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Waterloo Renewal

Greater Wellington Transport Orientated Development

Prepared for Metlink

December 2023

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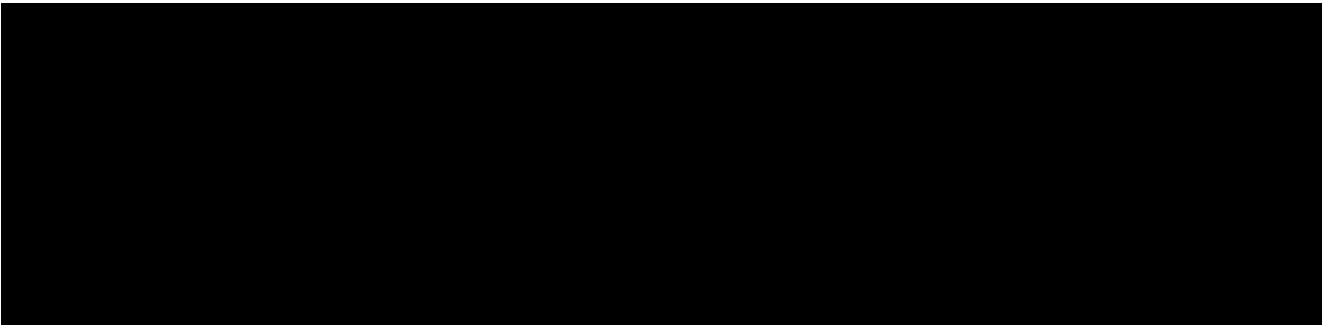
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Executive Summary

Development is sensitive to a wide array of challenges. The commercial viability of development in the current environment in particular is extremely challenged. In Willis Bond's view, the current value attributable to the GWRC land is negative, meaning theoretically, we (or any private development partner seeking to obtain a return on their investment) would require a payment, or equivalent intervention from a third party – i.e. government or project partner to undertake development on the site.

This is theoretical, and GWRC are by no means in a position whereby they need to assume this as an outcome but through the use of incentives and risk allocation, this can change the view of private sector participants on the viability of projects, including Waterloo.

The surrounding catchment is subject also to the same forces, and so Transport Orientated Development has challenges to overcome.

Notwithstanding, TOD is a long term initiative and the commercial considerations of TOD are discussed in this report.



De-couple station and development procurement

Successful transport orientated development precincts are rarely established in a single intervention. Instead investment in the station and immediate catchment shall be considered as the establishment of a framework, that facilitates the market led delivery of surrounding development. It is not unreasonable to expect adjacent development to replenish itself multiple times during the lifecycle of the Waterloo Station infrastructure. To do this, a considered masterplan, followed by investment in infrastructure that anticipates and leverages significant development will deliver long-term success. De-coupling the station procurement from adjacent development, whilst placing priority on the future potential in conceiving the station will enable TOD to be procured having regard for market cycles.



Focus on outcomes when considering risk allocation

Prudent property development prioritises risk management and includes considering and making allowance for multiple outcomes – good and bad. Risks considered can include financial, market, construction, settlement and counter-party risk. Often risk is the determining factor between a project(s) commencing or not. Alternatively, where a higher than normal level of risk is assumed, then return expectations increase. Where possible, if Government has an ability to absorb risk that it perhaps would have typically, adopting a more conservative approach, sought to shed, it could be the difference between a project becoming feasible and therefore proceeding or not for private sector partners. Favourable risk allocation will help attract private interest. In the case of Waterloo, for example, this could include assuming planning risk, providing pathways for streamlined consent.



Intervention is required to stimulate development and intensify

The NPS-UD has enabled a significant increase in the development capacity of our major centres, including Waterloo. Waterloo Station and the immediate catchment is a prime opportunity to leverage this policy change, however the actual realisation of this is less well considered. Left to market forces alone, the intensification could take a long-time and result in a potentially non-cohesive outcome missing an opportunity for coordinated intensification immediately adjacent the Waterloo transport node. Public sector intervention, of varying degrees should be considered carefully with the objective of achieving an intensified TOD whilst respecting existing ownership and connection to the underlying land. Attracting residents and tenants (i.e. market demand risk) to underpin significant intensification is a challenge in Waterloo.



Consider partnership and incentives to achieve outcomes

Partnering with the private sector can bring mutual benefits to the public and private participants as well as the general public. Where qualitative outcomes are sought by government, such as vibrant, active transport hubs, but whom lack the capital, expertise or ability to achieve these, incentives can be implemented to assist the private sector to help deliver on these objectives. Incentives can sometimes be seen as hand-outs, however in pursuit of a vision, where the alternative is no progress, then these can be an effective tool to maintain progress.

Introduction

1.1 Background

Willis Bond has recently completed a Concept Study for Greater Wellington Regional Council (GWRC) that explores opportunities for Transport Orientated Development at Waterloo. GWRC has asked Willis Bond to build on this work with a focus on the commercial opportunities of the Transport Orientated Development (TOD), and in particular the development opportunities of the GWRC owned land adjacent the existing station.

Willis Bond has provided ongoing consultation from March 2022, including as part of the Waterloo TOD CDO External Technical Steering Group.

This report captures the advice provided in this forum to date and is intended to identify and discuss key commercial considerations in the realisation of TOD and will help inform GWRC of the next phases of work to be undertaken.

1.2 Overview

1.2.1 Purpose & Objectives

There is an immediate need for an infrastructure upgrade at Waterloo Station. A clear intent has been signalled by GWRC to ensure any significant works appropriately consider and make provision for successful TOD to occur. The anticipated cost of this aspiration (whilst not fully known at this stage – as discussed later) is expected to be in excess of available capital from traditional sources. As such, this may require GWRC to look outside its traditional debt and available cash reserves for funding.

