Cities improving their competitiveness, productivity, liveability and economic viability through urban renewal
We hope that this report provides a comprehensive guide to urban renewal for city and state leaders.
Foreword

Right across Australia and around the world, massive opportunities exist for cities to improve their competitiveness, productivity, liveability and economic viability through urban renewal. A growing number of Australia’s leading cities have already designed and launched significant urban renewal projects, and many are already seeing the benefits of their investments.

KPMG and Clayton Utz have both been intricately involved in many of the most innovative and impactful urban regeneration projects, both in Australia and around the world. As trusted business and legal advisors to governments, development authorities, private investors and developers, we have deep insight into many of the key challenges and opportunities of urban renewal.

This report reflects many of the lessons and best practices that we have gained from our combined experience in the field. We hope that, by compiling these insights and experiences into a single document, we can provide a comprehensive guide to urban renewal for city and state leaders while also adding to the body of knowledge on urban renewal.

However, as a ‘guidebook’, we also recognise the limitations of this report and, as such, strongly recommend that readers seek expert advice and counsel as early as possible in the urban renewal process.

On behalf of KPMG and Clayton Utz, we encourage you to contact your local office or client team to discuss these issues – or any others – with experienced urban renewal professionals.

WE HOPE THAT THIS REPORT PROVIDES A COMPREHENSIVE GUIDE TO URBAN RENEWAL FOR CITY AND STATE LEADERS.
The challenge facing city, state and federal government, therefore, is how to renew and revitalise existing urban areas to both make better use of underproductive land and create a city that truly reflects the needs and demands of city residents and businesses.
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Time for renewal

Over the past 50 years, our cities have undergone unprecedented change. In the 1960’s, Australia’s urban ports were the economic heart of the country; the automobile largely dictated the basic assumptions of urban planning; single-purpose developments were the social preference; urban sprawl was all but official policy.

Times have clearly changed. Today, many urban ports have fallen into disuse or decay as larger and more efficient multi-modal ports are developed outside of city limits. Rapidly rising energy costs and increasing road congestion have shifted societal preferences from sprawl to proximity and – with it – forced a shift from single-purpose zones to mixed-use developments. New concepts– such as liveable cities, sustainable cities and smart cities – and new industry sectors have created a wealth of opportunities for economic and social growth.

The challenge facing city, state and federal government, therefore, is how to renew and revitalise existing urban areas to both make better use of underproductive land and create a city that truly reflects the needs and demands of city residents and businesses.

A RANGE OF BENEFITS

While every city and urban area is unique, there are a number of key drivers that influence a city’s desire for renewal and transformation.

- **Increase tourism revenues:** As an example, the Sydney Convention & Exhibition Centre and Darling Harbour precinct demonstrated that urban renewal can improve a city’s competitiveness for tourism dollars and increase the overall revenues of city’s businesses, particularly in the convention, tourism and hotel industries.

- **Drive urban productivity:** Cities are increasingly looking for ways to further support both population and business growth through urban planning and increased productivity. Two strategies have emerged: creating mixed-use redevelopment projects in central business districts, and creating regional hubs just outside of city limits to reduce residential and commercial pressure on inner-city areas.

- **Create employment opportunities:** Large-scale urban renewal projects create considerable employment opportunities both during the capital work phases and the operational phase. The deployment of local people into the construction and operational phases also offers opportunities for population ‘upskilling’ and training which, in the future, can lead to greater efficiencies in the design, construction and operation of subsequent projects.

- **Attract increased investment:** Increasing the density of an urban area or intensifying its use often brings economies of scale to businesses seeking to deploy or invest capital and to ongoing business operations, thereby increasing the city’s attractiveness as a place to invest. At the same time, the rejuvenation of surrounding infrastructure and the intensification or densification of the area can create markets for new businesses to service new facilities and their occupants or residents.

- **Enhance housing affordability:** Key worker housing that brings city workers into closer proximity to employment areas is a specific focus of many urban renewal projects including those in Adelaide’s Bowden development and Brisbane’s Kurilpa Riverfront redevelopment, while housing for low-income earners is provided for in Melbourne’s Docklands and Sydney’s Eveleigh Rail Corridor redevelopments.

IT IS CRITICAL THAT CITY AND STATE LEADERS LOOK BEYOND THE PURELY FINANCIAL MEASURES OF URBAN RENEWAL.
• **Capitalise on existing infrastructure:** Several sites in NSW have been earmarked as Urban Activation Precincts in order to avoid the cost of expensive infrastructure on urban outskirts in favour of increased density in existing areas.

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**INSIGHT**

Based on our experience, we believe that it is critical that city and state leaders continue to look beyond the purely financial measures of urban renewal.

The reality is that renewal projects can bring a range of much wider economic and social benefits including, for example, increased tourism and consumption spend, new employment opportunities, social and affordable housing, cultural facilities and public amenities. Specialised precincts – such as the financial hub now being created in Barangaroo – can also deliver wider economic benefits by attracting global businesses, talent, capabilities and investment.

Urban renewal authorities will need to develop sophisticated mechanisms to quantify and measure these wider benefits and then work to integrate their findings into their planning assumptions and designs to maximise their benefits.

