TE TUPU NGĀTAHI
SUPPORTING GROWTH

South FTN and Key Connections

Appendix I – Property Overview

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Version 1.1

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Responsibility	Name
Author	[redacted]
Reviewer	[redacted]
Approver	[redacted]

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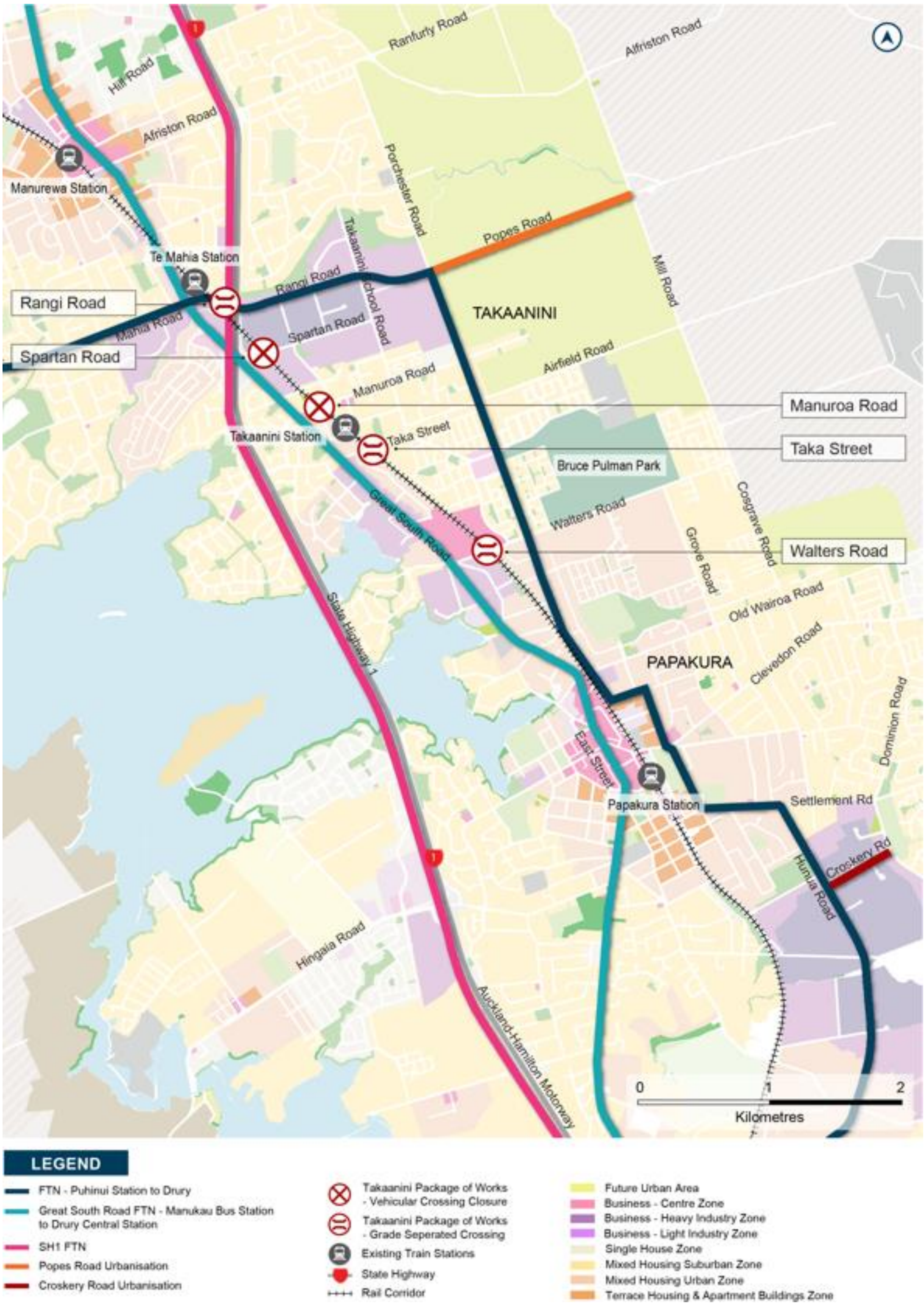
Appendix A - Assumed Acquisition Profiles

1 Introduction

The South FTN and key connections DBC follows on from the solutions and outcomes identified at both the Programme Business Case (PBC) and Indicative Business Case (IBC). The DBC considers two frequent transit networks (FTN) and three key connections identified within the Indicative South Transport Network (ISTN). These are shown in **Figure** 1-1**.**

Figure 1-1 : DBC Scope



1.1 Purpose of the Property Overview

This Property Overview has been developed to outline the anticipated property requirements for the South FTN and key connections DBC.

It is important to note that whilst this has been developed for the DBC, its primary purpose is for **route protection**. Typically, there will be a subsequent Implementation Business Case to seek approval for implementation funding of individual project, which will include more detailed analysis of the property issues.

The Te Tupu Ngātahi programme has developed a Programme Wide Property Strategy that outlines the principles for property acquisition for the entire programme. The Te Tupu Ngātahi programme includes both Waka Kotahi and Auckland Transport (AT) projects and both property teams have been part of the development of programme wide guidance and approaches. For this DBC, it is AT's project thus a focus on AT in this document but note that Waka Kotahi have been involved in the review of processes and approaches. These principles have guided the development of the property approach with the key points being:

- The programme is about long-term affordability and property will be generally acquired closer to implementation.
- It is recognised there will potentially be an early property acquisition liability as soon as the NoR is lodged for each project.
- The Requiring Authority will take the lead on property negotiations for that specific project, utilising the current processes of that organisation (Auckland Transport (AT)).
- AT's Early Acquisition Guideline processes will apply.
- Where there is opportunity for strategically important properties to be acquired, these should be taken.
- Opportunities for resultant value capture from residual land will be considered as part of the land use integration.

Future property appreciation and early acquisition property liability are critical issues once the identified projects are route protected. This Property Overview outlines the analysis and approach to providing as much certainty as possible to what this early property acquisition liability could be into the future.

It is a living document developed for the route protection detailed business case phase. Given the long-term timeframes envisaged for this route protection, the Property Overview will need to be revisited, reviewed, and updated in the lead up to project implementation. The acquisition programme is dependent on detailed design and land requirement plans being completed.

This Property Overview is intended to sit alongside the Route Protection Strategy and a strategy to commence a dialogue with developers at resource consent subdivision pre application stage to secure additional arterial road widths.

1.2 The DBC Recommended Package

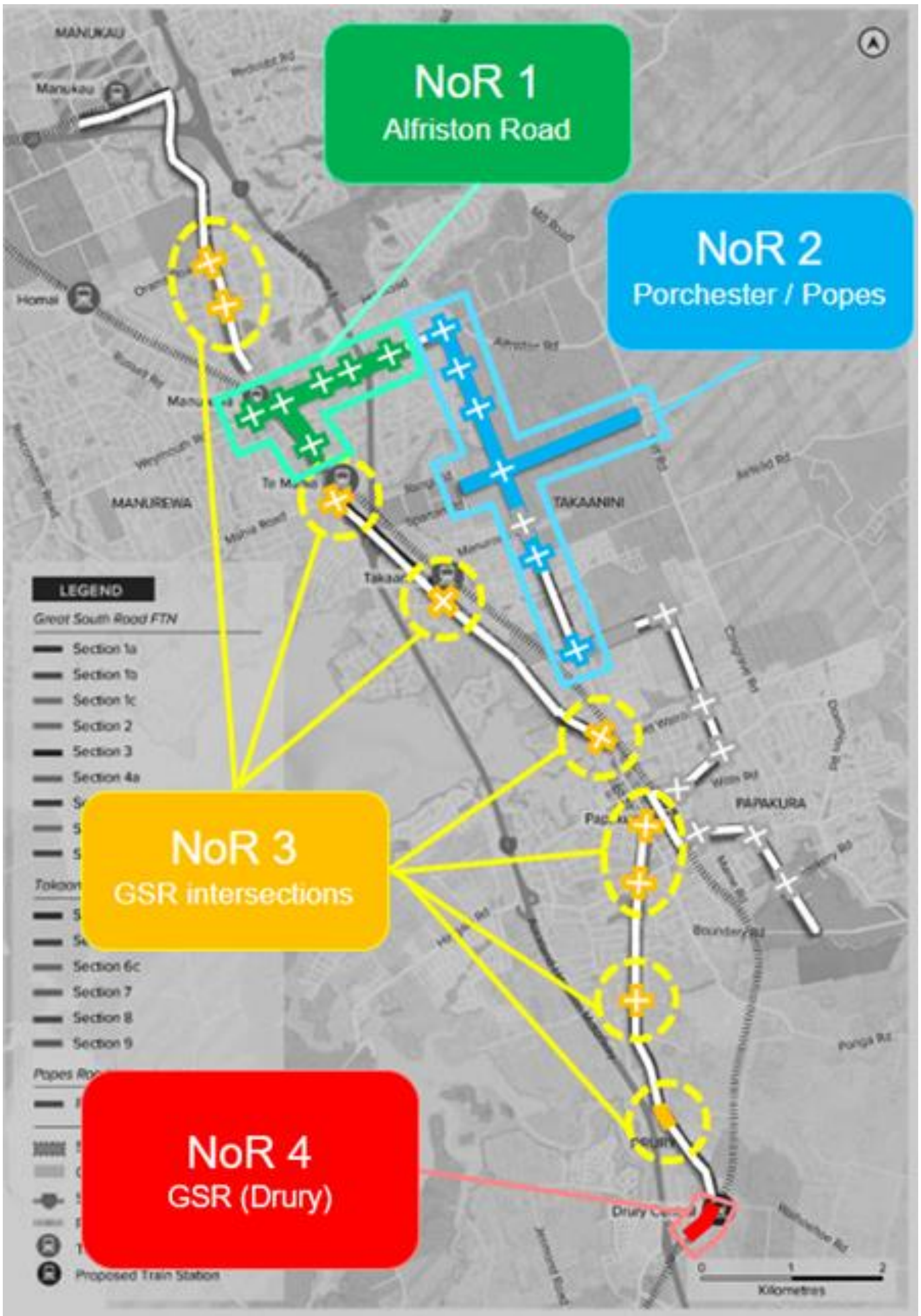
The DBC recommended package of five projects is shown in Figure 1-2 and includes:

- Great South Road (GSR) FTN
- Takaanini FTN
- Upgrade of Popes Road

- Upgrade of Croskery Road
- Upgrade of Great South Road between Waihoehoe Road and Drury Interchange.

