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# Albany Network Improvements

## Recommendations

That the Board:

- i. Receives the Albany Network Improvements report.
- ii. Approves the estimated project cost for Medallion Drive Link of \$33.9 million which includes a highest estimated cost of land acquisition and temporary occupation of \$13.6 million, up to \$13 million above current Regional Land Transport Plan funding.
- iii. Approves proceeding with procurement of a construction contract for the Medallion Drive Link project and delegates execution of the contract to the Chief Executive.

## Executive summary

1. Medallion Drive Link is a legacy project from the North Shore City Council (NSCC). It is identified in the Regional Land Transport Plan (RLTP) 2018- 2028 for Oteha Valley Road / Albany area as a network improvement project and is largely funded by development contributions collected by Auckland Council (AC).
2. The area bounded by East Coast Road, Lonely Track Road, State Highway 1 and Oteha Valley Road is undergoing significant development and land use intensification. Medallion Drive Link will form an important link in the surrounding roading hierarchy by connecting arterial roads that exist south of Oteha Valley Road with the growth areas north of Oteha Valley Road. This will assist in directing traffic away from local roads and provide a walking and cycling connection between the residential community and facilities including schools and public transport.
3. The Board's approval for the funding required to complete the detailed design, property acquisition and construction of the Medallion Drive Link is requested. The original budget for the project was \$20.9 million. The additional budget now required is estimated at \$4.8 million to complete the detailed design and construction and up to \$8.2 million for property acquisition making a total budget of \$33.9 million.
4. The additional design and construction cost increase is primarily due to Environment Court scope increase. The \$8.2 million is a worst-case additional funding requirement for land acquisition / development compensation to be determined by the Land Valuation Tribunal (LVT) at a hearing after the Board meeting.
5. The project benefit cost is between two and three. Given the strategic case, long-standing Environment Court proceedings to support the strategic case, Local Board support and Auckland Council collected development contributions, it is recommended the project proceed.

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## Previous deliberations

6. At the December 2018 meeting, the AT Board in considering the Gills Link Road project, recorded that the Board:
  - i. Had an in-depth discussion on the risks in not progressing with the project.
  - ii. Requested that the team re-look at the project in a wider context and investigate other approaches which could be taken.
7. At the May 2019 meeting, the Financial, Capital and Risk Committee (FCRC) received the recommendation to:
  - i. Progress Medallion Drive Link in line with previous approval in recognition of the network benefits it provides, growth it supports, investment and process committed to date.
  - ii. Strategically re-evaluate Gills Road Link and Dairy Flat Highway Upgrade.
8. The strategic review of Gills Road Link and Dairy Flat Highway is progressing. This paper seeks formal approval to progress with Medallion Drive Link.

## Strategic context

9. Medallion Drive Link is a legacy project from NSCC. It is identified in the RLTP and is largely funded by development contributions collected by Auckland Council.
10. The Medallion Drive Link will support land use developments as proposed in the Auckland Plan: Manage Auckland's transport as a single system, integrate transport planning and investment with land use development, prioritise and optimise investment across transport modes. In addition, this project is also supported by AC's Local Residential Growth Fund (LRGF).
11. The Auckland Plan Change sought to reduce the lot size of certain areas within the Albany Structure Plan. The reduction in lot sizes was declined in 2013 by the Court because there was not, at that point, sufficient roading infrastructure in place to address the increased traffic that would be caused by reduced lot sizes. The Environment Court, in November 2016, approved the designation of the Medallion Drive Link which is considered necessary to enable further growth to occur in the Albany area.
12. The area bounded by East Coast Road, Lonely Track Road, State Highway 1 and Oteha Valley Road is undergoing significant development and land use intensification. The Medallion Drive Link (refer Figure 1) will form an important link in the surrounding roading hierarchy by connecting arterial roads that exist south of Oteha Valley Road with the growth areas north of Oteha Valley Road. This will assist in directing traffic away from local roads, such as Fairview Avenue. More importantly, Medallion Drive Link will provide a walking and cycling connection between the residential community and facilities including schools and public transport. As well as being close to the motorway interchange, it is close to Albany park and ride and busway station.

