Precinct collaboration

A roadmap for achieving greater economic and community benefit

February 2024

Foreword

Contents

The NSW Division of the Property Council established its Precincts Committee in 2021 to bring together government, industry and anchor asset-owning stakeholders in recognition of the importance of precincts as economic drivers and civic places.

The work of the Committee has focused on developing insights into how to create better partnerships to achieve greater success. This includes identifying how partnerships can work for the benefit of all participants at all stages of the maturity of a precinct; how precincts can have a clear vision, purpose, and measurable outcomes; and what levers can be used to achieve best practice approaches to precinct development.

In early 2023 the Committee published a discussion paper that canvased issues such as how to create a sticky ecosystem, practical governance issues (including around planning and taxation reform), and the need to measure the maturity of a precinct in order to evolve models of best practice governance.

Since the release of this paper, Committee members have undertaken a journey with key stakeholders to enable the commercial, economic, social and environmental benefits provided by a precinct approach. They have also identified ways that industry, communities and government can *Partner Better* to optimise the economic, research and social benefits of precincts.

A combination of industry workshops, international research and case studies were leveraged to inform their findings.

This discussion paper is the result of the work of two sub-committees of the current Precincts Committee. It presents a summary of findings and lays out a framework for a set of recommendations that would add the most value to industry and government organisations working in precincts.

Committee members have ... identified ways that industry, communities and government can *'Partner Better'* to optimise the economic, research and social benefits of precincts.

The Property Council thanks all the organisational members represented on the Precincts Committee for their contribution:

Architectus
Aurecon Australasia Pty Ltd
Brookfield Properties Australia Pty Ltd
Catholic Education Diocese of Wollongong
CBRE
Charter Hall Group
Clayton Utz
Dexus
ECF Australia Pty Ltd
EY
Ibex Advisory Pty Ltd

Knight Frank Australia Pty Ltd
Landcom
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Level Six Venture Management
MB Developments Pty Ltd
Mirvac Group
Northwest Healthcare Properties Pty Ltd
Paxon Group
Placemaking NSW
PwC Real Estate Advisory
SGCH
Stockland

Sydney Fish Market Pty Ltd
TAFE NSW
Taylor
The APP Group
Transport Asset Holding Entity of New South Wales (TAHE)
TSA Management
University of Sydney
University of Wollongong
Western Sydney University
Woods Bagot Pty Ltd
Woolworths Group

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Background

Precincts stimulate economic growth, create jobs, and support liveable and sustainable communities. When done well, precincts can create intergenerational outcomes that would not have arisen with siloed development.

A precinct is a geographically bound place, which brings individuals/groups together for a shared purpose that intends to deliver enhanced benefits through that shared purpose.

In NSW the concept is well-established and is used in relation to a location that has a place-based approach – particularly in the context of urban design and land use. At one end of the scale there are innovation districts, which act as incubators for research and its economic outcomes. There are also small neighbourhood precincts, which have a commercial centre and/or a civic hub – and everything in between.

There are numerous different planning pathways for their creation, including strategic planning, collaborative planning, state-led rezoning, and council-led rezoning for a priority precinct.

A precinct has an enduring (but evolving) vision, specific purpose, and clear outcomes/benefits it seeks to achieve. It brings together disparate groups – such as government, business, community and individuals – for their collaboration and placemaking. Curation of the types of owners, tenants and public spaces needs to flow from the overarching precinct vision.

Typically, a precinct has a particular focus on one or multiple sectors, such as education, transport, health or hospitality. The combination of multiple sectors can enhance the outcomes/benefits, and enable the leveraging of one sector into another – such as digital and creative innovation into artificial intelligence, cyber and robotics.

Many precincts evolve from the timing of land release or major events, such as Darling Harbour for the bicentenary, Sydney Olympic Park, and Barangaroo at the conclusion of its earlier Port Operations.

Consideration of precincts occurs from many different perspectives and approaches, including legal, town planning, designer, builder and user perspectives. Despite these differing perspectives, precincts have some universal consistencies:

Their 'glue' is their vision

They are curated through effective and evolving governance structures and partnerships

They evolve over a very long period of time

The outcomes and benefits they create would not naturally occur on their own

They have a positive impact upon on the local community and broader society

They are collectively beneficial for the greater good

As the concept and application of precincts has developed and become more prolific, their benefits have become increasingly well recognised and evidenced. However, the nature of precinct development and operation has evolved organically with little mind to the development of best-practice structures (for example, place-based business cases), processes and pathways that seek to optimise the benefits they may bring.

Precincts are organic and have different levels of control. And we must never forget they are about people. Ultimately, their economic outcomes drive community benefits – communities of workers, students, residents and so on. To get the best results and continue to focus, the players must be catalysed so that the sum becomes greater than its individual parts.

Section 01
Partnering Better

1.1 Introduction

This paper outlines the platform the Precincts Committee has put in place, to develop a framework for '*Partnering Better*' – to optimise the precinct 'model' at all elements through the lifecycle of precinct, from ideation through to operations and renewal.
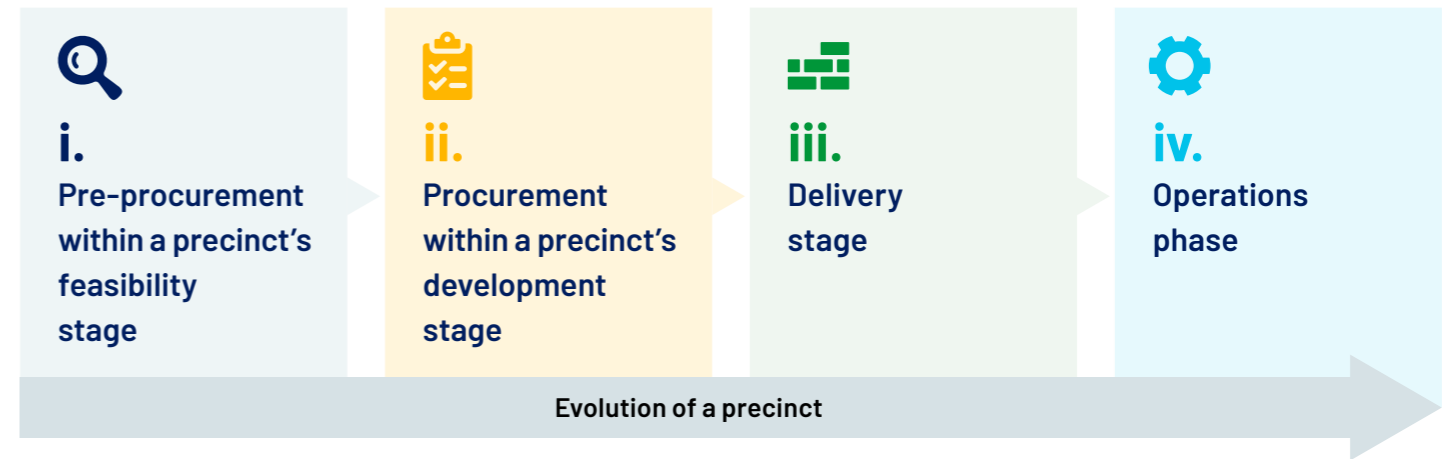
Specifically, this paper outlines:

- **Definition of the precinct partnership lifecycle**

- **Observed precincts**

- **Best practice:** the observed weaknesses and best practices that can be adopted in a new framework

- **Recommendation framework:** the areas of recommendation that have been developed that will be the focus of specific model design

1.2 Defining the precinct partnership lifecycle

The evolution of a precinct partnership occurs over the precinct's development and operations phases:

Figure 1
Stages of a precinct's partnership

i.
Pre-procurement within a precinct's feasibility stage

ii.
Procurement within a precinct's development stage

iii.
Delivery stage

iv.
Operations phase

Evolution of a precinct

Precinct phases are further broken down in Section 02 – *Draft precinct governance lifecycle guideline.*

i. Pre-procurement

Pre-procurement involves the identification of the precinct opportunity, including the establishment of the boundary area for the precinct and the sphere of its influence. It also entails determining the vision, objectives and specific purpose, along with the outcomes/benefits that are sought from the precinct. This requires the establishment of the evidence base to support the vision, objectives and specific purpose for the precinct.

Pre-procurement involves strategic and implementation planning, including options development, refinement and selection for provision of the precinct. It also includes involves community consultation, such as managing competing views on a precinct and identifying key stakeholders who can assist in achieving its vision and objectives.

To ensure the successful provision of the precinct, master planning in pre-procurement is crucial. This includes consideration of town

planning issues for the entire precinct, such as the adequacy of the surrounding road network and the provision of required services.

This stage also involves determining how the precinct will be led and implemented, which is informed by the precinct's vision, objectives and specific purpose. It can be led as follows:

- Private sector led and funded, which may require the collaboration of several private sector parties.
- Government sector led and funded, which may involve collaboration between different levels of government.
- A collaborative approach involving both private sector and government.

The way a precinct is led and implemented informs how its required governance, management, leadership, funding, structure, provision (including procurement) and risk allocation will occur.

ii. Procurement

Procurement is the pre-cursor to the formal commencement of the precinct's provision. It includes procurement of part or some of the area(s) required for the precinct, if not already owned or controlled. It also includes procuring the developer(s)/capital providers as well as procuring builders and contractors. Both government and developer-led precincts need developer/capital partners and builders.

As part of procurement, consideration is given to desired timing for the delivery and operations of the precinct. This takes into account any potential challenges, such as whether there is an overall master developer of the precinct or whether responsibility is the domain of different parties for sub-parts of the precinct. Solutions to potential challenges are also considered, such as staging procurement to ensure the timely provision of required accommodation and not under/over saturating the market.

An important consideration in this stage is how funding will be allocated, to ensure the precinct can thrive post-development – for instance, who will own and fund it, and whether a levy/ rates or other funding model should be enshrined in precinct governance agreements up front to ensure enduring success.

iii. Delivery stage

The delivery stage involves the precinct moving to physical and built form.

The delivery stage commences with planning the precinct and its individual assets, including the precinct's design and its elements, along with the finalisation of the design and obtaining all required planning approvals. Once this has been successful, construction can commence. All of these elements involve a key focus on site provision considerations, planning processes and construction management.

This stage also has a focus on ensuring the precinct's vision, objectives and specific purpose to enable the realisation of the designated outcomes/benefits. This involves consideration of the interface between assets and uses, together with overcoming any design, planning requirements and constructability challenges.

iv. Operations phase

Following the successful delivery of a precinct, its operations commence. The operations phase will evolve through different levels of maturity; some precincts may be in their early stages of formation, others in the developing phase, and others may develop into global recognition.

This is the first practical test of whether the precinct's vision, objectives and specific purpose will result in the realisation of the designated outcomes/benefits.

Continuing involvement of the party who led the delivery of the precinct (private sector, government sector or combination), regular evaluation and monitoring of operations combined with stakeholder engagement ensures the continuing realisation of the designated outcomes/benefits.

If the designated outcomes/benefits are not achieved or not fully achieved, there is a need to consider how the precinct can be modified (both physically and non-physically) for that achievement to occur. This may include refining the objectives, operations, commercial structure or risk allocation.

No precinct is ever finalised. Instead, they evolve over time and, depending on their stage of evolution, their categorisation can be broken down even further. This may be due to external changes, such as to the policy settings and the economic environment that decreases or prevents the realisation of the precinct's designated outcomes/benefits or require adjustments to the precinct's form and/or operations.

To ensure the continued relevance of the precinct, there is a need for its ongoing renewal and for it to stay contemporary. There is also a need for ongoing interface with the precinct's key stakeholders to optimise obtainment of the designated outcomes/ benefits, the governance of which can be organised in many ways. However, successful precincts have a common factor: they have engaged and interested owners and operators that are willing to co-contribute to the precinct's enduring success.

1.3 Key findings

The Precincts Committee has been working with Property Council members and industry to identify current practices in precinct delivery. Key findings of this consultation so far are:

Pre-procurement

Observed better practice and strengths

Item	Description
Aligned ambition	Both industry and government have an aligned ambition and enthusiasm for precincts.
Capital readiness	Industry is mobilised with capital and other resources to participate in precinct delivery and there is a balance of risk and reward for those funding the precinct. Availability nor attraction of capital is one consideration.
Distinct precinct structures and pathways	The creation of precinct-specific pathways is an appropriate recognition of the uniqueness of the model, as distinct from other models. These require further evaluation.
Benefits understood	Participants from both government and the private sector have a good understanding of the model and its benefits.
Early-stage engagement	Early-stage engagement between industry, government and other stakeholders occurs at an appropriate and early point.