The Route Protection Strategy has identified 4 different notice of requirements of these to be progressed for route protection as shown in **Figure** 1-2. In some cases, a project has been split into multiple NORs i.e. Takaanini FTN.

Figure 1-2 : Recommended Package



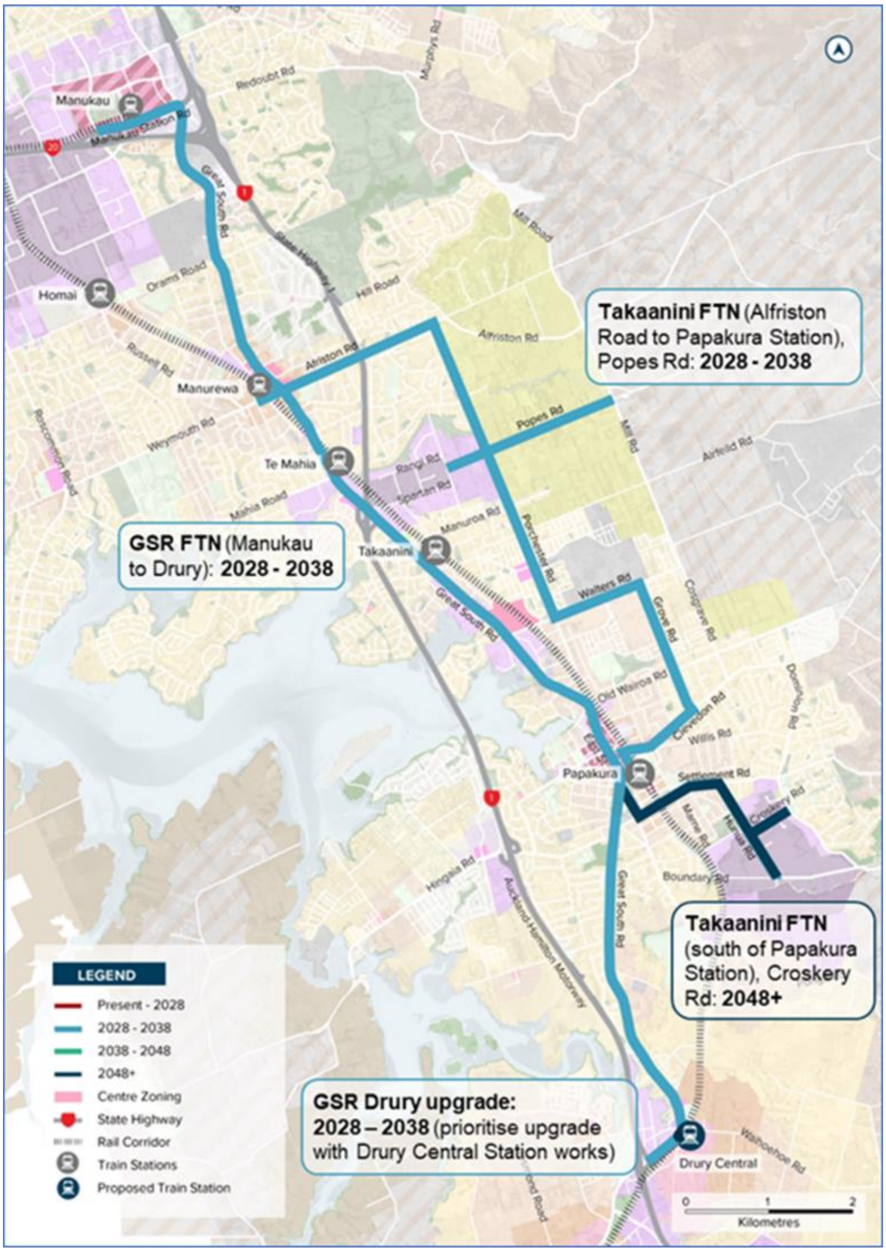
The upgrade of Croskery Road will not proceed to route protection as the project seeks to implement upgrades within the road reserve. Thus, the project has been excluded from the rest of the report.

1.2.1 Timing

The projects in this package have different dates for planned implementation. These dates are heavily reliant on development triggers and timing of land use. Importantly, as this DBC has focussed on route protection, a further 'Implementation DBC' is to be completed prior to implementation to secure implementation funding. A much more detailed project specific property assessment will be undertaken at that time.

Figure 1-3 sets out the current forecast programme.

Figure 1-3 : Recommended staging



2 Affected Properties

2.1 Indicative Land Requirements

A detailed analysis of the number of properties and what type of resultant property purchase is required (full, partial, partial and temporary, or temporary) has been undertaken by Auckland Transport for the DBC.

A total of 446 property interests have been identified for acquisition as outlined in **Table** 2-1.

Table 2-1 : Property Acquisition Summary

Project	Total Property Interest	Full	Partial	Temporary Occupation	Partial & Temporary Occupation
Great South Road FTN	174	31	143	168	311
Takaanini FTN	234	30	204	212	416
Popes Road	34	1	33	59	92
GSR between Waihoehoe Rd and Drury Interchange	4	1	3	38	41
Total	**446**	**63**	**383**	**477**	**860**

The above shows that only 14% of property of interest are full purchases and most purchases are partial and/or temporary occupations. A small number of properties do not require acquisition as they are already owned e.g., road.

2.1.1 Development in the area

There are private plan changes under consideration in the area, of significance is the Alfriston Road Plan Change within the Takaanini FUZ. This shows there are already potential development pressures in the area.

2.2 Acquisition Issues and Risks

An assessment of the key risks has been undertaken. A three-tiered risk assessment scale has been used:

- **High –** Significant risk that will require sustained and active management.
- **Medium** – Moderate risk that will require active mitigation.
- **Low** – Minimum risk that can be appropriately managed.

Table 2-2 summarises the key risks identified for the project.

Table 2-2: Property Risks

Risk/issue	Rating	Discussion
Land use changes, resulting in property value increases	**Medium**	Given the brownfield nature of the area for a number of the projects, it is unlikely that land use / zoning will change. However, Plan Change 78 will allow more intensification in the area and thus there is a risk of property value uplift.
Demand for early acquisition/ timing of acquisition	**Medium**	This programme is about long-term route protection to ensure the transport needs to support the growth. This creates uncertainty of early acquisition demand, given the longer than usual nature of the designations proposed.
Specialist properties	**Medium**	There are a number of properties with business operations that will require focused acquisition strategies closer to the time of acquisition
Heritage sites	**Low**	There is no land with Heritage sites identified for acquisition.
Contaminated land	**Low**	There may be localised pockets of contaminated land due to the farming and industrial land uses. No significant areas of contamination have currently been identified; any typical contamination remediation processes should address the small pockets identified.
Archaeological sites	**Low**	There is no land with Archaeological Sites identified for acquisition.
Māori land	**Low**	There is no Māori land identified for acquisition.

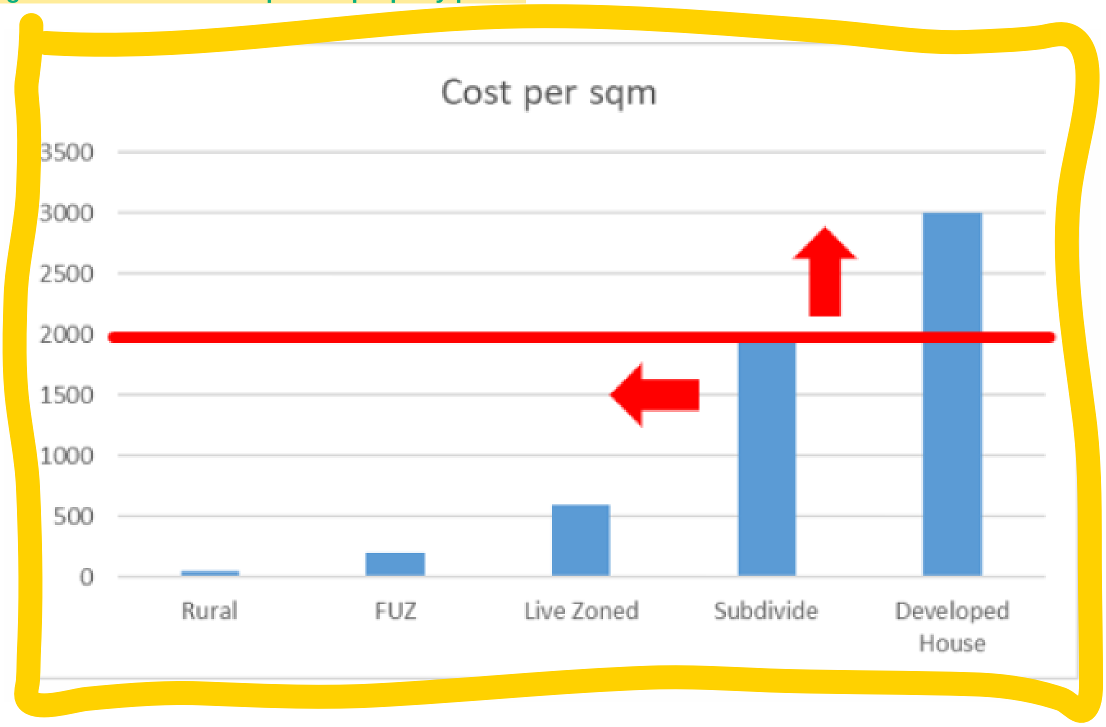
Overall, the project is considered to have **medium property acquisition profile,** predominately related to the high number of properties required and uncertainty of when acquisition is required. The property strategy needs to be agile to respond to these challenges.