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**CASE STUDY**

**MAXIMISING ECONOMIC BENEFIT: TORONTO WATERFRONT**

With an estimated duration of 25 years, the Toronto Waterfront project covers a development area of 800 hectares of brownfield lands, and will require approximately C$34 billion (A$35.5 billion) of private and public funding to complete. The goal is to transform industrial sites into sustainable, mixed-use communities and dynamic public spaces.

The impetus for the project is more than just giving the area a ‘new look’; it serves as a prime example of the significant economic and other benefits of successful urban renewal. According to the project plan and vision, a primary objective of the project is to “deliver key economic and social benefits that enable Toronto to compete aggressively with other top tier global cities for investment, jobs and people”.

The revitalisation is expected to create 40,000 residential units, 1,000,000m² of employment space and 300 hectares of parks and public spaces. From the project’s inception in 2001 to March 2011, C$965 million (A$1 billion) of public funds have been invested by the governments of Canada, Ontario, the City of Toronto and their joint organisation, Waterfront Toronto.

The economic benefits are already flowing from the waterfront development. Approximately C$10 billion (A$10.5 billion) in potential private sector investment has been unlocked, with Waterfront Toronto having already concluded public and private sector development deals valued at C$1.475 billion (A$1.54 billion).

Within the first ten years of development, the project had generated 9,700 full-time years of employment, C$1.9 billion (A$1.99 billion) of gross output to the Canadian economy, and total government revenues of C$373 million (A$390 million).
Creating a vision for renewal

Before embarking on an urban renewal project, it is vital that city and state leaders create and articulate a clear ‘vision’ for the project. Much will depend on what the project hopes to achieve, what land is available for renewal and what existing strengths the area has to offer.

SETTING GOALS AND CREATING A VISION

Central to the vision of urban renewal is the desire to breathe new life into largely dormant sites, to reignite a fresh sense of energy and pride, and to attract valuable economic growth and employment opportunities to regions surrounding the renewal site.

In most cases, the urban renewal of centres is about building on the strengths of each place, transforming under-used or dilapidated areas, boosting local economies and providing a mix of uses and activities which meet the needs of a community.

Each of these expected ‘outcomes’ requires careful consideration in order to create a clear vision. To achieve a productive mix of land uses and activities, for example, city and state leaders will want to carefully consider how they combine residential, commercial, retail and community spaces to allow the most efficient and sustainable use of land.

For example, to create more affordable housing in the urban centre, planners will need to decide whether medium or high density housing is more desirable and efficient, and how allowances can be made for affordable, key worker or student housing to encourage a more appropriate population mix.

Renewal projects may also focus on increasing accessibility either through transit-orientated development based around existing infrastructure, or via concurrent development of railways, highways, bike lanes and pedestrian walkways to create a ‘walkable community’ and increase access to both locals and visitors.

Throughout the project life-cycle, project leaders will also want to engender a critical mass of local support, which often involves ensuring the projects have a range of life-enhancing aspects – such as mixed uses and public spaces which add to the amenity of the area, rather than having renewal projects limited to the footprint of the built structure.

A fresh sense of community energy and pride can often be achieved through the inclusion of new community spaces which act as a drawcard. Sydney, for example, has greatly enhanced community pride and liveability by increasing access to the waterfront and by developing inner-city parklands through its Harold Park, Central Park and Green Square projects.
Articulating a compelling vision for an urban renewal project requires clear objectives and leadership from government. Indeed, it will be important for citizens, businesses and civil society at large to know how the project is expected to improve the urban area.

CASE STUDY
CREATING A VISION: CANARY WHARF, LONDON

Canary Wharf, on the Isle of Dogs in East London, is one of the earliest examples of modern approaches to large-scale urban renewal. The vision was that Canary Wharf would emerge as an economic and professional hub within London; The City’s new business district.

To stimulate the renewal of the area, the British Government created the London Docklands Development Corporation in 1981, and granted the Isle of Dogs ‘Enterprise Zone’ status in 1982 which, in turn, created tax incentives to investors and developers. The first buildings were completed in 1991, including the iconic One Canada Square which became the symbol of the Docklands’ vision for regeneration, and remains the second-tallest building in the United Kingdom.

The project is certainly well on its way to achieving its vision. Today, Canary Wharf is one of London’s two main financial centres, extending over 97 hectares and containing approximately 1,400,000m² of office and retail space in 35 completed buildings, nestled amongst 8 hectares of landscaped open spaces.

Around 100,000 people work in Canary Wharf, which is now also home to the headquarters of numerous major banks (such as HSBC, Citigroup and Barclays), professional services firms (including KPMG in the UK) and media organisations. And work is not yet completed; the private developer has planning approval to approximately double Canary Wharf’s working population over the next 20 years.

Canary Wharf is an impressive example of incorporating local economic benefits and integrated transportation into the vision for urban renewal. Indeed, much of the success of the Canary Wharf renewal can be attributed to the developer’s proactivity towards improving transport links to the area, including train, bus, light rail, the London Underground and boat services.

IDENTIFYING A GOOD OPPORTUNITY FOR RENEWAL

The economic, social and cultural ‘return’ on renewal investment can be significantly impacted by the site’s quality, accessibility and proximity to infrastructure. Other factors will also impact the selection of an appropriate site including public policy factors (such as population distribution), local demand and environmental considerations including potential site contamination, resource availability or the future impact of rising water levels.

