

In Confidence

Office of the Minister of Housing and Urban Development

Chair, Economic Development Committee

## **Establishing the national urban development authority**

### **Proposal**

1. This paper seeks agreement to establish a fully integrated entity to act as both the Government's public housing landlord and its national urban development authority (UDA). It also seeks agreement to establish the new entity as a Crown Agent.
2. This paper complements, and should be read alongside, a separate Cabinet paper I am presenting with the Minister for Māori Crown Relations: Te Arawhiti on Māori interests and the Māori-Crown relationship in relation to the UDA.

### **Executive summary**

3. This Government is taking a hands-on approach to tackling homelessness and unaffordable housing. We want to ensure much-needed urban development, housing and infrastructure is delivered strategically and in a short timeframe, especially in the areas most experiencing these challenges.
4. Cabinet has previously agreed in principle to establish a UDA to lead large-scale urban development and drive the delivery of the 100,000 affordable homes planned for KiwiBuild. [CBC-17-MIN-0051] The UDA will be a single public entity with four core urban development functions: initiating/commissioning projects, delivering development projects and being a developer, exercising statutory powers, and delivering programmes.
5. This is the last substantive paper in a series of papers seeking detailed policy decisions from Cabinet on the UDA. Previous Cabinet papers covered the core concepts, decision-making framework and statutory process for complex development projects established under the new urban development legislation, and the more enabling development powers for these projects. [CAB-18-MIN-0243 and CAB-18-MIN-0399.01]
6. I favour a fully integrated UDA because it enables a single new entity to deliver the Government's priorities across the entire housing spectrum as a developer and a public housing landlord, and so consolidates all three essential centres of capability — Housing New Zealand (HNZ) and its subsidiary HLC, and the KiwiBuild Unit. The ability to consolidate our development capability and maximise the benefits of scale outweighs any risks associated with this approach. These risks can be mitigated through good design and processes.
7. I also considered an alternative, semi-integrated option that separates HLC from HNZ and merges it with the KiwiBuild Unit to form the new UDA. While this semi-integrated entity would have a clear strategic focus on urban development, and more straight-forward

governance and accountability arrangements, it would result in development capability across government being split.

8. I am also proposing to establish the new entity as a Crown Agent. This will enable more responsive, commercially-focused decision-making for the UDA within it, while maintaining suitable accountability to the Minister responsible for the UDA (the Minister). It will also provide a range of options for partnership that will enable territorial authorities, Māori and other interested parties to be involved in the decision-making for development projects.

**This Government has an opportunity to transform the contribution our urban areas make to national wellbeing and prosperity**

*We have an opportunity to transform the way New Zealand's urban areas are planned, designed and built, and ultimately how they perform*

9. Our current urban development system is characterised by limited coordination between the different arms of government; ineffective integration between land use and infrastructure; fragmented land ownership; and a limited ability for central government to take action. This has resulted in underperforming urban centres and insufficient housing supply, which in turn has impacted housing affordability, the productivity and performance of the economy as a whole, and the living standards of all New Zealanders.

*We have an opportunity to create thriving, sustainable communities by tackling homelessness, and delivering more public and affordable housing*

10. We need new public housing built alongside affordable and market rental housing, homes for first-home buyers, and open market housing. We have not been good at building complete, diverse communities that provide choices about dwelling size, tenure and typology, and which allow people and families in all life situations to have similar access to opportunity. Thriving, socially resilient communities are heterogeneous, providing opportunities for people from all walks of life to co-exist, interact, and support one another.
11. I will report back to the Cabinet Economic Development Committee (DEV) on a framework ensuring projects meet public good outcomes, including requirements for public and KiwiBuild homes in developments

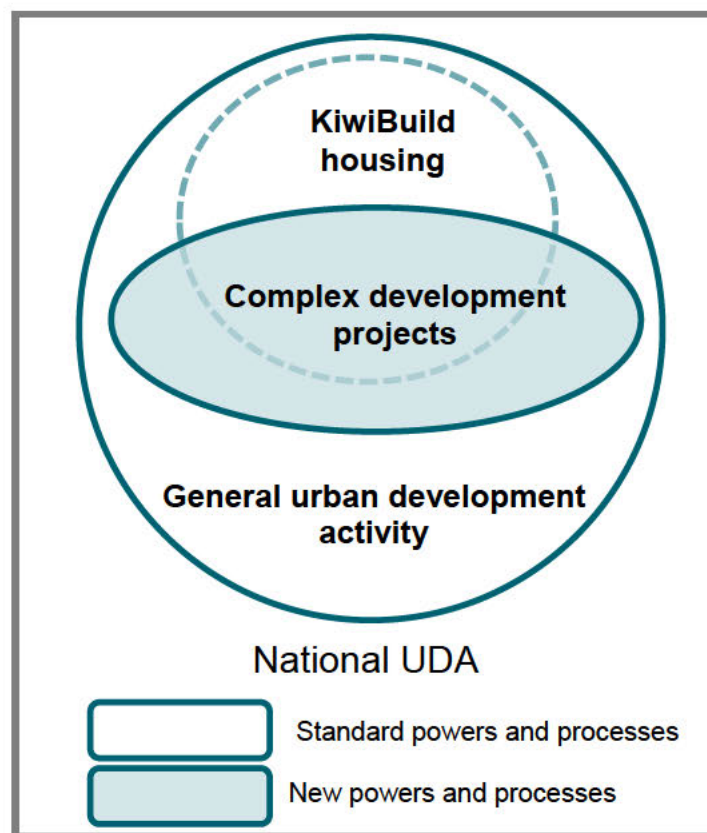
*We have an opportunity to consolidate urban development capability across central government and deliver urban transformation through harnessing scale and integration*

12. Currently, critical urban development roles and functions are split or duplicated across multiple entities, and no single entity has the capabilities required to deliver the broad range of urban development outcomes we want. This results in misaligned priorities and fragmented decision-making. Annex One details the current machinery of government in this space. New Zealand is a small country with a limited pool of people with expertise in urban development. It is ineffective and inefficient for this expertise to be spread across too many entities.

*The Urban Development Authority will help us realise these opportunities by leading transformational, integrated urban development*

13. In response to the challenges we face, Cabinet agreed in principle to establish a UDA to enable much-needed urban development, housing and infrastructure to be delivered strategically and at pace. [CBC-17-MIN-0051]

14. The UDA will lead large-scale, integrated urban development projects. It will drive the delivery of the 100,000 affordable homes planned for KiwiBuild, alongside new public housing, and affordable rental and open market housing. It will support the Government's priorities through the delivery of outcomes focused on economic development, local employment, climate resilience, social wellbeing, affordable housing, public transport (working with the New Zealand Transport Agency and councils), and other infrastructure.
15. To better enable and deliver large-scale urban development, Cabinet agreed to develop new legislation giving the UDA access to a range of more enabling development powers for selected complex development projects [CBC-17-MIN-0051]. Having these powers will enable the UDA to provide greater coordination, certainty and speed when changing multiple components of the urban environment in support of these complex projects. However, only some of the housing and urban development the UDA will lead or participate in will fall within complex development projects.



16. To be successful, the UDA will therefore need to have the capability and flexibility to perform four core urban development functions:
  - 16.1. *Initiating/commissioning projects* – working alongside the Ministry of Housing and Urban Development (the Ministry) and other agencies in regional spatial planning exercises, and in assessing and selecting large-scale development opportunities.
  - 16.2. *Delivering development projects and being a developer* – coordinating, managing and delivering integrated, large-scale, mixed-use urban development projects; purchasing and assembling land; facilitating land readjustment through

partnerships; and making its development expertise available to support other projects and initiatives across government.

- 16.3. *Exercising statutory powers* – exercising and administering the enabling urban development powers and tools available within designated complex project areas (e.g. consent processing, land assembly, setting of rates and development contributions, and acting as a road controlling authority).
- 16.4. *Delivering programmes* – delivering affordable KiwiBuild homes through different methods (including through complex large-scale urban developments), delivering public housing, and administering and implementing specific housing and urban-related government initiatives (such as shared equity, home ownership support products, and build-to-rent schemes).