A significant risk for this DBC is the potential for considerable property appreciation as a result of the proposed land use changes occurring. The impact of land value uplift creates uncertainty in forecasting land acquisition costs and funding. This is an expected result of the nature of the project purpose being route protection and the extended time horizon prior to the anticipated construction phase.

Figure 2-1 demonstrates an indicative value of land per square meter based on the various stages of the development cycle[1]. It is considered that route protection should result in houses not being developed within the land the NoR overlays, resulting in some savings, however property appreciation over the longer term will occur and will be more significant where zone changes occur even with a designation in place over the land. Property estimates have initially been made in current day dollars (2023) and an allowance for appreciation over time has been made in the property estimates refer Section 5.4 of this report.

[1] Assumes 2019 prices on indicative parcels of land in the South area

Figure 2-1 : Indicative impact of property prices



A recent example of the increasing land values in Auckland can be seen with the interventions planned for Redhills. These corridors are located within land zoned through the Auckland Unitary Plan (AUP) process. Auckland Council data on land value changes in 2017 confirms that the Redhills area has experienced an increase in land values of around 100% after the rezoning of the land to live zone from future urban zone. Although some of this can be attributed to general market conditions, increased attractiveness of land adjacent to the metropolitan centre, and rezoning of land to live zoned resulted in significant property value increase within the Redhills areas. This critical issue is discussed in more detail in Section 5 of this report.

2.3 Access

All properties will retain access to the transport system, A number of properties will require their access to be modified during the acquisition process. The details of this will be worked through in the later design stages of the project. The land identified for acquisition has taken this access principle into account and is reflected in the scale of land to be acquired. Where it is unlikely that access can be maintained then the property has been identified for full acquisition.

For some of the properties, temporary access may be required and will be investigated during the project development phases in the future. It is recommended that this temporary investigative access be obtained as early as possible for any property identified for future acquisition.

2.4 Land Tenure Issues

This assessment has not been undertaken at this time due to the route protection nature of this DBC.

3 Compensation

3.1 Base Price Methodology

The AT property team have undertaken the property cost estimate for the project on behalf of Te Tupu Ngātahi. This section of the Property Overview outlines the methodology adopted by the AT property team in developing the property cost estimate.

The level of information provided to AT to inform the base cost estimate is commensurate with the business case, which is for NoR route protection purposes. Unlike traditional detailed business cases, the implementation dates for the DBC vary within the next 10 – 40 years.

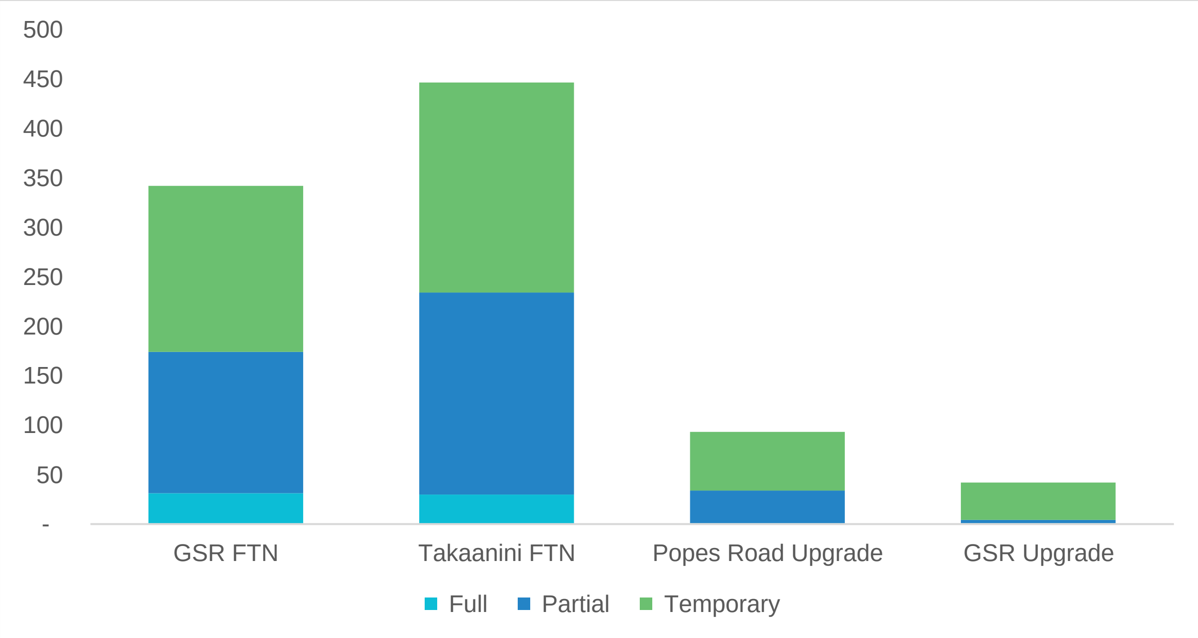
The AT property team assessed the 12 property packages which contained all the project in the DBC proceed to route protection. Note that some projects were separated into different package doe to the varying nature of the corridor. The inputs provided by Te Tupu Ngātahi to AT, consisted of GIS maps showing indicative permanent and temporary land requirements for the projects and supporting data identifying the affected properties on a property-by-property basis. The inputs provided at this stage did not include detailed investigation of property impacts, for example topographical and geotechnical impacts.

Informing the base cost estimate are the following assumptions:

- For arterial road corridors, the full arterial road width has been included, notwithstanding the land acquisition programme may be developer led with developers providing the local corridor width at no cost. This reflects the need for the full arterial road corridor width to be within the proposed NoR boundary.
- It is assumed the land acquisition programme will be developer led within the Future Urban Zone (FUZ). Generally, given the long-term route protection, the majority of the earthwork batters have been included within the temporary occupation area rather than the permanent acquisition area, within the FUZ, as it is expected development will be built up to the road boundary.
- The prospect of zoning changes and specifically future urban land being subject to Plan Change and the timing of these processes re Te Tupu Ngātahi lative to any route protection forms part of the additional analysis undertaken by Te Tupu Ngātahi.
- Injurious affection is an estimate of the adverse effect that a partial acquisition of land will have on the remainder of the land. In this estimate, no allowance has been made for injurious affection. This will need to be considered when design is refined.

Figure 3-1 shows the type of property acquisition by each corridor. This confirms most acquisitions are partial with very few full acquisitions envisaged. All corridors will have some full acquisitions but full acquisition only accounts for 14% of total properties to be acquired.

Figure 3-1 : Property acquisition by type by individual projects



The exercise undertaken for providing the based cost estimate is as below:

Task	Additional information
AT undertook a desktop assessment of land values expressed on a rate per square metre basis for raw (un-subdivided) block land (i.e., land requiring earthworks, roading and servicing prior to any development) for the different zonings including Light Industry, Mixed housing suburban, Town Centre, Future Urban Zone and Heavy Industry. The valuation inputs were provided by independent registered valuers.	Adopted: • Future Urban Zone - $250/m2 • Residential – Single House Zone - $750/m2 • Residential – Large Lot Zone - $150/m2 • Business – Light Industry Zone - $600/m2 • Business – Town Centre Zone - $2,000/m2 • Residential – Mixed Housing Urban Zone - $800/m2 • Business – Mixed Use Zone - $1,150/m2 • Residential – Mixed Housing Suburban Zone - $1,100 • Residential – Terrace Housing and Apartments - $1,200
Each property and land requirement has been assessed on a property - by-property basis.	For full acquisitions, an estimate of the current market value was obtained using Online resources such as Property Guru data and Auckland Council GIS.
Land cost component contingency	An assessment has been undertaken to determine the appropriate contingency to apply to the land cost component of the base cost estimate. Considering the lack of investigations (e.g., topographical and Geotech), high-level design and the depth of market and level of available sales evidence, the contingency applied to the base land cost estimate component has been assessed at 15%.

Task	Additional information
PWA cost estimates have been assessed on a parcel-by-parcel basis.	• Section 72 PWA costs. • Section 66 PWA costs allowing for the issue of section 18 PWA Notices of Desire, if required. This is based upon analysis of previous s66 claim history of comparable claims over recent years. • Costs of acquisition including legal and valuation costs and staff time. This also allows for the issue of section 18 PWA Notices of Desire, if required. The base cost estimate does not include the cost of using external acquisition service providers. Costs are based upon the AT internal acquisition model. • The upper end of the section 66 PWA and estimated costs of acquisition has been adopted for each acquisition type. Across the whole land acquisition programme, the methodology adopted is reasonable for the required level of input. • In addition to the base cost estimate costs associated with stage two of the PWA compulsory acquisition process and LVT proceedings are assessed on an aggregate basis across each tranche of acquisitions. This allowance is estimated based on the historic aggregate number of acquisitions that progress to the s23, s26 and LVT Proceedings. The assumptions are outlined in the following section.
Stage 2 PWA compulsory acquisition and Land Valuation Tribunal (LVT) proceeding costs.	An allowance has been made on an aggregate basis based on the following assumptions: • 20% of the acquisitions advance to the Section 23 stage at an estimated cost of $40k per acquisition. This equates to 90 properties for the project. • 50% of the Section 23s advance to the Section 26 stage, at an estimated cost of $30k per acquisition. This equates to 45 properties for the project. • 33% of the Section 26s advance to the LVT at an estimated cost of $600k pre proceeding. It is assumed 15 acquisitions will advance to LVT.
Stage Two PWA and LVT cost component contingency	• At the request of the AT property team a contingency of 15% has been added to the Stage Two PWA and LVT cost component by Te Tupu Ngātahi. • The base cost estimate excludes existing legal road areas that are already in AT/ Council ownership. • Where properties are included in more than one package project, this has been specifically noted and only counted once. • Various other cost elements, which are a cost to the physical works budget have also been identified. These form part of the early property acquisition project liability addressed in Section 10. The cost of mitigation on a property-by-property basis and temporary occupation during construction is an example of costs to the project, as part of the physical works construction cost. For temporary occupations, a rental rate of 7% of the land rate has been adopted on a per annum basis. This is informed by AT's current knowledge of temporary occupation rates.

