

# Precinct collaboration

**A roadmap for achieving  
greater economic and  
community benefit**

**'Partnering Better' –  
Recommendations**

November 2024



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# Foreword

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,

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 2024, the Committee published a discussion paper that identified ways that industry, communities and government can ‘Partner Better’ to optimise the economic, research and social benefits of precincts.

This paper is the result of the continued work of two sub-committees of the current Precincts Committee and is informed by a series of industry workshops, research on local and international best practice and their previous work. It presents a set of recommendations that would add the most value to industry and government organisations working in precincts.



The Precincts Committee has... identified ways that industry, communities and government can ‘*Partner Better*’ to optimise the economic, research and social benefits of precincts.

# 1. Introduction

Precincts play a pivotal role in driving transformational change within cities. They vary in scale and levels of maturity as the partnerships between government, the private sector and communities including institutions evolve. As the concept and application of precincts has evolved over time, the need for best-practice structures, processes and pathways to fully optimise their potential has grown increasingly evident.



**Definition**  
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 early 2024, the Committee published a discussion paper titled [‘Precinct collaboration: A roadmap for achieving greater economic and community benefit’](#). The discussion paper examined the evolution of precinct partnerships throughout the development and operational phases, incorporating extensive industry feedback to provide a detailed analysis of current practices in precinct delivery. By identifying strengths of existing models and the potential areas for improvement at each phase of the precinct lifecycle, the Precincts Committee developed a framework for

‘Partnering Better’ – to optimise the precinct ‘model’ at all elements through the lifecycle of a precinct, from ideation through to operations and renewal.

The Precincts Committee continued to work with its members, industry and government to develop specific recommendations that can be applied to achieve the ‘Partnering Better’ outcome. This paper sets out recommendations at enhancing the effectiveness of precinct development by offering a clear roadmap for fostering stronger collaboration between industry and government organisations working in precincts.

## Key focus areas for the recommendations include:

### Definition

Defining a ‘precinct’ as an asset class separate from other forms of development, recognising its unique characteristics and the need for collaboration between government, industry and community to drive economic growth and innovation.

### Planning

Identifying ways that the planning system can allow for upfront certainty needed to incentivise participation and also provide long-term flexibility to address changing conditions.

### Procurement

Identifying opportunities to improve traditional procurement processes and practices to achieve greater value for money and better long-term and intergenerational outcomes for precincts.

### Commercial model

Recommending the development of a commercial model that is more aligned to the unique characteristics of precincts and supports genuine collaboration between public and private sector entities at each stage of the precinct lifecycle.

### Governance

Establishing a set of principles to guide precinct governance from establishment through to maturity, acknowledging that because the scale and composition of precincts vary, a one-size-fits-all approach cannot be adopted.



# 2. Definition

Precincts come in all shapes and sizes and are characterised by a common purpose.

The concept of partnerships between the players in a precinct, highlights the need for a definition of a precinct that addresses its key elements and unique characteristics.

Key question:

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

Currently, there is no universally agreed-upon definition of a precinct. Existing definitions in academic literature and policy contexts do not fully capture how precinct development has organically evolved over time.

Despite this, there is a broad consensus that a precinct refers to a geographical concentration of activity, whether this be interconnected businesses and institutions, or a community centred around lifestyle and amenity. Their unique scale, larger than a single site yet smaller than an entire suburb, positions them as catalysts for change, contributing both economic and community value.



The Precincts Committee has taken the broadest and most inclusive definition of a precinct, referring to a designated area that fosters collaboration among various stakeholders, including government, industry and community, to drive economic growth and innovation. Thus precincts are characterised by:

- **Interconnected ecosystems:** They integrate diverse sectors such as education, health, advanced manufacturing, and technology to create synergies that enhance productivity and innovation, while also incorporating residential, commercial, and retail spaces alongside public domains, open areas, and community amenities. These elements benefit the local community and promote social wellbeing and sustainable development.
- **Stakeholder collaboration:** Successful precincts rely on the active participation and cooperation of government, industry players, and community members, working towards a shared vision.
- **Lifecycle awareness:** Each precinct has a lifecycle, and understanding its stage of maturity is crucial for determining the appropriate governance, sustainability and investment strategies.
- **Community engagement:** A strong community presence is essential, creating a “sticky ecosystem” that is more effective than the sum of its individual parts.
- **Transport and connectedness:** Well-connected precincts enable the seamless movement of people, ideas, and resources and enhance productivity and innovation. When people can easily access the precinct, and connect with the wider city, a thriving ecosystem is created, activated by a walkable scale which enables a rich exchange of ideas.
- **Collaboration of industries:** Increasingly our precincts are seeing the benefits of increased collaboration between white and blue collar industries to drive productivity and innovation.
- **Government role:** All levels of government act as an enabler, providing support (e.g., land and infrastructure funding) and a conducive policy environment while avoiding overreach that could stifle innovation.
- **A shared vision:** Each precinct is anchored by an enduring (yet evolving) vision, a specific purpose, or benefits it seeks to achieve. This vision acts as a rallying point, bringing together diverse groups including government, businesses, communities, and individuals to engage in collaborative placemaking.