Willis Bond has been engaged to provide advice leveraging their specialist TOD expertise, and share insight from the private sector specifically regarding alternative funding models, and attracting private investment. The report discusses generally the commercial opportunities and considerations in the procurement of TOD. It also discusses the barriers to private investment and proposes potential initiatives which could help alleviate these issues, in-turn encouraging the participation of the private sector in a public led initiative.

This commentary is provided with the intent to help GWRC navigate the early planning phases of the Waterloo TOD project.

1.2.2 Approach & Methodology

This report is broken into three sections.

- **Section One** provides a general overview of TOD's both domestically and internationally;
- **Section Two** discusses the unique characteristics of a Waterloo TOD; and
- **Section Three** discusses the opportunities of the GWRC owned land specifically.

Where required, certain assumptions are made (and highlighted) to illustrate concepts, until such time that more information or work is undertaken to substantiate outcomes. The outcomes of this work will generally require more due diligence to be undertaken.

This report discusses the commercial considerations associated with TOD.

As part of this work, Willis Bond has commissioned Property Economics to prepare a high-level economic assessment of the potential land use and development opportunities proximate to Waterloo Station. This study utilises a variety of reputable data sources and publications to support the concepts presented in this report. This report is provided at **Appendix 1 – WTOD Economic Overview (Property Economics)**.

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Section 1 General Overview



1.1 Transport orientated developments

1.1.1 International precedents

	Town Hall Station, Melbourne Metro, Australia Town Hall Station is one of five stations included in the Melbourne Metro PPP project. The project is being delivered by Cross Yarra Partnership, comprising of Lend Lease, John Holland Group, Bouygues Construction, John Laing and Capella Capital. Lend Lease Development are responsible for the delivery of the commercial office over-station development on the prominent corner site opposite Federation Square. Whilst delivered as part of the PPP, internal contractual arrangements between over-station developer and station infrastructure partners essentially replicate the relationship between station and development discussed in this report. Reference: Victoria Government – Metro Tunnel Station – Town Hall
	Central Barangaroo, Sydney, Australia Central Barangaroo is one of six stations on the Sydney Metro City & Southwest line, the second stage of Sydney's ambitious metro construction project. Located beneath the Hickson Road reserve, it was procured by Sydney Metro (a NSW Government entity established for the purposes of delivering Sydney Metro) through to final construction without development partners. It provides a critical transport connection to the considerable development activity that has recently occurred and continues to occur at Barangaroo. Reference: NSW Government – Sydney Metro Website – Central Barangaroo
	Waterloo Metro Station, Sydney, Australia Waterloo Metro Station comprises approximately 70,000sqm of mixed-use development integrated with a new station serving the southern edge of Sydney CBD. Sydney Metro navigated early planning and approval processes, before bringing the project to market seeking development and construction partners to construct the station, and procure the development of the surrounding land (and created land above). A joint venture comprising John Holland Group and Mirvac were contracted in 2019 to deliver this project. Reference: NSW Government Planning Website – Waterloo Metro
	Crowsnest Metro Station, Sydney, Australia Crowsnest Metro Station is the northern-most station on the Sydney Metro City & Southwest line. Located in a currently relatively low density, suburban area, community consultation and stakeholder management was critical. Initially conceived as an integrated station development, similar to Waterloo Metro Station, Sydney Metro reverted to an over station typology – maintaining control of the station to construction, and selling the development rights to the newly created development platform above. Both commercial and residential uses are proposed for this station. Reference: NSW Government Planning Website – Crowsnest Metro

1.1.2 Local precedents

	New Lynn The government approved \$120m in 2006 for a redevelopment of the New Lynn railway station completed in 2010. This involved full trenching to depths of between five to eight metres below the ground level between Portage Rd and Titirangi Rd. Retaining walls about 800m long were built along with new below-ground platforms, a bus and rail integration, and the lowering of the Portage Rd level crossing by about a metre. This was completed as part of a wider town centre redevelopment with a mall, adjacent carpark building, and mixed-use precinct. Source: Government – Press Release
	Manukau The Manukau Branch is a 2.5km spur railway line off the North Island Main Trunk railway from Wiri to Manukau City. Construction commenced in 2008 with an estimated cost of \$50m and completed in 2012. Funding was approved by the government through the NZUP fund and sits within the new \$100m Manukau Institute of Technology Campus. The project involved earthwork formation and excavation, new tracks laid, and a reconfiguration of ports. A total of 47,000 sqm of earth had been excavated by the end of the project along a 300m long trench. Source: Auckland Transport – Business Report
	Puhinui Auckland Transport upgraded Puhinui Ss and train interchange that will improve travel to and from the airport and its surrounding areas. Construction started in 2019 and completed in 2021, costing \$69m and funded by government and crown infrastructure partners (CIP). Design features included multiple access options, shared path connection, new bus and rail interchange building, separated crossings adjacent to the station, public toilets, drop-off zones and short-term parking bays, new platform shelters, ticket gate line, and improved safety with lighting and CCTV. Source: Auckland Transport – Press Release
	City Rail Link City Rail Link comprises twin 3.45km rail tunnels between Waitemata (Britomart) and Maungawhau Stations. The construction of this infrastructure provides for at least double the current rail capacity at peak teams. Precinct Developments and urban regeneration is progressing adjacent each of the stations, including with overseas development partners. The link below provides more details on the TOD occurring at CRL. Source: CityRailLink -Post CRL – A lasting legacy

1.2 TOD Procurement Typologies

The procurement of TOD is inherently complex. Multiple stakeholders are involved, often with different and sometimes contradicting drivers. Key stakeholders can include:

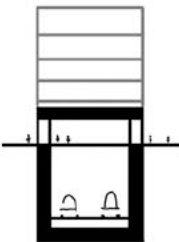
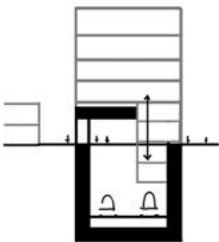
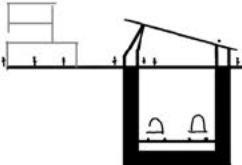
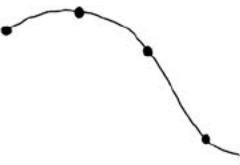
- Central and Local Government authorities;
- Existing and future public and private land owners;
- Precinct tenants, residents, passengers and customers.
- Service operators;
- Maintenance providers; and
- Financiers and more.