*The UDA and the Ministry of Housing and Urban Development will play complementary roles*

17. Beyond its general housing and urban development system policy advice function, the new Ministry will perform two specific functions in relation to the UDA:
  - 17.1. The Ministry will monitor and provide advice on the performance of the UDA across all its functions.
  - 17.2. The Ministry will provide strategic direction to guide the UDA's activities, and establish and undertake the processes required to do this. This includes setting overarching housing and urban development objectives, and advising on the locations in which the UDA should be investigating and delivering large-scale projects. For example, the locations in which the UDA operates will need to be informed by the regional spatial planning partnerships envisaged under the Urban Growth Agenda, which the Ministry will lead for government.
18. I will report back to Cabinet in April 2019 on how the Ministry will provide strategic direction to the UDA.

### **Key design issues**

19. There are two key design issues for the UDA:
  - 19.1. The first design issue is where the UDA draws its capability from and its organisational design. This is the subject of the first part of this paper, which discusses which of the existing centres of central government development capability should help comprise the UDA.
  - 19.2. The second design issue is the legal form of the UDA. This is the subject of the second part of this paper, which discusses establishing the UDA as a Crown Agent.

### **Part One: Forming the UDA**

#### **My preferred option for the UDA prioritises integration of capability and scale**

20. The three centres of urban development capability that need to feature in considerations around the UDA's composition, and which this paper focuses on, are the KiwiBuild Unit, and HNZ (notably its Asset Development Group) and its subsidiary HLC.

21. The KiwiBuild Unit is in growth mode, particularly with respect to its KiwiBuild land-supply, large-scale project investigation, and buying off the plans functions. It holds key relationships with iwi, local government and developers, and is already delivering hundreds of new affordable homes in Auckland and elsewhere.
22. HLC<sup>1</sup> has delivery capability that is essential for the UDA. HLC has a clear track-record of building new urban communities. At Hobsonville Point, HLC has delivered infrastructure to the value of \$85.9 million, and completed 1,600 houses, with 600 currently under construction. As part of the Auckland Housing Programme, HLC will be undertaking a \$2 billion programme of civil works. It is the master planner and land developer for multiple large-scale development projects including Mangere, Northcote, Mt Roskill, Tāmaki and Oranga, with an expected yield of over 40,000 homes.
23. HNZ owns or manages around 64,000 properties, with more than 184,000 tenants. It is currently investing around \$4 billion in building an additional 6,400 public houses over the next four years<sup>2</sup>, alongside a comprehensive renewals programme (45,000 existing homes renewed over the next 20 years) and delivery of open-market and KiwiBuild housing using its key urban land assets. From building 200 homes last year, HNZ is building 2,000 this year (including 250 KiwiBuild homes), increasing to 4,000 per year by 2021. HNZ's urban land assets — particularly in Auckland — will be critical components of many of the UDA's large-scale projects.
24. HNZ also administers a range of housing affordability products on behalf of the Crown. These are Welcome Home Loans, Kāinga Whenua Loans, and the KiwiSaver Home Start Grant.

*Housing New Zealand provides wider opportunities*

25. From a development perspective, I consider that HNZ has a key role to play in our hands-on approach to modernising our urban environments. Given HNZ's significant assets, its public housing development and its asset renewal programme, the essential choice is whether we build separate urban development capability (effectively creating two centres of capability) or consolidate it all in one place.
26. Incorporating HNZ in the new entity is also an opportunity to build an integrated delivery entity that works across the entire housing spectrum to build thriving communities. Having created a new Ministry with that spectrum of policy responsibilities, it is appropriate to create a new government agency with the same spectrum of delivery responsibilities. This will enable us to respond more effectively to our full range of policy priorities.

*A finely balanced decision*

27. This decision around where the UDA draws existing capability from is finely balanced, as I explain further in the following sections. Overall, I consider that ensuring we consolidate our capability across the full housing spectrum and maximise the benefits of scale outweighs any risks associated with the fully-integrated approach, which can be mitigated through good design and processes.

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<sup>1</sup> HLC is a service provider that focuses on land development. It leads the development at Hobsonville Point, as well as projects on HNZ's land and larger sites of HNZ's Auckland Housing Programme. It now manages the development aspects of the Tāmaki regeneration project alongside the Tāmaki Regeneration Company.

<sup>2</sup> Around 30% of these houses will be delivered by Community Housing Providers (CHPs).

28. Therefore I favour an option that creates a new entity that delivers both public housing services and urban development. To do so, I propose that the new entity consolidate all three essential centres of development capability — HNZ, HLC and the KiwiBuild Unit — into one new entity. This is not a HNZ-led UDA or just a UDA. It is a new entity that incorporates HNZ and a UDA together.
29. In addition to the UDA functions described above, I propose that the new entity also has all of HNZ's existing public housing functions. This is an opportunity to refine and focus these functions on being a world class public housing landlord. This will be a priority within the structure developed for the new entity.
30. This paper also describes an alternative option which I considered, but which I do not prefer. That option separates HLC from HNZ and merges it with the KiwiBuild Unit to form the new UDA.

### **Any option will require significant change**

31. Regardless of the option, the following steps will need to be taken:
  - 31.1. establishing a transitional team to set up the new entity
  - 31.2. formally establishing the new entity and its purpose through legislation
  - 31.3. setting Ministerial direction for the new entity
  - 31.4. ensuring the right specialist expertise is available at the governance level
  - 31.5. transferring the KiwiBuild Unit and HLC capability to the new entity.
32. Under my preferred option for a consolidated, fully-integrated new entity, the following additional steps will need to be taken:
  - 32.1. establishing arrangements to mitigate governance and accountability issues that might arise from the broad scope and span of control (this will require further work and Cabinet decisions)
  - 32.2. transferring the HNZ capability to the new entity
  - 32.3. repealing the Housing Corporation Act 1974, subject to the relevant components being incorporated in the new legislation.
33. The steps required to establish the alternative, semi-integrated option would involve all the steps listed above in paragraph 31, with the following additional steps:
  - 33.1. formalising arrangements for managing HNZ assets within the context of large-scale projects
  - 33.2. providing HNZ with ongoing access to the development services offered by HLC outside of large-scale projects.
  - 33.3. retaining HNZ and its legislative framework (i.e. Housing Corporation Act 1974) largely as it stands, with HNZ's social objectives embedded in legislation in line with existing work underway.

## Maintaining momentum and pace through transition will be critical

34. Irrespective of what option we choose, the risks associated with establishment and transition will need to be managed. This includes the potential to lose momentum, or disrupt, the important existing and planned developments being undertaken by the three constituent entities.
35. It is likely that a fully-integrated new entity cannot be formally constituted for 12 to 18 months. However, I consider it will be beneficial to put in place clear transitional arrangements to make sure:
  - 35.1. progress can continue to be made in identifying and coordinating delivery of large-scale urban development projects;
  - 35.2. the affected agencies can start planning towards the new organisational arrangements, to ensure a smooth transition and the least disruption at the point of establishment;
  - 35.3. affected staff at HNZ, HLC and the KiwiBuild Unit, HNZ's tenants, and other key internal and external stakeholders, including whānau, hapū and iwi, are well informed about the changes and new organisational arrangements.
36. The transition plan will provide clear communication to staff and stakeholders; maintain momentum in delivery and service to tenants; and maximise the ability to achieve the Government's outcomes through non-structural steps.
37. As a first step, the transition will be overseen by the joint CEs Group (comprising the Ministry, including the KiwiBuild Unit, HNZ and HLC) that is meeting regularly, supported by a team drawn from the agencies concerned. An immediate task for this group will be to help shape key messages to ensure that staff and stakeholders have confidence about the transition path. The CEs will report back to me in March 2019 with a detailed transition plan, including:
  - 37.1. testing advice on proposed governance and accountability arrangements (e.g. consideration of interim and ongoing Board arrangements)
  - 37.2. transitional arrangements, including how to balance between continuity of service to customers and the step change required by government and ensuring that legislative change adequately supports continuity during the transition
  - 37.3. advice on how local government will be included in the transition planning.
38. HNZ has informed us that it can start doing some of the UDA role under its existing legislation and can begin making the appropriate organisational structural changes. Under this scenario, an early transfer of the KiwiBuild function into HNZ may be possible, but:
  - 38.1. It is likely that HNZ can only go so far within current HNZ legislation.
  - 38.2. There are risks to the Māori-Crown relationship (not just Crown land issues, but special protections for Māori interests are proposed in the new urban development legislation).
  - 38.3. s 9(2)(h) [REDACTED]