Recommendation:

An agreed definition of a precinct should be adopted across the sector having regard to its key elements and unique characteristics. This will enable individual precincts to better define their offer and way of working.

### 3. Planning

Effective strategic planning is essential for precincts to advance beyond their organic growth ceiling and respond to future trends.

The Precinct Collaboration Paper notes that while industry and government often share an aligned ambition and enthusiasm for precincts, planning controls and approval pathways don't always nurture their growth.

Key questions:

- What formal changes are needed to the planning system to support the early-stage and ongoing role of precincts?
- How can the planning system provide the upfront certainty needed to incentivise participation while also offering long-term flexibility to adapt to community, industry and commercial needs?

Precincts play an important role as they stimulate economic growth, create jobs and support liveable and sustainable communities.

The creation and successful development of a precinct requires a clear vision, alignment between and a high level of coordination across stakeholder organisations. For a precinct to successfully transform, the NSW Government should take a lead role in coordinating agency stakeholders to facilitate the necessary enabling infrastructure during the planning phase.

Successful precincts require flexible planning controls to enable adaptive land uses and supportive regulations around intellectual property, knowledge sharing and commercialisation. Precinct development and renewal usually takes place over several years, meaning that their master plans need to have enough flexibility to respond to changes in market conditions.

All levels of government play a key role in the placemaking of precincts through its planning controls. Various NSW Governments have already made efforts over the years to enable the successful delivery of precincts by:

- playing an ongoing role in the planning and development of State Significant Precincts, which are areas of state or regional significance
- introducing new state significant development and rezoning pathways for projects that will deliver significant social, economic and environmental benefits

- introducing State Environmental Planning Policies that set out designated planning for controls for precincts across the Central River City, Eastern Harbour City, Western Parkland City and parts of regional NSW
- establishing development authorities to take a lead role in the coordination and management with other agencies, seeking concurrences for approvals and programme for delivery of works, to ensure certainty of timeframes, pathway and processes in priority areas.

However, more needs to be done. For example, some private sector-led precincts are being developed within the bounds of assessment processes by local councils, which can add additional red tape, costs and timeframes to an already lengthy precinct creation and development process.

To address some of these concerns, consideration should be given to:

- **Flexibility and evolution:** The planning system should accommodate the long-term development and evolution of precincts, ensuring sustainable outcomes. This includes the potential for more flexible mixed-use zoning and site-specific requirements tailored to the precinct's needs.
- **Strategic design requirements:** Design competition requirements should be limited to key strategic sites to avoid unnecessary costs and delays in projects.
- **Agency coordination:** Agency input to precinct planning and implementation should be centrally coordinated to ensure intended strategic planning outcomes are achieved.
- **Planning risk allocation:** The government should consider how planning risk is allocated at different stages, ensuring that rezoning does not eliminate flexibility and opportunities for innovation in the delivery of the precinct.
- **Community and industry collaboration:** Developers should have the opportunity to work with the community and industry to deliver what is needed, without being constrained by overly rigid non-flexible planning requirements.
- **Regular government review:** There should be a mechanism for periodic reviews of master plans by the government that allows for adjustments in response to market changes.

Recommendation:

Work with the NSW Government to establish a more flexible policy and spatial planning setting for precincts in NSW.

# 4. Procurement

Current procurement practices emphasise the need to better understand the role of the precinct and how its strategic objectives will be achieved.