While sites for small-scale renewal projects (such as converting existing D or C Grade office buildings into apartments) can be easily found in most cities, the optimal sites for large-scale urban renewal are most often found in older industrial areas where shifting business needs have led to large disused tracts of land. A
prime example of this (and one often seen across the globe) is obsolete shipping wharves which bring together prime conditions for renewal: large land areas, waterfront locations, existing infrastructure corridors and (typically) high levels of government control.

Opportunities for urban renewal may also arise in areas of a city where previous development projects have stalled or failed, leaving behind under-capitalised land. Interestingly, the phoenix that is today’s Canary Warf in London was – just 25 years ago – a notable project failure that contributed to the bankruptcy of Olympia York, a major urban developer at the time.

Proximity to existing infrastructure will also be a key consideration in site selection. Existing transit links are highly valuable assets to leverage, but so too are other key infrastructure and government services such as schools, universities, training institutes, police, emergency services, bike paths and so on.

Sites may also be selected due to their proximity to important areas or major events. Many cities have used Olympic events, for example, as an opportunity to renew parts of their cities. London, Sydney, Toronto and Rio de Janeiro have all seen significant urban renewal success by linking their projects to major events.

Likely two of the most important factors when selecting a site relate to infrastructure and the environment. Sites that require significant investment in order to either ‘clean them up’ or ‘link them up’ carry higher risk, require longer timelines and tend to be more difficult to achieve.

Given that the majority of successful urban renewal projects have occurred near business hubs or relevant transit lines, proximity of the proposed site to existing infrastructure should be a primary concern.

RECOGNISING THE HISTORICAL AND SOCIAL CONTEXT

Why – all things being equal – are some urban renewal projects seen by the local community as a success while others fail to inspire pride? In many cases, it comes down to understanding the context of the renewal site within the community and using that context to inform the vision, design and planning.

Indeed, capturing the uniqueness of the context of a renewal site can be the difference that helps to revitalise communities, creating a distinctive sense of character and place that is capable of transforming and redefining communities.

The reality is that no two urban renewal areas are alike. Each will likely have unique characteristics, natural assets, traditional built forms and iconic landmarks that can be leveraged to complement the unique identity of the place.

Sites with long or significant local history may be incorporated explicitly into the project through the restoration of the site’s natural or historic features (as is the case with Headland Park in Sydney’s Barangaroo redevelopment). Similarly, museums dedicated to the site’s industrial history have been erected at Melbourne’s Docklands and Belfast’s Titanic Quarter redevelopment. In many cases, public art is also being used as a way to honour the significance of an area.

Historical buildings may also be retained through adaptive reuse or by creating a new income-generating surrounding for existing buildings of significance (as illustrated through the addition of retail uses at the historic baths in the Newcastle CBD redevelopment). Alternatively, the development may incorporate the facade of historical buildings in the design of new structures, as was the case when the decision was made...
to retain part of the historic brewery building in Sydney’s Central Park redevelopment and also the facade of
the tram sheds at Harold Park in Glebe.

Those seeking urban renewal will therefore need to find a balance between focusing on what is already
‘special’ about a site and embracing new ideas, new contexts and different ways of living; between the desire
to preserve historic locations and buildings and the need to satisfy commercial demands. This can
sometimes translate into hard fought battles between developers, residents and governments about the
public need.

**INSIGHT**

The success of any urban renewal project demands that local context and creative vision are supported by an integrated
approach to development. This includes land use, transport, sustainability, infrastructure and services planning designed
to enrich the community and ensure long-term efficiency and growth.

**CASE STUDY**

**LEVERAGING HISTORICAL CONTEXT: TITANIC QUARTER, BELFAST**

Spread over 75 hectares of former shipyard lands in Belfast Harbour, the Titanic Quarter redevelopment is envisioned to
be the city’s new urban quarter, firmly rooted in history while driving high-quality investment, development and the future
prosperity of Belfast and Northern Ireland.

Once the epicentre of Belfast’s shipbuilding industry, and where the infamous Titanic was designed and built, the
Queen’s Island site fell into disuse and dereliction until Titanic Quarter Limited launched a 30-year master plan in 2005.
The site is owned by Belfast Harbour Commissioners and leased to Titanic Quarter Limited and Titanic Properties
Limited, with approximately 16.6 hectares designated as heritage or public realm.

The site’s history and importance to the City of Belfast is widely recognised in the design of the project. Indeed, the
redevelopment’s signature attraction – the £100 million (A$170 million) Titanic Belfast – has already attracted close to a
million visitors in its first year, and it is anticipated that the site will draw more than 2 million visitors annually by 2030.

But while historical context is central to the project’s success, the site also incorporates many of the world’s leading
technologies and planning approaches. Designed as a ‘live, work and play’ environment, the Titanic Quarter is a cutting-
edge example of an integrated, mixed-use development comprising residential, commercial, retail, education and
entertainment space. It is pioneering the application of advanced communication and media technologies to a new 21st
century city, providing the very highest level of virtual and internet connectivity.

With 145,000m² already completed, 90 companies on site (including Microsoft and Citibank) and 5,000 people living and
working in the area, it is anticipated that Titanic Quarter will ultimately provide homes and employment for 50,000.
Preparing for urban renewal

Implementing a vision for urban renewal requires cooperation between the public sector, the private sector and the community. But regardless of who leads or finances the project, there will always be key issues that need to be considered including risk, oversight, structure and delivery expectations.

PUBLIC, PRIVATE OR JOINT PARTNERSHIP?