Areas for development

Item	Description
Development before precinct strategy and definition	The strategic, community and economic benefits need to be more clearly analysed and determined, well before the built-form solutions are applied.
Alignment of government	Precincts need to have alignment of local, state and federal government stakeholders.
Better commercial appreciation of viability	Sponsors of precincts need to have a better understanding of the risks and viability of commercially feasible development prior to embarking on the process. Not all development, notwithstanding where there is evidence of tenant/user demand, is viable development and early-stage feasibility assessments should be undertaken.
Planning uncertainty	The planning framework provides too much uncertainty to establish the vision for the precinct at an early stage.

Procurement

Observed better practice and strengths

Item	Description
Understanding of precincts	Procurement places good emphasis on understanding the role of the precinct and how the strategic objectives will be achieved.
Role of 'anchor tenants/users'	Securing anchor users or tenants is well-understood as a key element to any successful precinct procurement.
Vision setting	Vision setting in procurements is well-defined.
Focus on shaping communities	The focus on communities is strong and well-understood, including where the uses vary between asset class.
Industry collaboration	Partners in industry (capital, development, contractor, users) are keen to form early-stage relationships to ensure they can participate in procurements.

Areas for development

Item	Description
Planning process	The planning process provides too much risk in procurement. Planning timelines are too long and too volatile. Planning outcomes are not broad enough to allow for longevity of precinct development. There is a lack of alignment of government stakeholders that are difficult to understand and resolve in short procurement processes.
Inflexible master planning	Flexibility and fluidity in master planning is needed to move with the long-term nature of precincts, and the changing needs of stakeholders and commercial/market environments.
Assessment frameworks	Assessment frameworks for procurements need to be adjusted to accommodate the nature of partnering in precinct delivery and not adopt traditional definitions of value for money. Value needs to be considered in a partnering sense for the nature of the precinct objectives.

Delivery

Observed better practice and strengths

Item	Description
Focus on activation	The delivery stage encourages precinct activation beyond the precinct's core needs over the long-term.
Ecosystem benefits	The role of the precinct ecosystem is well understood and is sought to be captured in asset planning and delivery.
Design innovation	The focus on design innovation for long-term goals is often required and sought after.
Sustainability	Sustainability is being well applied as a strategic objective and project delivery parameter.
Clarity of delivery objectives	Government provides good clarity on its delivery objectives.

Areas for development

Item	Description
Risk allocation	The relationships do not currently demonstrate an appropriate allocation of risk in delivery, including for time and cost, in relationships that will transpose multiple market cycles.
Contractor procurement and pricing	Firmness of commitments are often sought too early in processes, where more collaborative models would be more appropriate.
Planning	Planning processes are too unclear and volatile, and impact delivery models where firm outcomes are sought.
Clarity of accountability	There can be a lack of accountability and transparency of responsibility of various partners in a sophisticated precinct delivery.

⚙ Operations

Observed better practice and strengths

Item	Description
Leadership of tertiary education sector	The tertiary education sector is bringing together ongoing relationships with industry in the operating phase and this emphasis in ensuring longevity of vision and outcomes.
Access to other infrastructure	Precincts are working well to stay connected to social and transport infrastructure to ensure they stay relevant and maintain accessibility.
Continued place making	Where the incentives are appropriate, sophisticated owners of assets are ensuring ongoing place-making to optimise the revenue position and align to precinct objectives.

Areas for development

Item	Description
Governance models	Governance models need to adopt an operating phase model that will differ from the precinct development phase model of a precinct.
Ongoing curation	Once materially developed, the ongoing curation of a precinct must be maintained, and that curation is beyond built form, and includes activation and use.
Continued strategic development	The precinct strategy must be flexible and adaptive to meet the needs of stakeholders, precinct assets and users.
Precinct commercial model	The ability for a precinct to be maintained and lifecycle changes to occur needs to be contemplated in the precinct commercial model. If ongoing funding/capital is not provided, precincts can diminish over time and stray from their original vision.

1.4 A framework for *'Partnering Better'* recommendations

The Precincts Committee will work with members, industry and government over 2024 to develop specific recommendations that can be applied to achieve the *'Partnering Better'* outcome.

The following recommendation categories have been informed by the work that has been done to date assessing the strengths and weaknesses of current models:

i. Definitional

    a. What definitional elements are needed to codify a 'precinct' asset class separate from other forms of development?

ii. Planning

    a. What formal changes are needed to the planning system to allow for the early-stage and longitudinal role of precincts?

    b. How does the planning system provide both the upfront certainty needed to incentivise participation, but also provide long-term flexibility to move with community, industry and commercial needs.

iii. Value for money in 'Partnering'

a. What changes are needed to traditional procurement models and value-for-money assessment frameworks to ensure that partnering can better achieve long-term and intergenerational outcomes?

iv. Procurement

a. How can procurement models be designed and implemented to allow the effectual procurement of:

- Master precinct development partners
- Individual tenants and users
- Contactors
- Users and participants

v. Commercial model and framework

a. Similar to other forms of industry and government transactions, do standard commercial model(s), specific to precincts, need to exist that codify appropriate forms of:

- Risk allocation
- Key commercial terms

b. If so, what is a broad definition of that commercial framework for each stage of the precinct lifecycle?

vi. Governance

a. What best-practice governance models should be adopted at each stage of a precinct lifecycle? A one-size-fits-all model will not suit all precincts, so a variety of governance models will be considered.

Section 02
Draft precinct governance lifecycle guideline

2.1 Introduction

The study of precinct governance as an emerging field was emphasised by the industry participants at the November 2023 *'Partnering Better Workshop'* (Property Council of Australia NSW Precincts Committee) and the industry meeting *'Precincts: what are they and is there a perfect recipe?'* (Clayton Utz / Ibex Advisory). Precinct governance featured as a topic of conversation.