3.2 Base Property Internal Quality Assurance

The base property cost estimate methodology has been reviewed by the property team at Align Property Consultants. They have reviewed the process outlined above to come up with the base property estimates and have advised that they are comfortable with the process used to establish the base costs.

3.3 Base Property Estimate

The base property estimates which includes the estimated gross costs, S66 costs, S72 costs and negotiator costs are shown in **Table** 3-1.

The total base property estimate, using the methodology outlined above, as at present dollar value is $154.1M, excluding land cost contingency and PWA cost contingencies and annual temporary occupation rental. The temporary occupation costs are shown separately per annum.

Table 3-1 : Base property estimate summary (excluding contingency and Stage two PWA and LVT costs and)

Project	Base estimate ($M)	S23 and S26 PWA and LVT estimate ($M)	Temporary Occupation Rental cost per annum ($M)
GSR FTN	$72.33	$5.44	$1.73
Takaanini FTN	$68.87	$7.32	$2.18
Popes Rd Upgrade	$9.85	$1.06	$0.40
GSR Upgrade	$3.08	$0.13	$0.11
Total	**$154.12**	**$13.95**	**$4.42**

3.4 Stage Two PWA and LVT Cost Estimate

To the base property estimate above, AT then added an allowance of $13.95 million to the overall acquisition programme for the estimated section s23 and 26 PWA and LVT proceeding costs and prorated this figure between the projects, refer **Table** 3-1**.**

3.5 Expected P50 and P95 Property Costs

A contingency based on the assessed risk profile is added. This is done in two parts, a contingency to identify the base estimate, or P50 and then a further contingency to identify the P95 cost.

3.5.1 Expected (P50) Costs

A 15% contingency was applied to the base estimate of the acquisition cost to provide for uncertainty in relation to the estimate inputs and specific project threats and opportunities with a cost impact to derive the expected estimate (P50).

3.5.2 P95 Contingency

For the P95 contingency a further 20% has been added to the Expected Estimate (P50) contingency. This is based upon the detailed risk modelling (consistent with SM014) undertaken for the capital costs of each project in the programme and takes into account the risk profile accordingly. This approach is considered appropriate and is consistent with the CAPEX costs and approach.

3.5.3 Summary

This approach results in the costs (including contingency) shown in **Table** 3-2**.** This table also identifies the estimated Stage 2 PWA and LVT costs and likely temporary occupation rental costs.

Table 3-2 : Property Cost Summary[2]

Project	Base estimate ($M)	S23 and S26 PWA and LVT estimate ($M)	Temporary Rental Cost per annum ($M)	Contingency	Expected (P50) Estimate ($M)	95th Percentile Contingency ($M)	95th Percentile Estimate ($M)
GSR FTN	$72.33	$5.44	$1.73	$10.85	$83.17	$16.63	$99.81
Takaanini FTN	$68.87	$7.32	$2.18	$10.33	$79.20	$14.51	$93.71
Popes Road	$9.85	$1.06	$0.40	$1.48	$11.33	$2.27	$13.59
GSR Upgrade	$3.08	$0.13	$0.11	$0.46	$3.54	$0.71	$4.25
Total	**$154.12**	**$13.95**	**$4.42**	**$23.12**	**$177.24**	**$34.12**	**$211.36**

[2] Cost shown are property acquisition costs and does not include temporary rental costs

4 Package property acquisition approach

4.1 NoR with Contemporaneous Purchase

Acquisition of the property required for the transport network early world provide both planning and project certainty and prevent increased project costs as a result of property inflation from the point of acquisition.

A paper on the benefits of corridor protection by Infrastructure Australia[3] confirms that protecting required land today minimises the future cost of building new infrastructure. Reserving a corridor by NoR prevents further capital development of the land the NoR overlays, that would otherwise add to project costs.

Early acquisition protects against the possibility of land value inflation in line with the notional value of the land that surrounds it. As noted in Infrastructure Australia's recent paper on value capture, early acquisition of land required for a corridor can be an effective form of value capture.

This option, contemporaneous lodging of a NoR and acquiring the property can result in significant savings over time. However, it requires a large upfront investment.

At the present time, based on current estimate of the property costs, we understand that funding is not available to fund this option as a global approach.

However, there may be opportunities for the Agencies to purchase certain strategic blocks of land by agreement, where a landowner wants to dispose of a landholding, or a property is likely to substantially increase in importance due to future developments.

4.2 NoR with Future Purchase

Sections 5 and 6 identify, from a property perspective, the key risks of implementing a route protection strategy that aligns implementation of the property acquisition programme with future project delivery that is programmed in future decades.

This route protection pathway does create future property appreciation and early acquisition demand liability risks for the project going forward, notwithstanding the key benefits of a NoR:

- It prevents or hinders the development potential of the route protected (where the proposed development conflicts with the purpose of the designation) without necessarily obliging the Requiring Authority to purchase the land.
- During the period between when the NoR is notified and securing the required property rights, it externalises the land holding costs onto the landowner.

[3] https://www.infrastructureaustralia.gov.au/sites/default/files/2019-06/CorridorProtection.pdf

5 Future Property Appreciation

5.1 Challenges of appreciation in long term growth areas

A designation prevents physical/capital development of the land the designated areas, and therefore any inflation arising from that, it does not completely freeze the value uplift. From a PWA perspective, the value of compensation paid is assessed as at the date it is purchased and is evaluated with reference to surrounding comparable market values. When the expected time horizon of these projects is potentially several decades into the future, estimation of future costs is extremely unreliable. Property inflation can only sensibly be estimated three to five years into the future. Anything beyond this becomes problematic.

This risk is mitigated on a practical basis by regularly reviewing property estimates on a three yearly basis in line with the RLTP process.

5.2 Risk Profile

At a macro level the dynamism of the surrounding land-use changes will have an impact as this will result in land value appreciation. Route protection will occur over a range of land zonings, each with different potential for land value inflation. Areas that have the least potential for change to a more intensive zoning will have the least potential for land value inflation. For example, those with a current urban or rural zoning that will remain the same or similar over the project period will only be subject to inflation at the rate standard for that land-use class.

In contrast, areas that are transitioning from a FUZ to an urban zoning will significantly increase in value. The implication of large scale FUZ zonings are:

- High risk of future uplift in property values as the zoning changes to a live urban zoning to facilitate the growth forecast.
- Future property value uplift will not be aligned to general market inflation, creating inherent cost appreciation uncertainty.

As property progresses from a FUZ through the structure planning and plan change process, and its development potential become more certain, its value will increase.

Although much of the area in this package of project is not within FUZ zoning, there are however large areas where properties are within Plan Change 78. The implication of this is future property value uplift will not be aligned to general market inflation, creating inherent cost appreciation uncertainty.

5.3 Risk Analysis

This increase in value over time will be impacted by the following risks:

- The increased certainty of the type and density of development that may occur.
- The raw costs of the planning process.
- The time these processes might take and the holding costs of this.
- Any external costs for infrastructure, development/financial contributions.

- Cost of risk of not achieving that outcome (which can also be characterised as the developers' profit).

Areas that are converting to urban activities, may also introduce betterment considerations for some properties.

5.4 Property Appreciation Application

Future property appreciation is therefore a challenging but critical component of the property costs for this DBC given the long-term route protection approach and the fact this protection is happening in areas of identified future growth.

There are a number of unknowns in this regard making it difficult to predict when:

- Exact changes in zoning will occur.
- Acquisition is likely to occur.
- Projects will be implemented.

Given the long-term nature of the timeframe and these uncertainties, we have used an approach to property appreciation of applying a range of appreciation rates across the entire programme. We have used two rates of appreciation[4] based on the following rationale:

- **Low** – Assumes less appreciation (5%) based on significant market downturn.
- **Medium** – This rate (10%) is based on general historical appreciation rates in the area over the last 15 years, which has some general rezoning within it as development has been occurring, which is a doubling in value every 8 years approximately.
- **High** – This rate (15%) considers the land zoning which is doubling in value every 6 years approximately and increasing it by another 50%.

Table 5-1 summarises the range of estimated property liability by project in the current RLTP period 2021/22 to 2030/31, based on a property appreciation range of 5%, 10% and 15%. Note this excludes NoR costs.