Whereas previously, the public sector would contribute all capital and investment for an urban renewal project, we have seen increasing private sector involvement over the past decade. Indeed, given the extent to which the Australian public sector has embraced partnership models in the redevelopment of urban sites, it seems certain that most renewal projects will include some form of partnership between public and private sectors.

There is a wide range of reasons for using a partnership model for an urban renewal project. For the public sector, a partnership model approach can harness the expertise and efficiencies that the private sector can bring to the delivery of certain projects. By working together to achieve common goals, partnership models enable the public and private sectors to share ideas, experience and skills to develop innovative solutions to meet the community’s needs, expectations and aspirations for a renewal site. In addition to this, freeing up land under public ownership for private or joint partnership, unlocks capital for governments and reduces future development risk.

Most commonly, private sector involvement is favourable in situations where the public sector:

- Seeks private sector innovation, capacity and expertise to deliver a project;
- Requires private sector financing, either in whole or in part;
- Is looking to transfer responsibility for the design, construction or operation of a project or parts thereof; or
- Wants to transfer project risks to the private sector.

From a private sector perspective, urban renewal allows private investors to gain access to prime development sites. For developers, the potential to reposition a site’s use from, for example, an aged industrial facility to a mix of retail, residential apartments and commercial spaces offer significant opportunities to realise a dramatic increase in land values.
In today’s constrained public finance environment, many governments are particularly focused on encouraging private sector investment into urban renewal projects, thereby limiting the government’s need to borrow or take on debt. Increasingly, governments are concerned about the potential negative impact on their credit rating that may eventuate from such borrowings.

Harnessing the involvement of the private sector as an alternative financing vehicle also provides the benefits of transferring risk to the developer rather than remaining with taxpayers. It is often also a more cost effective approach, particularly when the stages of the renewal project (design, construction, financing, operations and maintenance) are bundled together.

CASE STUDY
LEVERAGING PRIVATE INVESTMENT: PORTO MARAVILHA (‘MARVELLOUS PORT’), RIO DE JANEIRO

While the Port of Rio de Janeiro played a critical role in the city’s emergence as one of the most important cities in the Portuguese empire, it had fallen into significant disrepair since its last upgrade in the early 20th century. However, recognising both the history and the opportunity represented by the port, the City of Rio de Janeiro acquired the land from federal, state and municipal governments and declared it an area of ‘special interest’ in 2009.

Managed by the publicly traded CDURP (Port Region Urban Development Company), the operation is estimated to require R$8 billion (A$3.8 billion) of private investment over 15 years. Much of this investment will be required to install the necessary 700km of water, sanitation, drainage, electricity, gas and telecommunications networks; 650km² of sidewalks; 17kms of bike paths; 15,000 trees; and three sanitation plants alongside sites designated for historical, cultural and educational uses.

It is envisioned that this investment will come primarily from investors purchasing CEPACs (Certificates of Additional Construction Potential) from the government bank, entitling them to construct developments of a particular size. Three percent of the funds raised from the sale of CEPACs will be automatically directed to the recovery of the region’s historical and cultural heritage.

Other parts of the Port will be sold directly to investors, or become the subject of real estate ventures. In order to incentivise sustainable development and cultural and historical preservation, the City has also created significant tax incentives for developers.

IDENTIFYING THE MECHANICS OF DELIVERY

Most urban renewal projects take years if not decades to complete with design, construction and operations often running concurrently across the site, particularly in the later stages of development. Ensuring oversight and clear lines of responsibility is therefore critical.
More often than not, the exact mechanism for the delivery of an urban renewal project is dictated by the specific challenges and characteristics of the site. For instance, where the project focuses on the urban renewal of a significant portion of land, involving a long, multi-staged process, a specific body is often established through statute to deliver and oversee the development.

For public sector initiatives, responsibility for the project is allocated in a flow of responsibility in order to divide the risk associated with the project into acceptable, manageable portions. As the driving force behind the project, the public sector takes ultimate responsibility by initiating the project, establishing an authority and tasking the authority with powers and obligations so that the land is used in a sustainable and commercial way.

Urban renewal projects initiated by the private sector, on the other hand, are typically delivered by a large corporation that is responsible for all facets of the project from site acquisition and planning through to the construction and management of the development.

"ESTABLISHING THE AUTHORITY FOR URBAN RENEWAL THROUGH LEGISLATION IS OFTEN AN ADVANTAGEOUS APPROACH."

**INSIGHT**

Establishing the authority for urban renewal through legislation is often an advantageous approach since the objectives, powers, and authority of the entity are then defined by, and entrenched in, law.

In a partnership model, it is the private sector developer that typically assumes the major role in the planning, financing, design, construction, operation and long-term maintenance of the project and, as such, is generally allocated greater responsibility and oversight for those roles.

**ALLOCATING AND REDUCING RISK**

Generally speaking, the goal of the public sector when entering into a partnership arrangement is to allocate as many risks as are appropriate to the private sector. Government sees this risk allocation as critical to ensuring that taxpayers are not left liable for any cost overruns, delays or performance issues that may arise from the development.

The key risk areas that are usually allocated to the private sector include planning, finance, delivery (design and construction), contamination/remediation and end-value. However, some risks will – by necessity – remain with the public sector. These might include certain planning risks where the private sector considers planning and some approvals to be matters beyond their control.