- 38.4. The governance-risk and strategic focus mitigation achieved through a bespoke structural model will not be available.
39. The key mitigation for Māori-Crown interests is to retain the KiwiBuild Unit (and its Crown land development role) within the Ministry (i.e. within the Crown and close to Ministers) until the new urban development legislation is passed, enabling safe transfer to the new entity. In addition, this would provide more time for the Government to undertake authentic engagement and explore partnership opportunities with its Treaty partners around establishing the UDA component of the new entity.
40. The Ministry will also be able to play a role in discharging the Crown's Treaty of Waitangi and other legal obligations to Māori. This is discussed further in paragraphs 102 to 106.
41. I recommend that existing arrangements remain in place until the new urban development legislation is passed. However, to maintain momentum, I will also:
- 41.1. Use the transition establishment team to support and strengthen the current working relationship between the UDA's constituent parts ahead of its establishment.
- 41.2. Provide clear direction to the component urban development entities to accelerate and formalise the partnership and collaboration arrangements that are beginning to emerge in the context of existing scale development projects, including encouraging a move towards co-location (e.g. between HLC and the KiwiBuild Unit staff in Auckland).
- 41.3. s 9(2)(f)(iv)
- 41.4. Ask Cabinet to direct the KiwiBuild Unit and HNZ (including HLC) to apply the measures for protecting Māori interests (e.g. early engagement) that have been developed for the UDA during the transition period.
42. Annex Two sets out an indicative process for establishing the new entity under both options.
43. As part of my April 2019 report back, I will provide a more detailed transition plan. This plan will include: the governance and makeup of the transition team; proposed timelines; governance and accountability arrangements for the new entity; and a direction from Cabinet on the protection of Māori interests during the transition period.

**My preferred option is for a fully integrated new entity that is both developer and public housing landlord**

44. I want the UDA component to be a powerful delivery organisation capable of driving real change and urban renewal through transformational urban development that provides a mix of public, affordable and open market housing. Therefore, I propose creating a fully integrated new entity that has both urban development and public housing roles.
45. In my preferred option, HNZ would be disestablished, and the KiwiBuild Unit would be removed from the Ministry. Their public housing and urban development functions would then be put into a new entity. This would mean a single entity is responsible for managing public housing assets and tenants nationwide, and for leading large-scale urban



development and driving the delivery of KiwiBuild. It would also be responsible for administering the Crown's home ownership products.

46. While this option would consolidate central government's development capability, the new entity would still need to develop significant new capability to perform the four core urban development functions outlined earlier.

*The new entity will have a bespoke structural model*

47. Officials have begun exploring a range of potential options for a structural model for a fully integrated new entity. A key consideration is how to ensure the entity has a clear strategic focus on the important task of integrated urban development, particularly outside the HNZ estate, at the same time as improving the focus on the wellbeing of public housing tenants.
48. There are a range of potential models. At one end of the spectrum, these governance issues can be managed by the entity's board and shaped by the Government through existing levers such as the statement of intent and letter of expectations.
49. Alternatively, the new entity's legislation could prescribe some degree of separation of the two main functions within the new entity. One example would be the establishment of two sub-committees to advise the board on each function, with further options on the functions and roles of each sub-committee relative to the governance responsibilities of the board.
50. Officials, and the proposed transitional team, will need to undertake more work to recommend the best governance arrangements. I will report back in April 2019 on a preferred structural model.

*The new entity will have 'automatic' access to HNZ land and its balance sheet...*

51. If the UDA function is to be a lead developer and meet the Government's aspirations for 10 to 15 large-scale projects, it will need to own and/or control outcomes on land, and have access to capital to purchase land, and finance infrastructure and development activity.
52. A fully integrated new entity would have 'automatic' access to HNZ's land and balance sheet, but how it chooses to use that access would be subject to decisions by the board. It would also be able to rely on the existing HNZ processes for managing tenant welfare during redevelopments, ensuring less disruption for tenants.

*...however, additional capital would eventually be required*

53. While a fully integrated new entity would inherit HNZ's balance sheet, the UDA function could not rely on that as a source of finance to support its wider urban development task beyond the existing HNZ estate.
54. While the UDA function will have access to the balance of the \$2.1 billion appropriated for KiwiBuild and for establishing the UDA, it will need access to more capital in the future to progress the large number of urban development projects envisaged. This is most likely to be provided through either direct capital injection (via core-Crown borrowing), or by the UDA function borrowing in the market itself, albeit at higher cost, as HNZ does now.

55. HNZ is currently borrowing against future revenues (its rental income, including Income Related Rent Subsidies (IRRS)), and selling surplus land released through redevelopment to fund its investment in re-fitting, renewing, realigning and expanding the public housing stock. This source of finance is critical to meeting the Government's target of 1,600 additional public homes per year, and ensuring that all state homes are warm, safe and dry.
56. There would be limited scope for a fully integrated new entity to borrow against HNZ's current revenue sources more than is already planned, without needing a revenue stream sufficient to allow it to service the debt. For example, it could borrow (either through the Debt Management Office or privately) against the future revenue and profit streams arising from wider UDA-related development (e.g. targeted rates, infrastructure charges, rents and land sales).
57. Any additional borrowing by a fully integrated new entity would likely increase the cost of HNZ's current debt, and impact the integrity of the Government's fiscal strategy. This is because the debt may be treated as core Crown debt (affecting operating balance before gains and losses (OBEGAL)).

*The new entity will have governance arrangements and an organisational design that addresses the added complexity of having urban development and public housing roles*

58. I am aware that a fully integrated new entity would have multiple strategic focuses, and a wide scope of operations. This could increase the potential for future conflict between the entity's urban development and public housing roles, including:
  - 58.1. the potential for revenues (both IRRS and revenue from land sales) to be redirected from public housing to urban development activities
  - 58.2. the potential for private sector development risks to be transferred onto the public housing balance sheet
  - 58.3. the risk of significant disruption for HNZ's 1,000 current employees and more than 180,000 tenants
  - 58.4. the potential for misalignment between public housing and urban development objectives
  - 58.5. the risk of one function being prioritised over another (e.g. weighting decisions in favour of development outcomes rather than tenant welfare)
  - 58.6. the risk of contagion from one function to another — development is inherently risky, and a major financial failure could impact the public housing function.
59. A fully integrated new entity will need to have governance and accountability arrangements that provide integrated governance and risk management for the entity. While these arrangements will add complexity, I am confident that careful design will ensure an appropriate strategic focus on public housing is maintained and that risks like those identified above are adequately mitigated. The social objectives that Cabinet has agreed for HNZ will still apply to the new entity.

60. The HNZ Board is already managing this conflict internally, as it balances the Auckland Housing Programme's development priorities with the needs of the tenants in those homes. However, the significantly wider scope of the new entity's operations could require more explicit and transparent risk-management measures. This will be particularly important as the focus of the UDA function increasingly shifts well beyond the current HNZ estate.
61. The board of a fully integrated new entity will also require a different set of capabilities compared to the current HNZ Board. This is because it would need to have the specialist business skills necessary to provide appropriate governance given the diversity of issues and diversity of commercial risks across the entity, while also representing key stakeholders such as local government, public housing tenants and Māori.
62. While the risk of conflict can also be mitigated through careful organisational design, a significant organisational change process for former parts of HNZ would still be required.