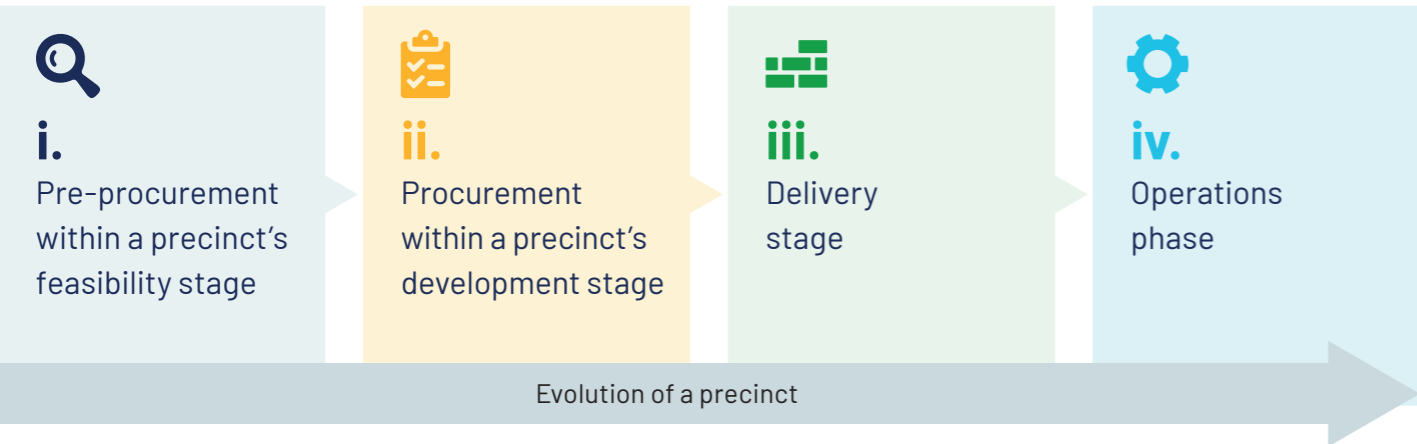
The Precinct Collaboration Paper identified how partners in industry are keen to form early-stage relationships in precinct development to ensure they can partner for procurements to support precinct delivery. It also highlighted the importance of the pre-procurement phase to better understand delivery risks that could come unstuck during procurement.

**Key question:**

- **How can procurement models be designed and implemented to allow the effective procurement of:**
  - Master precinct development partners
  - Individual tenants and users
  - Contractors
  - Users and participants?

The stages of a precinct’s evolution can be summarised in the figure below.

Figure 1  
Stages of a precinct’s partnership



**The value of planning in the pre-procurement phase**

To ensure the successful provision of the precinct, master planning in the pre-procurement phase is crucial. Section 3 highlighted the importance of the need for flexibility in the master planning process to ensure that the vision of the precinct can be delivered on whilst allowing the private sector to adapt to changing conditions.

Procurement needs to be carried out in a way that allows developers (both private and public) to have confidence in delivering a development that meets their commercial objectives, but not be over prescribed to the point that innovation and the ability to adapt to changing market conditions throughout the planning and delivery cycle can't be achieved.

Procurement models should be designed in a way that fairly allocates future planning risk, particularly, where there is misalignment between state and local authorities. This would include mechanisms that share the risk and reward relating to future planning approvals between the developer and government. By providing certainty around planning at the procurement stage, or where this cannot be achieved more fairly allocating the risk, allows proponents to turn their focus towards how they will add value to the project. Ultimately, this will lead to a delivery partner that is selected based on providing the most value to the project, precinct, and community rather than just the proponent who has taken the largest gamble on planning risk.



Value for money assessment

The NSW Procurement Policy Framework sets out the requirements for procurement documentation for NSW Government agencies, which states that evaluation criteria must be included for projects of a certain value and should consider:

- the financial and non-financial costs and benefits of the procurement
- the quality and quantity of the goods or services
- whether the goods or services are fit for purpose
- the supplier’s relevant experience and performance history
- the environmental sustainability of the goods or services
- the whole of life costs of the goods or services.

For precincts procurement, social outcomes should also be considered to ensure that the triple bottom line is wholly considered. We advocate for greater transparency in the assessment criteria of individual precinct procurements, as no two processes are the same.



Effective procurement models

We would also advocate for certainty on the timeframes for the assessment of procurement processes, as developers often have both financial and time implications if the assessment and award process for contracts goes beyond what is accommodated in their program with contingency.

Multiple government agencies are often required to deliver precinct outcomes. Complexity in the procurement process exists when the lead government agency isn’t the landowner or where multiple government agencies have competing priorities. We recommend that the NSW Government explores options to create more efficient models for precinct delivery. This could consider similar models to Development Victoria and Economic Development Queensland.

