

# THE RIVERSIDE PROMENADE: BUILDING THE FUTURE

The Business Case prepared by Hutt City Council.

The economic modelling of this report is reviewed by Butcher Partners Ltd.

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## Executive Summary

The development of a riverside Promenade is one of the key projects of Making Places, Hutt City Council's strategy to rejuvenate and revitalise the CBD. The opportunity to develop a riverside Promenade has arisen as a result of the flood protection upgrade designed by Greater Wellington Regional Council. This work will raise and reconfigure the stop banks alongside the CBD and has the dual outcomes of achieving the long-term vision of significantly improving the City's flood protection and turning the CBD to face the river.

The Promenade is expected to be a walkable platform that bridges the gap between buildings on Daly Street and the top of the new stop bank. This has the potential to create a river waterfront precinct that transforms the city and includes the following features:

- A new river landscape with high levels of social and ecological amenity.
- Good quality mixed-use development that fronts directly onto the Promenade.
- Vibrant commercial, social, and cultural activity.
- Improved walking and cycling pathways through the CBD and the Promenade to State Highway 2 and the Western Hills.
- A new pedestrian and cycling bridge connecting the CBD with train services.

## What we can learn from similar projects elsewhere

The review of over 40 scientific journal papers as well as similar waterfront projects, covering around 300 cities around the globe, suggests that a number of the Promenade features will affect and catalyse the social and economic development of the City. These include:

- Developed green space not only helps to protect the environment, and our native habitat, but also provides space for a range of cultural and recreational activities that encourage a healthy lifestyle for residents. It can also attract more regional visitors to the City who will contribute to the local economy. These advantages are also capitalised into nearby properties values.
- Walkability and traffic calming have incredibly positive health, environmental, and economic effects. The use of traditional street patterns over relatively large areas, providing a coherent and interesting pedestrian network, is found to have significant positive impacts on retailing success. However, more extreme approaches, such as a wide car free area on Saturdays, can have the opposite effect and decrease the retail turnover. To achieve the full benefits of walkability and pedestrianisation it is essential that walkable areas are connected to each

other, car free areas are limited to small sections, and buses are kept away from the main street. It is also particularly important to consider engagement with the public as voiced opposition can effectively stop a traffic calming project; however, once stakeholders, especially business owners, are aware of the benefits of the project they become some of the most vocal champions of the work.

- Proximity to public transport encourages active multi-modal transport and offers price premiums for nearby properties, depending on a number of factors, including the distance to the station, degree of regional access provided by public transport, level of walkability and development densities in the area, and being within or close to a mixed-use environment. Therefore, in Lower Hutt, the plans for the Pedestrian and Cycling Bridge and relocation of Melling Station must ensure that the new station is not further than 300 meters from the end of Margaret Street so that the total walking distance from the majority of properties around the Promenade to the station will be less than 500 meters. The dis-amenities (e.g. noise, light, traffic and trash) of being close to the station fall off quickly with distance, so the negative impacts are limited to those who reside in CBD as the station is on the other side of the river. A proper pedestrian access to the train station is essential.
- Two-way streets create higher levels of economic activity and improve the liveability of downtown areas; therefore, maintaining the High Street and Queens Drive as they are and converting Dudley Street to a two-way road are supported.
- The newest literature suggests that the above benefits are linked synergistically and may be, to a degree, mutually dependent. So the plans should include all the discussed features to ensure the success of the Promenade.
- Research also shows that higher property values, offered by the features above, encourage higher density and quality developments across the CBD. Thus the Promenade will be an effective project to stimulate private investment and economic activity in the CBD and beyond.

Therefore, the Promenade project promises a unique game changing opportunity that has the potential to restore the social amenity and sense of place for all Hutt City residents, and promotes the CBD as a vibrant, attractive and liveable area, particularly for young and educated people, in addition to its environmental and health benefits.