Better partnering involves better consideration of precinct governance throughout the stages of maturity of a precinct. As part of the exploration of how to partner better, the Committee is developing a discussion paper to be used by the stakeholders involved with new precincts or who are recalibrating existing ones. There are two elements under consideration:

Part 1 – Precinct maturity roadmap:
A guide for the standardisation of precinct stages

Part 2 – Precinct governance building blocks:
The elements that make good decisions possible

The following provides an overview of the forthcoming discussion paper.

2.2 Why map good governance?

Precinct governance is not a static or fixed concept. It is dynamic and evolving, requiring regular monitoring and adaptation to changing circumstances and emerging opportunities. Precinct governance is not an isolated endeavour and always involves people from diverse professional and personal origins.

Nevertheless, there are benefits in knowing where you are on your precinct journey.

A common understanding across precinct stakeholders improves the effectiveness of our precinct decision-making. This underpins the need for a master governance framework that allows for each precinct's unique evolution, a measurement system of outcomes that justify investment and involvement, and a means for sustainable funding.

Good governance includes:

- A shared vision and objectives of the precinct
- A structure for issue escalation and the forums that meet and decide or endorse
- The information management to support decision makers
- The independent assurance for objectivity and transparency on investments and alignment with objectives
- The artefacts that articulate policy
- The precinct managers that support decision-making
- The actors, roles, stakeholders and community that represent the precinct

There are myriad precinct types, terminology, and perceptions within the ecosystem of precincts. We can recalibrate precinct governance in NSW by introducing a master governance framework of commonly understood principles that empower us to be stronger together.

A successful precinct has the benefit of an enduring multiplier effect on that geographic location, compared to if it were not a precinct.

An enduring multiplier is a continuous improvement to the things that are the precinct: the quality of the environment, value of the land, curation of experience, success of the businesses, and the overall enjoyment of the place by residents and visitors. Calling an area of a city a 'precinct' does not guarantee this benefit. The benefit is a product of sound investment decisions by an organisation(s) that sit behind the precinct that makes it possible (including the funding to make the organisation itself possible.) The governance of that organisation(s) is a framework of the way in which all decisions are made.

NSW has many existing precincts to be proud of. It is also actively developing new precincts. Our urban planning density and population forecasts enable precinct growth, and precincts reciprocate with benefit to the economy and social outcomes. Precinct governance is the avenue for enshrining best practice within the heart of a precinct's operations, returning benefit to local, state, and federal economies.

More broadly across the precinct ecosystem, there is significant interest of 'operating' precincts (e.g. Global Institute of Innovation Districts), and an expansion of precinct types that go beyond urban planning terminology (i.e. innovation and business improvement precincts).

Figure 2
Improvement methodology

| Define the opportunity | → | Establish fundamentals | → | Maturity roadmap | → | Recalibrate |

2.3 Precinct value perspective

Value perceptions change along the road to maturity, and are different between 'actors'. Understanding these changing views and differences of perception help to refine the governance model.

The perception of value requires an understanding of potential precinct benefits. The specific benefits can vary depending on the nature and focus of the precinct. A selection of precinct benefits are listed below:

i   Common economic benefits include:

- **Stimulating economic growth:** Integrated precinct design can stimulate economic growth. This is often achieved through the creation of jobs and the support of liveable communities.
- **Higher productivity:** Precincts often exhibit higher than average productivity. This is due to the concentration of resources and talent, which can lead to more efficient and innovative practices.
- **Resilience to economic downturns:** Precincts can offer greater resilience to economic downturns. This is because the diverse range of businesses and industries within a precinct can help buffer against sector-specific downturns.
- **Better leveraging of government investment:** Precincts can better leverage government investment in major assets. This is because the co-location of businesses and industries can lead to synergies that amplify the impact of government investment.
- **Creation of quality jobs:** Precincts can lead to the creation of higher wages and quality jobs for workers. This is due to the high-value industries that often locate within precincts.
- **Increased Tax Revenues:** Successful innovation precincts can lead to higher tax revenues for the government.

ii   Common social benefits include:

- **Connecting people and places:** Precincts can help connect people and places, fostering a sense of community and belonging. They can unite people where they can live, work, and play in one area.
- **Creating vibrant communities:** Precincts can create vibrant and attractive places that foster a cohesive and vibrant community experience.
- **Improving quality of life:** By providing easy access to work, school, healthcare, entertainment, culture, and shopping, precincts can improve the quality of life for residents.
- **Fostering community bonds:** Building a precinct involves more than bricks and mortar. Precincts can help us feel more connected and part of a group in a world that can often feel disconnected. The concentration of people in a centralised area creates opportunities for social interaction, collaboration, and shared experiences.

iii   Common environmental benefits include:

- **Reducing carbon footprint:** Precincts can reduce the carbon footprint of our cities by using renewable energy, encouraging public transport use, attracting talent and investment, and increasing the use of shared spaces.
- **Enhancing local environment:** The local environment can be enhanced through the protection of water and soil resources, retention and/or enhancement of the green network, and protection and/or restoration of fauna habitat.
- **Promoting sustainability:** Precincts can promote sustainability through passive environmental design measures, water-sensitive urban design, enhancement of the green network, harnessing opportunities for renewable energy sources, and precinct-wide energy savings.
- **Adaptive reuse of existing structures:** Precincts can promote the adaptive reuse of existing structures where feasible, which can contribute to sustainability.

2.4 Measuring benefit

Measuring the added value achieved by a precinct is realising benefit. An active precinct should compare the value-add to a baseline expectation. Realising benefit justifies the premium people pay to be in the precinct.

While it is commonly accepted that precincts can deliver benefit that would have otherwise not occurred, significant work must be done to empirically prove these benefits are attributed to precincts. There is an opportunity for industry and Government to improve how we measure the benefit of precincts. A central database could be developed to monitor and compare precincts.

A program of standardised data capture, analysis, and sharing across multiple precincts will provide the dataset required for improved decision-making and quantification of the benefits. A Cost-Benefit Analysis (CBA), widely accepted within NSW Government, utilises established specialised methodologies and frameworks is one method for measuring benefit.

