



BRIEFING

Unitec's planned sale of developable land

Date:	6 November 2017	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	0842 17-18

Information for Minister

	Action sought	Deadline
Hon Phil Twyford Minister of Housing and Urban Development	Agree to discuss your preferred course of action with officials	10 November 2017
Hon Chris Hipkins Minister of Education	For your information	
Hon Jenny Salesa Associate Minister of Housing and Urban Development	For your information	

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Jo Doyle	General Manager, Construction, Housing and Markets	04 901 8730	s 9(2)(a)
Matt Fraser	Manager, Crown Land Development	04 901 8652	✓

The following departments/agencies have been consulted

TEC

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



UNITEC'S PLANNED SALE OF DEVELOPABLE LAND

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Purpose

This briefing provides information about Unitec's proposed sale of developable land and potential actions the Government could take in response.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that this briefing responds to your request for information pertaining to the planned sale of Unitec land to s 9(2)(b)(ii) and potential courses of action.

Noted

- b **Agree** to discuss your preferred course of action with officials

Agree / Disagree

Matt Fraser
Manager, Crown Land Development
Business, Resources and Markets, MBIE

6 / 11 / 2017

Hon Phil Twyford
**Minister of Housing and Urban
Development**

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Unitec is negotiating to sell land to investment vehicle

1. Unitec, an Auckland tertiary institution, is in confidential negotiations with an investment vehicle called the s 9(2)(b)(ii) to sell it approximately 20 hectares of land. These negotiations are expected to be finalised in December 2017.
2. We do not yet know what s 9(2)(b)(ii) plans are for the land. While it is possible that s 9(2)(b)(ii) may choose to develop the land in line with the objectives of KiwiBuild, it is also possible that s 9(2)(b)(ii) may choose to develop the land for high-end, maximum return housing, or 'bank' the land by holding onto the land in the expectation of future capital gains.
3. If developed, the 20 hectares of Unitec land being sold would be the largest single brownfield housing development on the central Auckland isthmus. We estimate the land has the potential to accommodate over 3,000 dwellings. Reflecting on the success of Hobsonville Point, a large-scale development at this location has the potential to provide a significant number of affordable homes in close proximity to the city centre.
4. The value of the land being disposed of by Unitec is approximately \$150 million.
5. You have asked for advice around the proposed land sale and analysis around possible options for government involvement.

Unitec initially intended to co-develop the land but now plans to sell the entire block

6. Unitec, through its development vehicle the Wairaka Land Company (WLC), initially planned to co-develop the land in a joint venture with the s 9(2)(b)(ii). This plan included Unitec selling some land to s 9(2)(b)(ii) early to receive an initial capital boost. The remainder was to be sold incrementally over time. Through this joint venture Unitec would have received a form of dividend, providing it with revenue beyond the land sales.
7. Given its need for short-term capital, Unitec has decided to opt-out of this joint venture and now plans to sell its disposable land to the s 9(2)(b)(ii) outright. This change of thinking precludes Unitec from having direct influence on the form that future development of this land will take, beyond WLC undertaking consultation on specific matters.
8. The Tertiary Education Commission (TEC) supports this sale because the revenue will cover Unitec debts and pay for planned redevelopment and transformation works. TEC is also satisfied that Unitec has dropped its plans to operate as property developers (through the WLC), which would have potentially detracted from its core education role.

The land forms part of the Wairaka precinct and is a large parcel in a central area of Auckland

9. The land held by Unitec forms part of the Wairaka Precinct, a block of 60 plus hectares of land in Point Chevalier, Auckland, between Great North Road and Carrington Road. Other land in the precinct is owned by Whai Rawa Property Limited Partnership (a subsidiary of Ngati Whatua o Orakei), Waitemata Health Limited (WDHB), Norak Properties Limited, and the Crown (see Annex One: Map of Wairaka Precinct).
10. The Mason Clinic is also located on the WDHB land. There has been ongoing debate about whether the clinic stays within the Wairaka Precinct or moves elsewhere (see Annex Two: Additional background information about the Mason Clinic).

