



# *Creating value for communities*

August 2018



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# Creating value for communities

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## The Value Creation equation

Government investment in infrastructure creates benefits for the community beyond the users of the infrastructure.

Value creation offers an integrated view that considers additional amenity and connectivity opportunities to optimise community benefit.

This is done by assessing what community needs or gaps in connectivity, services and amenity exist; and how these opportunities might be delivered on the project site or leveraged for delivery within the neighbourhood.

These opportunities would enhance the community benefits arising from a project.

**Site value benefits**



**Area of wider opportunities and community value**

Greater access to





## ***Benefits of Value Creation***

PwC's approach can be used for:

- assessing broader project benefits.
- helping to prioritise a range of community infrastructure options.
- assessing opportunities for integrated land use planning outcomes by measuring the change in value when changing one variable within a precinct.

- determining the basis of how value can be released, shared or captured on a project among beneficiary groups.
- demonstrating the benefits of project site development opportunities in relation to a road or transport project:
  - Understanding the site and the opportunities that could be delivered in the context of the broader precinct and neighbourhood needs.
  - Working with stakeholders to consider what community benefits could be delivered.
  - Assessing the value of different options.
  - Showing how the private sector can deliver community benefit as part of an on-site commercial development.
  - Identifying potential for other opportunities to be leveraged adjacent to the site from the redevelopment of the land.



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### ***The focus shifts from the user to the beneficiary***

An opportunity is an investment or an initiative that may be delivered as part of an infrastructure/development project or as an add-on that is delivered separately by other parties.

Each opportunity delivers 'benefit' ie an enhancement to amenity, to connectivity or to community outcomes and services. A benefit is a qualitative measure of outcomes arising from an infrastructure/development project that could be quantified (dollars) for a particular segment of the population.

A beneficiary is a segment of the community that would be directly impacted by the infrastructure investment or development. A beneficiary must have a direct physical or spatial relationship to the proposed infrastructure/development.

Value creation is a quantitative assessment of a benefit – monetisation of the value uplift.



**Examples of benefits include:**

- Reduced travel times on roads
- New community facilities
- New open space amenity
- Increased retail amenity
- Increased accessibility or connectivity across or along rail lines



**Examples of beneficiary groups include:**

- Community
- Property owners (residential, commercial, retail, industrial)
- Employers/employees
- Local businesses
- Public transport operators/users
- Road users
- Pedestrians/cyclists



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### Four critical questions

Our methodology links the specific infrastructure element or 'opportunity' to the benefits it creates for each relevant beneficiary.

The value approach begins with four critical questions:



#### **What benefits will be created?**

Transport & Connectivity  
Amenity  
Property  
Access to Jobs



#### **Who will benefit and when?**

Local community  
Land owners  
Businesses  
Employers  
& Employees



#### **Where and when will the benefit occur?**

On Site  
Neighbourhood  
Precinct  
(0-1600m)



#### **What quantity of value would be created?**

Economic  
Social  
Environmental



## Methodology: In Practice



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### ***Why Value Capture?***

#### ***Value capture provides:***



##### ***Optimisation***

An opportunity to refine a project's scope that takes a broader more integrated view – to optimise land use and transport outcomes.



##### ***Transparency***

An opportunity for greater transparency between benefit, the beneficiary and mechanism that increases perceptions of fairness and can build community trust.



##### ***New funding***

New or enhanced funding sources that can bring forward infrastructure projects.