Table 5-1 : First decade property liability sensitivity (Base estimate)

Project	Early acquisition property liability (undiscounted $M)			Implementation property liability (undiscounted $M)		
	5%	10%	15%	5%	10%	15%
Great South Road FTN	$36.3	$45.5	$57.1	$22.4	$34.1	$50.9
Takaanini FTN	$16.7	$20.9	$24.9	$26.1	$39.7	$59.2
Popes Road upgrade	$1.9	$2.5	$3.2	-	-	-
GSR upgrade	$0.7	$0.7	$0.8	$3.0	$3.6	$4.3
Total	**$55.5**	**$69.6**	**$87.3**	**$51.5**	**$77.4**	**$114.4**

We acknowledge this approach is simplistic. We have therefore sense checked this approach by looking at individual property types and understanding from the AT property team, what their

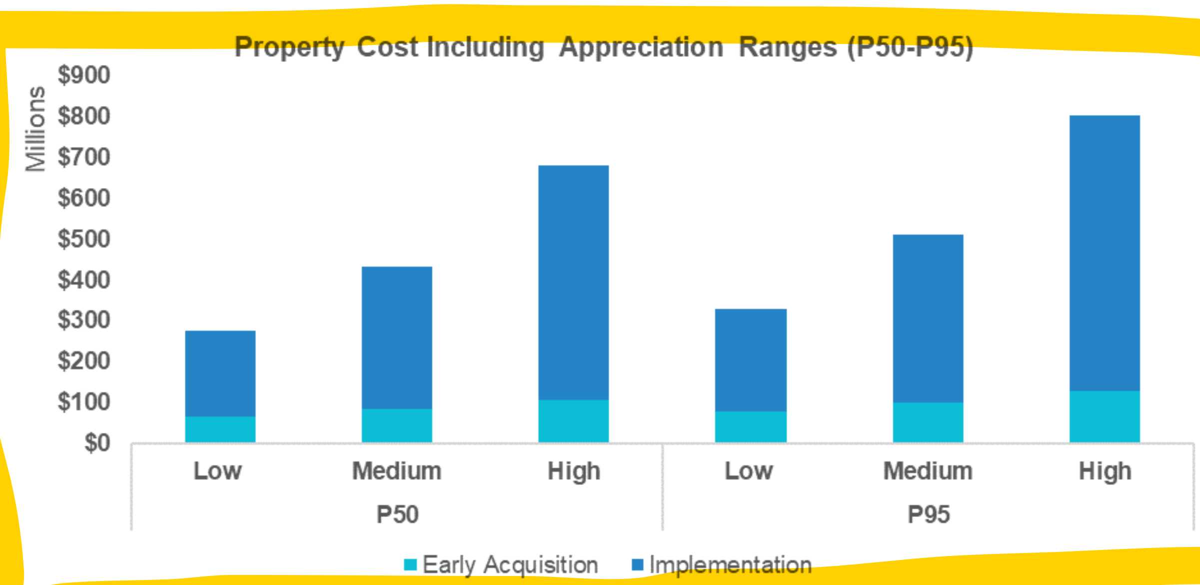
[4] Compounded year on year

experience has been in similar situations. This consideration identified that the appreciation rates applied would be appropriate over time, however when land use zoning actually changes, there would be noticeable spike in land prices in the 1 to 3 year period after this zoning change.

However, over the long-term of the route protection approach, the more simplistic approach is considered appropriate. This has given us confidence that the medium scenario gives an appropriate estimate of likely appreciation, and the high scenario adequately catches a potential upper bound.

Applying these appreciation rates, gives us the total property appreciation cost ranges shown in **Figure** 5-1**.**

Figure 5-1 : Property cost summary



These are significant costs and represent the total property acquisition costs.

There is an opportunity to work with the developers in the area to reduce these costs (as have been done elsewhere on the Te Tupu Ngātahi programme) through property being provided as part of wider infrastructure agreements (such as funding agreement of actual infrastructure). To enable this opportunity to be maximised, having a designation in place facilitates these discussions occurring and increasing the chance of the opportunity being realised. No discussions have been undertaken with developers at this stage.

6 Early Acquisition Liability

In addition to the future property appreciation risk, implementing a route protection strategy that aligns implementation of the property acquisition programme with future project delivery that is programmed in future decades, creates:

- The need for the Requiring Authority to respond to demand for early property acquisition.
- An obligation to acquire the protected land in some instances under section 185 of the RMA.

Predicting the timing and level of potential demand for early acquisition and section 185 RMA claims, between commencing the RMA designation processes and when the future project is programmed for delivery, is a critical risk for the programme going forward.

6.1 Demand for Purchase of land with NoR in place

The timing of the demand for early purchase of land within the protected route will be driven by both the individual landowners' various land-use decisions and the anticipated construction date. This assumes the NoR is in place.

The majority of the land that will be subject to any NoR protection is not expected to generate a high level of demand for early acquisition (i.e. substantially prior to the normal purchase timeframes leading up to project implementation).

Owners of land used to generate income are less likely to want to forego the earning potential of the land as a result of a NoR. The FUZ zoning has provided a signal to those who hold property for less intense uses or those who prefer a rural amenity, that they may wish to sell.

To the extent there are smaller property owners who remain, they will be aware of the development potential of their holdings, and likely accept that the highest and best use of the property (its assumed use for valuation purposes) is no longer rural. Owners of FUZ land affected by NoRs are likely to be either have aspirations to hold the land or reap the benefit of property value uplift from the up-zoning and urbanisation of these areas.

Over the life of the route protection (NoR) at various points individual landowners will want to change the land use, or for business or lifestyle reasons, want to dispose of the land.

For FUZ land, if the current owner needs to sell due to a change in circumstances or aspirations, they are more likely to find a purchaser prepared to pay market value due to the potential for up-zoning FUZ land. Alternatively, the developer market may be prepared to acquire either all (including the relevant NoR) or part of those properties.

To the extent there is a requirement for early acquisition, it is anticipated:

- There will be a ready market for the Requiring Authorities to on-sell residual areas to prospective developers of FUZ land.
- Costs for income generating land can be defrayed by lease back at commercial yields.

The urban sites that might need to be acquired predominantly have a stable urban zoning. Those sites will either be small residential lots or business zoned land.

The former will be relatively affordable housing within the broader Auckland context and therefore likely to be held by the owner, unless the owners' lifestyle changes (for example, job changes, divorce, death etc) demand a sale. Where the land is used to generate income, it is expected the desire of the owner to continue the underlying activity and yield profit from that, will mean they are less likely to demand early purchase.

The one group who appear most likely to seek early acquisition (because they may have difficulty finding other purchasers) are owners of properties that have a settled zoning, be it rural or urban and do not derive income from the site. This will predominantly be residential owner-occupiers in existing urban areas and those on smaller amenity or lifestyle blocks in areas that will continue to have a rural zoning.

The level of early uptake across the Programme seems to support the view that owners of smaller rural lifestyle or amenity blocks are the more likely to seek early purchase. If those owners have to sell due to lifestyle changes, the potential market for those properties will be predominantly future lifestyle block owners. That market is likely to be suppressed by the prospect of a future road connection.

There may be an opportunity for the Agencies to assist the owners of lifestyle blocks to remain on their properties for longer periods. For example, the Agencies could take a permissive approach to consenting minor, appropriate development proposals (an example might be horticultural activities), where a project is planned to commence in the longer term (i.e., 30-year timeframe).

The longer the period between the NoR being notified and the project being constructed, the greater the potential for owners needing to sell, due to a change in circumstance or aspirations. If urbanised residential property does have to be purchased, it can be rented out at a competitive rate to defray the cost of purchase. In terms of business land there could also be the opportunity to lease this at commercial rates.

To the extent to which there is a demand for early purchase of rural zoned land, this zoning will mean that of the land ultimately required to be purchased it will likely have a lower cost per square metre, reflecting its rural zoning.

Again, it is noted the majority of properties of interest are partial purchases.

6.2 Section 185 RMA Purchase Obligation

Requiring Authorities can be compelled to purchase route protected land pursuant to s185 RMA. Section 185 allows an owner to apply for an order obliging the Requiring Authority to purchase the land in certain circumstances. The Environment Court is empowered to make such orders, where the owner establishes that they have been unable to sell their property at the same value they could have if the property was not subject to the NoR. If the landowner was not the owner when the NoR was placed on the property, they also have to establish the NoR prevents their reasonable use of the land. The longer the period between the NoR being notified and the project being constructed, the greater the potential for this to occur. However, this is likely to only result in a demand for the Requiring Authority to purchase land in a limited subset of cases, where the NoR and prospect of the project undermines the value, the owner derives from the property.

6.3 Risk Analysis

6.3.1 Acquisition approach

By programming the acquisitions into three distinct areas, it is considered the likely cost of any early acquisition liability from the NoR (i.e., required acquisition) can be reduced in the period prior to the three years before most properties are typically purchased for projects.

Once the designation is confirmed the following approach to property acquisition is proposed:

1. **Developers.** Where possible agreements will be entered into with developers between the road controlling authority and the developer. Whilst each agreement will be bespoke to the particular developer and issues associated with a particular project, agreements already reached across the Te Tupu Ngātahi Programme have seen developers agree to develop the collector portion of new road connections, with the road controlling authority responsible for the remaining ‘arterial’ road implementation and property costs.
There are potential developer opportunities with Popes Road, parts of the Takaanini FTN and the Great South Road FTN.

2. **Willing buyer willing seller.** Where there are properties that hold strategic benefit to the programme and there is an opportunity for early purchase, consideration will be given to securing these properties earlier in the acquisition programme. It is considered that early acquisitions could reduce the overall property costs, if acquisition is early.
Currently, no properties have yet been identified as strategic purchases. However, further engagement with landowners could potentially change this.

3. **Compulsory Process**. The traditional PWA acquisition process. This will include the application of the AT’s current Early Acquisition Guideline processes for any purchases prior to the three-year period prior to implementation.
The remaining properties will be dealt with through this approach.

6.4 Early Acquisition Approach

AT have guidelines for managing early acquisition of property in advance of the project implementation phase, and in particular clarify the criteria and outline decision making processes for assessing each early acquisition on a case-by-case basis.

These guidelines anticipate the s185 process but are a less formal negotiated process. The process takes into account personal circumstances and recognises the NoR may have a blighting impact on property.

To further control acquisition costs, it is also recommended that a conservative Advanced Acquisition approach be implemented, which reflects the timing of the ultimate project works pursuant to the relevant NoRs. A conservative approach to early acquisition, reflecting longer project timing, coupled with a land-owner consultation process which emphasizes situations where a NoR does not denote quick development, could reduce the number of landowners seeking advance acquisition.

There is an opportunity for AT to review the acceptance criteria in their advanced purchase policies and adopt a conservative approach to early acquisition, particularly where projects are 30 years out, and in a future urban zone or rural zoned area, where there is no active plan for urbanisation. AT could require landowners to demonstrate that a NoR is adversely affecting, either the current activities or the ability to sell the property.

