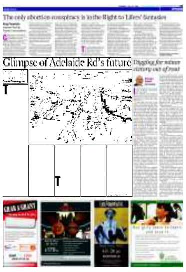
MEDIA MONITORS



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Glimpse of Adelaide Rd's future

The city council has to get creative to fund an upgrade, writes **Teena Pennington**.

THE north end of Adelaide Rd in Wellington is not the most inspiring of places – it is bleak and utilitarian. It is home to a couple of gas stations, two closed-down hotels and an assortment of drive-up retailers and anonymous commercial buildings.

It is the main drag from the southern suburbs to the CBD, so at most times of the day it carries heavy and noisy traffic. At night it's empty of life and quite desolate.

Wellington City Council has this 800-metre stretch of road, between the Basin Reserve and Riddiford St, in its sights for a major transformation in the next few years.

The aim is to turn Adelaide Rd and its environs into an extension of the CBD – with high-density housing, offices, shops, bars and restaurants – supported by a transport network for all modes of travel.

In short, we want to accommodate a significant portion of Wellington's expected population growth in this area. Up to 3000 people could make the area their home.

We want to plant trees and undertake street improvements. We want to make the area more attractive and "liveable". At the same time we want to keep Adelaide Rd operating smoothly as an essential route for public transport, cars, trucks, cyclists and pedestrians. And we want to finance the improvements without putting undue pressure on ratepayers or on council debt.

This is why the Adelaide Rd proposal will be at the centre of an international "masterclass" beginning in Wellington today. It will look at forms of urban-development-project financing that are foreign to New Zealand.

In general, the gathering will also tackle a looming issue for governments and local authorities in New Zealand and around the world: how do we continue to develop our cities' infrastructure without going broke?

The event is being organised and hosted by the Wellington City Council, with assistance from Sinclair Knight Merz, an international engineering and project-delivery firm based in Sydney. Four American experts in urban regeneration and financing will help lead the masterclass. They will then fly to Sydney to conduct related briefings with state ministers, officials and industry representatives.

In Wellington, attendees will include representatives from the Economic Development Ministry, the Treasury, local and regional councils, academics, the Planning Institute, the Property Council, law firms, developers, the banking sector and the Council for Infrastructure Development.

Wellington City Council, along with other local authorities, is required to manage resources in a prudent manner, taking into account present and future needs. One aspect of this obligation is to apportion the costs of facilities and infrastructure to those who benefit – whether they are individuals, owners and developers whose property values rise as development takes place, or the community as a whole.

An examination of new ways of infrastructure financing is all part of this obligation.

One of these methods is known as tax-increment financing.

Since the 1950s, tax-increment financing has been used throughout the United States to fund a range of infrastructure and economic development projects. It has been used for water and wastewater upgrades, transport projects, emergency services, environmental remediation projects and town centre revitalisation initiatives.

A TIF programme usually begins when a municipality designates a defined geographic area as a "TIF district". In the US, the districts are often struggling, older, parts of cities that are in need of revitalisation. Key areas of inner-city Chicago and St Louis, for example, have been given lifesaving shots in the arm through TIF.

THE intent of TIF is to kick-start and encourage private investment in a particular area by leading with clearly defined and programmed public spending.

The loans or bonds used to finance the public spending are then repaid over, say, 20 years from the taxes (or, in New Zealand's case, from rates) recovered from the private property in the area.

If all goes well, the rating value of property in the area will rise incrementally (hence the term TIF) because it has attracted investment and tenants paying higher rentals.

When the debt is retired, the TIF programme for the area ceases to exist.

One of the major advantages of TIF-style programmes is that they avoid the drawbacks of the development-contributions approach to infrastructure funding widely used by councils in New Zealand. Such levying of developers to help pay for new roads, pipes and other essential infrastructure has been blamed for slowing development and having an adverse impact on housing affordability in this country.

Adelaide Rd makes an excellent case study for the masterclass. It is a clearly defined area with great redevelopment potential.

We would love to get to work on the area straight away but, of course, we do not have access to unlimited funding.

That's why we want to hear whether concepts such as TIF could be used for developments like Adelaide Rd. Although we are keen to know about new funding opportunities, we are getting on with a range of initiatives to begin the transformation of the area.

We are waiting on the commissioners' decision on District Plan Change 73 – the review of Wellington's suburban centres that identifies Adelaide Rd as an area suited to major change and that increases the building height limit to 18 metres.

We are also finalising detailed designs for initial transport and landscape improvements (such as bus lanes, street tree planting and parking).

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I stress, however, that we go into this masterclass with open minds. We may find that TIF – or other funding mechanisms – are not for us. But we feel it is important to look at all options and at all new thinking that may encourage city improvements that are affordable now and into the future.

Teena Pennington is the Wellington City Council's strategy director.