27 693 9753

e: adrienne@udinznz

udinznz



This report was prepared in a time of much change around the policy, regulatory, funding and finance landscape and where there were emerging new infrastructure capacity constraints. Not all of those aspects have been able to be reflected in this report.

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