*The new entity will have the capabilities and culture to meet the organisational growth challenge*

63. Both public and private sector entities find it challenging to govern and manage a growth business within a mature business. This is because the culture, scale and type of excellence needed to be successful in the two types of businesses are very different. This challenge tends to intensify as the growth business increases in scale and requires additional funding and resourcing.
64. So far HNZ has taken an orthodox approach to its growth challenge in establishing HLC as a subsidiary with a separate board and chief executive. A fully integrated new entity would likely take a similar approach and establish multiple subsidiaries to manage a series of complex projects. This would change the role and capabilities required of the entity's board compared to the current HNZ Board.
65. Additionally, the commercial risks that will be taken on by the UDA function are very different to the ones HNZ is currently exposed to in its core property and tenancy management business. A fully integrated new entity would need to ensure it had the capabilities and culture within the entity to manage these risks, while managing a large, vulnerable tenant base.

*The new entity will need a name to reflect the broad scope of its functions*

66. The fully integrated new entity will need a name that recognises the full spectrum of its delivery responsibilities, and emphasises that it has a broader role than just urban development. Therefore, I seek delegated authority to determine a suitable name for the new entity with 'Housing and Urban Development Authority' (or 'HUDA') as the working title. This includes determining an appropriate name in te reo Māori. .

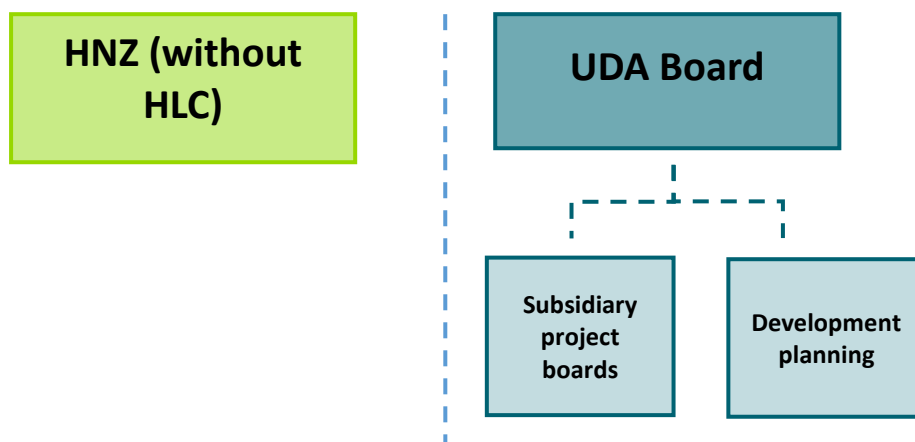
*Given HNZ's current operations will be a core component of the new entity, we need to have confidence in its current performance*

67. The Government has asked HNZ to change the focus of its activities and contribute to its housing goals by:
  - 67.1. ensuring that all New Zealanders have access to quality and stable housing;
  - 67.2. aligning the provision of public housing and tenancy management with wider social system objectives and interventions;

- 67.3. increasing the supply of affordably priced houses (along with increased public/state housing); and,
- 67.4. exercising stewardship of the Crown's public housing assets to maximise their contribution to the government's housing outcomes.
68. Our commitment to focus HNZ more strongly on the wellbeing of its current and future tenants, and on being a world-class landlord, is partly driven by HNZ's past difficulties — albeit informed by previous owner expectations — in juggling and making the right trade-offs across its tenancy, asset management and development functions.
69. HNZ is making a significant (and ongoing) change to its purpose, organisation, strategy, capability, capacity, and performance to achieve the Government's goals.
70. HNZ's recent performance has been positive, but with room for improvement. It is broadening the range of activities it undertakes, including a significant shift in its level of investment activity, and a more positive approach to providing benefits across the housing spectrum. It is reconfiguring and renewing its portfolio in a challenging property environment, with complex regulation, high building costs, low construction sector productivity and limited capacity in the sector. It is expected to deliver significant numbers of affordable homes as part of KiwiBuild.
71. HNZ has been progressively refreshing the strategic case for the renewal and realignment of the state housing stock. This includes revising its Long Term Investment Plan and Asset Management Strategy, and developing a Regional Investment Plan to meet public housing needs outside of Auckland, Wellington and Christchurch. The updated Asset Management Strategy forecasts an incremental improvement in HNZ's financial returns by 2027. This is due to the lowering of the average age of the public housing stock, and the impact of operating supplements paid for newly built houses.
72. HNZ's delivery capability and delivery volumes have been steadily improving, but not as rapidly as its delivery targets. Build activity for the Auckland Housing Programme was below target for both 2016/17 and 2017/18. However, the 2018/19 planning pipeline has sufficient houses to meet 2018/19 targets and make up some of the prior years' shortfall.
73. The size of HNZ's portfolio, and the scale and long-term nature of its redevelopment and renewal activity should provide scale economies. It has several initiatives underway to improve productivity and lower construction costs through strategic partnerships, procurement practices, standardising designs, and off-site manufacturing (e.g. cross laminated timber buildings, factory producing panelised product, off shore panelised/flat pack houses). This will enable increased construction speed and build quality while reducing build costs. HNZ reports a real reduction in build costs of 4% from 2016 to 2017, though it is too early to tell if reductions will be sustained on the back of current productivity initiatives.
74. HNZ is working hard to improve its tenant focus. It is building capability and implementing a customer strategy to guide a more tenant focused approach that will assist tenants in sustaining their tenancies. This includes intensive tenancy management, stakeholder/support agencies coordination, and a community engagement programme. HNZ is increasingly including supportive living principles when planning developments. It is too early to tell if these actions will have a sustained impact on outcomes for tenants, though encouragingly HNZ is reporting an increase customer satisfaction with its homes (from 68% to 79%).

## I also considered an alternative, semi-integrated option

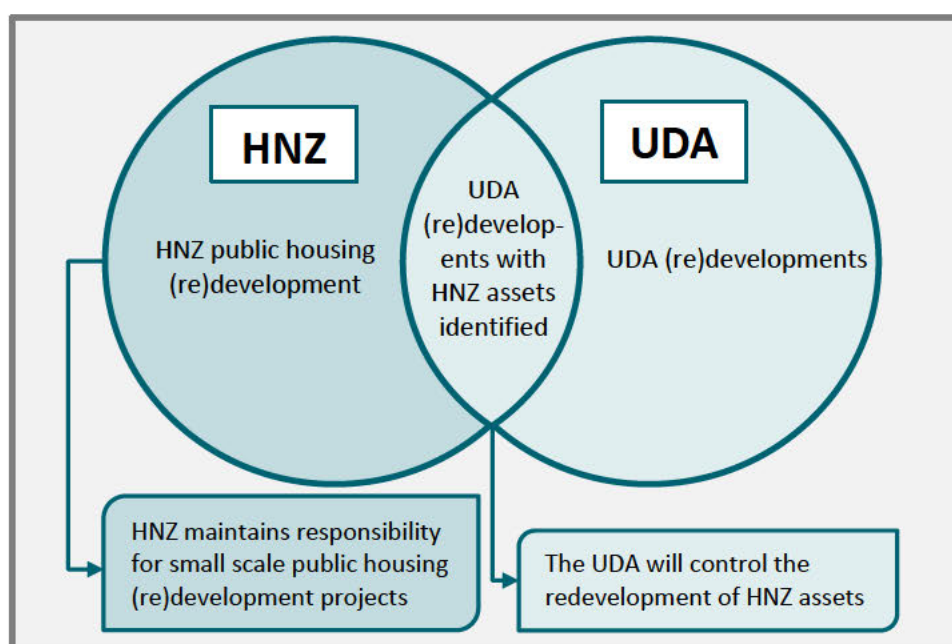
75. I also considered establishing the UDA as a new semi-integrated entity with a clear strategic focus on urban development, but separated from the public housing function. In this option, HLC would be removed from the ownership and control of HNZ, and the KiwiBuild Unit would be removed from the Ministry. The two entities would then merge into the UDA. Like my preferred option, this new entity would also still need to develop significant new capability to perform the four core urban development functions.
76. A semi-integrated UDA would likely be structured internally with an urban development function (e.g. master-planning and delivery), an enabling function (e.g. formal establishment of project areas and exercise of statutory functions), and locally-based, project-specific subsidiaries that may include local authority participation.
77. This option is stylised below:



78. This diagram is illustrative only, and other delivery functions (such as KiwiBuild’s ‘buying off the plans’ initiative, administration of the KiwiBuild programme, and the management of Crown ownership products) would also impact on organisational structure.
79. This option would consolidate much of the Government’s market-facing urban development capability, but leave HNZ with overall responsibility for public housing asset management and tenancy management. The UDA would need to control the redevelopment of HNZ assets within identified large-scale project areas established under the new urban development legislation. However, HNZ would maintain responsibility for the management of tenants, and for public housing small-scale (re)development projects<sup>3</sup> outside of the UDA’s sphere of operation, including for the non-public housing components of those projects. This would mean HNZ needs to retain a development capability for undertaking smaller-scale projects (i.e. its current Asset Development Group).