Several other considerations inform the appropriate procurement including:

- Finance sources (private or public funding, or both)
- Risk assumptions (risk allocations, ability to absorb and mitigate risk)
- Programme (integrating with existing precinct, or a forecast greenfield)

Land value and density (both existing and forecast) are the two primary characteristics which will inform the procurement methodology. Underlying land value and the economic benefits associated with density forecasts will generally dictate the level of risk that is palatable, which in turn has an effect on the ability and cost of obtaining financing partners and interest from the private sector.

Notwithstanding this complexity, the delivery of TOD's can be categorised generally into the following four groups. There are multiple iterations or variations of these groups but all generally fall within one of the following.

Over station Development	Integrated Station Development	Adjacent Station Development	PPP (Private capital led)
			
Crows Nest OSD, Sydney Hudson Rail Yards, New York	Waterloo MQ, Sydney Euston Station, UK	Central Barangaroo, Sydney Kings Cross, UK	Melbourne Metro
Station infrastructure design to accommodate 'future' development	Station infrastructure designed with development partners.	Less complicated, limited interface between station and development.	Hybrid combination of the preceding. Highly complex but full flexibility.
Over-station development allows the template roll-out of station infrastructure by the infrastructure entity, enabling station infrastructure to be procured in isolation but having consideration for future development by creating a "development deck" over the railway infrastructure. Future development is funded and procured by private developers above the station infrastructure with minimal disruption to rail operations. This approach optimises land use and is suitable in very dense urban areas, however, is expensive and if not planned well, early decisions can impact the viability of over-station development in the future. Done well, the seamless outcome inherent in integrated station development can be achieved.	Integrated station development achieves optimal integration between station and development. Efficiencies in design, engineering and land use are typically achieved as the station infrastructure and development can be considered together. Like over-station development, this approach optimises land use however this approach produces significant complexities in procurement which must be considered. Infrastructure and development entities must collaborate early. Clear ownership demarcation and future proofing is important to preserve the flexibility into the future.	Adjacent station development is appropriate where land values are low, and land plentiful. "Manufacturing land" above station infrastructure is expensive and carries significant risk. Adjacent station development is the lowest risk solution and can be procured at the lowest cost and for these reasons is the most appropriate for many suburban transport hubs including both greenfield and brownfield precincts. Master planning the transport precincts is important to ensure that the amenity and functionality the station provides to the adjacent development is seamless and integrated. Public realm interface shall take priority in considering the intensification of development land parcels.	Transport Orientated Development can be facilitated as part of a larger procurement of rail corridor infrastructure, station infrastructure and associated development and may include management and operational services. This procurement methodology can comprise of several over-station, integrated and adjacent station development procurement models dependent on the nature of the overall project. Melbourne Metro is an example where all three typologies were adopted, with a SPV established as a single counterparty to the Victorian State Government, who in turn contracted with multiple contracting and development entities to deliver a city spanning solution.

1.3 Realising value from TOD's

1.3.1 Enabling infrastructure

TOD should be considered enabling infrastructure. The decisions and actions made now need to consider carefully and prioritise the long term outcomes and value that is created over short term gain. Success is not necessarily defined financially, but also the overarching outcomes of intensification delivering more homes and places for people to work and live, whilst minimising impact on the environment, through initiatives like mode-shift, reduction in private vehicle use and impact on the environment through urban sprawl.

The approach to TOD should begin with careful master planning to anticipate and provide for the long term realisation of an intensified, quality urban precinct over time. This includes determining infrastructure requirements (primarily station requirements), followed by the master planning of the immediate catchment ensuring sufficient public open space and amenity for the forecast intensification.

1.3.2 Catalyst for development

TOD, and in particular the transport station node itself provides the opportunity to create a genuine catalyst for the improved ongoing development of the broader precinct in which it serves. Integrating mixed-mode transportations, enhancing pedestrian connectivity and amenity, providing ready access to essential services and prioritising the pedestrian environment will in-turn provide more enjoyable urban spaces to occupy and successful urban precincts will help development opportunities to be realised.

1.3.3 Partnering for success

The definition of Partnership is varied, and can be used to address many of the obstacles to progress – and is discussed through-out this report. Where obstacles to development are present, anything that the public sector can do

to mitigate or overcome these obstacles will have the benefit of encouraging the private sector to help achieving outcome. The private sector has the ability to contribute both expertise and capital, in pursuit of shared objectives.

This concept is discussed in further detail in 2.5 Private sector funding.

1.3.4 Consolidate and divest

There is international precedent of the public sector acquisition of land, carefully master-planned and reintroduced to the market with the intent of achieving overall objectives more timely and more efficiently than market forces left to their own accord. This concept is discussed in 2.7 Extracting value through surrounding site intensification, but can deliver increased housing supply and/or financial benefit.

1.3.5 Public intervention and risk assumption

Risk (in all forms) is a critical consideration, and often deterrent to any development or development entity considering development. Market risk (the ability to lease or sell), planning and consent risk (uncertainties regarding consent processes), cost risks and financing risks (the ability to obtain financing) are all real risks that the development community are faced with.