The public sector also often accepts risks for other issues within its control, such as those associated with the operation of public facilities (including the operation of a public hospital, transport infrastructure or convention and exhibition facilities).

In other cases, the private sector will not – or may be unable to – accept remediation risk, particularly in cases where the extent of the remediation cannot be properly assessed in a way that allows the private sector to accept the risk. This is often the case on sites where industrial contaminants remain or where significant land preparation is required ahead of development.

"PRIVATE SECTOR ENTITIES ARE MORE CAPABLE AND BETTER STRUCTURED TO MANAGE RISKS."
INSIGHT

While the allocation of risk towards the private sector may seem one-sided, the rationale is that private sector entities are more capable and better structured to manage risks through the use of risk management techniques and private finance which are not available to government-financed projects.

Experience also shows that some of the key risks associated with the delivery of urban renewal outcomes relate to securing planning and development approvals. However, these risks are also starting to be mitigated with the emergence of special-purpose urban renewal authorities which are given the ability to develop master plans and participate in the development assessment process, particularly where they have a close working relationship with the adjacent local governments.

TO TENDER OR NOT TO TENDER

As a general rule, public sector agencies will undertake an open or selective tender process in order to invite offers from individual companies, or consortiums, with appropriate expertise, capacity and capability to undertake the project.

Open or selective tender processes deliver a number of important benefits including:

- Obtaining the best ‘value for money’ through a fair and open process;
- Allowing the private sector a reasonable opportunity to compete for interests in public assets;
- Demonstrating accountability and transparency by making the tender process as open as possible;
- Dealing with conflicts of interest (as even the smallest perception of conflict of interest can give rise to complaints and lead to the loss of public confidence); and
- Avoiding corruption.

LEADERS MAY WANT TO CONSIDER LIMITING THE NUMBER OF SHORT-LISTED TENDERERS TO A MAXIMUM OF THREE OR FOUR.

INSIGHT

Large-scale, complex urban renewal projects being undertaken jointly between the private and public sector will often require private developers to expend significant capital and resources in developing and preparing their tenders.

Leaders may want to consider limiting the number of short-listed tenderers at the RFP stage to a maximum of three or four as tenderers may be unlikely to bid if they believe there is little chance of success.

ENSURING TRANSPARENCY AND FAIRNESS

Maintaining public confidence is key to the success of an urban renewal project. As such, every effort must be taken to ensure that the tendering process is managed as transparently as possible and with a keen eye on achieving public objectives.

In most cases, government authorities will establish an evaluation committee made up of independent experts with appropriate expertise to properly assess and evaluate the tenders. Recommendations from these committees are then usually considered by government with approval resting on the decisions of the relevant ministers of state or government operating through their cabinet.

TENDER CRITERIA SHOULD ALSO TAKE INTO ACCOUNT THE OBJECTIVES THAT WERE SET WHEN UNDERTAKING THE PROJECT.
Submitted tenders are usually evaluated against nominated criteria with the preferred and successful bidder selected based on an objective application of those criteria. The evaluation criteria will reflect the specific objectives of a particular project but most often include considerations such as:

- Capacity and capability;
- Expertise and experience;
- Value for money;
- Financial capacity; and
- Project sustainability.

In many open or selective tender processes, probity officers are appointed to ensure fairness and equity between all tenderers. An additional benefit of appointing probity officers is that it helps demonstrate that the tender processes undertaken and the nomination of the preferred and successful proponents were fairly conducted.

**INSIGHT**

Tender criteria should take into account the objectives that were set when undertaking the project. These will be critical in establishing the direction and motivations that underpin the tender process and that, in turn, underscore the project deliverables once completed. In most cases, the nature of the urban renewal project will inform the project-specific objectives.
In most cases, government authorities will establish an evaluation committee made up of independent experts with appropriate expertise to properly assess and evaluate the tenders.
Designing and planning renewal

There is much that government can do to encourage more effective urban renewal. From creating new public amenities and a more integrated transit network through to creating the right ‘product mix’ and sustainability standards, government can play a key role in ensuring the results deliver the maximum benefit to users, residents and citizens.

CREATING A ‘PUBLIC PERSONA’

The evidence is clear: the benefits of a high-quality public realm often far exceed the upfront economic and fiscal costs of their construction. And with high expectations in most cities that government-led urban renewal will deliver significant improvements in lifestyle and liveability, government and city leaders will want to ensure that they incorporate public amenities into their planning and design.

This will require a balance between those amenities that are more commercial in nature (such as lifestyle and entertainment precincts or heritage building activation) and those that are strictly non-commercial including public parks, public access links and bikeways.

Brisbane’s Southbank Parkland is a prime example of how public amenities can be designed to support and evolve with the community. Originally a busy industrial precinct that had fallen into disuse, the area was redeveloped as the home of Brisbane’s World Expo 1988. Since then, the parklands have been gradually transformed and now boast a diverse range of residential, commercial and lifestyle real estate that forms a central hub for recreation and cultural activities.

The key to success in this case – and many that followed their example – was the dedication of land for public open space which, when tied to investments in cultural and lifestyle activities, and the integration of the precinct with multiple forms of public transport, created strong demand from tenants, residents and patrons for the diverse range of amenities found within the parklands.