<sup>3</sup> An example of a small-scale (re)development could be removing three or four houses and replacing them with more intensive housing.

80. These arrangements are stylised in the following diagram:



81. Annex 2 also sets out an indicative process for establishing a semi-integrated UDA.

*A semi-integrated entity would have a clear strategic focus on urban development, and more straight-forward governance and accountability arrangements...*

82. A key driver for the UDA is the need for a single entity to have a clear strategic focus on the important task of transformational, integrated urban development. In this regard, a new semi-integrated UDA formed around the KiwiBuild Unit and HLC would likely find it easier to establish and maintain the right brand, organisational culture, and sharpness of purpose as it grows.

83. Having a single strategic focus would also enable the UDA to have straight-forward governance and accountability arrangements. This would reduce the likelihood of decision-making uncertainty, delays and misaligned priorities.

*...however, it would have limited land and access to capital at outset*

84. A UDA formed around the KiwiBuild Unit and HLC would have limited land at the outset, but would have access to the balance of the \$2.1 billion appropriated for KiwiBuild and for establishing the UDA. It would use this to purchase land.<sup>4</sup>

85. Even when the UDA purchases land, it is unlikely to generate income for some time, which will constrain its ability to borrow in the market. This means its initial capital allocation will need to sustain it over a period where there may be no revenue, or it will need to access further capital via core-Crown debt.

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<sup>4</sup> HLC owns no land, and has no capital to invest in development. In Hobsonville Point, the Crown owns all of the land, and set the investment and risk parameters for the development. HLC acts as the Crown's agent to manage the delivery of the development. All of the risk remains with the Crown, as do the profits. For more recent projects like Northcote, Mangere and Mt Roskill, HLC is performing this role for HNZ rather than the Crown without owning the land.

86. s 9(2)(g)(i)
87. A semi-integrated UDA would require specific arrangements to control the development outcomes on HNZ land in large-scale project areas, or to leverage it to fund redevelopment. This includes the HNZ land that HLC is currently developing for its parent.
88. There are options for doing this, ranging from negotiated joint ventures (where the UDA provides development services and influences the development outcomes, but HNZ continues to be the developer, taking the risk), to making all HNZ land within a project area automatically transfer to the UDA.<sup>5</sup> HNZ retaining its land does not preclude negotiated development models or the use of HNZ's balance sheet. Such arrangements will create complexity, but are nevertheless achievable.
89. Transferring HNZ land to a semi-integrated UDA has the potential to divide the public housing estate and weaken HNZ's financial position, as well as compromise asset stewardship. However, this effect may only be temporary, as the UDA would undertake development in project areas in a broadly similar fashion to what HNZ (with HLC) would have otherwise done with its land. That is, it would intensify the land, sell off a proportion in the market (including KiwiBuild affordable homes) to fund the development, and return new public housing assets to HNZ. The long-term net asset position for HNZ would be at worst neutral.
90. More importantly for HNZ, however, a semi-integrated UDA would require careful, potentially risky arrangements for ensuring the wellbeing of tenants is maintained adequately during the redevelopment period being controlled by the UDA.
91. Additionally, a semi-integrated UDA could make it more difficult to maintain momentum in existing Auckland Housing Programme projects. Any transition period would be critical for managing this, to ensure there is a seamless shift of responsibilities and relationships. By the time the UDA is formally established, the planning and development for many of the existing projects would be well-advanced, and the UDA would be unlikely to substantially adjust HLC's direction or approach.
92. Overall, pursuing a semi-integrated UDA would require subsequent decisions to ensure a viable and effective working relationship between HNZ and the UDA in large-scale project areas. This would include specific legislative provisions (e.g. 'right to acquire'), subsequent ministerial direction to both entities, as well as suitable organisational and governance arrangements determined jointly by the two entities.

### Two initial options were removed from consideration

93. I also ruled out two initial options at an early stage after discussion with officials. The first was to expand and repurpose the New Zealand Transport Agency (NZTA) to become the UDA. I removed this option from consideration due to the risks and implications for NZTA's significant work programme, and to the transport management and regulatory system.

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<sup>5</sup> We note that a specific 'right to acquire' by the UDA could allow subsequent repeal of the Housing Corporation Act Part 5A 'Transaction mandate'.



94. The second was to establish the UDA as a departmental agency within the Ministry. While a departmental agency would enable more direct Ministerial direction and greater responsiveness to government priorities, drawbacks included less responsive decision-making and investment, and a limited ability to borrow.

### **Further consolidation of other capability is possible at a later date**

95. Once the key decision about forming the UDA is made, over time, it will be possible to assess whether other existing entities carrying out urban development functions (such as Tāmaki Regeneration Company (TRC) and Otākaro) can be further consolidated within the UDA, or whether the UDA can support the urban development projects being led by other entities through project-level partnerships or shared governance arrangements.

## **Part Two: Establishing the new entity as a Crown Agent**

### **The new entity will be a Crown Agent**

96. I recommend establishing the new entity as a Crown Agent. This is because the Crown Agent model will enable more responsive, commercially-focused decision-making, while maintaining suitable Ministerial accountability. As my priority is for integrating capability and operating at scale through a nation-wide UDA, it is appropriate for the national UDA to be solely accountable to the Crown.
97. The advantages of establishing the new entity as a Crown Agent include the ability to:
- 97.1. borrow to fund development (subject to suitable assets/security)
  - 97.2. create subsidiaries with minority shareholding from other entities – i.e. enabling territorial authority partnership in specific projects
  - 97.3. have specific expert capabilities on the board that can support the new entity's functions and delivery
  - 97.4. have independence of finances and decisions, which can support speedier decision-making and investment.
98. The new urban development legislation is the most likely avenue for establishing the new entity as a Crown Agent. This legislation is planned for introduction in the second quarter of next year.

### *The new entity will be have different levels of closeness to the Minister*

99. A key aspect of the entity will be having different levels of closeness to the Minister responsible for the UDA (the Minister), depending on the activity the new entity is undertaking. This reflects both the complexity and the broad scope of its functions.
100. For most of its urban development activity, and its public housing activity if established as a fully integrated entity, the new entity will operate at arms-length from the Minister, with the usual channels of Ministerial direction available. This includes government policy statements, statements of intent, and letters of expectation.



101. However, when the new entity is undertaking complex development projects established under the new urban development legislation, it will operate closer to the Minister. This is because Cabinet has agreed that the Minister will make the final decision on the development plan for complex urban development projects. [CAB-18-MIN-0243]. Other Ministers, including Ministers for Māori Crown Relations: Te Arawhiti, Māori Development, and Treaty of Waitangi Negotiations, and Ministers of Conservation and Land Information, will also need to agree to specific aspects of the development plan, and the exercise of certain enabling development powers.