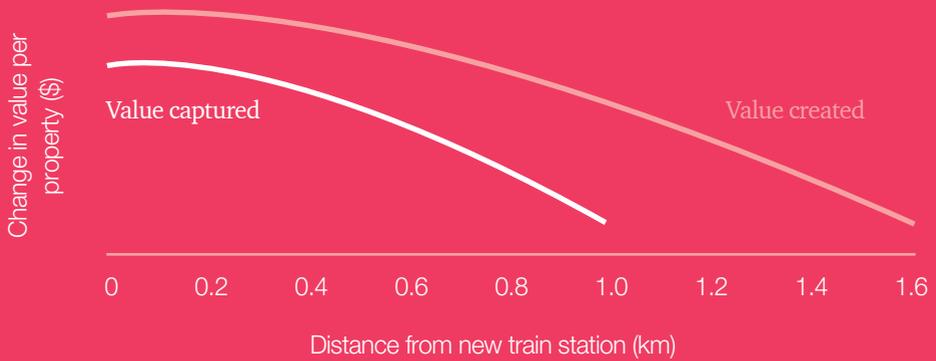
##### ***Market options***

A framework for the market to propose infrastructure projects that could be funded and would deliver a range of benefits to the community.



### **Change in value of properties by distance from a new train station**

Example for illustrative purposes only



\*Multiple parameters drive value



## Integrated Infrastructure Rationale

Our view of the assessment of infrastructure investments involves integrating the traditional infrastructure rationale of addressing the service need with the assessment of other complementary but related opportunities within a value creation and capture framework.

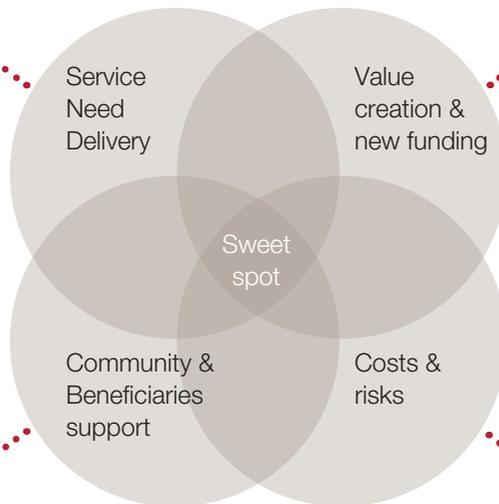
The interaction of these primary and secondary objectives allows for the iteration of project options, and enables actionable investments to be delivered that are aligned with the communities' needs.