Benefit categorises can be classified for comparison into distinct groups, such as the four categories and their descriptions below:

i.   **Transformation use value:** Direct benefits associated with the transition of underutilised land to a more productive use.

ii.   **Improved social outcomes:** Those benefits associated with delivery of affordable housing, open space, community spaces, cultural infrastructure, safety, and community sentiment.

iii.   **Education, innovation, and jobs:** Benefits associated with the delivery of spaces for learning, employment opportunities, and the innovation that results from strong connections between the two.

iv.   **Urban places and environment:** Benefits associated with the delivery of a more productive urban form through well located, more efficient infill dwellings that reduce waste, generate renewable energy, and actively clean the environment.

Value perceptions by different actors can be mapped along the development and operational phases of the maturity roadmap (see 2.5 on the next page).

2.5 Precinct maturity roadmap:
A guide for the standardisation of precinct stages

A precinct is never static. The precinct maturity roadmap enables a common language (e.g. "this is an active precinct", "whereas that one is in development"). Some precincts commence as property developments, with the intention of an operating precinct at completion. Some precincts are existing neighbourhoods whose constituents come together and formalise a precinct.

As precincts mature so too must their governance. A governance model focussed on attracting investment for a new development is very different to an active precinct focused on increased visitation. Enabling a common maturity language allows us to differentiate the best practice elements for success.

Figure 3
Precinct maturity roadmap

Globally significant

Active

Emerging

Operations (Place)

Feasibility

Development

Delivery

Precinct development

Operating precinct

Feasibility commences at the pre-precinct stage and ends when a precinct has been defined and the governance has been established.

Once the precinct vision and boundary, governance, and management team has been established the precinct enters a **development** phase. The development phase is complete when all development sites enter delivery phase.

Once the first contract has been signed, the precinct enters the **delivery** phase. The delivery phase is complete when all construction activities are complete for that stage, the most significant being occupancy of buildings.

Once occupation within the precinct occurs, the operations phase begins, and a precinct **emerges**. If the precinct has occupants from the beginning, then operations phase can overlap all other precinct phases.

An **active** precinct will reinvest in its enabling infrastructure, activation, amenity, and safety. The increasing vibrancy attracts to new partnerships and improves underlying business and land value.

A **globally** significant precinct is sophisticated in its governance and infrastructure. There is a clear active leadership group, pushing the boundaries and sustaining market presence. Global recognition pulls partnerships and visitation with an expectation of excellence.

Source: Ibex Advisory

Figure 4
A description of precinct maturity stages during the precinct development phase (outlined in Figure 3)

Maturity lifecycle		
Feasibility	**Development**	**Delivery**
The feasibility phase is a chaotic time of uncertainty that's objective is to achieve an alignment on stakeholder vision, objectives, and governance. This phase is the most influential for adopting current best practice from lessons learned and innovative approaches.	**During this phase the effort is distributed into:**	Delivery contracts can be either direct contracts for construction or development partnerships with third parties that will eventually construct. Either way, the sponsor and management team transition their focus from value creation to the performance of others realising value against baseline expectations.

Feasibility

The feasibility phase is a chaotic time of uncertainty that's objective is to achieve an alignment on stakeholder vision, objectives, and governance. This phase is the most influential for adopting current best practice from lessons learned and innovative approaches.

Seven key factors for effective precinct governance[1]:

i. Co-design and co-invest for effective governance
ii. Identify the right degree of independence
iii. Allow diversity of voice and view
iv. Strategically involve government based on local conditions
v. Tie governance to land
vi. Design a financially sustainable model
vii. Ensure flexibility – a governance model that can adapt over time

During this phase the effort is distributed into:

• Stakeholder engagement
• Political networking
• Establishing governance framework
• Creation of strategic artefacts
• Defining value
• Justifying need

This effort is culminated into a strategic framing plan for a precinct business case that will be reviewed by all key stakeholders before a precinct is formally agreed. This brings with it the management plan, investment profile and benefits realisation plan.

Development

During this phase the effort is distributed into:

• Value management
• Refining and communicating the detail of the opportunities
• Dividing the site into development sites and obtaining planning approvals
• Collecting and analysing site, industry, financing data
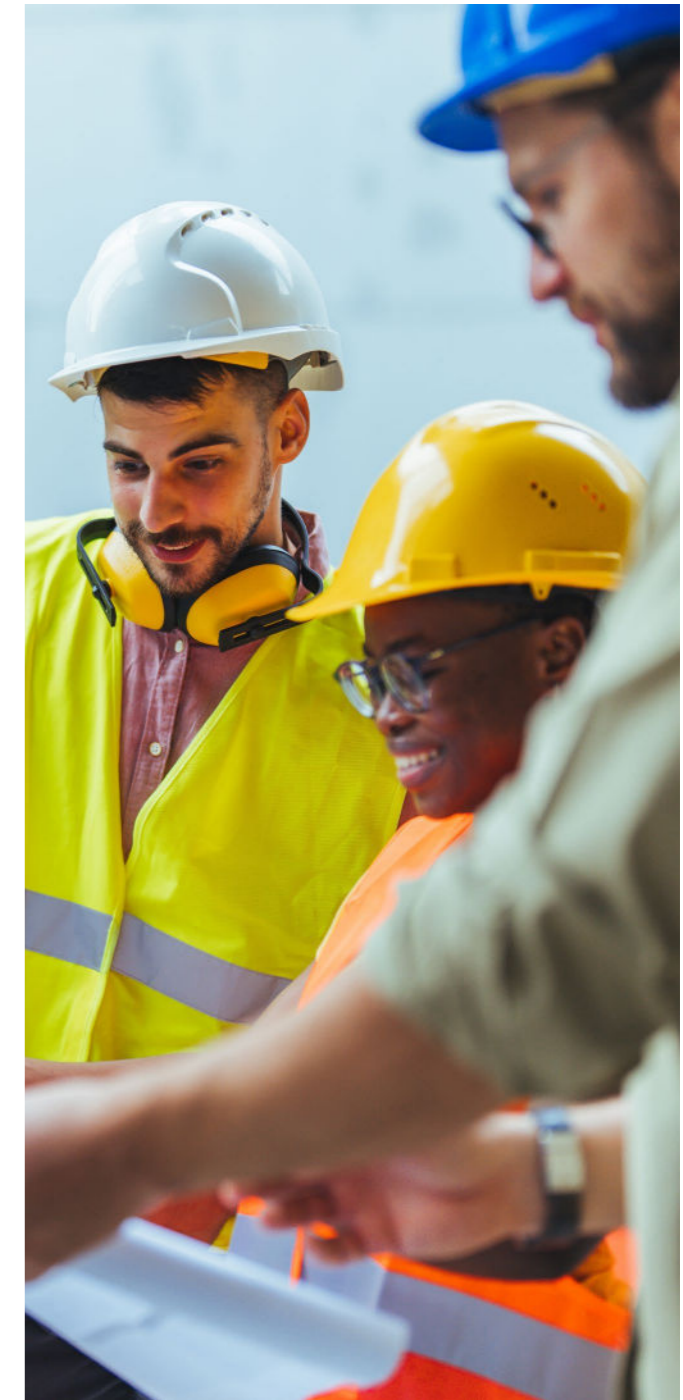• Establishing the delivery and operations revenue sources
• Growing the value proposition through a marketing strategy
• A series of large transactions
  – Development partners
  – Funding agreements
  – Construction delivery
  – Anchor tenant lease agreements
• Always ensuring ethical behaviour by all participants is maintained and can be proven to protect precinct value.