*The Ministry of Housing and Urban Development will have a key role in ensuring the UDA function meets its Treaty of Waitangi obligations*

102. The UDA function will need to meet the Crown's Treaty of Waitangi and other legal obligations to Māori. A key part of doing this is having capacity, capabilities and expertise to engage with whānau, hapū, iwi and Māori, and it is critical that the UDA operates in this way.

103. s 9(2)(g)(i)

104. Given the above, I propose that the Ministry retains sufficient capability and capacity to advise the responsible Minister on issues relating to meeting Treaty and other legal obligations to Māori, as well as to grow Crown-Māori relations and improve the way the Crown and Māori work together in urban development.

105. There is a specific issue relating to the Crown's obligations as part of the Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Deed. The Deed includes a protocol requiring iwi to be offered the first opportunity to be the developer of Right of First Refusal (RFR) land in Auckland before involving a Crown Agent or a private party.

106. I recommend that the Ministry retains sufficient capability and capacity to discharge the Crown's obligations relating to the Deed before involving the UDA.

### **Territorial authorities and other interested parties can be involved in project decision-making**

*Partnership will be critical to achieving quality urban development outcomes*

107. Territorial authorities, other Crown entities, Māori and private sector developers will be essential partners for the new entity when it comes to achieving quality urban development outcomes. They have critical land and capital to invest in projects. In the case of territorial authorities and Māori, they understand the needs and aspirations of their local communities or people.

108. In particular, territorial authorities have expressed a strong desire for central and local government to work collaboratively on urban development projects, and I share this desire. They have highlighted the need for mutually beneficial approaches to urban development, which enable national matters of importance to be addressed and local issues to be considered.

109. It is also important that decisions about a development project, whether complex or business as usual, are informed by local knowledge, conditions and concerns. This will help

to ensure there is a connection between national and local interests. The Tāmaki regeneration experience shows us how important it is to gain a social license to operate in an area, and that requires an authentic local presence and connection.

*The existing legislation provides considerable flexibility*

110. The Crown Entities Act 2004 provides considerable flexibility when it comes to supporting partnership arrangements for both complex and business as usual development projects. Under the Act, the new entity could:
- 110.1. govern a project itself
  - 110.2. create a committee that includes representatives from interested parties
  - 110.3. create a wholly-owned subsidiary
  - 110.4. create a majority-owned subsidiary with interested parties
  - 110.5. hold a minority shareholding in a special purpose vehicle with interested parties
  - 110.6. delegate functions and powers to another entity (e.g. private developer, iwi or Council Controlled Organisation) with approval by the Minister.
111. While the new entity will be able to delegate powers and functions to a committee, Crown Entity subsidiary or any other class of persons approved by the Minister (e.g. a company the new entity has a minority shareholding in), it will remain ultimately accountable for the success of the project. It will also be able to modify or revoke delegations.
112. When the new entity creates a committee or a wholly-owned subsidiary for a development project, it will be important to have territorial authority representation. This will enable decision-making to take local interests into account. Therefore, I propose that the new urban development legislation provides the right for territorial authorities to provide nominations for a minimum of one of the members of a committee or wholly-owned subsidiary for consideration for appointment, if they support the development project. For other governance models, shareholding will determine representation.

*There will be tools available to guide the new entity towards partnership arrangements*

113. While the new entity will be able to decide the partnership arrangements for each development project, I want the new urban development legislation to signal the desirability for partnership, and the involvement of territorial authorities and Māori. I propose having provisions in the new legislation that require the new entity to:
- 113.1. consider delegation to committees, subsidiaries or other entities
  - 113.2. have a policy on delegation and monitoring and give effect to that
  - 113.3. take into account the desirability of partnership, and the involvement of territorial authorities and Māori.
114. I also propose that the new urban development legislation sets out what the new entity will need to consider when doing this:

- 114.1. the focus is on the manner in which the new entity's board decides whether, and to whom, to delegate or contract out the functions and powers in relation to an urban development project
- 114.2. the objective is to achieve:
  - 114.2.1. connection to the local community and territorial authority involvement
  - 114.2.2. appropriate capability for effective delivery
- 114.3. the legislative requirement is that new entity must consider the range of options available to involve territorial authorities and Māori identified in paragraph 110, and must consider appropriate delegation.

115. The Minister will also be able to use the usual tools of Ministerial direction to guide the new entity towards partnership. These are outlined in paragraph 99.

*This approach to governance will enable integrated capability, decision-making and prioritisation across projects*

116. The key advantage of this approach to project governance is that the new entity will have visibility over all complex and business as usual projects at one time. This will help it to allocate its staff in the most effective ways to support the projects, and to ensure projects are not competing for resources (such as construction companies). It will also help to ensure a consistent approach across the projects.

## **Consultation**

117. The Treasury, Department of Prime Minister and Cabinet, State Services Commission, Housing New Zealand including HLC, Ministry for the Environment, Ministry of Transport, New Zealand Transport Agency, Ministry of Social Development, Department of Internal Affairs, Land Information New Zealand, Crown/Māori Relations Roopu and Te Puni Kōkiri were consulted on this paper.

## **Financial Implications**

118. The cost of establishing the UDA will be met through a transfer to new appropriations from the existing baseline: Non-Departmental Capital Expenditure: *Kiwi Build Capital MYA*, and will have no additional financial impact on the operating balance and net core Crown debt. The establishment costs are estimated to be met within the \$100 million as noted by Cabinet in December 2017 (CBC-17-MIN-0055). In time, the Ministry will require additional resource to fulfil what will be an expanded monitoring function with respect to the UDA. Resource for this will be considered within the existing \$100m appropriation and as part of future capability bids.

## **Legislative Implications**

119. This paper proposes new legislation and seeks Cabinet's authority to instruct the PCO accordingly. Cabinet has previously agreed that these proposals be referred to PCO for drafting this year [CAB-17-MIN-0042].

120. The new Act will bind the Crown. This is because the new legislation contains more enabling development powers that development projects comprising Crown land or those led by a Crown agent would benefit from being able to access. [CAB-18-MIN-0243]

121. The Ministry will engage with the Legislation Design and Advisory Committee on issues arising under the Legislation Guidelines during the drafting process, and report back to Cabinet on any concerns.

## **Impact Analysis**

122. The Treasury Regulatory Quality Team (RQT) has reviewed the revised Regulatory Impact Assessment (RIA) *Supporting Complex Urban Development Projects with Dedicated Legislation* prepared by the Ministry of Housing and Urban Development.
123. The RIA is largely the same as the one considered by Cabinet in May 2018 (CAB-18-SUB-0243). The main areas of change concern:
- 123.1. inclusion of options for the legal form of the Urban Development Authority (UDA);
  - 123.2. clarification on the development plan process and disputes resolution;
  - 123.3. clarification on the Treaty of Waitangi and implementation, including the exemption of sensitive Maori land for compulsory acquisition;
  - 123.4. clarification of offer back obligations
124. RQT re-confirms its earlier assessment that the information and analysis summarised in the Regulatory Impact Assessment meets the Quality Assurance criteria.
125. The RIA has a clear structure, and exhibits clear thinking on the nature of the problem and the available options for each issue. The analysis also identifies that there are adverse potential impacts for current residents and property owners.

## **Human Rights**

126. The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## **Publicity**

127. Cabinet has invited me to report back on my engagement plan for the UDA. There is likely to be widespread interest in these proposals, including from local government, Māori communities, businesses, infrastructure and urban development organisations, and property developers.
128. I am planning to announce the decisions recommended in this paper once they are approved by Cabinet. As well as giving media interviews, I will be issuing a press release. More detailed information will be available on the Ministry's website.
129. My announcement will also cover Cabinet's previous decisions on the more enabling development powers, and the UDA's core concepts, decision-making process and statutory framework. [CBC-17-MIN-0051, CAB-18-MIN-0243, and CAB-18-MIN-0399.01]
130. I will be engaging with a range of key stakeholders over the next few months to inform them about the UDA. This includes local government, iwi/Māori, business groups, and infrastructure and urban development organisations. I want to ensure that those who will be affected by this substantial change understand what it will mean for them. I want to encourage and empower them to support and advocate for the UDA.