In much the same way, we envision that Sydney’s Barangaroo redevelopment will evolve to offer a wide variety of public amenities. Indeed, given the significant public headland open space and the retail and lifestyle facilities that will attach to the Crown integrated resort, we believe that the development will bring Sydney a mix of amenities which, when combined, will deliver a wide range of spaces that will drive the ‘public persona’ of the precinct.
INSIGHT

Ultimately, Southbank’s Parkland experience shows that the most successful urban renewal projects are recognised for the delivery of a public realm that is both commercial and non-commercial in its intent. In other words, the public realm should generate the ‘public persona’ of the precinct through its cultural, lifestyle or entertainment elements.

CASE STUDY

PRIORITISING PUBLIC AMENITY: MARINA BAY, SINGAPORE

Marina Bay, a 360 hectare waterfront site located at Singapore’s southern tip, is considered the centrepiece of the city’s emergence as a thriving, 21st century hub. It is envisaged to be a ‘Garden City by the Bay’, seamlessly extending the city-state’s already prominent Central Business District into a 24/7 business, living and lifestyle destination.

To ensure the area remains vibrant and activated around the clock, the Urban Redevelopment Authority’s Master Plan for Marina Bay focuses on encouraging a mix of uses (commercial, residential, hotel and entertainment) with certain sites zoned as ‘white sites’ to allow developers greater autonomy and flexibility in deciding the most appropriate product mixes.

From a design perspective, Marina Bay is already a high-profile destination, boasting a range of exciting attractions such as the world-renowned Marina Bay Sands integrated resort and the iconic Singapore skyline. Along the waterfront and fronting key open spaces, building heights are kept low to maximise views to and from individual developments that lie further away from the waterfront, creating a dynamic ‘stepped-up’ skyline profile.

Currently, Marina Bay features more than 400,000m² of Grade A office space, a 5 kilometre promenade linking all major attractions, state-of-the-art infrastructure (including a common services tunnel distributing utilities around the bay) worth S$4.5 billion (A$3.84 billion), and five new underground Mass Rapid Transit stations.

Another notable attraction is the 101 hectare, S$1.035 billion (A$880 million) Gardens by the Bay park that is now Singapore’s premier urban outdoor recreation space.

INTEGRATING PUBLIC TRANSIT

With new data and research now emerging that categorically proves the link between transit-oriented development and increases in land value, it seems clear that integrating transport infrastructure into urban renewal plans is vital to success.

Indeed, the consensus among international researchers is that property values are generally higher when there is both good proximity and accessibility to rail transit. A recent KPMG analysis of the Brisbane real estate market corroborated this and found that accessibility to transit resulted in a 20 percent price premium and...
a 1 percent premium in annual price growth versus those properties without access to transit.

Clearly, there is a strong case for project sponsors to ensure that their urban renewal projects are effectively integrated into the existing transit networks. Given the long lead times often associated with large-scale urban renewal projects, the big challenge for government and project sponsors is often in defining what role they should play in ensuring the delivery and integration of transit infrastructure.

Indeed, government has significant capacity to influence the delivery of infrastructure – public transit or otherwise – as part of the broader urban renewal program. This may be through its role as a planning authority (thereby using regulatory levers to encourage infrastructure development), as the land owner procuring land development or as the urban renewal delivery authority (where its role as a planning authority is extended to include oversight of specific land parcels).

In many cases, governments could be going beyond simply creating a supportive planning framework around key transit nodes; the opportunity to amalgamate fragmented land holdings as part of the value capture strategy for major transport projects should also be considered.

We believe that the benefits of linking public transit to urban renewal are significant and go far beyond capturing land value uplifts to include a range of benefits such as avoiding or deferring the cost of investing in greenfield infrastructure through to social benefits such as health and environmental outcomes.

**INSIGHT**

While most governments recognise that accessibility to public transit can be a success factor for urban renewal, it is also important (albeit somewhat more challenging) for governments to turn that perspective around to instead see their transit investments as steps towards urban renewal.

Government should therefore continue to embrace the opportunity to use transport investments as a direct catalyst for urban renewal and regeneration.

**ACHIEVING THE RIGHT PRODUCT MIX**

While the project vision and location will ultimately dictate the boundaries of the project, it is the specific product mixes that will decide how the project will contribute to the success of the area in the future. So while urban renewal projects offer the opportunity to establish new hubs within the city, the product mix will define the character and use of those hubs.

Social and public infrastructure, for example, will need to be properly balanced with the need to create the right commercial environment to attract private participation and maximise the economic benefits.

Creating an optimal product mix requires project designers and sponsors to consider a number of key elements such as:

- **The need to maximise revenue**: Creating a product mix that creates sufficient financial return to cover necessary public contributions while creating an environment that stimulates demand.
- **Integration with the local environment**: Product mix can be used to help define the character of surrounding amenities or act as a catalyst for urban renewal objectives in surrounding zones.
- **Housing requirements and affordability**: Balancing the residential product mix between current and future demand will require a greater focus on mixed products including units, houses and affordable housing.
- **Employment zones and retail**: Access to employment and retail is key to sustaining major renewal areas however planners must be cognisant not to oversupply the market or reduce the competitiveness of surrounding areas.
• **Public amenities and culture:** This mix includes everything from medical centres and transport through to parks, cultural centres and historic sites and is critical to creating the right ‘public persona’ for the project.

• **24-hour activation:** Product mix can be optimised to create greater activation of the site beyond the traditional two-hour rush in the mornings and evenings.