Where the public sector can help to manage, mitigate or absorb these risks will have the benefit of encouraging development, and in-turn help the private sector to contribute to the objectives of the public sector for an overall good outcome.

1.3.6 Incentives

Utilising incentives can help to achieve the broad objective of an intensified, activated precinct served by reliable frequent public transport services. Incentives are sometimes interpreted as the granting of benefits (monetary or otherwise) to parties with the perception that these parties undeservedly profit or gain, however in the context of TOD, incentives should be seriously considered as a means to achieving a desired outcome, which the public sector on their own would be unable to achieve. A list of potential incentives is provided below:

- Reduction or removal of development levies on developers;
- Rates waivers or other council charges;
- Fast-tracked or preferential consenting processes;
- Deferred land purchase payments (where land transactions are occurring);
- Joint venture opportunities;
- Preferential debt financing arrangements;
- Public sector tenant initiatives;
- Leasing underwrites;
- OIO exemptions.

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Section 2 Waterloo TOD



2.1 Background

Rail to Waterloo was first established in 1927, terminating in a then open field. This infrastructure, including the electrification of the railway line from Wellington by 1957 contributed to the significant suburban development of the Hutt Valley throughout the mid-century into the suburban centre it is today.

The current Waterloo Railway Station was constructed in 1988. In recent years the roof structure in particular has suffered from ongoing maintenance issues and is nearing its end-of-life presenting an opportunity for the station infrastructure and surrounding catchment to consider the opportunities of Transport Orientated Development.

In May 2022, the Wellington Regional Leadership Committee (WRLC) confirmed Waterloo Station Transport Orientated Development (WTOD) as a Complex Development Opportunity (CDO)¹. CDO's are urban development projects that are identified as:

1. offering opportunities for accelerated and/or significant development to accommodate projected future growth;
2. are complex: so partnership is enquired to deliver them at the desired pace and scale; and
3. are in a key location to give effect to spatial plans / WRLC objectives.

CDO's have the potential to deliver significant housing and other benefits to the region, and support WRLC's objectives.

¹ <https://wrlc.org.nz/complex-development-opportunities-update>

2.2 Vision and Aspirations

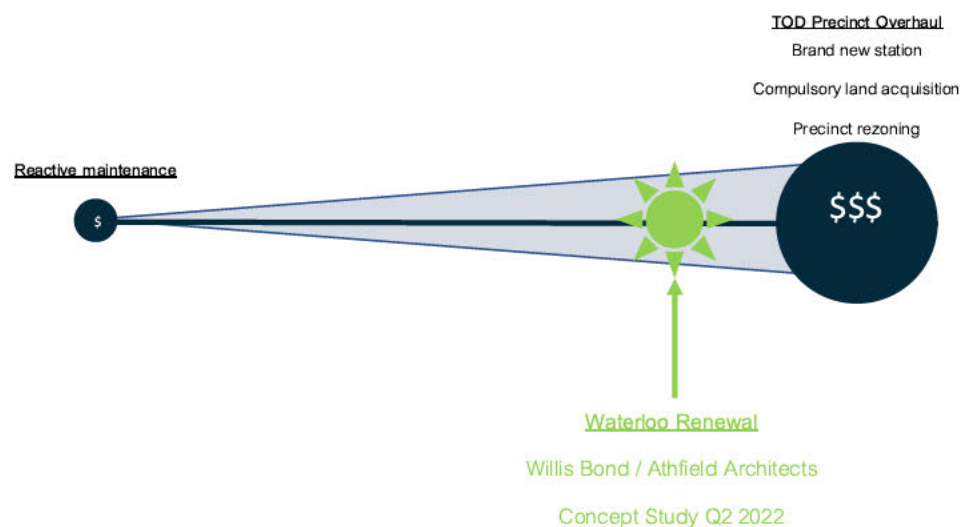
2.2.1 Waterloo TOD - Objectives

GWRC have identified the requirement for successful TOD to create liveable, thriving and sustainable communities by directly linking housing, transport and social services, with passenger and pedestrian experience underpinning every component.

Waterloo Station is an established transport node on the GWRC public transport network. Strong forecast growth characteristics in the region mean it is well placed to achieve these primary objectives. Waterloo has the benefit of significant land holdings in the immediate catchment (an ability to control early development) as well as established public spaces immediately adjacent providing the basis of good TOD characteristics.

2.2.2 Ambition spectrum

An ambition spectrum was presented to the broader stakeholder group of Council representatives in March 2022, to determine the aspirations at Waterloo. General acknowledgement that more than less intervention was required to have meaningful impact and be measured a success. General themes of future focus, community centric, sustainable and connected emerged, including the opportunity for the rejuvenation the local catchment, and the ability for this project to serve as a catalyst for greater change. This level of ambition is considered in the concepts discussed in this report.





2.2.3 Concept Study

The Waterloo TOD Concept Study was undertaken from March to August 2022. The Concept Study identified a number of shortfalls in the existing infrastructure² and proposed four primary focus areas for improvement.

- 1. Connection & Interface,
- 2. Legibility and Access,
- 3. Shelter & Amenity,
- 4. Optimise adjacent land use.

Refer to the Concept Study for more details.