Procurement processes are focused on a transactional outcome rather than a partnership approach to precinct renewal. Risk is traditionally pushed to the developer which drives a contract driven relationship. We recommend a process where government and the private sector share knowledge and innovation through the procurement process and risk and reward through precinct delivery.

Implementing the recommendation outlined below would have benefits and provide clarity to all involved in the procurement process from master precinct development partners to individual tenants and users, contractors, users and participants.

Recommendation:

**NSW Government to engage with industry around innovative procurement models to support precinct development.**

# 5. Commercial model

## Sponsors of precincts need to have a better understanding of the risks and viability of commercially feasible development.

The Precinct Collaboration Paper highlights that the ability for a precinct to be maintained and for 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.

### Key question:

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

Most commercial models that have been developed and applied to precincts have traditionally been adopted by procurers from traditional project delivery of stand-alone project sites. This has been coupled with the foundations of such commercial models being adopted from simple procurement of a construction delivery project where most of the project risks are well identified, understood and able to be measured.

Whilst governments and similar organisations have sought to modify or refine these models to be appropriate for precinct projects, these are still formulated from a very different set of commercial circumstances.

Traditional commercial models for project delivery are built upon the following characteristics:

- The skills and expertise required are fundamentally aligned to project delivery
- The risks of the project are relatively well developed and understood and unable to be further elaborated between the period of contract close and construction commencement
- The outcomes required by the procurer are clear, quantifiable and tangible

A commercial model for precincts needs to be:

- Aligned to the nature of skills required
- Appropriate for the nature and stage of project
- Allocating risk to the party best placed to handle it.

Learnings can be taken from other comparable sectors within the infrastructure and real estate asset classes. More elaborate and bespoke commercial models have been applied in the delivery of projects that recognise that the early-stage engagement of the private sector is a valuable addition to a project, whilst determining that risk allocation is required to evolve over a project life cycle. One example of this, is in utilities and other engineering heavy projects where models such as alliance-based contracting have been successfully adopted. These types of Relationship Contracting models (of which alliance-based contracting is only one) recognise:

- 01
- That risk allocation can change over the life of a project as it evolves through the project lifecycle.
- 02
- That both government (or the procurer) and the private sector have roles to play and a bespoke allocation of skills.
- 03
- That the parties working together provides a much more integrated and symbiotic outcome.
- 04
- That project outcomes and government requirements can evolve whilst maintaining the value for money proposition.



An optimal commercial model is one that is more aligned to a relationship based contracting approach, which recognises that value for money over the entire delivery of the precinct is better achieved through a bespoke and structured risk allocation rather than a simplistic and specific commercial model. This would have the following elements:

1. Early-stage engagement of a partner once the precinct vision has been identified by government and will be based on a relationship model (Relationship).
2. The creation of a commercial model that recognises three separate phases to the Relationship in one procurement and contract. Those phases being:
  - a. **Planning phase:** Where the parties work collectively as an integrated team to define the scope of the precinct, master plan the outcomes, obtain necessary approvals and complete the necessary elements of design to progress to the delivery phase.
  - b. **Delivery phase:** Where risk transfer for delivery can occur for the delivery of individual project outcomes within the precinct.
  - c. **Operating phase:** Where the precinct operations are coordinated and managed to ensure the precinct objectives are achieved over the long run, beyond a property management role.

The outcomes for each phase are separately and specifically defined and recognise the various roles of government and the private sector in each phase. The following represents a broad framework for that process.



Phase	Role played by private sector	Role played by government	Commercial model to partner
<b>Planning phase</b>	<ul style="list-style-type: none"> <li>• Collaborative team-based approach, where the parties act as an alliance to deliver the overall best project outcome that achieves the project vision and will offer value for money to government.</li> </ul>		<ul style="list-style-type: none"> <li>• Fee for service arrangement where the roles played by each party (private sector and government) are funded by the project budget in a cost-plus role.</li> </ul>
<b>Delivery phase</b>	<ul style="list-style-type: none"> <li>• First and last right to fund and deliver individual project elements.</li> <li>• Provide an open book and transparent offer for individual projects within the precinct.</li> <li>• Risk transfer is aligned to standard developer risk profiles and only occurs once project definition of the planning phases has adequately evolved, and government has elected to proceed with the partner's project option.</li> </ul>	<ul style="list-style-type: none"> <li>• Review and assess the value for money of the offer received.</li> <li>• Elect to proceed with partner's offer.</li> <li>• If the offer is not accepted, as part of the Relationship, coordinate the procurement and contracting of a third-party developer for project elements.</li> </ul>	<ul style="list-style-type: none"> <li>• Developer role, when an offer is accepted.</li> <li>• Where the offer is not accepted and an alternative is procured, a fee for service arrangement (as in the Planning Phase) for coordinating and managing the delivery of the process as part of the Relationship.</li> </ul>
<b>Operating phase</b>	<ul style="list-style-type: none"> <li>• Active precinct management in accordance with the precinct vision and outcomes defined in the Planning Phase.</li> </ul>	<ul style="list-style-type: none"> <li>• Precinct governance and decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• Overall management with an incentive framework for optimising precinct outcomes and achieving the long-term precinct vision.</li> </ul>