This could be done in conjunction with a stronger emphasis on engagement with landowners on the anticipated timing of development of the route. Engagement could help landowners understand that route protection does not necessarily mean early development and that the route protected is likely to remain un-implemented for a considerable period.

AT could agree to provide advanced warnings about potential for the development. That would provide landowners more certainty that they can hold the land with route protection over it. It is likely that this will satisfy many landowners in these types of areas. This will be particularly the case with the large landowners looking to ultimately develop future urban sites.

If a conservative approach is taken, requiring landowners to show an attempt has been made to sell their land at market value (in accordance with section 185 of the RMA), it is expected that the current land bankers/developers interest in the market will offset any claim that the land cannot be sold. On this basis, we consider that the 10-20% figure is realistic, refer next section.

6.5 Early Acquisition Liability Application

In order to determine a potential cashflow for property acquisition as a result of the proposed long-term route protection approach, three different acquisition scenarios have been developed (as set out in the Te Tupu Ngātahi Programme Wide Property Strategy) which included property experts from both Agencies.

These three scenarios include:

- **Profile A: Designate and Acquire at Implementation** - This is the current process utilised by both Agencies. This assumes 20% of the acquisition programme occurs in the period from the NOR lodgement, with 80% occurring in the three years prior to implementation.
- **Profile B: Designate and Moderate Acquisition** - This assumes 40% of the acquisition programme occurs in the period from the NoR lodgement and 60% in the three years prior to implementation.
- **Profile C: Designate and High Early Acquisition** - This assumes 80% of the acquisition programme occurs in the period from the NoR lodgement and 20% in the three years prior to implementation. This responds to the Requiring Authority needing to purchase land that meets the criteria for early acquisition and market driven scenarios with developers advancing their subdivisions, with opportunities to facilitate the purchase of property in these latter cases, through mechanisms such as Infrastructure Funding Agreements.

Appendix A outlines these scenarios in more detail.

The business case has determined the most likely property acquisition profile based on the specific characteristics of the corridor based as per that set out within **Appendix A.**

The Te Tupu Ngātahi programme adopts the position that the early acquisition following NoR lodgement will be somewhere between 10% -20% of the total number of properties to be purchased. This range is reflective of recent experience and a conservative early acquisition approach, requiring landowners to show an attempt has been made to sell their land at market value (in accordance with section 185 of the RMA) and the expectation that the current land bankers/developers interest in the market will offset any claim that the land cannot be sold.

Thus, **Table** 6-1 sets out the assumed property acquisition profile for the different projects. Great South Road FTN has been assessed as profile B given the brownfield nature of the corridor. Although the Takaanini FTN also has sections within the built-up area, it is assessed as profile A given the uncertainty around funding as well as a portion is surrounded by FUZ. No corridor has been identified to be Profile C due to no strategic sites being identified.

Table 6-1 : Property acquisition profiles

Corridor	Profile
Great South Road FTN	B
Takaanini FTN	A
Popes Road Upgrade	A
GSR Upgrade	A

At this stage betterment is not included in the base property cost estimate. Rather, betterment is a matter that an independent registered valuer will consider when formally determining compensation under the PWA at the acquisition phase of the project. As the up-zoning prospect increases and there is greater certainty of delivery of infrastructure, property values increase and this introduces the prospect of betterment.

7 Potential Implications on Acquisition Cashflow

This section outlines the estimated annual property cashflow forecast between commencing the RMA designation processes and when the future project is programmed for delivery.

Figure 7-1 below summarises the estimated annual property cashflow for the projects. It differentiates between the two property acquisition periods:

- Estimated early acquisition property liability which is the period once the NOR is notified but prior to the implementation period.
- Estimated implementation property liability which is the period just prior to implementation.

The implementation periods are based on the assumed staging set out within the DBC. The below shows that the vast majority of the property liability is to be realised just before implementation and that the likely 'cost' of early acquisition is relatively small in comparison. The total estimated property liability for early acquisition (at 10% appreciation) is $72.1M for all projects. Due to the current implementation timing, this would be spread over the next 20 years. The average property liability over the first 8 years is around $9.0M due to appreciation until majority of the implementation costs kicks in. Years 9 to 11 sees a spike in the cost due to the implementation costs, an average total property liability cost of $41M per year. This then reduces dramatically for the rest of the periods.

Figure 7-1 : Route protection cashflow

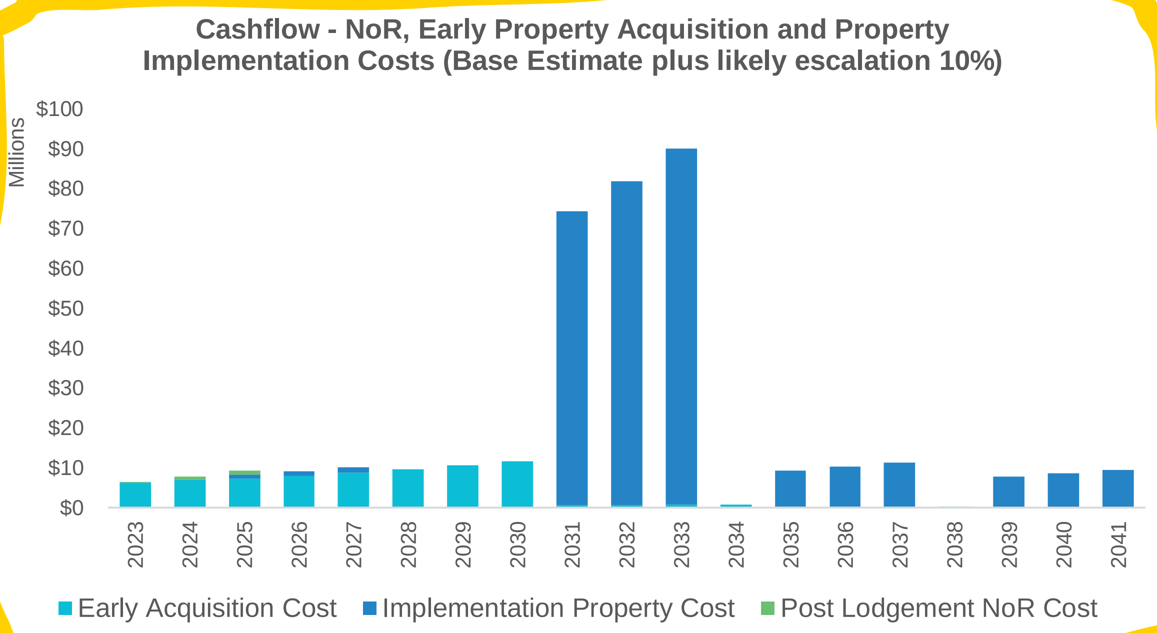
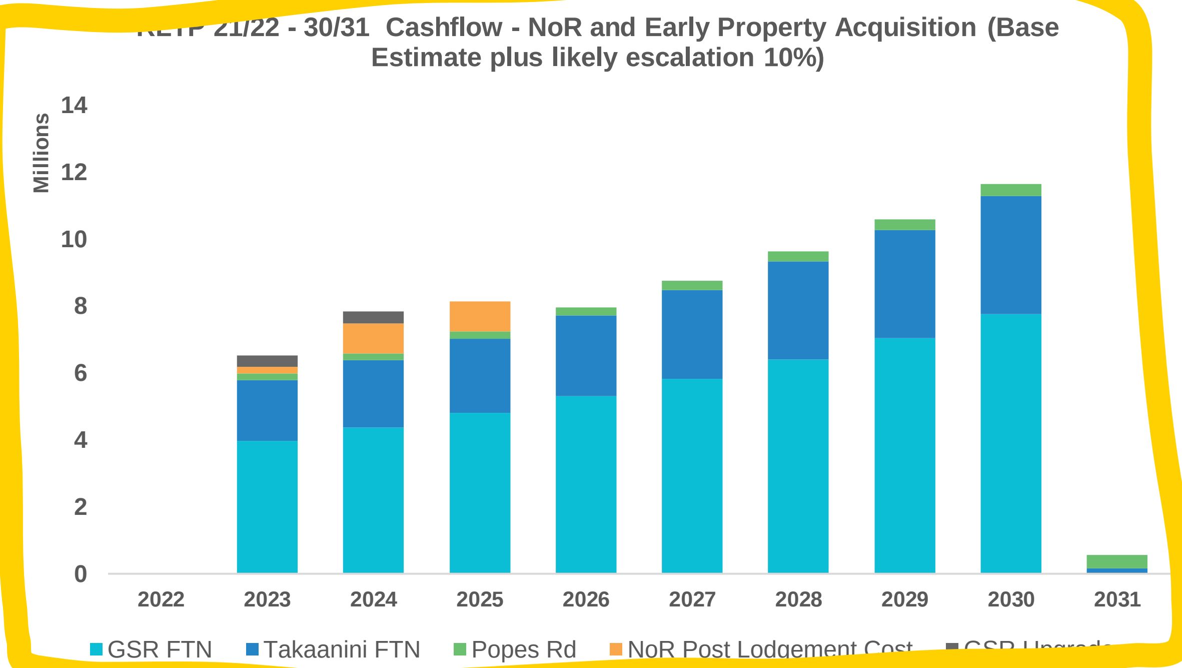