### **Costs and benefits of Promenade development**

This study explores both qualitative and quantitative impacts of the investment; in particular those that will materially affect the final decision to start the project, and helps decision makers to consider how to proceed with each element of the project in order to gain the highest amount of benefit for the City and its residents. The qualitative benefits and the best design and configuration of the Promenade were assessed through a workshop open to the public and a survey through Citizen's Panel, and the quantitative benefits are reviewed through an economic impact assessment that explores the costs and benefits various options, and the potential effect each has on rates, to help to identify the optimum scale of the Promenade development and the required level of investment. The following are the impacts investigated in each methodology.

## **1- Survey**

A survey of all Hutt City Views members was designed and conducted from the 2<sup>nd</sup> to 24<sup>th</sup> of December 2016 to re-confirm residents' views about and priorities for the Promenade and its preferred design, how it affects the CBD and the City's residents and businesses. A total of 605 responses were received.

Eighty four per cent of the respondents believe the revitalisation of the CBD is important to the future of Lower Hutt. They indicate that Businesses, Public amenities, Restaurants and cafes, Community spaces and recreational activities are most important for the CBD. The residents also expect the developments to be of a very high quality.

Residents also indicated that connecting with the River is very important for the CBD. Over 90% of the respondents believe that Council has a role in making a vibrant, liveable and river-connected CBD. The majority of respondents thought Council should play this role by providing public amenities and green space (92%), improving pedestrian and cycle ways (80%), and supporting businesses and retailers (69%).

The majority of respondents (56%) said they agreed or strongly agreed that it would be good if more people lived in the CBD. Interestingly, more than a third of the respondents (37%) said that they may live in the CBD in the future with answers ranging from possible to likely and extremely likely. Respondents also agreed (or strongly agreed) that the proposed Promenade development would encourage apartment development (65%), support businesses and stimulate economic growth (73%) in the CBD.

84% of the respondents said they would be likely to visit the Promenade for a meal or coffee at a café or restaurant, followed by relaxation on the riverfront (76%) and enjoying the scenery and surrounds (72%). A majority of respondents also selected walking/jogging (65%), attending an outdoor event (63%) and enjoying a drink at a bar (50%).

The use of the Station in the current situation was found to be extremely limited. The proposed station relocation and the Pedestrian and Cycle Bridge would encourage 11% of the respondents to use the train more often, in addition to 21% who said it would encourage them to some extent. Almost one third of the respondents (29%) also stated that the proposal would encourage them (fully or to some extent) to live in the CBD.

Respondents also chose their preferred design option for the promenade and the Bridge.

## **2- Willingness to Pay**

The survey also included a contingent valuation section to assess what value residents across the City place on the proposed Promenade, and whether they would be willing to pay for this development. The results suggest that the project is strongly supported by residents and that they understand the benefits of the project. The results can be summarised as follows:

- Among those who were prepared to place a value on the facilities, 83% indicated that they are willing to pay to develop the Stage 1 and 2 of the proposed Promenade. This percentage is the same for Stage 1 only, but slightly less for All Three Stages and for Pedestrian and Cycle Bridge at 81% and 80%, respectively.
- This means that less than 20% of residents are not prepared to pay anything toward the Promenade development.
- Two thirds of residents, who were prepared to place a value on the amenity, would pay more than \$40 per year to develop the Stage 1 & 2 of the proposed Promenade.

The figures also indicate that the estimated average Willingness to Pay (WTP) for Stage 1 & 2 (\$96.90) is 34% greater than the average WTP for Stage 1 (\$72.40). This amount increases by another 15%, reaching \$111.40, to develop all three stages. The average WTP for the bridge is lower at \$62.10, which is expected as the cost of developing the Pedestrian and Cycling Bridge is also much lower than the defined Promenade Stages. However, this average WTP is still more than the value obtained in the previous WTP surveys conducted by Hutt City Council for various projects.