The development phase will likely be structured into a series of delivery stages with staggered start dates. Therefore, there is an important overlap between the development and delivery that occurs once the first delivery agreement is signed. The overlap will extend from development, and delivery, to operations phase when Stage 1 is occupied. Therefore, there is augmentation to the Sponsor and Management responsibilities, skills, and interests that causes dynamic changes to the precinct organisational control and personnel.

Investment assurance activities are in place to guide investment major decision making by the sponsor.

Delivery

Delivery contracts can be either direct contracts for construction or development partnerships with third parties that will eventually construct. Either way, the sponsor and management team transition their focus from value creation to the performance of others realising value against baseline expectations.

The most significant capital expenditures occur in the delivery phase. This requires the highest level of proactive expert involvement to ensure good delivery, and the best systems to track quality against expenditure.

Investment assurance activities are in place for objective views on delivery performance that may require interventions to protect investments.

1 *Why Governance Matters: An analysis on how innovation districts "Organize for Success"*, June 2023, The Global Institute on Innovation Districts

Figure 5
A description of precinct maturity stages during the precinct operating phase (outlined in Figure 3)

Maturity lifecycle		
Emerging	**Active**	**Global**

Emerging precincts originate in two ways:

i. Property development (refer to Figure 4 for Precinct Development stages), or
ii. Self-organised

An emerging precinct from a property development will have new properties and new businesses. The precinct organisation would have been compulsory for the new owners/tenants. The precinct governance will have been created by the property developer.

A self-organised precinct will have existing businesses in existing properties. The precinct governance is developed by those businesses as a means to work stronger together. Importantly, not all constituents within the precinct may have agreed to be part of the precinct at commencement.

Sustainable precinct operation quality is directly attributed to the continuity of funding. Emerging precincts from property developments offer the opportunity for unique long term funding streams directly linked to incentivising value improvement (i.e. value capture, precinct levies.) Whereas self-organised precincts are more difficult to establish funding arrangements.

An emerging precinct is focussed on:
• Establishing governance
• Adopting a vision and brand
• Expanding awareness
• Increasing participation
• Demonstrating value

An active precinct is a going concern that benefits Country. It has proven to be valuable and will continue indefinitely. An active precinct is a known brand identity and aspires to increase its vibrancy for its community, residents, visitors and workers by curating experiences.

Once a precinct has emerged from its nascent state, and tested its operations, its precinct governance is formalised. The structure, cadence, and processes for decision making are now commonly understood and are documented in organisational artefacts.

The governance group(s) of an active precinct respond to the needs of the precinct. The maturity of operations may have determined additional governance forums were necessary to improve the effective dissemination of information for the Executive Committee's decision making. These additional forums might include government and community, strategy, data analytics, security, and event management.

The culture of the constituents is collaborative and entrepreneurial in an active precinct. New partnerships are formed leveraging the precinct relationships and brand. Visitation is steady and increasing due to good enabling infrastructure and event management. The value of the retail and office space is strong.

An active precinct has achieved sustainable funding from a combination of levies, grants, and various revenue collection opportunities (e.g. events, parking).

A globally significant precinct has achieved a state where demand is far greater than supply due to global recognition. The precinct is established, sophisticated and proven. The precincts economic contribution is vital to other forms of Government.

Precinct governance of a globally significant precinct will have a strong culture of transparent decision making to support the active leadership and influence on major investment decisions by itself, its businesses, and jurisdictional Governments. The curatorial mindset is embedded in the governance support networks to proactively move with the times.

As a respected global brand identity its funding will have substantial investment sources and expectations of sustained market presence.

2.6　Precinct governance building blocks:
The elements that make good decisions possible

There is no standard governance model across all precincts, and there should not be. Standard governance would assume each precinct wishes to be governed the same, and this is not the case. Each precinct must decide for itself, and augment as it evolves. This is the same for all organisations. However, there are best practices that can be adapted to a precinct governance model.

The rule used to develop precinct governance building blocks is to include the necessary people and support functions needed to make good decisions. A central Committee or Board cannot make decisions in a vacuum. They require information and analysis collected from many sources, analysed, prepared, and presented to make an informed and effective decision. These are the building blocks.

Following on from the Maturity Roadmap, precinct governance building blocks for the development and operating phases of a precinct are provided on the

following pages. The full-page diagrams are organised into three common pillars; the central pillar entails the core decision-making processes, while the outside pillars identify the actors and the support functions for making decisions. The actors (left column) are influential organisations or representatives that must be consulted or included in the precinct's decision-making. The support functions (right column) are the management team and organisational componentry for efficient supply of information for effective decision-making.

Figure 6

Precinct governance building blocks pillars

Actors	Decision making	Support functions
Actors are a collection of key stakeholders that bring a precinct to life.	Decision making is the central pillar to precinct governance.	Support functions analyse information, make recommendations to decision makers, and document processes and agreements.

Figure 7

Precinct governance building blocks for the development phase

Vision and Principles

Board of directors

Committee A
e.g. planning committee

Committee B
e.g. compliance and risk

Investment assurance

Development manager

Precinct artefacts

Information management systems

Legal agreements

Actors

Actors are a collection of key stakeholders that bring a precinct to life.