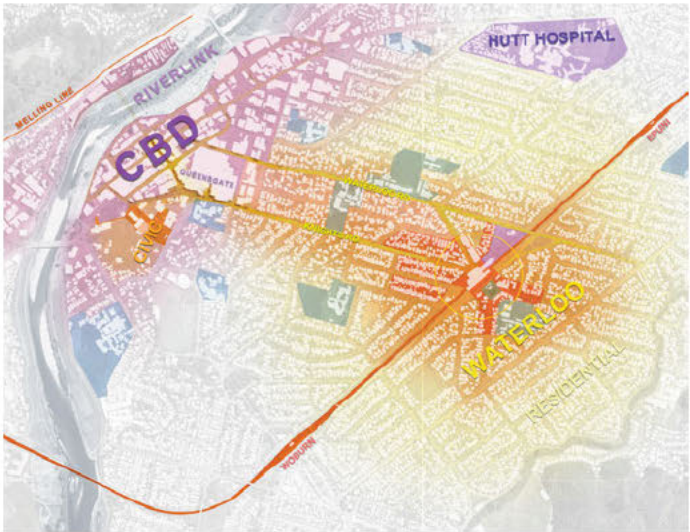
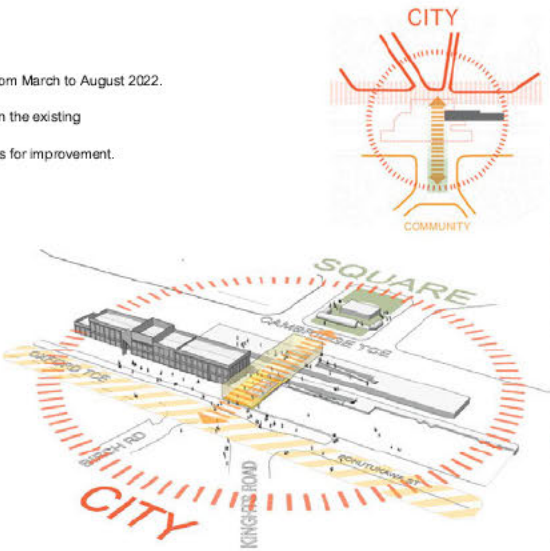


Fig 55. Section Perspective - Proposed Station

² Refer Waterloo MP Section 2.0 Context

2.2.4 Waterloo TOD - Minimum Station Requirements

At the commencement of this phase of work, Willis Bond recommended Metlink document the *Waterloo TOD – Minimum Station Requirements*. This is a technical document outlining the scope of work and technical criteria of the station infrastructure required to satisfy the ownership, and operational requirements of GRWC and others key rail and transport stakeholders.

As the landowner and operator of the station infrastructure the preparation of this document should be led by GWRC, but have the input and agreement of the other TOD stakeholders. At a minimum it should contain the following:

5. Railway operator requirements (Metlink);
6. Station owner requirements (GWRC);
7. Local Council Authority Requirements (HCC);
8. Railway corridor technical requirements (Kiwi Rail); and
9. Other key stakeholder requirements

This document will help clarify the 'residual or surplus land' that can then be considered for integrated development opportunities.

2.2.5 Project Reference Design

The combination of the *Waterloo TOD Objectives* and *Minimum Station Requirements* provide clarity as to the aspirations and requirements of the various stakeholders – referred to from this point as the *WTOD Brief*. It is recommended the WTOD Brief is used to engage a consultant team scoped to deliver a *Project Reference Design*. The Project Reference Design provides the next level of technical validation and is intended to interpret the brief requirements, test the briefing assumptions and help provide more clarity on the scope of the Project. Preparation of a *Project Reference Design* is beneficial as it helps to validate the brief requirements and anticipated project costs before significant expense is incurred. It puts the project into a position from which to consider and assume various procurement models.

2.2.6 TOD Demarcation

TOD's are inherently complex as their success is partly the result of the integrated nature of their functions and services. To the typical pedestrian, passenger or tenant, the demarcation between *Station* and *Development* (collectively the TOD) is generally not perceivable, nor important. In fact the opposite is true where a truly seamless experience is optimal.

Demarcation between Station and Development however is extremely important for many reasons including defining:

1. Legal ownership
2. Liability
3. Operating, servicing and security responsibility
4. Revenue and cost allocation.

A detailed demarcation shall be defined in the WTOD Brief and adopt the general principle that the *Station* shall never be reliant on the *Development*.

This means all components, structure, facilities, spaces, security, operational systems etc that are required for the uninterrupted functional performance of the station asset. The *Development* may however rely on the Station, but should be carefully considered – for instance secondary retail entrance ways. Demarcation may be in the horizontal (defined by a floor, roof, transfer deck) or vertical plane (defined by a wall/door/window). The more integrated a TOD is, the more complex the demarcation, however this principle should prevail.

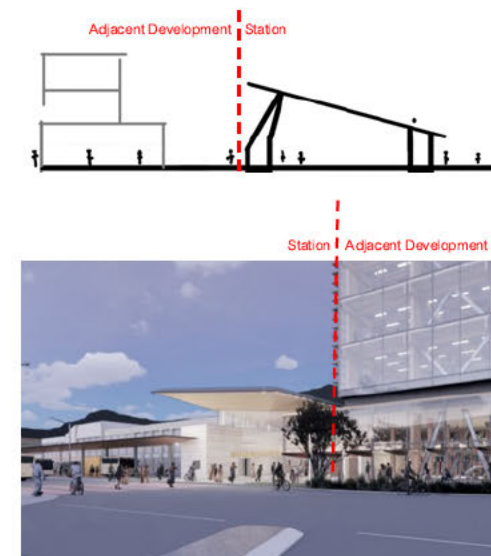
In addition to the above, clear demarcation enables decoupling of TOD components, meaning Station and Development can be procured (and reproposed as development generally comes to end of life before station infrastructure does) on their own eliminating reliance on other components for success.