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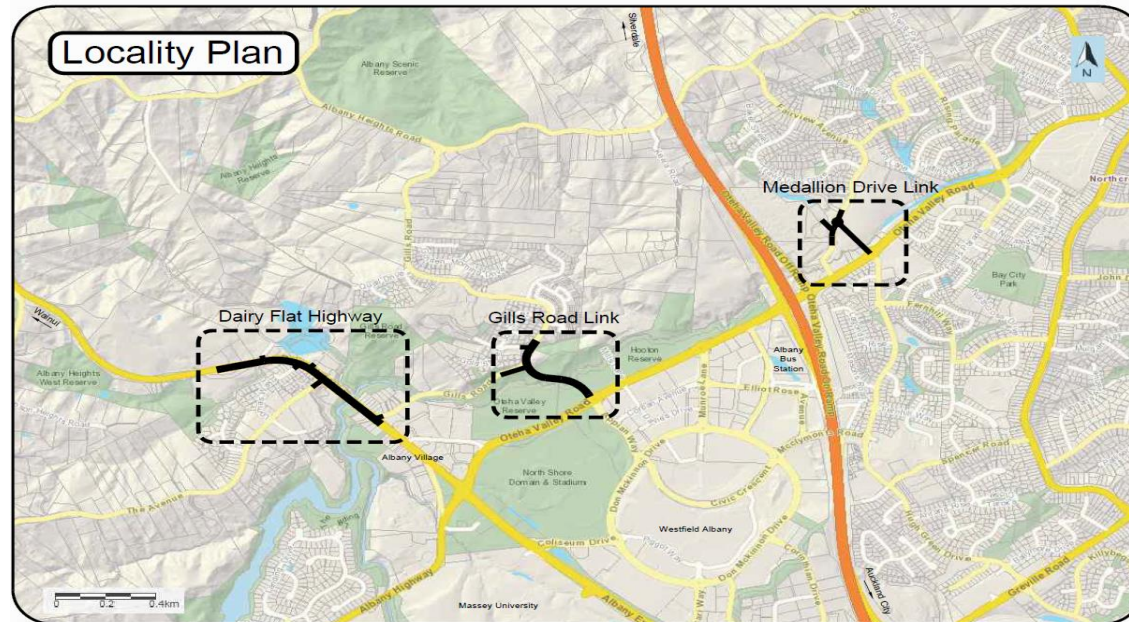


Figure 1: Albany Road Network New RLTP Projects

## Background

13. RLTP funding is \$20.9 million for Medallion Drive Link.
14. At the December 2018 Board meeting, the Board requested a strategic review of the Gills Link Road within the wider transport network context. Three new significant projects in the locality were presented back to the May 2019 FCRC meeting – Gills Link Road, Dairy Flat Highway and Medallion Drive Link (refer Figure 1).
15. A recommendation at the FCRC meeting was to progress Medallion Drive Link as it serves a separate area to the other two projects, has been strategically supported through the Environment Court, is funded largely through Auckland Council development contributions, has a limited consent period expiring in April 2021 and would attract significant negative reputation impact for AT if cancelled.
16. The project scope includes:
  - New road with two traffic lanes, one in each direction;

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- A new 33m long bridge;
  - Walking and cycling facilities;
  - Stormwater treatment ponds, landscaping and Iwi artwork; and
  - Signalised intersection at Oteha Valley Road and roundabout at Fairview Avenue.
17. Medallion Drive Link will provide a connection between Fairview Avenue and Oteha Valley Road. The project caters to a growing residential area with approximately 4,600 households by improving network connectivity and safety.
  18. The project has a long history due to the continued opposition by the only land owner affected by the project. The land owner opposed the Notice of Requirement for Designation (NoR) at the Council hearing and then appealed the decision of the Council to recommend confirmation of the NoR.
  19. The Environment Court hearing for the NoR appeal commenced on 18 January 2016.
  20. In November 2016, despite rigorous opposition by the land owner, the Environment Court confirmed a NoR in favour of AT backdated to April 2016. There is a five-year lapse period to complete construction of the road, requiring significant progress to have been made by April 2021.
  21. The Environment Court increased the scope of the project in its decision on the NoR. The new construction option, as directed by the Environment Court, involved a reduced land take to provide improved development opportunities for the affected land. The design constraints a smaller footprint imposes have increased the cost of the project. The Court also required AT to provide an additional property access to the affected property as a mitigation measure. This involves culvert/ bridge design, additional earthworks and retaining structures.
  22. During detailed design, it was determined that additional work would be required to signalise the Medallion Drive and Oteha Valley Road intersection. This intersection also provides access to the Oteha Valley Primary School in Albany which is a key pedestrian trip generator. Given the safety issues in the area, pedestrian/cycle provisions are considered as a clear priority for AT and the local community. An alternative intersection is not expected to provide a long-term benefit in respect of both safety and traffic performance.
  23. A design and construction budget shortfall of \$4.8 million relates to these design changes.
  24. AT has been proceeding to acquire the land and issued a Section 23 Public Works Act Notice in September 2018. The owner objected to the S.23 Notice and the matter was set down for a hearing by the Environment Court.
  25. AT and the land owner have agreed to a S.17 Public Works Act advance agreement for the AT land valuation of \$3.4 million. The matter will now be referred to the Land Valuation Tribunal (LVT) to determine the final value of compensation. The land owner has provided its valuation for the compensation, being circa \$13.8 million (including a land valuation of \$4.4 million). The AT valuation is circa \$3.6 million (including a land valuation of \$3.4 million). The significant difference between the compensation values is an allowance for injurious affection, being the loss of development area caused by the taking of the land.