Options moving forward

11. We have outlined three options the Government could pursue, with respect to the Unitec land:
 - i. Allow the land sale to the s 9(2)(b)(ii) group arrangement as per the current proposed arrangement
 - ii. Negotiate a Crown purchase of the land from:
 - i. Unitec
 - ii. s 9(2)(b)(ii)
 - iii. Compulsory acquisition of the land under the Public Works Act (PWA) from:
 - i. Unitec
 - ii. s 9(2)(b)(ii)

Allow the land sale to s 9(2)(b)(ii) to progress

12. With this option, there is a risk that if the s 9(2)(b)(ii) sale goes ahead, there is no way to ensure future construction will meet affordability and supply objectives. The unknown nature of s 9(2)(b)(ii) plans adds a layer of uncertainty around the likelihood of optimal housing outcomes on a strategically important site.
13. However, if the sale of the land goes ahead under the s 9(2)(b)(ii) arrangement, the Government could respond in the following ways:
 - Do not pursue Government housing interests on this site
 - Work with the investment group to develop the land in accordance with KiwiBuild objectives
 - Offer to buy land from s 9(2)(b)(ii) that would meet KiwiBuild criteria.

Negotiate a Crown purchase of the land

Purchase from Unitec

14. The Government could purchase the land directly from Unitec. This would allow the land to be developed in accordance with KiwiBuild objectives.
15. Ideally the land could be purchased at the same price negotiated with the investment vehicle through the s 9(2)(b)(ii) arrangement.
16. This option depends on the state of negotiations with s 9(2)(b)(ii) and whether there is still an option for Unitec to withdraw from the arrangement.

Purchase from s 9(2)(b)(ii)

17. The Government could purchase the land from s 9(2)(b)(ii). Again, this would allow the land to be developed in accordance with KiwiBuild objectives.
18. s 9(2)(b)(ii) would be looking to make a return on the resale of the land, which could lead to the Government paying a premium for the land. As a result this would make the achievement of KiwiBuild price-points more challenging.

Compulsory acquisition of the land under the PWA

19. The Government could compulsorily acquire the land. This could be done directly from Unitec as the original owner or from the purchaser under the s 9(2)(b)(ii) agreement.
20. s 9(2)(h)
21. s 9(2)(g)(i)
22. If the Government wishes to explore the possibility of a PWA intervention either with acquisition from Unitec or from the s 9(2)(b)(ii) further investigation and development of the option will need to be undertaken.