The advantages of this approach are:

- 01 Allows early-stage access to private sector thinking on value optimisation by early-stage engagement whilst not seeking early-stage inappropriate risk transfer.
- 02 Allocates risk at an appropriate time when project maturity has reached an appropriate point.
- 03 Provides a value testing mechanism that allows government to ensure value for money is continually being obtained over the entire precinct lifecycle.
- 04 Allows the project to evolve with market and other conditions without disrupting the relationship model as risk transfer occurs at the point by which individual project elements are ready.
- 05 Assists in delivering triple bottom line outcomes rather than purely financial ones.

Recommendation:

A more relevant and sophisticated commercial model should be adopted for precincts, which considers the differences between a precinct development and that of the simple delivery of a standalone asset or project. This approach should be encouraged and supported through government policy and individual precinct structures.

# 6. Governance

The success and ongoing sustainability of precincts can only be achieved with good governance.

The Precinct Collaboration Paper recognised that as precincts vary, so do governance approaches. Because the scale and composition of precincts vary so much, precinct governance cannot be one size fits all.

**Key question:**

- **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.**

Governance has been identified as a key driver of a precinct’s value proposition and provides an avenue for enshrining best practice within the heart of a precinct’s operations, returning benefits to stakeholders.

Best practice suggests that precinct governance should evolve or augment as the precinct matures. For example, informal partnerships might evolve into formal alliances and then be incorporated ventures over time. There seems to be consensus that the indicia of successful governance models include things like vision, independence, diversity, strategic government involvement, connection to land, financial sustainability and flexibility. There also appears to be consensus around successful governance arrangements needing to incorporate the right mix of



Regardless of how it is achieved, good governance is often a product of the right mix of stakeholders, leadership and resources. Each precinct must decide for itself, and augment as it evolves. There are best practices that can be adapted to a precinct governance model. Precinct leadership and governance typically involves:

- establishing a single management structure
- developing, communicating and championing a vision for the precinct
- ensuring all stakeholders and the wider community are engaged
- generating enthusiasm and excitement in the pursuit of the vision
- leading and facilitating actions and strategies to support the vision
- promoting further development and economic activity
- overseeing a place-management program
- integrating, coordinating and prioritising initiatives
- attracting funding and investment capital
- providing equitable cost sharing mechanisms; and
- building partnerships.

**Recommendation:**

**Establish a set of best-practice principles or a framework to guide governance for precincts in NSW.**



Source: Ibex Advisory

# 7. Next steps and conclusion

The Precincts Committee has identified a suite of recommendations that would add the most value to industry and government organisations working in precincts.

Focus area	Recommendations
Definition	An agreed definition of a precinct should be adopted across the sector having regard to its key elements and unique characteristics. This will enable individual precincts to better define their offer and way of working.
Planning	Work with the NSW Government to establish a more flexible policy and spatial planning setting for precincts in NSW.
Procurement	NSW Government to engage with industry around innovative procurement models to support precinct development.
Commercial model	A more relevant and sophisticated commercial model should be adopted for precincts, which considers the differences between a precinct development and that of the simple delivery of a standalone asset or project. This approach should be encouraged and supported through government policy and individual precinct structures.
Governance	Establish a set of best-practice principles or a framework to guide governance for precincts in NSW.

## Next steps

The recommendations in this discussion paper establish a framework for ‘Partnering Better’ in precinct delivery. To build on this foundation, ongoing collaboration between industry, government, and the Property Council Committees will be crucial in refining and strengthening these principles. By fostering these partnerships and advancing these strategies, we can pave the way for precinct projects that generate meaningful and lasting economic, social, environmental and community benefits, ensuring long-term success and viability.



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