Precinct sponsors (landowners) have a precinct vision. They may be government, university, or private owner. Importantly, the sponsors must set the long-term precinct operating strategy and sustainable funding.

The investors (equity) understand the development strategy and buy into (and influence) the long-term vision set by the sponsors.

The financiers (debt) fund the development phase.

The target tenants underpin the realisation of the entire vision. They will be the precinct constituents that ultimately oversee future precinct governance group.

The community input their views of what they want and do not want. They will be the users of the public amenity, the employees, and the visitors.

The statutory authorities regulate and approve the masterplan and vision having significant influence on the finished product.

Precinct sponsor(s) | Investors

Target tenants | Financiers

Community | Statutory authorities

Decision making

Decision making is the central pillar to precinct governance.

Vision is the ultimate direction. If poorly defined, then it causes confusion amongst the actors. The most important characteristic is not to be bold, it is to be clear. A set of guiding principles can support the clarity of vision.

The **board of directors** is the investment decision making body for the precinct. While representing the interests of the Sponsors and Investors, the Directors must collectively hold the skill and capability to make informed decisions throughout the development stages. These skills may evolve, and Directors may increase or change because of:

• Strategic framing and feasibility
• Development staging, funding, and procurement
• Construction risk

Multiple **committees** will support the board's decision making by providing forums for group analysis and endorsement of investment recommendations. Committees may include various Actors to ensure there is an involvement in shaping decisions.

An **investment assurance program** will regularly review progress for objective feedback to decision makers.

Support functions

Support functions analyse information, make recommendations to decision makers, and document processes and agreements.

The **development manager** administrates the day-to-day activity of the precinct on behalf of the board of directors, providing regular reports and seeking approvals.

The strategies, plans, processes are captured in the precinct **artefacts**.

Information management systems are critical to the effective capture, analysis, and record keeping.

The **legal agreements** entered by the developer, on behalf of the sponsors, retain the commitments and obligations that are the result of investment decisions.

Source: Ibex Advisory

Figure 8

Precinct governance building blocks for the operating phase

Actors

Actors are a collection of key stakeholders that bring a precinct to life.

Landowners of the underlying property have a vested interest in the precinct's success and its correlation to land and lease values.

Government have several roles related to precincts. They are owners of the legislative framework that enables a precinct (state/federal), a service provider (local), a statutory authority for development (local or state), a transport authority, a licensing body for events, a landowner or tenant.

Anchors are the larger organisations with significant influence on precinct stability and success. They may be government, university, or a large company. An anchor may be a tenant or landowner. Not all precincts have an anchor.

Business owners are the commercial inhabitants with direct benefit from precinct operations. A business owner may be a tenant and a landowner, or just a tenant. Most tenants will pay landowner's outgoings (i.e. council rates.)

The community are the residents, users of the public amenity, the employees, and the visitors. The community will have a say in the management of public space.

Decision making

Decision making is the central pillar to precinct governance.

Vision is the ultimate direction. If poorly defined, then it causes confusion amongst the actors. The most important characteristic is not to be bold, it is to be clear. A set of guiding principles can support the clarity of vision.

The **Executive Committee** is the decision-making body for the precinct. ExCo members can be a representative from each business, or a limited number of representatives selected by the precinct constituents to represent interests. The ExCo decide where annual revenue is best spent to support the vision and principles.

Multiple **committees** will support the Board's decision making by providing forums for group analysis and endorsement of investment recommendations. Committees may include various Actors to ensure there is an involvement in shaping decisions.

An **investment assurance program** will regularly review progress for objective feedback to decision makers. The assurance reviews are conducted by an objective based review team, and their findings are presented to ExCo. Assurance reviews should be conducted annually.

Support functions

Support functions analyse information, make recommendations to decision makers, and document processes and agreements.

The **precinct management** team administrates the day-to-day activity of the precinct on behalf of the Executive Committee, providing regular reports and seeking approvals. They are the communication conduit between all businesses in the precinct, the active place managers, data collectors, and analysts. A precinct management team supports the Executive Committee with information and recommendations. A clear delineation between the Precinct Manager and ExCo is important to demonstrate transparent decision making.

The strategies, decision records, management plans, processes, and procedures are captured in the precinct **artefacts**.

Information management systems are critical to the effective capture, analysis, and record keeping.

The **legal agreements** are the documents that form the precinct or are entered into by the precinct with other businesses from time to time.

Source: Ibex Advisory

Section 03
Case studies

Six examples of precincts in NSW, exemplifying the precinct phases, forms, shapes and sizes

Barangaroo Precinct

Example 01

Westmead Health Precinct

Description

The purpose of the Westmead Health Precinct is:

"To carefully manage Westmead's forecasted growth, Western Sydney Local Health District is working with the NSW Government, including NSW Health, and other alliances to realise our vision for Westmead to become a world-class innovation precinct in health and education."

The precinct covers over 75 hectares of land and comprises over 400,000sqm of health-related developments. It contains four major hospitals, five world-leading medical research institutions, two university campuses and the largest research-intensive pathology service in NSW. It is Australia's largest health and biomedical research precinct.

Upon full completion the Westmead Health Precinct will be one of the largest health precincts in the world, employing 50,000 health professionals and researchers by 2036.

Source: https://www.afr.com/policy/health-and-education/westmead-health-precinct-moves-into-big-league-to-lure-researchers-20230326-p5cv9r

Location
Westmead

Key sectorial focus
Health and education

Stage/status
Predominantly operations, with some procurement and delivery still occurring

Key partners
- NSW Department of Health
- Western Sydney Local Health District
- Sydney Children's Hospitals Network
- Children's Medical Research Institute
- Westmead Institute for Medical Research

Example 02

Wagga Wagga
Special Activation Precinct

Description

The purpose of the Wagga Wagga Special Activation Precinct (Wagga SAP) is:

"To capitalise on the town's proximity to the inland rail and aims to foster manufacturing, agribusiness and freight and logistics."

The Wagga SAP will be a sustainable hub for high value production and manufacturing, supporting advanced industries and businesses and connecting NSW's Southern gateway with the world via the national inland rail network. It is centred in the Riverina Intermodal Freight and Logistics Huband will be the largest inland port in Australia.