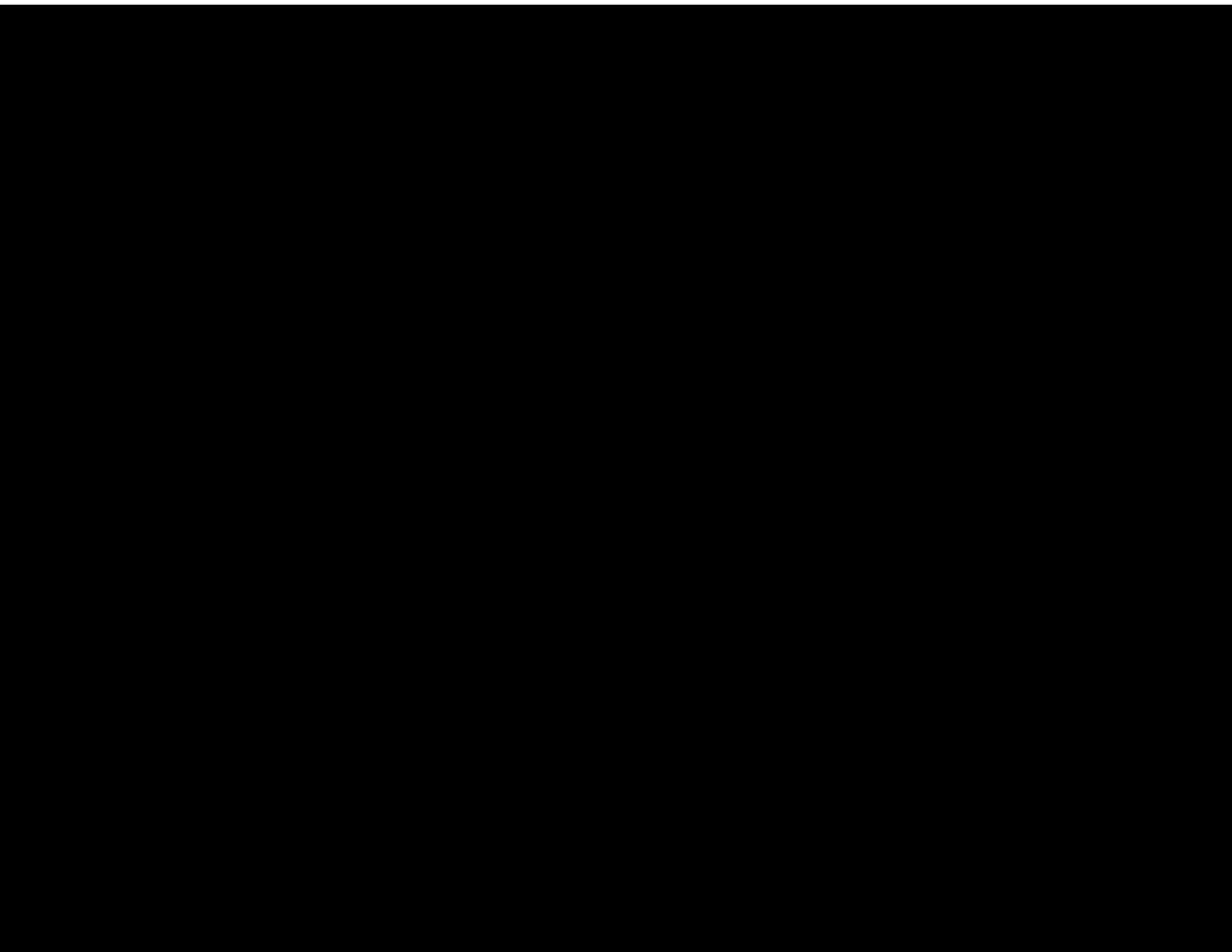
Waterloo Station is most suited to *Adjacent Station Development* as discussed in 1.2 above - TOD Procurement Typologies above.

Adopting the principles of Adjacent Station Development at Waterloo would comprise of

1. Optimising the station operations to occupy minimum land holdings (having regard for forecast growth requirements)
2. Identify and quarantine property requirements in immediate precinct (including requirements not under control) to service station operations
3. Undertake detailed master planning of 'residual land requirements' following optimal planning of 1 & 2 above.

The images below show the demarcation of "Adjacent Station Development" as introduced above, and overlayed on the hypothetical Waterloo TOD image. This highlights how a clear demarcation can still appear integrated and seamless from a human experience perspective.





2.6 Planning Context

2.6.1 Operative District Plan (at commencement)

The subject site, Waterloo Station and the land parcels immediately adjacent are classified Suburban Mixed Use (SMU) Activity Area under the Operative District Plan³. This Activity Area is typical of land proximate to good public transport connections and is particularly enabling, providing for a range of activities, primarily for the local convenience needs of surrounding residential areas including local retail, commercial services and offices as well as residential use above ground floor. It addresses expectations of residents of higher density housing types to have easy access to a wide range of facilities and services. SMU Activity Area enables intensification and provides for medium densities. New development is expected to be designed to high standards. The SMU is surrounded by a Medium Density Residential (MDR) Activity Area which encourages medium density housing.

A maximum of 12m in the SMU Activity Area (dark red) and 10m in the MDR Activity Area (brown) is permitted. Beyond these zones a maximum of 8m is permitted in the General Residential (GR) Activity Area (light yellow).



Figure 2 – City of Lower Hutt Operative District Plan – Activity Areas

³ [City of Lower Hutt District Plan](#)

2.6.2 NPS-UD (July 2020)

In August 2020, the Government published the National Policy Statement on Urban Development 2020 (NPS-UD)⁴. The NPS-UD requires territorial authorities to plan well for growth and ensure a well-functioning urban environment. It sets out a number of objectives related to the intensification of our built environment and includes objectives and policies addressing the implementation of intensification (consenting processes, governance, principles) and the quality of intensification itself (capacity, supporting wellbeing, affordability, proximity to amenity).

Hutt City Council is a Tier 1 local authority.