131. My key message will be that the UDA is a positive development for New Zealand, enabling the transformational urban development needed to build thriving, diverse and resilient communities. I also want to assure Treaty partners that the UDA will uphold, as well as enhance and foster Māori Crown relationships, and respect the interests of Māori. Ministers Davis and Mahuta will be assisting me with this aspect of engagement.
132. Officials will also be engaging widely with key stakeholders following my announcement. This includes contacting all iwi and Māori groups to ascertain their interest in attending regional hui.
133. Key stakeholders and the public will be encouraged to take part in the select committee process once the new urban development legislation is introduced in Parliament.

### **Proactive Release**

134. I will release this Cabinet paper to the public at the time of my announcement. I will also release all previous Cabinet papers relating to the UDA to the public.

### **Recommendations**

I recommend that the Economic Development Committee:

1. **note** that Cabinet has previously agreed in principle to establish a national urban development authority (UDA) to lead large-scale urban development and drive the delivery of KiwiBuild [CBC-17-MIN-0051]
2. **note** that the UDA will be a public entity with four core urban development functions – initiating/commissioning projects, delivering development projects and being a developer, exercising statutory powers, and delivering programmes
3. **note** that the Ministry of Housing and Urban Development will monitor and provide advice on the UDA's performance, and will establish and undertake the processes required to provide strategic direction to guide the UDA's activities
4. **invite** the Minister of Housing and Urban Development to report back in April 2019 on how the Ministry of Housing and Urban Development will provide strategic direction to the UDA
5. **invite** the Minister of Housing and Urban Development to report back to the Cabinet Economic Development Committee (DEV) on a framework ensuring projects meet public good outcomes, including requirements for public and KiwiBuild homes in developments
6. **authorise** the Minister of Housing and Urban Development to make subsequent policy decisions on related details consistent with the policy proposals discussed in this paper
7. **invite** the Minister of Housing and Urban Development to issue drafting instructions as soon as possible to the Parliamentary Counsel Office (PCO) to give effect to the policy decisions in this paper, and to give effect to any subsequent policy decisions made by the Minister of Housing and Urban Development on related details
8. **agree** to include the policy decisions detailed in this paper in the new urban development legislation, together with any consequential changes to existing agencies
9. **note** that the new urban development legislation has category 6 on the 2018 Legislation Programme (instructions to be provided to PCO by the end of the year)

## EITHER (my preferred option)

### **A fully integrated new entity**

10. **note** that the UDA needs to be a powerful delivery organisation capable of driving real change and urban renewal through transformational urban development that provides a mix of public, affordable, rental and open market housing
11. **note** that my preferred option is to establish a fully integrated new entity that consolidates all three essential centres of capability – Housing New Zealand and its subsidiary HLC, and the KiwiBuild Unit – into a new entity
12. **note** that I consider that ensuring we consolidate our capability and maximise the benefits of scale outweighs any risks associated with a fully integrated approach, which can be mitigated through good design and process
13. **note** that the Cabinet-agreed social objectives for HNZ will still apply to the new entity
14. **agree** to establish a fully integrated new entity that has both urban development and public housing roles by:
  - 14.1. disestablishing Housing New Zealand
  - 14.2. removing the KiwiBuild Unit from the Ministry of Housing and Urban Development
  - 14.3. putting Housing New Zealand and the KiwiBuild Unit's functions into a new entity that will form the basis of the UDA
15. **authorise** the Minister of Housing and Urban Development to determine a suitable name for the fully integrated new entity, with 'Housing and Urban Development Authority' (or 'HUDA') as the working title, as well as an appropriate name in te reo Māori
16. **invite** the Minister of Housing and Urban Development to report back in April 2019 with a detailed transition plan, including the governance and makeup of the transition team, proposed timelines, the proposed legislative, governance and accountability arrangements for the new entity, preferred structural model, and a direction from Cabinet on the protection of Māori interests during the transition period

## OR (alternative option)

### **A semi-integrated UDA**

17. **note** that I also considered an alternative option to establish a semi-integrated UDA with a clear strategic focus on urban development, but separated from the public housing function
18. **note** that this option would consolidate much of the Government's market-facing urban development capability, but leave Housing New Zealand with overall responsibility for public housing asset and tenancy management
19. **agree** to establish a semi integrated UDA by:
  - 19.1. removing HLC be removed from the ownership and control of HNZ
  - 19.2. removing the KiwiBuild Unit from the Ministry of Housing and Urban Development

- 19.3. merging the two entities into a new entity that will form the basis of the UDA
20. **invite** the Minister of Housing and Urban Development to report back in April 2019 with a detailed transition plan, including the governance and makeup of the transition team, proposed timelines, and legislative, the proposed governance and accountability arrangements for the new entity, and a direction from Cabinet on the protection of Māori interests during the transition period

### **Establishing the new entity as a Crown Agent**

21. **agree** to establish the new entity as a Crown Agent
22. **note** that the Crown Entities Act 2004 will apply to the new entity
23. **agree** that the new urban development legislation enables the new entity to adopt (and change) a different trading name from that used in the legislation
24. **direct** the Ministry of Housing and Urban Development to retain sufficient capability and capacity to advise the Minister responsible for the UDA on issues relating to meeting Treaty and other legal obligations to Māori
25. **direct** the Ministry of Housing and Urban Development to retain sufficient capability and capacity to discharge the Crown's obligations relating to the Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Deed before involving the new entity
26. **note** that under the Crown Entities Act 2004, the new entity will be able to:
- 26.1. govern a project itself
  - 26.2. create a committee that includes representatives from interested parties
  - 26.3. create a wholly-owned subsidiary
  - 26.4. create a majority-owned subsidiary with interested parties
  - 26.5. hold a minority shareholding in a special purpose vehicle with interested parties
  - 26.6. delegate functions and powers to another entity (e.g. private developer, iwi or Council Controlled Organisation) with approval by the Minister
27. **note** that under the Crown Entities Act 2004, the new entity will automatically be able to delegate powers and functions to a committee, Crown entity subsidiary or any other class of persons approved by the Minister responsible for the UDA
28. **agree** that the new urban development legislation provides the right for territorial authorities to provide nominations for a minimum of one of the members of a committee or wholly-owned subsidiary for consideration for appointment, if they support the development project
29. **agree** that the new urban development legislation will signal the desirability of partnership, and the involvement of territorial authorities and Māori in urban development projects
30. **agree** that the new urban development legislation has provisions requiring the new entity to:

- 30.1. consider delegation to committees, subsidiaries or other entities
  - 30.2. have a policy on delegation and monitoring and give effect to that
  - 30.3. take into account the desirability of partnership, and the involvement of territorial authorities and Māori
31. **agree** that the new urban development legislation sets out what the new entity will need to consider when meeting the requirements in recommendation 30:
- 31.1. the focus is on the manner in which the new entity's board decides whether, and to whom, to delegate or contract out the functions and powers in relation to an urban development project
  - 31.2. the objective is to achieve:
    - 31.2.1. connection to the local community and territorial authority involvement
    - 31.2.2. appropriate capability for effective delivery
  - 31.3. the legislative requirement is that new entity must consider the range of options available to involve territorial authorities and Māori identified in recommendation 26, and must consider appropriate delegation.