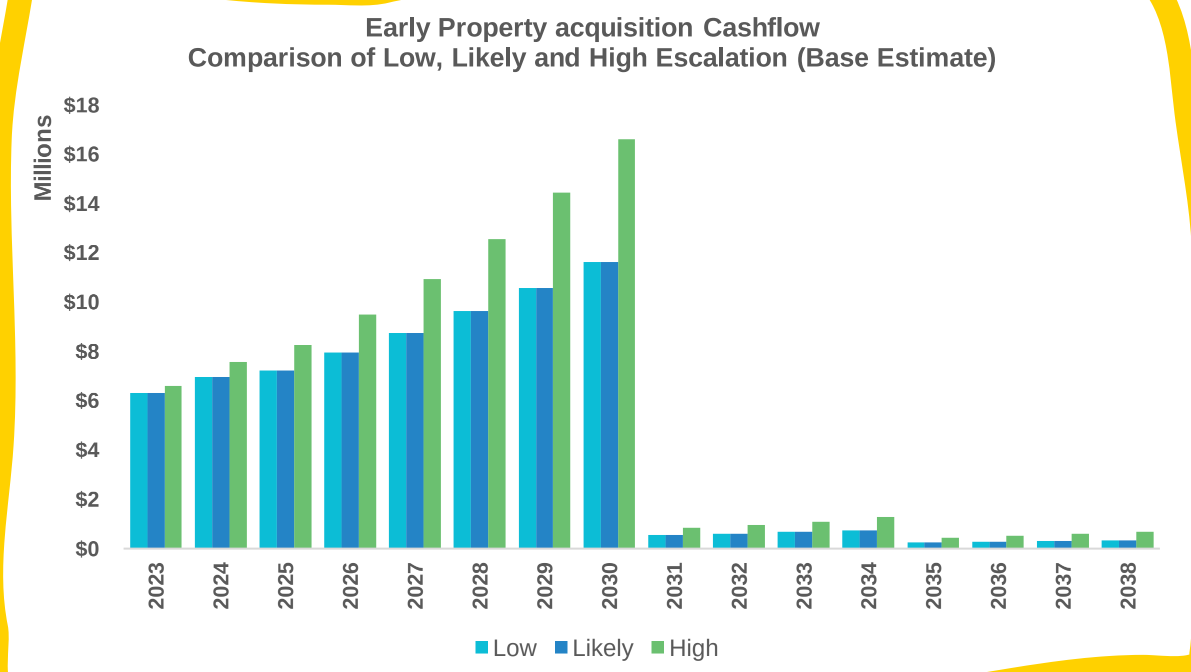
Figure 7-2 summarises the likely cashflow by project during the 2021/2022 to 2030/2031 RLTP period (i.e., excluding acquisition for implementation).

Figure 7-2 : RLTP 21/22 – 30/31 period property cashflow by project



Given the inherent uncertainty associated with these forecasts, **Figure** 7-3 sets out the likely range of cashflow forecasts for early property acquisition.

Figure 7-3 : Forecast property cashflow range



8 Ongoing management

8.1 Ongoing property management

Both Agencies have comprehensive processes and teams dedicated to the ongoing management of properties once purchased. It is assumed that these existing processes will be used to manage properties, where required. With only 5% of the total acquisition plan being full purchases the ongoing management is somewhat reduced.

Potential issues from an ongoing management perspective that have been considered and that will need more focus include:

- **Commercial** – where properties have multiple business tenancies or business operations that need relocating, the property cost estimates assume the freehold/unit title interests will be acquired early to mitigate business relocation costs and manage leases expiring.
- **Rural** – There are some pieces of land that are currently rural in nature and if acquired early these would require maintenance. There would be the possibility of leasing this land for grazing and other rural/lifestyle uses.

As well as the above issues, where applicable, there are the standard issues that will require attention, including:

- **Healthy Homes** – There will likely be a need to comply with the latest legislative requirements for any rental properties, including insulation, heating, and draft (windows) management.
- **Asbestos** – There maybe asbestos in some of the properties that will require removal.

The standard approach of the Agencies in the testing, implementation, and ongoing management of these issues (and any others) would be used.

It has been assumed in the financial modelling that the property management would be cost neutral, with income generated covering the costs of the ongoing management.

8.2 Disposal

As no significant acquisition plan is forecast in the short term, this has not been addressed in this document and will need to be addressed closer to implementation and as part of the Implementation DBC and resultant property approach.

9 Contingent Project Liability

Various other cost elements, that are a cost to the physical works budget have also been identified including:

- The inputs provided by Te Tupu Ngātahi at this stage have not included detailed investigation on a property-by-property basis, for example, topographical and geotechnical impacts. The total property cost estimate should be reviewed and updated each decade and more frequently once the implementation business case is advanced.
- An annual temporary occupation rental, subject to adjustment by the project team to reflect the assumed construction duration.

- The risk of potential business relocation and business loss PWA claims. Without details on the current businesses and their activities, it is not possible at this early stage, to include an estimate of those costs.
- Cost of reinstatement works.
- Mitigation arrangements would be an issue dealt with during negotiations at the acquisition phase of the project.
- Demolition and relocation of improvements to enable the works construction. Where applicable, estimated QV Costbuilder rates have been provided.
- Mitigation, where possible, of the potential effects of road construction, noise, dust, and privacy issues etc.

9.1 General

There is considerable uncertainty around the property costs given the size of this programme (and the wider Te Tupu Ngātahi programme) and therefore to best manage this uncertainty and minimise the early property acquisition expenditure as much as possible until projects are implemented the following is proposed:

- Joint governance.
- Appropriate resourcing.
- Developer Agreement.

9.2 Governance

It is recommended that a joint property focussed decision making group be set up with a representative from each partner organisation. The purpose of this is that whilst individual property acquisitions will be managed on a day-to-day basis by the appropriate road controlling authority, overall joint governance is required to ensure that consistency of approach and priorities is maintained.

This joined up approach will provide increased certainty of outcome for all and a consistent approach across the programme.

9.3 Resourcing

There needs to be a dedicated resource of at least one person from each partner organisation who are focussed on the identification, acquisition, and enhancement of strategic properties. There is a real risk that without this dedicated resourcing that a property specific approach in isolation is taken rather than an all of programme view. This will ensure that there is consistency in approach and issues will be addressed early and hopefully this will result in acquisitions only occurring when necessary.

The wider Te Tupu Ngātahi programme is also seeking a dedicated resource from each organisation and the role would be part of this overall programme resourcing rather than additional resourcing.

9.4 Developer Agreements

Focussing on getting alignment of various plan changes will assist in identifying infrastructure priorities. This will clarify the need for early and comprehensive developer agreements, particularly with the significant developers in the area, to assist an acquisition programme and cashflow phasing.

9.5 Wider Te Tupu Ngātahi Property Management

It is also important to outline that the Te Tupu Ngātahi Programme Wide Property Strategy sets out a number of initiatives to effectively manage the significant acquisition programme of the route protection approach. These are currently being considered and this Property Strategy is consistent with the aspirations of these wider approaches if successful. **It is important to note that these wider Programme Wide proposals are not yet agreed for implementation by the partners.**

At the heart of these initiatives is a Strategic Property Acquisition Fund.

In order to capture the transport and land use outcomes and to best address cashflow phasing it is proposed that a Strategic Property fund is ring fenced to facilitate the purchase of property that meets the criteria for early acquisition.

This approach is not new, however, to ensure the effectiveness of this Strategic Property fund, other changes to current practise in this area are also recommended.

There are some critical components to operate the fund successfully and these are summarised in Figure 9-1.

Figure 9-1 Strategic Property Fund components

Components	Description
Pre allocation of funding for strategic property purchases	The current process does enable this to occur – however it requires AT Board approval and delegated approvals, and in the case of Waka Kotahi, approval from LINZ for individual property purchases on a case-by-case basis. This process would benefit from streamlining with delegated authorities in place with the respective organisations and a ring-fenced fund identified within the RLTP. This fund would be utilised for properties that are endorsed as 'Early Acquisitions'. This fund may also be used to respond to developer integrations opportunities that occur in an ad hoc manner and can occur out of sequence in response to private led plan changes. This would enable a more nimble and efficient mechanism consistent with more commercial operations.
Dedicated Resources.	A dedicated Waka Kotahi and Auckland Transport resource to work through commercial deals and evaluate strategic purchase opportunities. This team will work with the OIM team on the identification, acquisition and enhancement of properties purchased through the fund. Without dedicated resource, the property approach required for a programme of this scale will potentially suffer and opportunities for considerable efficiencies (and enhanced outcomes) will be lost.
Governance	The fund would need to be managed and administered by members of both organisations to ensure transparency of process. This group would oversee the expenditure of the fund and make recommendations to the acquiring entities approvals processes. The governance group would be responsible for agreeing, setting and delivering against the objectives of the fund as well as confirming the priority areas for investment.
Commercial Focus	The fund will need to be managed with commercial acumen that could also identify commercial opportunities that may arise from an advanced property purchase strategy, such as aggregation of properties and alignment with/proximity to partner land holdings. While this may require changing current approaches, and potential policy and mandate, this presents the opportunity to substantially reduce the total cost of the property for this programme. To fully realise the opportunities there may be a need to work with partners such as Kainga Ora.
Policy and Procedure Changes	The fund would benefit from some changes including allowing residual land purchased by AT to be sold and reinvested in the Strategic Land fund, without returning to Auckland Council. Another key change could be the application of Funding Assistance Rate (FAR) for advance property purchases.

10 Resource Consent and Public Consultation

10.1 Engagement

As part of this DBC's development, engagement on options (and the recommended option) has been undertaken with the community so there is an awareness of the scale of projects. A summary of the outcomes of the engagement undertaken so far can be found in the engagement section of the DBC.

The next stage is for the designation to be sought for these projects. This will require further community engagement, and in particular, discussion and engagement with affected property owners. The NoR development of documentation is ongoing and due to be lodged in October 2023.

10.2 Consents

Route protection for this package will be sought through the application of a designation for the new roads and widening identified. Resource consents will not be sought at this time, with these currently proposed to be obtained on an individual project basis closer to the time of implementation.

11 Recommendations

This programme is focussed on route protection. There remains uncertainty as to the exact timing of the property acquisition needs of the projects until implementation is confirmed. There is therefore risk and uncertainty associated with the scale and timing of future property appreciation and the early acquisition property liability of this programme.