In total, Lower Hutt residents are willing to pay \$3M to \$4.6M per annum for the Promenade development, depending on the option, in addition to \$2.5M per annum for the Pedestrian & Cycle Bridge. Therefore, the total willingness to pay in 20 years, using a discount rate of 4.5%, is between \$38.6M for Stage 1 and \$59.5M for All Three Stages. The amount is \$33.2M for the Bridge. These highlight the very high value of the Promenade, from residents' perspective.

### **3- Economic Impact Assessment**

An economic impact assessment of the Promenade and the potential follow on private developments includes one-off construction impact (both public and private), new residents' spending, new jobs (partly created by companies acquiring new office spaces), increased visitors' expenditure, and increases in property values due to developed green space, walkability, access to public transport and flow on effects.

The highest direct and total impact, compared to the capital expenditure, comes from implementing the Stage 1 and 2 concurrently; however, the construction of Stage 3 and the Pedestrian & Cycling Bridge will also provide residents with a very high economic impact. Thus, all the options, except for the counterfactual, are supported by this EIA. Given the budget limitations, the results strongly support developing the Stage 1, 2 and the Bridge while the opportunity for extending the development into the third stage should be considered.

In the medium growth scenario, it is estimated that the entire Promenade project (including all three stages and the Pedestrian and Cycling Bridge), if accompanied by robust planning, would be a catalyst for the development of 49,000 square metres of commercial space, enabling 2700 people to work in the CBD, as well as 1330 apartments that accommodate 2600 people. These investments and activities would contribute to the local economy by \$1.8 billion in direct impact and \$2.5 billion in total impact (including follow on and induced impacts), as well as 11,400 direct and 23,750 total jobs-years, over 20 years.

#### **4- Return on Investment**

The property value increases and the new private sector residential and commercial developments affect payable rates and as a result Council's budget. We have estimated that approximately 70% of the rates payable by new dwellings will benefit the whole city; the rest will cover the cost of services provided to that specific rating unit. Thus, we report present value of both net return (i.e. the present value of additional rates minus the development cost) and net benefit (i.e. the present value of additional rates payable by existing ratepayers and 70% of additional rates payable by new ratepayers, minus the development cost) for each option, based on the medium growth scenario.

The results suggest that Council's investment in Stage 2, Stage 3, and Stage 1 and 2 concurrently options will be paid back over 20 years; however, Council, and so ratepayers, do gain financial benefit if the project is limited to the Counterfactual, Stage 1, or Pedestrian and Cycling Bridge. The analysis also shows that the accumulation of options (e.g. developing Stage 1, 2 and the Bridge) offer a very high return on investment.

#### **Management of the Promenade development**

Council has long benefited from benefits and opportunities that setting up a council-controlled organisation (CCO) offer. Reviewing these, together with the drawbacks of devolving authority to a CCO, we concluded that the perceived benefits outweigh the additional cost and any inherent risk, and whether a CCO is the most effective option for the project is principally dependent on the scale of the project and the capabilities of the CCO to undertake its implementation.

Moreover, how the Promenade is positioned in future is partially influenced by how the properties facing the Stage 1 of the Promenade are developed. The strengths, weaknesses, opportunities and threats of possible methods proposed to ensure the quality developments of these properties align with the Promenade's design are reviewed to assess how much influence and/or control Council may be able to have over the properties in question and the potential development proposals.

The study further suggests that any conclusion about management options, or combination of those options, can be drawn best when these two configurations are seen together. Options explored demonstrate that buying the buildings helps to achieve the targets, if a CCO gets involved in development of the Promenade. Otherwise, a private-public partnership is the priority.

Legal considerations to undertake any of the management options, and the road stopping, are reviewed. The study concludes with a risk assessment analysis that includes identifying the key risks and mitigation strategies, reviewing the assumptions made in estimating the benefits, and the sensitivity tests applied to test the robustness of results.

We invite you to read the full business case at

[www.huttcity.govt.nz/Your-Council/Projects/riverside-promenade---riverlink](http://www.huttcity.govt.nz/Your-Council/Projects/riverside-promenade---riverlink)