• **Cohesion and social mix:** At a holistic level, getting the product mix right can provide a ‘halo effect’ for the wider urban area and contribute to the city’s broader social mix.

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**INSIGHT**

Ultimately the success or otherwise of a renewal project will be determined by the product mix achieved on the site. Achieving the right balance, which will always be unique to an individual site, must clearly address the original vision of the project sponsor and represent an appropriate balance between commercial and social objectives.

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**CASE STUDY**

**GETTING THE PRODUCT MIX RIGHT: DOCKLANDS, MELBOURNE**

Docklands, a 190 hectare industrial wasteland located at Victoria Harbour on the western edge of Melbourne’s Central Business District, is the subject of ongoing urban renewal to create a thriving residential, commercial and visitor destination.

The first coordinated consideration of Docklands’ renewal came in 1990, which led to the formation of the Docklands Authority and - in July 2007 - the site was incorporated into the City of Melbourne municipality, thereby doubling the size of central Melbourne and returning a significant area of waterfront to the city. Uniquely for Melbourne, the governance of Docklands is shared between the City of Melbourne and the Victorian Government’s land development agency, Places Victoria.

The site was split into a number of precincts, each the subject of separate private sector tenders, with an overall forecast product mix at completion of:

- 44% commercial;
- 44% residential;
- 7% retail;
- 1% hotel; and
- 4% other uses.

All evidence suggests that - to date - the mix of products offered in the Docklands development has been a success. The site already hosts more than 8,000 residents and 30,000 workers, with a number of major Australian businesses (including NAB, ANZ, Medibank and Marsh McLennan) having already established their national headquarters there. By 2025, it is estimated that there will be 60,000 workers in the commercial precincts, and approximately 12,000 dwellings housing 20,000 residents. Docklands is also envisioned to be a tourist destination, attracting some 20 million visitors annually.

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CREATING A SUSTAINABLE PROGRAM

Around the world and across Australia, leaders are using large urban renewal programs to test and showcase a range of new environmental, social and financial sustainability practices and technologies. And in doing so, they are not only demonstrating their commitment to the ongoing viability of their projects, they are also positioning themselves as ‘cities of the future’.

Some of the opportunities are easy to capture. Reusing or adapting structures, infrastructure or natural features on the existing site reduces cost and material. Techniques for maximising the reuse of materials on the site – or on geographically proximate sites – are also evolving. The Barangaroo development, for example, reuses and incorporates elements (often man-made) of the existing site, while the Kent Street Brewery site incorporates heritage items into features in a way that adds to public amenity and the overall value of the site.

However, more advanced technologies and approaches are fast emerging and creating significant opportunities for enhancing the sustainability of urban renewal projects. In the design phase, smart architectural and engineering design and building decisions can help ensure that the right technologies – those which yield whole-of-life efficiencies – can be deployed (without necessarily increasing capital costs). New engineering systems that embed greater operational efficiency can be deployed across diverse systems including telecommunications, electrical, mechanical, vertical transport, hydraulics, fire, structural and facades.

Developments with a significant size and scope may also be in a position to generate and deploy their own energy, creating multiple benefits (such as heating, cooling and general power) for residents and users. Large-scale renewal projects also tend to be better suited to adopt new technologies for the capture, treatment and reuse of waste (in its various forms) than projects which simply upgrade existing facilities.

"THERE HAS BEEN AN INCREASING FOCUS ON THE CONCEPT OF ‘SUSTAINABLE COMMUNITIES’ WHERE URBAN RENEWAL PROJECTS ABSORB THE SKILLS AND EXPERIENCE OF LOCAL PEOPLE."
INSIGHT

Recently, there has been an increasing focus on the concept of ‘sustainable communities’ where urban renewal projects absorb the skills and experience of local people into the overall design, delivery and operations of the precinct.

The redevelopment of the Australian Technology Park in Redfern, for example, measures local participation as part of its ongoing performance metrics and evaluation.

CASE STUDY

A MODEL OF SUSTAINABILITY: BARANGAROO, SYDNEY

As one of the first Clinton Climate Positive Development (net carbon negative) projects in the world, Sydney’s Barangaroo redevelopment sets a high environmental standard for urban renewal globally. Once completed, the A$6 billion transformation will restore public access to 22 hectares of Sydney's harbour which have been inaccessible to the public for more than 100 years.

However, like many post-industrial sites, Barangaroo has significant below-ground contamination, including tanks from a disused gasworks site and unclassified land fill used during reclamation for the port construction. The urban renewal project involves remediation of the land in order to open up new space which had previously languished in an unusable state. Adding to the environmental benefit, material such as building rubble and other waste has been used to fill and reclaim the wharf area.

More impressive still is the fact that - once completed - it is anticipated that the development will generate and export more water than it uses, deliver zero waste to landfill and achieve carbon neutrality by generating renewable energy.

Barangaroo is divided into three areas, each of which strives to either improve or integrate into the surrounding environment:

- Barangaroo South, a major business, financial, tourism, residential and retail precinct opening onto a public waterfront promenade;
- Barangaroo Central, a cultural and civic focal point for recreation, events, entertainment and leisure activities together with low rise residential; and
- Headland Park, a 6 hectare harbour park.