It is expected to create around 6,000 new jobs for the region, particularly in renewables and recycling, advanced manufacturing, value-added agriculture, freight and logistics.

Location

Wagga Wagga

Key sectorial focus

Agriculture, manufacturing and freight

Stage/status

Predominantly procurement, with the Logistics Hub already delivered and operational

Key partners

- Regional Growth NSW Development Corporation
- NSW Department of Planning, Housing and Infrastructure
- Wagga Wagga City Council

Source: https://www.nsw.gov.au/sites/default/files/2023-01/Wagga-S1-Final-Delivery-Plan-Fvull-accessible.pdf

Example 03

Western Sydney Aerotropolis –
Agribusiness Precinct

Description

The purpose of the Western Sydney Aerotropolis – Agribusiness Precinct is:

"To build on successful agricultural operations and develop new agribusiness opportunities while protecting and embracing important vegetation within the landscape. This includes the development of integrated food and supply chain-related industries particularly those that rely on the skills of the growing population in the Western Parkland City. These industries will generate employment opportunities in high technology agriculture with customer-centric digitally enhanced systems, processes and platforms to enable rapid distribution connections to the broader road freight supply chain in Greater Sydney. The precinct will provide opportunities for education and tourism."

The precinct will capitalise on Sydney's new Nancy-Bird Walton Airport (Western Sydney Airport). It will have a state-of-the-art, digitally enabled freight and logistics hubs to support the growth of Australian import and exports.

The precinct supports the production and value-adding activities to high quality fresh produce and pre-prepared consumer foods. It is expected to result in the employment of 5,400 people by 2036.
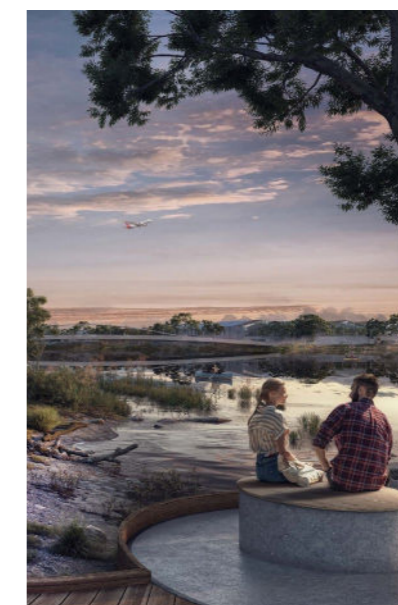
Location

Luddenham (on the western edge of the Western Sydney Aerotropolis)

Key sectorial focus

Agriculture and freight

Stage/status

Pre-procurement

Key partners

- NSW Department of Primary Industries
- NSW Department of Planning, Housing and Infrastructure
- Western Parkland City Authority
- Western Sydney Airport Co
- Western Sydney Planning Partnership

Source: https://architectureauw.com/articles/nsw-govt-unveils-design-for-a-facility-to-test-great-ideas/

Example 04

Barangaroo Precinct

Description

The purpose of the Barangaroo Precinct is:

"To transform a once neglected and inaccessible area of the city into a dynamic cultural, residential, business and retail hub."

The precinct consists of:

- Northern: features Barangaroo Reserve and six-hectare harbour parkland available to the public;
- Central Barangaroo: community and civic focal point comprising residential, commercial and recreation spaces; and
- Southern: commercial and entertainment spaces with dining, retail and premium waterfront office space.

The precinct is transforming a previously neglected and inaccessible area of Sydney CBD into a dynamic cultural, residential, business and retail hub. Upon completion it will support 20,000 jobs, provide homes for 3,500 people and annually contribute $2 billion to the NSW economy.

Location

Barangaroo

Key sectorial focus

Hospitality, commerce and public spaces

Stage/status

Predominantly operations, with some delivery still occurring

Key partners

- NSW Department of Planning, Housing and Infrastructure
- NSW Department for Transport
- City of Sydney
- Lendlease

Source: https://www.crownsydney.com.au/general/property/precinct

Example 05

Tech Central Precinct

Description

The purpose of the Tech Central Precinct is:

"To create a thriving ecosystem of world class universities, industry partners, ambitious startups and prestigious research institutes, inspired by rich and diverse creative communities and premier hospital and health services."

The precinct consist of 250,000m² of space for technology companies, including 50,000m² at affordable rates for startups and scale-up organisations. It is clustered around the following three core nodes of science, technology and entrepreneurship:

- Camperdown: major node of biomedical innovation;
- Eveleigh: leads a thriving ecosystem of deep technology innovation spanning quantum, artificial intelligence, cyber and robotics; and
- Haymarket and its surrounding neighbourhoods: buzzing with major digital and creative innovators.

The precinct will have access to over 160,000 NSW STEM graduates and is in close proximity to major Universities, including University of Technology Sydney, University of Notre Dame and University of Sydney. It will become Australia's largest technology and innovation hub.

Location

Camperdown, Eveleigh and Haymarket

Key sectorial focus

Technology, education and commerce

Stage/status

Predominantly procurement, with some delivery and operations having already occurred

Key partners

- Sydney Local Health District
- Inner West Council
- City of Sydney
- University of Sydney
- University of Technology Sydney

Source: https://architectureau.com/articles/two-new-additions-to-3b-central-sydney-tech-hub/#

Cherrybrook Precinct

Description

The purpose of the Cherrybrook Precinct is:

"To create a vibrant and leafy mixed-use community; a welcoming place that provides a range of housing choices, open space for community activity, local retail and business spaces, a community facility and easy access to the metro."

The precinct is a 20-year plan to enhance Cherrybrook into a compact and walkable green village. Its key features include 3,200 new homes near Cherrybrook Metro Station, and a town centre based around that metro station that has 410 new homes, supermarket, cafes, community/library facility and open spaces. It will also have new pedestrian and cycling paths to increase accessibility, along with reserving more than 2.3 hectares of open space, including the protection of the blue gum high forest.

Location

Cherrybrook

Key sectorial focus

Housing and transport

Stage/status

Predominantly procurement. The Cherrybrook train station has been delivered and is operational

Key partners

• NSW Department of Planning, Housing and Infrastructure
• NSW Department of Transport
• Landcom

Source: https://www.planning.nsw.gov.au/plans-for-your-area/priority-growth-areas-and-precincts/cherrybrook-precinct