Authorised for lodgement

Hon Phil Twyford

**Minister of Housing and Urban Development**



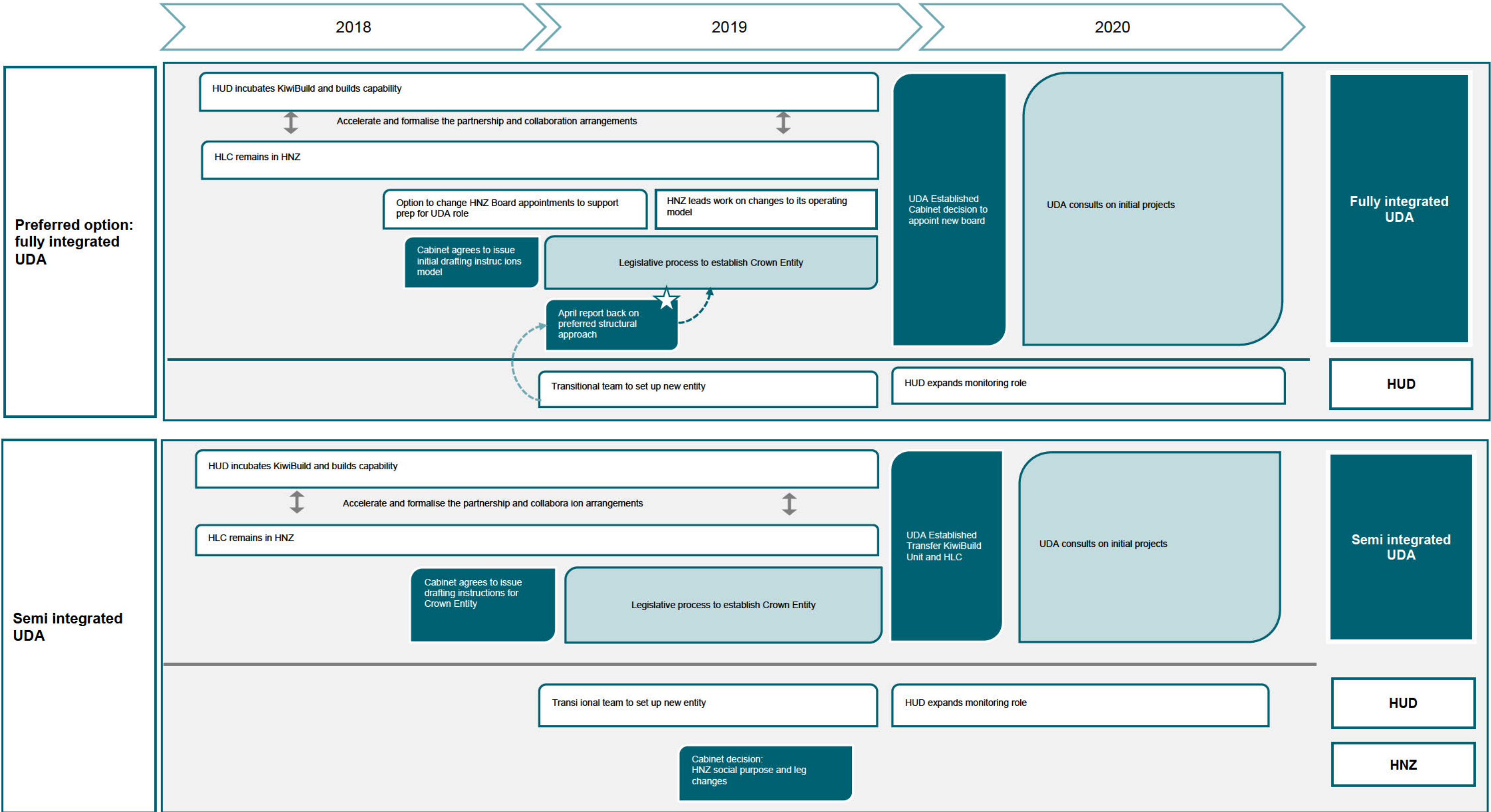
## Annex One: Current machinery of government for urban development

There are nine public agencies or branches directly involved in urban development:

|                       | Description  | Place making & urban design | Housing | Commercial | Parks & reserves | 3 waters | Local roads | Busways & light rail | Local bridges & tunnels |
|-----------------------|--|-----------------------------|---------|------------|------------------|----------|-------------|----------------------|-------------------------|
| <b>KiwiBuild Unit</b> | <ul style="list-style-type: none"> <li>• Brand new, with facilitator role to date</li> <li>• No local infrastructure capabilities yet</li> <li>• \$2b capital</li> <li>• Unitec and Manukau Super Clinic sites are only significant land holdings</li> </ul>   |                             | ✓       |            |                  |          |             |                      |                         |
| <b>HLC</b>            | <ul style="list-style-type: none"> <li>• Subsidiary of HNZC, 18 months in current form</li> <li>• Service provider (no capital or land)</li> <li>• Focus on land development</li> <li>• Project management capabilities, including local infrastructure</li> <li>• Leads Hobsonville Point development, as well as projects on HNZC land and larger sites of Auckland Housing Programme</li> <li>• Now manages Tamaki regeneration</li> </ul>  | ✓                           | ✓       | ✓          | ✓                | ✓        | ✓           |                      |                         |
| <b>HNZ</b>            | <ul style="list-style-type: none"> <li>• Manages a portfolio of around 63,000 properties (approx. 60,500 owned) – which provide homes for approx. 180,000 people</li> <li>• Owns \$26b of residential land for public housing</li> <li>• Replacing, retrofitting or redeveloping around 55,000 homes over next 30 years (86% of its portfolio)</li> <li>• Annual income of &gt;\$1b is all committed to maintaining and growing the public housing portfolio</li> <li>• Will spend \$350m p.a. on housing maintenance and \$50-100m p.a. on capital upgrades over next 10 years</li> <li>• Plans to borrow up to \$12b over next 30 years to finance its long term investment plan</li> <li>• Uses part-sale of redeveloped land for market housing to help finance public housing delivery</li> <li>• ADG (a division within HNZ) has well-established and growing development capacity. It focuses on upgrading and constructing public housing, and leading the Auckland Housing</li> </ul> |                             | ✓       | ✓          | ✓                |          |             |                      |                         |
|                       |  |                             | ✓       |            |                  |          |             |                      |                         |

|  | Description  | Place making & urban design | Housing | Commercial | Parks & reserves | 3 waters | Local roads | Busways & light rail | Local bridges & tunnels |
|--|--|-----------------------------|---------|------------|------------------|----------|-------------|----------------------|-------------------------|
|  | <p>Programme and the regional housing programme</p> <ul style="list-style-type: none"> <li>• HNZ's People and Property Group focuses on tenancy management and responsive maintenance</li> </ul>   |                             |         |            |                  |          |             |                      |                         |
| <b>NZTA</b>                              | <ul style="list-style-type: none"> <li>• The NZTA is a land transport system solution provider, including in urban areas.</li> <li>• Land transport investment decisions made by the NZTA and Councils through the NLTP can have profound placing shaping effects</li> <li>• NZTA statutory functions include co-investing with councils in public transport, walking and cycling infrastructure</li> <li>• The NZTA delivers light rail, including the project in Auckland (delivered on the same basis as State highways) which has a key focus on enabling land use uplift and placing making.</li> </ul> |                             |         |            |                  |          | ✓           | ✓                    | ✓                       |
| <b>Regenerate Christchurch</b>           | <ul style="list-style-type: none"> <li>• Leads Regeneration in Christchurch consistent with the purpose, objectives, and functions set out in s122 of the Greater Christchurch Regeneration Act 2016</li> <li>• Current priorities are the Ōtākaro/Avon River Corridor Regeneration Plan and the Regeneration Strategy for Southshore and South New Brighton</li> <li>• No land or capital</li> </ul>  | ✓                           |         |            |                  |          |             |                      |                         |
| <b>Otākaro</b>                           | <ul style="list-style-type: none"> <li>• Leads development of Crown anchor projects in CBD</li> <li>• Owns Crown land in Christchurch CBD</li> <li>• Will divest Crown land holdings in central Christchurch</li> </ul>  | ✓                           | ✓       | ✓          | ✓                |          | ✓           | ✓                    |                         |
| <b>Tamaki Regeneration Company (TRC)</b> | <ul style="list-style-type: none"> <li>• Owns \$1.6b of public housing land in Tamaki</li> <li>• Manager of around 2,800 public housing tenancies</li> </ul>   | ✓                           | ✓       | ✓          | ✓                |          |             |                      |                         |

# Annex Two: Indicative process for establishing each option for the UDA



★ Depending on the scale of further decisions, the timeline for enactment may be pushed out to 2020