2.6.3 Medium Density Residential Standards

In December 2021, the Government passed the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act⁵ (RMA-EHS) with the intent to increase housing supply in New Zealand's main urban areas. This required territorial authorities, including Hutt City Council to update their District Plans to allow development that complied with new density standards as a permitted activity. These density standards enable up to three dwellings, up to three storeys high with reduced setbacks and relaxed site coverage and recession plane controls on sections in most residential areas, without requiring council planning permission (Resource Consent). Four or more dwellings, or residential units that do not comply with the density standards require consent as a restricted discretionary activity. The legislation has the effect of significantly increasing the density of residential housing in the existing residential activity areas across the country.

⁴ [NZ Government – National Policy Statement on Urban Development \(May 2022 update\)](#)

2.6.4 Proposed District Plan (Now Operative)

Hutt City Council District Plan Change 56: Enabling Intensification in Residential and Commercial Areas implemented the objectives of the NPS-UD and MDR, and has now been operative since 21 September 2023.

Most relevant to the Waterloo TOD catchment is the High Density Residential zoning change and corresponding increase in height limits from 8m to 22m and other development controls. The Waterloo Station is currently zoned as Suburban Mixed Use.



Figure 3 – Proposed District Plan Height Limits

2.6.5 Other strategic documents

This study recognises the findings and objectives of the various strategic documents at various levels of consultation and execution e.g. Future Development Strategies etc, but does not discuss in detail on the premise Waterloo is forecast, by multiple pieces of work, for significant growth and the fundamental premise that intensification adjacent existing public transport nodes is a sustainable response to this.

⁵ [NZ Legislation - RMA-EHS](#)

Section 3 GWRC owned property.





3.1 Legal & Titling

Description	
Street Address	100 Pohutukawa Street
Suburb	Woburn
City	Lower Hutt
Owner	Wellington Regional Council
Site Area	5,580sqm
Territory Authority	Lower Hutt City
Title	860746
RV	\$2,140,000
Land Value	\$1,620,000
Valuation Date	01 Sep 2022
Valuation Reference	16054/41501
Titles	Freehold
Legal Description	Site 1 Survey Office Plan 37073
Land Use	Road Transport
Development Zone	Commercial Zone F

Table 4 – Subject Land information (Source: CoreLogic)

3.2 Current Market Valuation

Telfer Young have provided a valuation for the land in Jan 2017 of \$2.65m based on a 7.46% yield on income which is \$2,385 psm of rentable floor area. This includes the City Line Bus Depot, Waterloo Interchange and Water Treatment Plan. It is understood the subject land carries a book valuation of \$3,46m advised by GWRC in Aug 2023.

3.3 Existing site



Figure 6- Existing land ownership



3.4 SWOT Analysis

Strengths, Weaknesses, Opportunities and Threats associated with the subject property are articulated in Table 5 below. SWOT analysis is a typical analysis undertaken when considering development opportunity.

Strengths	Weaknesses
• Support for action at GWRC • High patronage interchange node connecting Hutt Valley rail corridor to Wainuiomata catchment. • Interface with planned Beltway and east-west cycleways • Benefits from NPS-UD Intensification • Generally north south orientation beneficial for residential development to utilise east and west aspect. • Forecast catchment growth	• Dislocation from Lower Hutt CBD • Townhouses sell for 18% lower than Wellington Central • Water table constraint • Limited Metlink budget • Long, narrowing site toward south end difficult to utilise • Multi-storey construction is complex and more expensive than low density construction
Opportunities	Threats
• Relatively low-value surrounding land • Government owned land with potential access to patient capital • Funding mechanisms • Limited apartment offerings currently in Lower Hutt • Non-financial benefits driven by government initiatives to present a catalyst for future development	• Current demand for high density – land value • Construction costs continue rising 12% per year • Proximity to rail corridor requires management • Development in absence of a cohesive master plan will generally ensure development inherits the weaknesses of development in close proximity of station infrastructure without the benefits (connection, amenity etc). • Public open space provision to support intensification. • Structural and geotechnical engineering considerations to manage aquifer.

Table 5 – Subject land parcel SWOT analysis

3.5 Development potential

The land parcels adjacent to the existing station infrastructure, including the GWRC property presents an opportunity to intensify with mixed-use urban development that leverages the proximity to the existing station, and provides a catalyst for the further intensification of the walkable catchment.

The GWRC property is considered the most developable for a variety of reasons as outlined above in the SWOT analysis. The South-East quadrant has been considered in conjunction with this site as it presents synergies in developing the two together are possible. This aligns with the logical decanting of carparks toward the north-western quadrant considered the most suitable to be the long term carparking.

3.5.1 Hypothetical Scenarios

Four preliminary bulk and mass scenarios have been considered with varying degrees of residential and commercial use and density. Two are compliant with the Operative District Plan, and two with the Proposed District Plan.

The property economics report demonstrates theoretical capacity for development in the Waterloo catchment however there remains significant risk in the ability for the market to absorb such development. These scenarios assume general uses only, intended to illustrate the opportunity for development. A detailed masterplan process, followed by a market sounding process will confirm more refined uses, but it is reasonable to articulate the concept of intensified development on the basis of the property economics report findings.

3.5.2 Mixed Use Scenarios

Mixed Use Scenario 1 – Operative District Plan.