Over time, it is expected that 23,000 people will live and work in the Barangaroo precinct, with a further 33,000 visitors each day, deeming it an impressive and environmentally friendly urban renewal. Already, the project has signed on major global and Australian tenants including KPMG, Westpac, Lend Lease and HSBC.
Catalysing participation and support

Even with the most inspiring vision, the optimal design and the most efficient delivery mechanism, the success of urban renewal projects often rests on the ability of government and private sponsors to incentivise private and community participation and support.

CREATING THE RIGHT MIX OF INCENTIVES

Encouraging private participation in urban renewal projects often requires government to carefully consider the range of potential incentives within their control. There are generally two principal perspectives on incentives: those of government (representing the interest of society at large) and those of the commercial interests.

Creating the right mix of incentives is central to helping private sector participants assess the project in terms of overall financial viability and their ongoing capacity to generate income at a required rate of return.

Incentives can take multiple forms and are usually best combined to create a more benign investment environment. Common incentives often include:

- **Zoning and planning changes**: Increases in density allowances lets developers spread land costs across a larger saleable area, while ‘spot’ rezoning of individual parcels of land offers increased certainty to developers considering underwriting new projects.
- **Infrastructure delivery**: While state and regional plans offer indications of likely areas for public infrastructure investment, they are often largely aspirational; greater certainty can be achieved by moving public infrastructure projects into the delivery stage.
- **Taxation**: Tax in its various forms always creates incentives and disincentives for private developers. In Australia, the primary direct tax vehicle for urban renewal projects tends to be levied in the form of development contributions made at the State and local level.
- **De-risking**: Governments can materially assist in ‘de-risking’ projects by purchasing or leasing the development product, thereby strengthening the covenant between developers and their financial backers and potentially reducing their equity and debt borrowing risks.
- **Streamlined approval processes**: In assessing timing risk on potential projects, developers often look for tangible evidence of streamlined approval processes that can provide greater certainty that approvals will be assessed and granted in a transparent and coordinated way.
- **Declaration of ‘employment zones’**: Along with the associated planning instruments to support it, the declaration of an ‘employment zone’ signals commitment to the specific development area which, in turn, supports private sector decision making.
Governments have a critical role in creating the right “mix” of incentives to encourage urban renewal. Setting a clear policy framework encapsulating the balance of these incentives is critical in providing developers (and the community) with sufficient certainty to invest in developing concepts which can truly be described as “World Class”.

**CASE STUDY**  
CREATING INCENTIVES FOR INVESTMENT: HUDSON YARDS, NEW YORK

The Hudson Yards Redevelopment project is a substantial renewal of Manhattan’s far West Side along the Hudson River, overseen by the Hudson Yards Development Corporation for the City of New York. The centrepiece will be the largest project ever undertaken in New York and will be constructed entirely above the existing open-air railroad depot, filling a 10.5 hectare gap in Manhattan’s otherwise dense profile.

The project incorporates a number of important incentives for encouraging private sector participation. To start, the development program secured a rezoning of the yards from manufacturing to commercial and residential.

Certainty was also increased when, in 2010, the Metropolitan Transportation Authority (MTA) granted a 99-year lease of the air rights over the rail yards to a joint venture created to deliver Hudson Yards. Importantly, the MTA also agreed to grant a severable lease (that turns into multiple ground leases) to make it easier for the developer to secure finance for each individual stage.

The City of New York has also played an important role in encouraging the renewal, issuing A$3 billion in bonds to kick off an extension of a major subway line from Times Square to the heart of the Hudson Yards precinct. The New York City Industrial Development Agency’s Tax Exemption Policy now also specifically provides financial incentives for commercial developments in the area.

Hudson Yards broke ground in December 2012, and the first tower (which is already more than 85 percent leased with banner tenants such as Coach, L’Oreal, SAP and Fairway Market) is expected to be completed in 2015. It is anticipated that the precinct will ultimately host 10,000 residents and 30,000 workers, with construction alone expected to generate 23,000 jobs.
ENGAGING COMMUNITY AND STAKEHOLDER SUPPORT

Urban renewal affects the future of our communities and all individuals within it, so engaging the relevant stakeholders and keeping them on-side throughout the duration of the development process is crucial.

The reality is that most major projects aimed at changing the use of an area tend to meet considerable opposition at some point in their development life-cycle, often due to perceived insensitivities to community desires, overly optimistic use predictions or the belief that the interests of ‘Big Business’ are being favoured over those of the residents and local business competitors.

Some stakeholders will have a direct role to play in the legal and planning processes; others will be ‘interested observers’ whose opinions will not only be relevant to the broader public sector and community engagement effort, but also – if not supportive – can have an adverse effect on the overall level of community and social support for a project.

From the creation of the project vision through to the operations and life-cycle management of the development, these stakeholders need to be kept informed, involved (where appropriate) and supportive of the project and its overall direction.

URBAN RENEWAL PROJECTS CAN INVOLVE A WIDE RANGE OF STAKEHOLDERS INCLUDING THE COMMUNITY; LOCAL COUNCILS; GOVERNMENT; AND RELEVANT PUBLIC SECTOR AGENCIES SUCH AS PLANNING, RAIL, ROAD, FERRY, HERITAGE AND HOUSING.

INSIGHT

Balancing the competing concerns and demands of the various stakeholders involved in a large-scale urban renewal projects can be challenging.

In order to engage all stakeholders simultaneously, the project must be based on a long-term, comprehensive vision which has been designed to allow for public participation.
KPMG

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May 2014