### Integrated infrastructure rationale incorporates community needs

#### Primary

Traditional infrastructure investment rationale

Value Created/ Value Captured opportunities should be pursued



#### Secondary

Value Created/ Value Captured opportunities

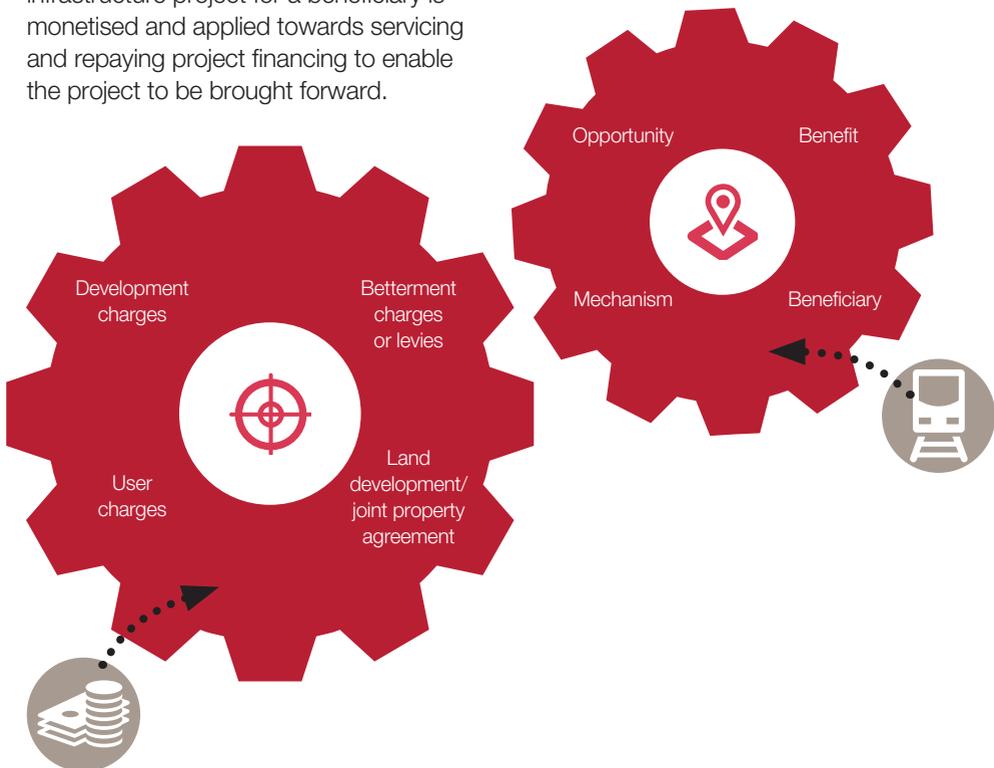
Priority projects



## Value Capture Mechanisms

A value capture mechanism is the means by which the potential value created by an infrastructure project for a beneficiary is monetised and applied towards servicing and repaying project financing to enable the project to be brought forward.

This represents a break from mechanisms applied on a cost recovery basis.





## Case study

# **Billbergia Group Wentworth Point Bennelong Bridge**

### **The project:**

A bridge across Homebush Bay was expected by the community but remained unfunded. A private developer offered to pay for its design and construction. PwC assessed the value created resulting from private sector investment in bridge infrastructure linking the communities of Wentworth Point and Rhodes in Sydney's west.

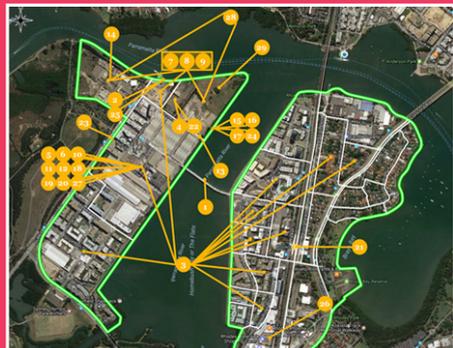
Billbergia (a private developer/landowner) entered into an agreement with the NSW Government to deliver the Bennelong Bridge. The bridge allows for pedestrian, cycling and public bus and emergency vehicle traffic, but not private vehicles. It was delivered at no cost to government. In return, government approved an amendment to the planning scheme for 1,300 additional new dwellings to be delivered at Wentworth Point.

### **Who benefits?**

The main beneficiaries who have been directly impacted by the infrastructure investment, that were identified for the analysis include:

- Residents from improved local amenity and access to transport.
- Developers and land owners (for identified precincts).
- NSW Government (land owner).

### **Map of the Bennelong Bridge investigation area with labelled opportunities**





### **Government benefits**

9.4 ha of land sold for \$360 million



### **Developer benefits**

106,000 m<sup>2</sup> of additional GFA leading to 1,300 dwellings



### **Community benefits**

\$2.1 billion of value created

### **How do they benefit?**

The main benefits from the opportunities in the investigation area include:

- Land value uplift to government land and surrounding residential and commercial land.
- Improved access to amenities (school, community facilities, retail, sporting/ open space infrastructure) delivered as part of the development.
- Improved access train station (saving 7 kilometres of road/bus trip around the bay).
- Better bus operations (additional routes and frequency, less time to rail station).
- Sale of additional property for residential, commercial and retail development (and accelerated development).

### **Where do the benefits occur?**

The benefits occur within the 1.6km radius around the infrastructure in question, and the value of each benefit has been determined in 100m bands with the value diminishing the further away the benefit is from the centre point.

What value has been created?

The value assessment measured the:

- value change for existing and new (baseline growth) residential dwellings as the result of the bridge providing new accessibility to local amenities
- value created as a result of delivery of new services and amenities to residents (identified in the opportunities list)
- value of additional development and amenity on Wentworth Point (including the Urban Activation Precinct) as a result of the bridge and other planning amendments.



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