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26. The current budget allocation has included the land owner's compensation value of \$13.8 million which is the worst-case scenario.
27. As part of considering the broader context after the December AT Board meeting, legal advice was sought regarding the potential implications if AT decided not to proceed with the Medallion Drive Link project at this stage. Refer to **Attachment 1** for the high-level legal advice.

## **Funding**

28. Medallion Drive Link is funded from the LRGF which provides funding for transport infrastructure enabling residential growth. The current budget shortfall is \$13 million. This is due to the additional scope and land cost. However, it is a worst-case assessment of the land compensation.
29. There is a low to medium risk that the New Zealand Transport Agency may not approve the cost / scope funding subsidy adjustment for the additional budget of \$13 million. The project benefit cost ratio is between 2 and 3. If this risk eventuates then the \$13 million will have to be 100 percent local share for the project. It is recommended that this risk is accepted by AT.

## **External Consultation/Engagement**

30. The following Stakeholder Engagement has been/is being conducted:
  - Regular meetings have been held with local Iwi representatives.
  - Upper Harbour Local Board.
  - Engagement with directly affected residents and Oteha Valley Primary School.
  - AC have been consulted and their requirements have been met in the project design requirements.
  - Utility providers to get their respective approvals.

## **Options and project risks**

31. There are two primary options as discussed below.
32. **Option 1**- The Medallion Drive Link does not proceed to the next phase and it is closed off.

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- i. This would be contrary to the stated strategic case for the project that has been made over the last ten years, to support residential growth in the locality.
  - ii. This is contrary to Auckland Council actions in collecting development contributions for the project.
  - iii. The Upper Harbour Local Board has been strongly advocating for this project and supports the progress made to date.
  - iv. Based on the legal advice, there is significant risk of additional costs and legal proceedings from the land owner due to AT withdrawing from a process approaching 10 years since inception by NSCC, which has been pursued successfully through the Environment Court.
  - v. Not proceeding to the next phase also presents a very high reputational and expert status risk to AT. AT has continued over a number of years to assert the need for this project before the Council and in the Court. Withdrawal is likely to negatively impact future AT hearings in the Environment Court (refer **Attachment 1**) through confidence in the strategic case made by AT.
33. **Option 2-** Given the benefits of network connectivity, safety and growth, the project proceeds to the next phase.
- i. There is a medium to high risk that LRGF allocation may not be approved for the additional budget in which case the budget shortfall will have to be funded from within AT's overall fiscal envelope for the next three financial years. This risk should be accepted by AT.
  - ii. There is an uncertainty with the final value of the land acquisition to be determined by the LVT.

## Next steps

Procurement Activity	Date
Land Acquisition	January 2020
Tender issue	February 2020
Tender evaluation, reporting and approvals	March 2020
Construction Start	April 2020

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## Attachments

Attachment Number	Description
1	High-level legal advice (note : not included on AT website due to confidential nature)

## Document ownership

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## Glossary

Acronym	Description
NSCC	North Shore City Council
RLTP	Regional Land Transport Plan
AC	Auckland Council
AT	Auckland Transport
LVT	Land Valuation Tribunal
FCRC	Financial, Capital and Risk Committee
LRGF	Local Residential Growth Fund
NoR	Notice of Requirement