Figure 7 - Commercial Mixed-use - Operative District Plan

Mixed Use Scenario 2 – Proposed District Plan

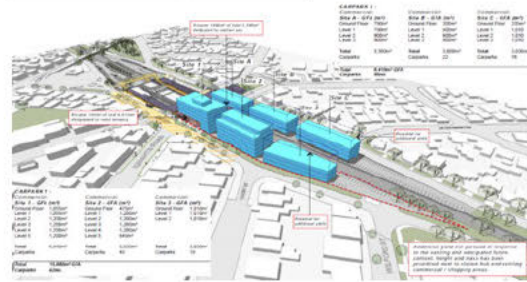


Figure 8 - Commercial Mixed-use - Proposed District Plan

3.5.3 Residential Scenarios

Residential Scenario 1 (Medium Density) – Operative District Plan

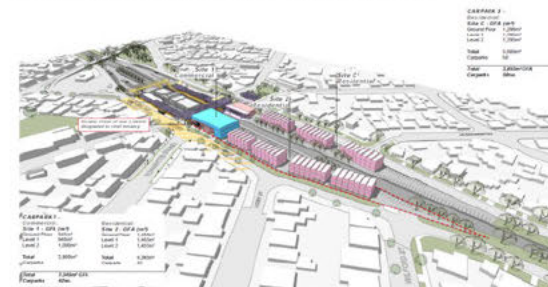


Figure 9 – Medium Density Residential - Operative District Plan

Residential Scenario 2 (High Density) – Proposed District Plan



Figure 10 – Medium to High Density Residential - Proposed District Plan

3.5.4 Market conditions

Difficult market conditions limit ability to maximize site value in the immediate term. Market conditions have deteriorated rapidly over the past year with rising input costs (cost of materials, cost of borrowing, rising insurance premiums) and falling values across sectors.

There has been a construction price increase of 27% over the past three years, with residential building construction increasing by 32%.

Residential house values in the Upper Hutt region have decreased by 22% from the beginning of 2022. Over this period Wellington prime commercial capitalisation rates have softened 133 bps, now sitting at 7.02%.

Falling sales values are correlated to rising interest costs, with the listed market pricing further valuation falls across sectors.

This has resulted in a decrease in development activity and limited transactions occurring, with both investors and developers struggling to meet return hurdles.

Construction cost indexes



Figure 11 – Escalating construction costs, Stats NZ

Lower Hutt median residential sale price

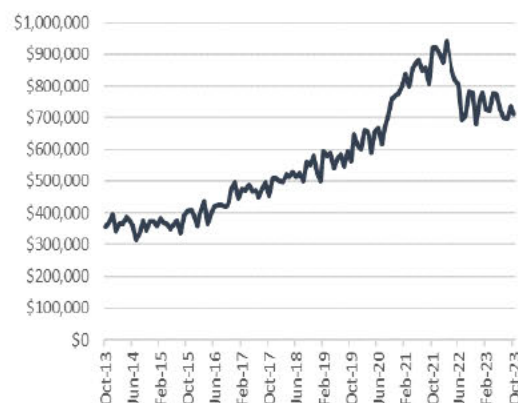


Figure 12 – Deflated residential house prices in Lower Hutt, REINZ

Wellington CBD Office Prime Yield

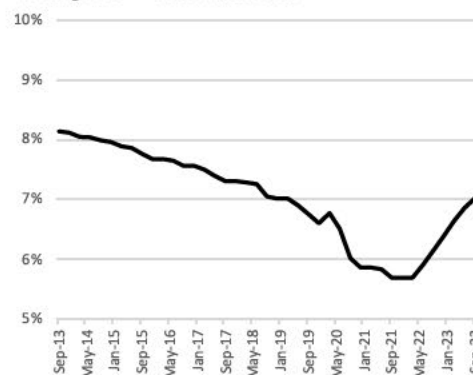


Figure 13 – Rising commercial cap rates in Wellington, CBRE

3.5.5 Residual valuation findings

A residual land valuation exercise was undertaken on each scheme. Two scenarios were considered – a base case looking at current market assumptions, and an upside scenario in the case of slightly more optimistic assumptions. Each scheme was considered not to be feasible under current assumptions, with a negative land value derived. In the upside scenario, using slightly more optimistic assumptions, a land value of \$0 psm was still the case as the market sits today. A summary of key metrics and findings is shown in tables seven to nine.

Note that this analysis considers intensified development only and does not mean the land doesn't currently have any current value, rather the proposed development schemes are uneconomical. As a baseline, the land can currently be valued by capitalising existing car park rentals.

3.5.6 Ground lease considerations

The analysis assumes freehold land and does not consider a discount for ground leases across the site.

If a ground lease was in place, this would decrease land values in line with the ground lease payments and assessed reduction in future asset value.

For ground lease structures to not impede the value of the land, the following factors are required.

1. Pre-paid lease with a peppercorn rental and no ongoing ground lease payments over the term.
2. Sufficiently long term to not impede sales values. [REDACTED]
[REDACTED] this is deemed long enough to achieve freehold values in a prime, waterfront location. In a less premium location such as Waterloo, a term of 150 years plus is considered necessary.



Recommendation

GWRC owned land

Based on the discussion above, we recommend holding the surrounding land until market conditions improve and a development can be undertaken that will add value to the surrounding area. De-coupling the station rectification works from adjacent development will ensure the maintenance objectives can be achieved, whilst future proofing future development.

Waterloo TOD generally

It is assumed GWRC will manage stakeholder consultation and internal government approval processes, however the following tasks are recommended to progress the Waterloo TOD project specifically:

- Prepare Waterloo TOD – Minimum Station Requirements
- Procure Waterloo Station Reference Design (with specialist consultant expertise)
- Commence precinct master planning

These priority tasks above will

- Clarify the station requirements and enable detailed cost estimates
- Clarify the requirement (or not) of the residual land parcels surrounding the station precinct
- Enable market engagement to determine viability of residual land parcels
- Enabled detailed business cases to be prepared
- Identify preferred procurement strategies to be considered



Appendices

Appendix 1 – WTOD Economic

Overview (Property Economics)

Appendix 2 –Hypothetical Scenarios