Preferred option

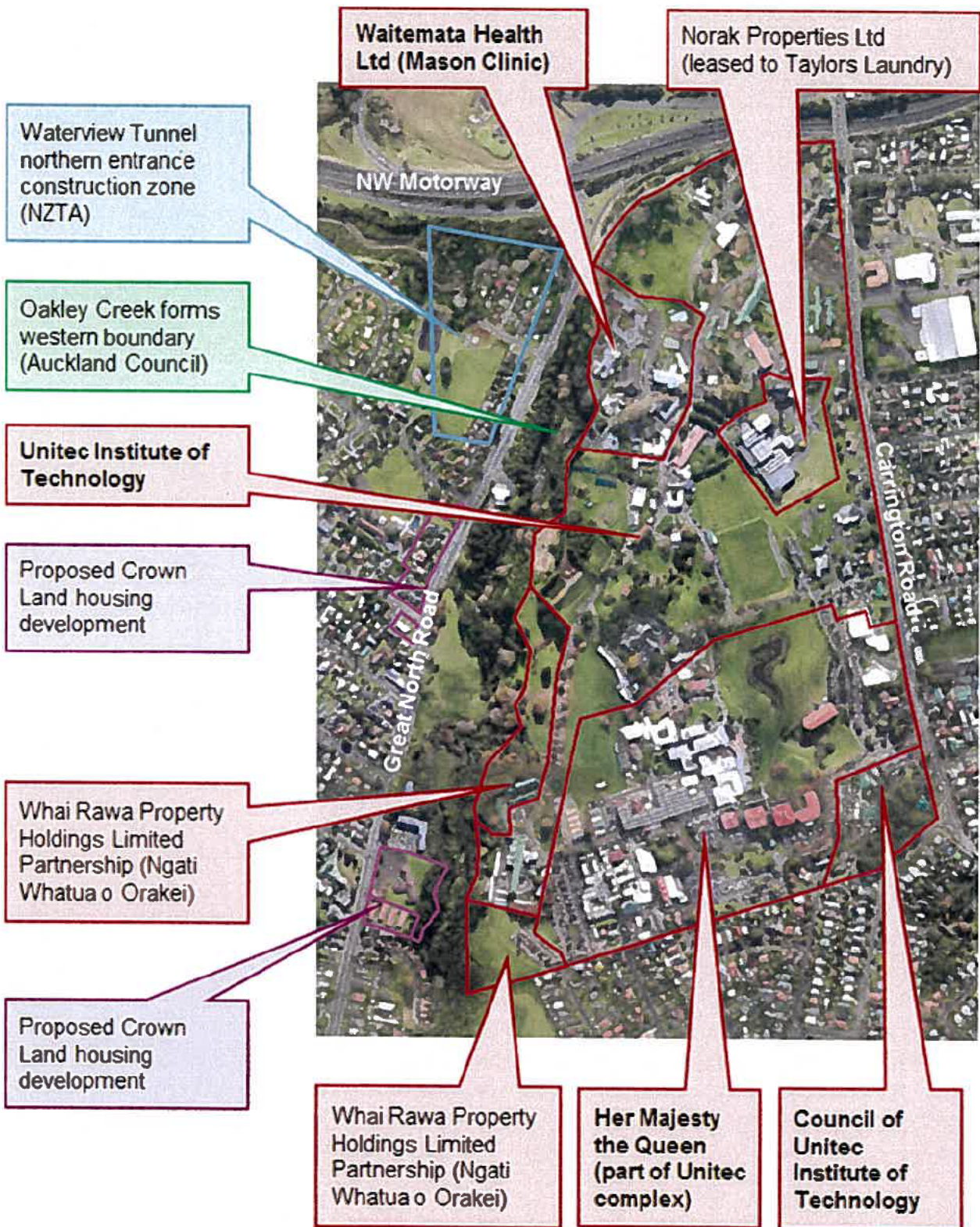
23. The preferred option would be to acquire the land by negotiation before resorting to compulsory acquisition.

Annexes

Annex One: Map of Wairaka Precinct

Annex Two: Additional background information about the Mason Clinic

Annex One: Wairaka Precinct Map



Annex Two: Additional background information about the Mason Clinic

Mason Clinic

24. Ongoing discussion has taken place about the Mason Clinic, a forensic psychiatric unit that occupies 3.94 hectares of land owned by WDHB and land leased from Unitec.
25. To maximise proceeds from the sale of its land and increase the density of new dwellings on the development site, Unitec wanted to see the Mason Clinic relocated and the clinic land included within the redevelopment precinct. The Mason Clinic prefers to stay and expand its current site (by approximately 2.8 hectares).
26. WDHB and Unitec are still in negotiations over the extent and location of the Mason Clinic site area. Currently a valuation of the site is being secured, and no formal agreement has been reached to date. Final approval of any purchase of further land by WDHB from Unitec requires the approval of the Capital Investment Committee of Health. Agreement and approval are expected by March 2018.
27. Expansion of the Mason Clinic site by 2.8 hectares is expected to cost [REDACTED] s 9(2)(i). The Zusammen Limited report findings (outlined below) were premised on an expansion of 2 hectares only, at an estimated cost of [REDACTED] s 9(2)(i).

Whole of government outcomes

28. In November 2016, as part of its role in facilitating agreement between Unitec and the WDHB, MBIE contracted Zusammen Limited to undertake an analysis of three options for the future of the Mason Clinic – that the clinic:
 - i. remains at its current site
 - ii. relocates to another central urban site
 - iii. relocates to a site outside the urban boundary.
29. Criteria for the analysis included health, education, housing and whole-of-government outcomes.
30. The analysis recommended that overall, and in the interests of the best possible solution for government, the Mason Clinic remain on an expanded site. The proviso was that appropriate compensation be provided to Unitec for the sale of the land and for any loss of value to its development arising from the negative impacts of the clinic remaining. It was on this basis that the then Ministers of Health and Education directed the parties to enter into negotiations.