To appropriately and proactively manage this risk and uncertainty it is recommended that during the projects development the following occurs:

- The Implementation DBC reconfirm the property cost and requirements as design confidence is further developed.
- Any changes in design avoid the need for minor land requirements.
- Value engineering is undertaken to minimise the land required for projects.
- Detailed property valuations are undertaken closer to implementation.
- Agreements with developers are progressed and 'locked in' as soon as possible to try and reduce the total property costs of the programme. This requires the commitment of funding to enable agreements to be advanced.

Appendix A: Assumed Acquisition Profiles

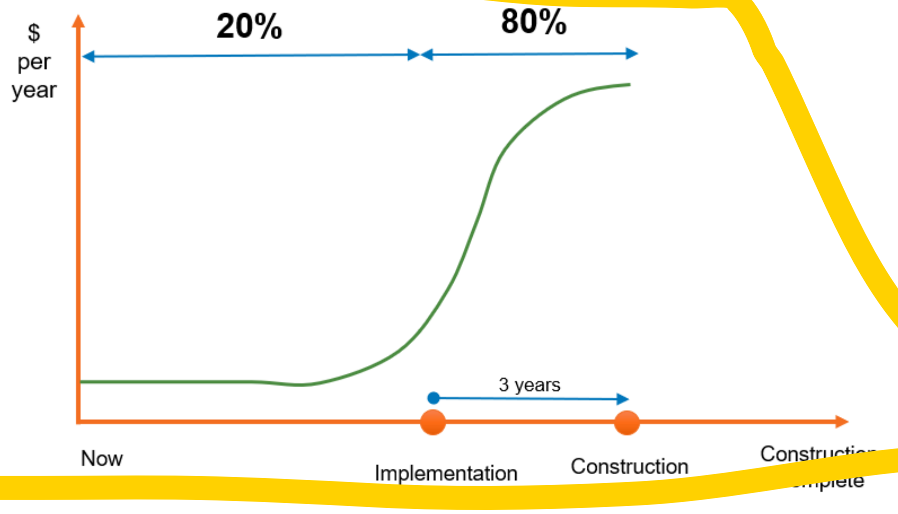
The timing of the RMA designation process and the implementation timing can vary.

Scenario A: Designate and Acquire at Implementation

One approach is to proceed with proposed designations with a property strategy to defer the commencement of the acquisition programme until three years prior to construction. This is the current process utilised by both Agencies. The approach of holding off land acquisition until the period prior to construction commencement, defers the funding commitments to subsequent decades, reflecting the timing for implementation.

The typical acquisition profile in this situation provides for 65% to 80% of required land being acquired in the three-year period prior to construction commencing. There is a 20% to 35% allowance for land purchase from now until the future project is implemented. This covers items such as early purchase by the Requiring Authority where the criteria for early acquisition is met or willing buyer/willing seller opportunities that may arise.

Figure 11-1: Profile A: Acquisition at Implementation

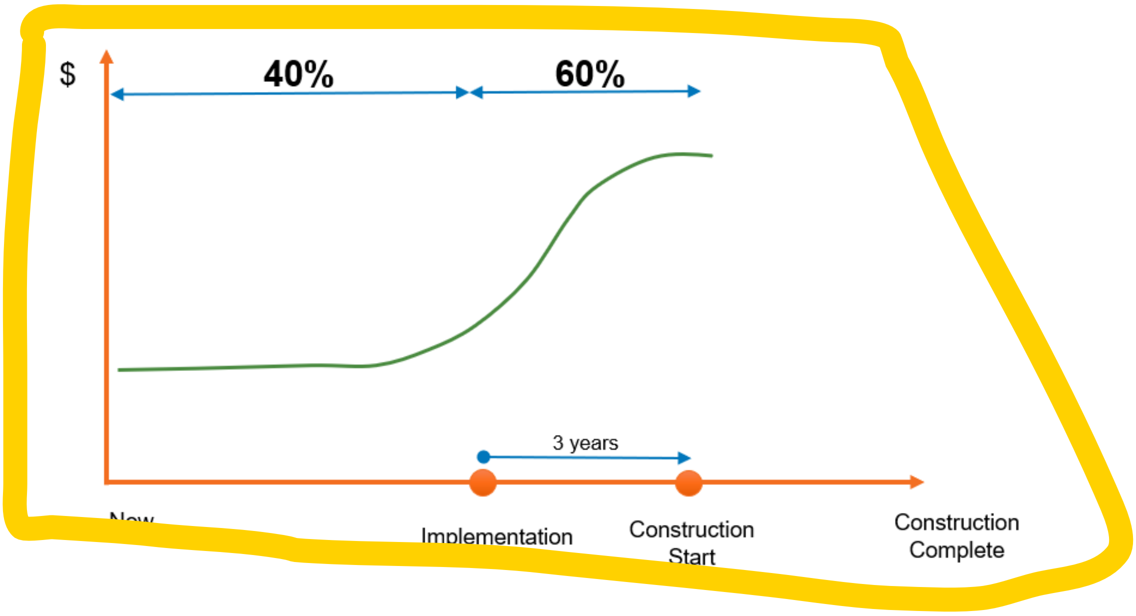


This is the default profile to utilise for interventions identified.

Scenario B: Designate and Moderate Acquisition

This approach to property acquisition is a variation on Scenario A and applies a higher pre-implementation property acquisition rate of 40% (compared to 20% to 35%) with the remaining property acquisition at the lesser proportion of 60% (compared to 65% to 80%).

Figure 11-2: Designate and Moderate Acquisition



In order to determine if this profile is applicable the following should be considered by the business case team. These considerations should be included within any request for increasing available property funding prior to implementation.

- What is the likely timing of the implementation phase of the project?
- Does the potential early acquisition cost saving outweigh the holding cost of land ownership?
- Does the project have a significant property cost that would benefit from spreading cost over a longer time period?
- Is there a high level of certainty regarding timing of implementation?
- Is there an opportunity to gain greater value for money for the relevant agency?
- Can you identify the likely cost saving of releasing funding now?

Scenario C: Designate and High Early Acquisition

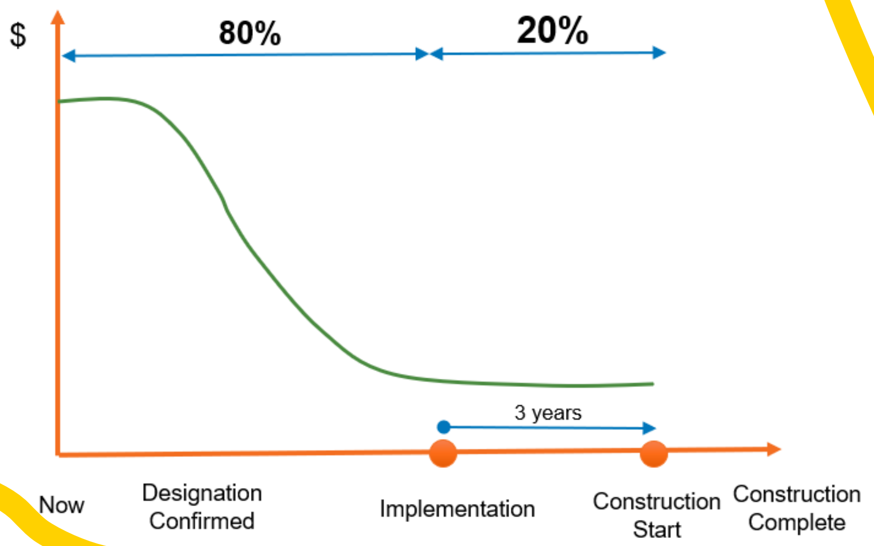
This approach to property acquisition has the highest pre-implementation property acquisition rate of 80%, with the remaining 20% purchased during the implementation phase, three years prior to construction. The high pre-implementation property rate responds to:

- Increased early acquisition with willing buyer/willing sellers via PWA.
- Increased early acquisition where the criteria for early acquisition is met.

The purchase of property in these cases can often be facilitated through mechanisms such as Infrastructure Funding Agreements. This currently is an opportunity that is more readily available to AT. For Waka Kotahi this would require a fundamental change to their current approach, in particular, with the LINZ approval process. Other risk elements associated with this approach have been detailed below.

Another example of this would be the purchase of land associated with public transport stations.

Figure 11-3: Profile C: Designate and High Early Acquisition



In order to determine if the property requirements associated with a particular project should be identified as part of an early acquisition stream, a series of guidelines have been developed to assist the decision-making process. When preparing for endorsement to use this profile consideration should be given the to the following:

Strategic / relationship alignment

- Proximity or relationship to transformational infrastructure
- Opportunities for developer integration e.g., Infrastructure Funding Agreements
- Opportunities for integration with Council and Crown partners e.g., Kainga Ora, Panuku, Watercare

Value for Money

- Will the value of the property significantly increase in the future?
- What are the expected property value increases with zoning changes?
- Will this result in purchase prior to zoning changes e.g., THAB / commercial / centre zones?

Timing

- What advantages are there to purchasing now?
- How far in advance of construction is this purchase, if it is within the next 5 – 10 years, why not wait? If it is 15+ years, is there sufficient certainty on the property requirements?

What is the risk of using Profile A or a typical purchase approach?

- Detail the risk and costs of not purchasing early.
- Demonstrate how later property purchase could limit delivery on the bigger picture.

Identify the risks of using this profile

- What is the level of design certainty and is there a risk of changes rendering early purchases as unjustified at a later date, if alignment changes?

- What is the likelihood of affected landowners being willing sellers at an early stage in a project life cycle?
- Is there limited land fragmentation and opportunities for developer agreements?

Integration with the Urban Programme

- Identification of any supplementary properties that could deliver wider integrated urban and transport system outcomes as identified in the Urban Programme.
- Identification of any necessary pre-conditions identified within the Urban Programme and will these be met prior to acquisition.